

Corporate Governance

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Corporate Governance

Conzzeta attaches great importance to good Corporate Governance and the provision of detailed information for shareholders. On the following pages, the Committee Chairmen report on their activities in 2017.

These accounts are followed by the Corporate Governance Report based on the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as the Compensation Report.



Philip Mosimann, Chairman, HR Committee

Continued focus on sustainable personnel development

Talent development, recruitment of new FoamPartner CEO and harmonization of variable compensation

In 2017, the Human Resources (HR) Committee was once again made up of Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The HR Committee met six times during 2017. The Chairman of the Board, the Group CEO and the Director Group HR generally also attend the meetings in an advisory capacity, but not when their own compensation is determined.

Various measures were pursued in 2017 to close the gaps in succession and personnel development planning that had been identified in 2016 with regard to the top 40 positions at the Conzzeta Group. With regard to the talent pool, there were naturally no great quantitative changes after the first-time realization of the Talent Development Program. However, the program is intended to be repeated every year and will lead to progressively expand the pool of talent and successors. There is also the Global Leadership Program planned for 2018 for members of the Global Management Team. Sustainable personnel development will continue to be an important priority in coming years both at Group level and within the business units. To promote a uniform management culture, the new Group Competencies were introduced worldwide.

The new compensation system for the Executive Committee introduced in 2016 has proved its worth. On that basis, preparations were made in 2017 to harmonize the performance-related variable cash compensation (STI) and introduce a share-based long-term incentive plan (LTI) for the next level of management. Accordingly, the structure of the STI for members of business unit management and for selected Group roles was harmo-

nized effective January 1, 2018, and restricted stock units subject to a vesting period of several years were allocated pursuant to the new LTI scheme. This will further promote the Group's culture of performance and success, align the interests of executives with those of the shareholders and at the same time strengthen management's loyalty to the company.

In the second half of the year, the main priority was to recruit a new CEO for FoamPartner. The post was filled with the appointment of Michael Riedel as of January 1, 2018. Mr. Riedel has a doctorate in chemistry and possesses the ideal combination of relevant experience and skills for the next phase of development and growth at FoamPartner.

The compensation budgets for the Board of Directors and the Executive Committee as approved in a resolution at the 2016 and 2017 Annual General Meetings were adhered to. At the Annual General Meeting in 2018, the shareholders will again pass a new resolution on the compensation budgets for the Board of Directors and the Executive Committee and voice their opinion on the 2017 compensation report by means of an advisory vote.

A handwritten signature in dark ink, appearing to read 'Philip Mosimann', written in a cursive style.

Philip Mosimann
Chairman of the Human Resources Committee



Roland Abt, Chairman of the Audit Committee

New rotation requirements for external audits

Richly laden agenda and improved internal reporting

In 2017, the Audit Committee was once again made up of Matthias Auer, Urs Riedener and Roland Abt (Chairman). During the reporting year, four meetings and one conference call were held. The Chairman of the Board, Group CEO and Group CFO generally also attend the meetings in an advisory capacity alongside the committee members. Where items of relevance to the external auditor are on the agenda, its representatives are also present.

One focus of the Audit Committee's work in 2017 was the acquisition of Otto Bock Kunststoff, for which an extraordinary meeting was held. The Audit Committee reviewed the financial and legal aspects of the due diligence reports and the company valuation. The risks and rewards associated with the transaction were also specifically analyzed.

The internal audit function, which is carried out by the accountancy firm Deloitte, performed valuable work again in 2017. Eight internal audits were carried out, and the Audit Committee discussed the reports in detail. It also considered and approved the audit plan. The Audit Committee regularly monitors the progress of work to address follow-up items identified during the internal audits.

The organization and operation of the Treasury area, which was established in 2015, were examined. The function of the in-house bank for financing the entire Group, as well as monitoring financial risks and hedging them if necessary, is now performed centrally by the Group's treasury department. This prevented duplication and greatly improved the management of financial risks.

During the reporting year, rotation requirements for external auditors were established by the Audit Committee

and approved by the Board of Directors. The rules provide that invitations to tender for the role of external auditor must be put out every 10 to 14 years. A transitional period of three years was agreed. This means that the existing Group audit engagement will have to be put out to tender and newly reassigned within three years at the latest.

Management developed a new concept with the aim of streamlining and expediting Group level reporting. The Audit Committee approved the proposal with certain amendments. The reports are now clearer, more concise and are available more quickly.

In the area of tax, country-by-country reporting was examined. The obligation to prepare these new country-by-country reports with key revenue and income figures arises from an OECD action plan that was implemented in national law. Based on this reporting, measures to avoid potential tax risks were adopted.

A handwritten signature in black ink, appearing to read 'Roland Abt'. The signature is fluid and cursive.

Roland Abt
Chairman of the Audit Committee

Corporate Governance Report

The following information is provided in accordance with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange as valid on December 31, 2017, insofar as it is applicable to Conzzeta AG. Conzzeta AG also acts in accordance with the principles set forth in the Swiss Code of Best Practice for Corporate Governance of *economiesuisse* and implements these in a manner commensurate with its size and structure. It acts under all circumstances according to statutory and regulatory requirements and requires its staff to comply with the law.

Much of the following information has been taken from the Articles of Association and Organizational Regulations of Conzzeta AG. These two documents may be consulted on the website of Conzzeta AG at www.conzzeta.com/en/company/corporate-governance/.

1 Group Structure and Shareholders

Group Structure

The Conzzeta Group is made up of five business units: Sheet Metal Processing (Bystronic), Sporting Goods (Mammut Sports Group), Foam Materials (FoamPartner), Graphic Coatings (Schmid Rhyner) and Glass Processing (Bystronic glass). At the Group level, the Group staff supports the activities of the holding company Conzzeta AG and the operating units. Conzzeta AG, which is based in Zurich, holds direct or indirect equity interests in the companies specified on page 91ff. of the Financial Report. Conzzeta AG is the only listed company. The Conzzeta Class A registered share (securities code number 24401750 and ISIN CH0244017502) is listed on the SIX Swiss Exchange. The stock market capitalization (Class A registered shares) on December 31, 2017, amounts to CHF 1 856 232 000, while the total capitalization (Class A registered shares and Class B registered shares) amounts to CHF 2 103 120 000.

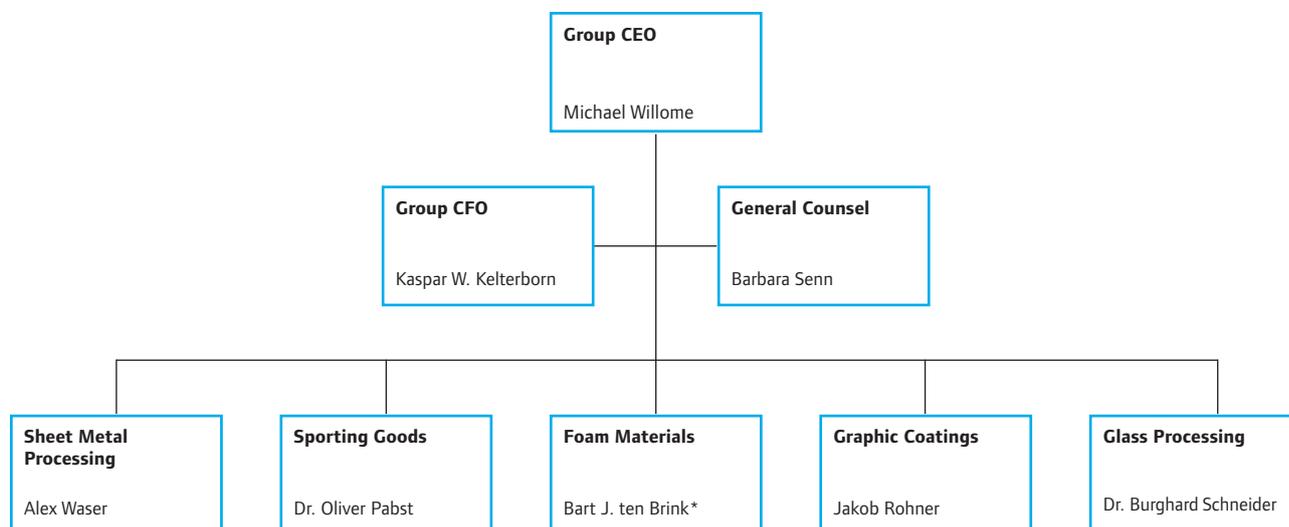
Significant Shareholders

According to the disclosure reports made to the company pursuant to Articles 120 f. of the Financial Market Infrastructure Act (FMIA) on the balance sheet date the shareholder group Auer, Schmidheiny and Spoerry held more than 3 % of the voting rights in Conzzeta AG. The members of the shareholder group Auer, Schmidheiny and Spoerry are indicated on page 106. During the reporting year no disclosure reports were made. Previous disclosure reports may be consulted on the website of the SIX Swiss Exchange (<https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html#notificationId=TBG3U00031>). On December 31, 2017, the share of voting rights of the shareholder group Auer, Schmidheiny and Spoerry in Conzzeta AG amounted to 51.14 %. Out of this figure, 0.14 % relate to treasury shares held by Conzzeta AG.

Cross-Shareholdings

Conzzeta AG does not have any cross-shareholdings with other companies accounting for more than 5 % of the voting rights or capital.

Organization chart



* From 1 January 2018 Dr. Michael Riedel

2 Capital Structure

Capital

According to Article 3 of the Articles of Association of Conzzeta AG, the share capital amounts to CHF 4 140 000. On December 31, 2017, the company did not have any conditional or authorized capital.

Changes in Capital

As at 31 December 2014 the share capital of Conzzeta AG amounted to CHF 5 175 000, consisting of 456 750 Class A shares with a nominal value of CHF 10 and 303 750 Class B shares with a nominal value of CHF 2.

Conzzeta AG resolved upon a share split in a ratio of 1:4 at the Extraordinary General Meeting of June 22, 2015. Each Class A share with a nominal value of CHF 10 and each Class B share with a nominal value of CHF 2 was divided into four shares each with one quarter of the original nominal value. Thereupon, the Extraordinary General Meeting resolved in relation to the spin-off of the Real Estate business unit to reduce the capital from CHF 5 175 000 by CHF 1 035 000 to CHF 4 140 000. The

capital reduction was implemented by reducing the nominal value of Class A registered shares (after the share split) from CHF 2.50 to CHF 2.00 and by reducing the nominal value of Class B registered shares (after the share split) from CHF 0.50 to CHF 0.40. The shareholders in Conzzeta AG were issued with shares in the newly founded Piazza AG to the extent of the reduction in the share capital of Conzzeta AG as a result of the spin-off of the Real Estate business unit, totaling 1 215 000 Class B registered shares with a nominal value of CHF 0.10 each (voting shares) and 1 827 000 Class A registered shares with a nominal value of CHF 0.50 each, making up the nominal value totaling CHF 1 035 000 of Piazza AG. This capital reduction was implemented on June 25, 2015, by registration in the Commercial Register.

Shares and participation certificates

Each share establishes entitlement to one vote at the general meeting. According to Article 15 of the Articles of Association of Conzzeta AG, at least two representatives from each share Class are entitled to a seat on the Board of Directors. The dividend entitlement of Class A registered shares and Class B registered shares (voting shares, unlisted) corresponds to the ratio between the nominal values of the two share classes. The company endeavors to distribute a proportion of between one third and one half of the group profit. The share capital has been fully paid up.

The company has not issued any participation certificates.

Dividend-Right Certificates

Conzzeta AG has not issued any dividend-right certificates.

Limitations on Transferability and Nominee Registrations

Shares in the company are not subject to any restrictions on transfer. Accordingly, nominees are also entered in the share register.

Convertible Bonds and Options

Conzzeta AG has no outstanding convertible bonds and neither the company itself nor its Group companies have issued options on Conzzeta shares.

Shares of the company

	Class A registered shares nominal value CHF 2.00	Class B registered shares nominal value CHF 0.40	Total
Number of shares	1 827 000	1 215 000	3 042 000
Share capital in CHF	3 654 000	486 000	4 140 000

3 Board of Directors



Ernst Bärtschi



Dr. Roland Abt



Dr. Matthias Auer



Werner Dubach



Philip Mosimann



Urs Riedener



Jacob Schmidheiny



Robert F. Spoerry

Members of the Board of Directors

According to Article 14 of the Articles of Association, the Board of Directors of Conzzeta AG consists of between five and eight members. On December 31, 2017, it was composed of eight members.

Name	Function	Appointment
Ernst Bärtschi	Chairman of the Board of Directors	2014
Jacob Schmidheiny	Member of the Board of Directors (from 1984 until 2014: Chairman)	1977
Werner Dubach	Member of the Board of Directors	1993
Dr. Matthias Auer	Member of the Board of Directors	1996
Robert F. Spoerry	Member of the Board of Directors	1996
Philip Mosimann	Member of the Board of Directors	2007
Dr. Roland Abt	Member of the Board of Directors	2014
Urs Riedener	Member of the Board of Directors	2014

Curriculum Vitae and Other Activities and Vested Interests

Ernst Bärtschi

lic. oec. HSG, born in 1952, a Swiss national. Since 2012 he has been a member of the advisory board of the private-equity investor CRCI (China). In 2002, he joined Sika Ltd, Baar, where he worked until 2004 as chief financial officer and from 2005 until 2011 as chief executive officer. After working at Nestlé, Vevey, Ernst Bärtschi occupied various management positions between 1980 and 2002 at the Schindler Group, Ebikon, including managing director of Schindler Switzerland and chief financial officer of the Schindler Group.

Jacob Schmidheiny

lic. oec. publ., born in 1943, a Swiss national. Since 1977, he has been a member of the Board of Directors of Conzzeta AG, previously Zürcher Ziegeleien, which he chaired from 1984 until 2014. In 1976, he was appointed to the Executive Committee of Zürcher Ziegeleien. He was Chairman of the Executive Committee from 1978 until 2001. Under the leadership of Jacob Schmidheiny, the Group transformed itself from a supplier of construction materials into the current industrial holding company. He is also a member of the board of directors of Piazza AG, Zurich.

Werner Dubach

Dipl. Ing. Chem. ETH, MBA, born in 1943, a Swiss national. He is chairman of the board of directors at Datacolor Ltd., Lucerne. From 1998 until 2008, he was chairman and CEO of Eichhof Holding Ltd., Lucerne. In 1983, he became CEO and a member of the board of directors of Brauerei Eichhof. Between 1970 and 1983, Werner Dubach held various management positions within the Eichhof Group. He is also chairman of the board of directors of Entrepreneur Partners AG, Zurich.

Dr. Matthias Auer

Dr. iur., born in 1953, a Swiss national. He has been an independent attorney and notary public in Glarus since 1981. He is also a member of the Glarus Cantonal Parliament and vice-chairman of the board of the Cooperative Migros Zurich.

Robert F. Spoerry

Dipl. Masch.-Ing. ETH, MBA, born in 1955, a Swiss national. He is chairman of the board of directors of Mettler-Toledo International Inc., Greifensee, which he also headed as CEO from 1993 until 2007, and of Sonova Holding Ltd., Stäfa.

Philip Mosimann

Dipl. Ing. ETH, born in 1954, a Swiss national. He has been chairman of the board of directors of Bucher Industries Ltd, Niederweningen, since 2016, which he has led as chairman of the executive committee since 2002. Between 1980 and 2001, he held various management positions within the Sulzer Group from Winterthur, including at Sulzer Innotec Ltd (1980 to 1992), then as head of division at Sulzer Thermtec (1992 to 1996) and as head of division at Sulzer Textil, Rüti (1997 to 2000). He is also chairman of the board of directors of Uster Technologies Ltd, Uster, and a member of the boards of directors of Bobst Group SA, Mex, of Ammann Group Holding AG, Langenthal, and of Vanderlande Industries B.V., Veghel, The Netherlands.

Dr. Roland Abt

Dr. oec. HSG, born in 1957, a Swiss national. He is a member of the board of directors of Swisscom AG, Bern, and of BDWM Transport AG, Bremgarten. Previously, between 2004 and 2017, he was chief financial officer at Georg Fischer Ltd., Schaffhausen, which he joined in 1996, initially working as chief financial officer for the Agie Charmilles Group (1997 to 2004). He held various positions at the Eternit Group in Switzerland and in Venezuela (1987 to 1996).

Urs Riedener

lic. oec. HSG, born in 1965, a Swiss national. Since 2008, he has been chief executive officer at Emmi, Lucerne. Until 2008, he headed the Marketing department and was a member of the general management at the Federation of Migros Cooperatives MGB in Zurich. From 1995 until 2000, he worked at the Lindt & Sprüngli Group, Kilchberg, in various management roles nationally and internationally. He started his career working in various positions at Kraft Jacobs Suchard. Urs Riedener is also a member of the board of Promarca (Swiss Association of Brand Articles), a member of the board of GfM (Swiss Marketing Association) and a member of the executive committee of the Institute for Marketing at the University of St. Gallen.

Following the departure of the previous Group CEO, Robert Suter, Ernst Bärtschi temporarily performed the function of Group CEO as a Delegate of the Board of Directors between February 3, 2015, and the arrival of the current Group CEO, Michael Willome, on January 1, 2016. Otherwise, no member of the Board of Directors works in an executive role for the Conzzeta Group or has worked in any such role within the last four years. No member and no enterprise or organization represented by that

member has any significant business relationship with the Group – other than with the status as a shareholder (for share ownership see page 106 f).

Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC¹

According to Article 28 of the Articles of Association of the company, no member of the Board of Directors may accept more than ten additional appointments, including no more than four in companies listed on the stock exchange. These restrictions do not apply to:

- appointments to companies controlled by the company or that control the company;
- appointments taken up by a member of the Board of Directors on the instructions of the company. No member of the Board of Directors may take up more than ten such appointments; and
- appointments to associations, charitable foundations and staff pension funds. No member of the Board of Directors may take up more than ten such appointments.

Appointments include appointments to the highest management body of a legal entity that must be entered into the Commercial Register or an equivalent foreign register. Appointments to different legal entities under joint control or with the same economic beneficiary are regarded as one single appointment.

Elections and Terms of Office

The date of first election to the Board of Directors of each member is presented in the table on page 29. There are no limitations on the term of office.

None of the rules contained in the Articles of Association concerning the appointment of the Chairman, the members of the Remuneration Committee and the independent proxy deviates from those prescribed by law.

Internal Organization

The powers and tasks of the Board of Directors are determined by law and the Articles of Association along with the Organizational Regulations of Conzzeta AG (see further also “Definition of Areas of Responsibility”, page 33 f). The Articles of Association and the Organizational Regulations of Conzzeta AG may be consulted on the company’s website (www.conzzeta.com/Company/Corporate-Governance), the latter not including the annexes.

Chairman of the Board of Directors

The Chairman of the Board of Directors coordinates the work of the Board of Directors, issues invitations to the meetings of the Board of Directors, determines the agenda, prepares for meetings along with the Group CEO and chairs the meetings. He monitors the implementation of resolutions of the Board of Directors and the general meeting.

Board of Directors

The Board of Directors meets as often as required by business activities, but on no less than five occasions each year. Normally, two meetings are held in the first half of the year and three in the second half of the year. During the reporting year, the Board of Directors held five full-day meetings. The Group CEO, the Group CFO and the General Counsel, who also serves as the Secretary to the Board of Directors, are included in meetings of the Board of Directors, unless decided otherwise by the Board of Directors in relation to individual agenda items. In addition, the relevant heads of the business units and other managers and, on occasion, external advisors may also be included. During the reporting year, an external advisor was invited on two occasions in relation to an agenda item, to respectively one and two meetings of the Board of Directors.

Cooperation between the Board of Directors and its Committees

The Board of Directors may establish committees consisting of its members, unless such a right is vested by law in the general meeting. It has established an Audit Committee with tasks relating to finances and auditing and a Human Resources Committee with tasks relating to personnel and remuneration.

The Board of Directors determines the duties of the committees, subject to provisions of law. Overall responsibility for the tasks transferred to the committees remains with the Board of Directors. However, if the Board of Directors has granted a committee decision-making powers in areas that lie outside the non-transferable powers of the Board of

¹ Ordinance against Excessive Compensation at Listed Joint-Stock Companies.

Directors, the committee concerned bears sole responsibility for such decisions. Ordinarily, no specific responsibility for decisions is transferred to the committees. They thus bear responsibility for the preparation of decisions and for the detailed examination of the affairs to be handled by them, and they submit proposals to the Board of Directors or inform the Board of Directors of their conclusions. The committees report on their activities, results and proposals at the next Board of Directors meeting. The Board of Directors is informed immediately of important events. Brief minutes are taken concerning the meetings of the committees and their decisions, which are also presented to the remaining members of the Board of Directors.

Human Resources Committee

The Human Resources Committee consists of those members of the Remuneration Committee appointed to the task in the course of the Annual General Meeting held on April 25, 2017. These are namely Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry. The Chairman of the Board of Directors also participates in meetings of the Human Resources Committee as a general rule, as well as the Group CEO and the Group HR manager, in an advisory capacity, albeit it not when it comes to determining their own salaries. With regard to using external advisors, reference is made to page 42 ff. of the Compensation Report.

In addition to the tasks essentially outlined in Article 21 of Conzzeta AG's Articles of Association, the Remuneration Committee, acting in its capacity as the Human Resources Committee, executes other tasks which are all described in the Organizational Regulations. Its tasks essentially comprise the following:

- Presentation of proposals to the Board of Directors concerning rules on the remuneration of the Board of Directors and the Executive Committee;
- Examination of all remuneration as to its permissibility;
- Recommendation to the Board of Directors concerning proposals to the Annual General Meeting on remuneration;
- Proposal to the Board of Directors concerning the annual remuneration of the members of the Board of Directors, the Group CEO and the other members of the Executive Committee;
- Preparation of the Compensation Report and discussion of the report with the auditors; presentation of proposals to the Board of Directors;
- Assessment of share and option plans in addition to bonus plans and other performance-related remuneration with regard to compliance with the provisions of

the Articles of Association applicable to such matters, and the payment of variable remuneration in cash or as options and shares to members of the Board of Directors and the Executive Committee; presentation of proposals to the Board of Directors;

- Proposal to the Board of Directors concerning the setting of the principles applicable to the selection procedure for candidates for election to the Board of Directors or the Executive Committee and preparation of the short-list of candidates;
- Preparation of medium- to long-term succession planning for members of the Board of Directors and members of the Executive Committee;
- Recommendation concerning appointments for the attention of the Board of Directors to the Group CEO, Group CFO and the members of the Executive Committee;
- Monitoring of training and staff advancement measures;
- Assessment of managers and internal talent;
- Assessment of staff pension benefits;
- Any recommendations and monitoring of compliance with Group targets in relation to personnel;
- The issuance of guidelines on the acceptance by members of the Executive Committee of appointments outside the Group and the presentation of proposals to the Board of Directors in individual cases.

The Human Resources Committee meets at least twice annually. In the reporting year, three half-day meetings and three meetings lasting for one and a half hours were held. Additional details can be found in the Compensation Report on page 44 ff., as well as the activity report of the Chairman of the Human Resources Committee on page 24.

Audit Committee

The Audit Committee consists of Roland Abt (Chairman), Matthias Auer and Urs Riedener. As a rule, the meetings of the Audit Committee are also attended in an advisory capacity by the Chairman of the Board of Directors, the Group CEO and the Group CFO. Upon invitation by the Chairman, the external auditors and internal auditors of the company may also attend meetings or participate in discussions of individual items on the agenda. The essential tasks of the Audit Committee are described in the Organizational Regulations. They include in particular:

- Examination of and presentation of proposals to the Board of Directors concerning the organization of the accounting, financial control and financial planning systems;

- Critical analysis of individual company and Group financial statements (annual and half-year financial statements). Discussion of these financial statements with the Group CFO, the internal auditors and the external auditors. Presentation of proposals to the Board of Directors concerning these financial statements;
- Assessment of the efficacy and performance of the external auditors and their fee, as well as their independence. Decision regarding the issue of additional mandates to the external auditors other than the auditing mandate; Preparation of the proposal of the Board of Directors to the general meeting regarding the election of the external auditors. Presentation of proposals to the Board of Directors concerning the form of the auditing mandate. Assessment of the reports of the external auditors (including in particular the audit report and the comprehensive report pursuant to Article 728b CO) and the discussion of these reports with the external auditors;
- Assessment of the functional capability of the internal control system, taking account of risk management, compliance and internal auditing. Discussion and establishment of the audit program for the internal auditors. Acceptance of reports from internal auditors and discussion of these reports with the internal auditors. Reporting to the Board of Directors;
- Approval of the method used for assessing acquisitions at the Group level and individual assessment of major acquisitions for presentation to the Board of Directors;
- Assessment of pension plans and the associated risks;
- Assessment of further Group solutions in the financial field such as treasury, taxation and dividend payments by the direct subsidiaries of Conzzeta AG, etc.;
- Assessment of initiatives by the Board of Directors in the area of finance and accounting such as, for example, the achievement of specific financial targets and key performance indicators (KPI); reporting to the Board of Directors on fulfillment of targets.

The Audit Committee meets upon invitation by the Chairman as often as required by business, but on no less than three occasions each year. It normally meets in March, August and November and at these meetings discusses, among other things, any annually recurring issues in accordance with the description of tasks provided above and following a standard agenda. During the reporting year, the Audit Committee held four half-day meetings and one one-hour telephone conference. Additional details can be found in the activity report of the Chairman of the Audit Committee on page 25.

Definition of Areas of Responsibility

The Board of Directors of Conzzeta AG bears responsibility for the overall management, supervision and control of the Group and its management and monitors compliance with the provisions of applicable legislation. Acting on a proposal by the Group CEO, it decides on the strategic targets of the Group and the financial and human resources necessary in order to achieve the targets. In addition, the Board of Directors determines the values and standards of the Group and ensures that duties towards shareholders and other stakeholders are complied with. Specifically, the Board of Directors is vested in particular with the following tasks:

- Overall management of the company and the setting of targets relating to corporate policy and culture, approval of Group strategy and the strategic priorities of individual business units;
- Approval of the strategic and financial targets of the Group and the business units;
- Risk assessment for the Group;
- Decisions on the creation of new business units or the abandonment of existing business units. Approval of significant acquisitions, mergers, sales, or individual projects;
- Adoption of resolutions relating to contracts under which Conzzeta AG acts as a party to mergers, spin-offs, transformations, or transfers of assets under the Mergers Act;
- The organization of the accounting, financial control and financial planning for the Group and the organization of a comprehensive reporting system in line with strategy;
- Approval of the applicable accounting standards, the framework conditions for financial control and the internal control system along with any significant changes to the same;
- Annual assessment and approval of the budget and medium-term planning for the Group and business units;
- Examination and approval of the (annual and half-year) financial statements and Group reporting;
- Compilation of the Annual and the Compensation Report;
- Notification of the court in the event that the company is overindebted;
- Assessment of liquidity with reference to Group goals;
- Determination of the organization and the issuance of organizational regulations for the Group;
- Examination and approval of management principles, Group guidelines and the Group management structure;

- Overall supervision of the persons entrusted with managing the company, including with regard to compliance with laws, the Articles of Association and regulations and the implementation of the resolutions of the Board of Directors and of the general meeting;
- Appointment and removal of members of the Executive Committee;
- Calling of annual and extraordinary general meetings;
- Adoption of resolutions on proposals presented to shareholders;
- Implementation of resolutions adopted by shareholders.

On the basis of the Organizational Regulations, the Board of Directors has delegated the operational management of business to the heads of the business units, who are also members of the Executive Committee, under the leadership of the Group CEO. The heads of the business units are responsible for the comprehensive operational management of their business units. They manage them in accordance with the strategy approved by the Board of Directors, strategic financial planning, and the annual budget. Important transactions that exceed a particular financial threshold must be presented to the Board of Directors in advance for approval, such as in particular decisions concerning the incorporation or sale of subsidiaries, the acquisition or sale of equity interests, restructuring projects, investments, acquisitions, divestments, the purchase and sale of real estate, the conclusion of rental agreements and leases, consultancy contracts, cooperations and strategic partnerships, major projects (e.g. in the area of IT, development, organization) and financial obligations, the instigation of judicial proceedings and the conclusion of settlements, the threshold values for which lie between CHF 3 and 10 million, depending on the transaction.

Information and Control Tools vis-à-vis the Executive Committee

The Conzzeta Group has a well-developed planning and information system. It is built from the bottom up with increasing consolidation. The Board of Directors is informed in writing and orally of the strategies, plans and results of all business units. The Board of Directors receives a consolidated monthly statement containing the key figures on Group level and for the business units and a commentary on the most important occurrences. In addition, the Board of Directors is also provided on a quarterly basis with further detailed reports containing the consolidated accounts for the business units and the Group. Each year the Board of Directors is presented with strategic financial planning and operational annual plans for approval.

The Group CEO informs the Board of Directors at every meeting of the current development of the business activities of the Group and the business units along with important developments, projects and risks. The Group CEO also informs the Board of Directors of any deviations from the budget and strategic financial planning based on analyses of the performance of the Group's principal markets as well as measures to ensure that targets are achieved. In an emergency, the Board of Directors is informed immediately.

The Conzzeta Group applies methodological processes, which the Board of Directors uses as a basis for assessing the business outlook and strategic, financial and operational risks. Alongside the financial reports and analyses, these constitute the internal control system and the strategic and operational risk management. The Board of Directors receives an annual report concerning the risk situation drawn up by the Group CEO in consultation with the Group CFO and the General Counsel, which is based on the written risk reports of the business units following the discussions of the same. As regards the risk management process, reference is made to the statements on page 9. In addition, the Board of Directors receives a report on the internal control system, the management letter from the external auditors, the comprehensive report of the external auditors for the Board of Directors each year along with a report on the employee pension funds in Switzerland.

The internal audit function was carried out by the auditing company Deloitte. The internal auditors perform the internal operational audit function within the Group. They report to the Chairman of the Audit Committee. Coordination of the implementation of auditing tasks is delegated to the Group CFO. The internal auditors carry out audits within the Group in accordance with the auditing plan proposed by the Audit Committee and determined by the Board of Directors. The audits cover the following areas on a rolling basis:

- effectiveness of selected operational processes on the level of the Group, business units and selected Group companies, in particular with regard to the requirements of the Group and the business unit concerned;
- effectiveness of governance and risk management requirements and processes;
- effectiveness of internal control processes;
- reliability and comprehensiveness of financial and operational information;
- compliance with provisions of law, the Articles of Association and internal regulations.

The internal auditors draw up reports containing recommendations for the local management and the Audit Committee. The local management states its position regarding the recommendations and, where it agrees with the recommendations, implements corrective measures promptly. If local management rejects a recommendation whilst the internal auditors and the Group CEO wish to pursue it, it is implemented on the instructions of the Audit Committee. During the reporting year, eight internal inspections were carried out by Deloitte. The internal auditors attended two out of the four meetings of the Audit Committee.

The Board of Directors reviews the group strategy each year and deals in depth with key strategic issues at business unit level at regular intervals. The business units present their situation and plans upon invitation by the Board of Directors. Special documents are prepared concerning important individual transactions, which are explained by the persons responsible at the meetings of the Board of Directors.

The Chairman of the Board of Directors also participates in annual strategy meetings of the business units and individual project meetings and visits Group companies nationally and abroad.

With regard to participation by the Group CEO and the Group CFO at meetings of the committees of the Board of Directors, reference is made to page 32 f.

4 Executive Committee



Michael Willome



Bart J. ten Brink



Kaspar W. Kelterborn



Dr. Oliver Pabst



Jakob Rohner



Dr. Burghard Schneider



Barbara Senn



Alex Waser

Members of the Executive Committee

On December 31, 2017, the Executive Committee was composed of the following persons:

Name	Function	In office since
Michael Willome	Group CEO	2016
Bart J. ten Brink	Head of the Foam Materials business unit	2009
Kaspar W. Kelterborn	Group CFO	2006
Dr. Oliver Pabst	Head of the Sporting Goods business unit	2016
Jakob Rohner	Head of the Graphic Coatings business unit	2011
Dr. Burghard Schneider	Head of the Glass Processing business unit	2014
Barbara Senn	General Counsel	2014
Alex Waser	Head of the Sheet Metal Processing business unit	2013

Curriculum Vitae and Other Activities and Vested Interests

Michael Willome

lic. oec. HSG, born in 1966, a Swiss national. He previously worked from 1997 in various management positions at Clariant AG, a Swiss Group in the specialty chemicals sector with global operations. From 2010 onwards, he was responsible there for the global Industrial & Consumer Specialties (ICS) business unit, after serving for 14 years in various management roles in Hong Kong, Canada and Turkey. He previously worked at Novartis in Group Auditing. Michael Willome is a member of the supervisory board of several subsidiaries based in Switzerland, Germany and Austria of the Swedish industrial group Indutrade.

Bart J. ten Brink

Dipl. Ing. VAT Tilburg, born in 1964, a Dutch national. From 1991, he worked for the international foam material manufacturer Recticel N.V. in various management and executive functions. During the last ten years at Recticel N.V., he led both strategic segments of composite foams and sound insulation products, with global responsibility. Between 1995 and 1998, he was in charge of the Nordflex Group Scandinavia (joint venture between Recticel Int. and Shell Scandinavia) as technical director and industrial manager. Between 1992 and 1995, he was plant manager at Recticel Industry Buren. Bart J. ten Brink is chairman of the board of directors of EUROPUR, the European Association of Flexible Polyurethane Foam Blocks Manufacturers.

Kaspar W. Kelterborn

lic. oec. HSG, born in 1964, a Swiss national. Between 2003 and mid-2005, he was the chief financial officer and a member of the executive committee at the Unaxis Group. Between 1996 and 2002, he worked for the Clariant Group abroad, performing managerial roles in the areas of finance and controlling, including between 2000 and 2002 as the head of finance at a division with global operations based in Manchester, England; between 1998 and 2000 as chief financial officer for the ASEAN region based in Singapore, and between 1996 and 1998 as country head of finance for Spain and Thailand. Between 1992 and 1995, he worked for Sandoz International Ltd in Switzerland and abroad. Kaspar W. Kelterborn is a member of the board of directors of CPH Chemie + Papier Holding AG, Root.

Dr. Oliver Pabst

Dr. oec. HSG, born in 1966, a German national. From 2006, he was a member of the executive board at Willy Bogner KGaA, Munich, and general manager of various units with strategic and operational responsibility for international business, retail and e-commerce. From 2002 until 2005, he was Managing Partner at Boards & More Holding SA, Montreux. Oliver Pabst started his career in 1993 at McKinsey & Company in Zurich. He is chairman of the supervisory board at Bergfürst AG, Berlin, and a member of the supervisory board at Avenso GmbH, Berlin, and a member of the Board of Directors at Swisscommerce Holding AG, Langenthal.

Jakob Rohner

Dipl. Ing. HTL, MBA, born in 1958, a Swiss national. Between 2009 and 2011, he worked as an advisor to Ivers-Lee AG, Burgdorf. Between 2007 and 2009, he was chief executive officer at Cham Paper Group, Cham. Prior to that, between 2000 and 2006, he also worked as chief executive officer at HTS Suisse SA, Glattbrugg. Between 1993 and 1999, he worked in various management positions at Biberist Paper Mill, which was part of the Metsä-Serla Group.

Dr. Burghard Schneider

Dr.-Ing., born in 1965, a German national. Between 2008 and the time he joined the Conzzeta Group, he worked at the international Felss Group, initially as a managing director of Felss Systems GmbH, and from 2011 also as Chief Marketing and Technology Officer in the management of Felss Holding. He previously worked for ten years in various managerial positions at the German specialty glass manufacturer Schott AG. During this period, he tapped into new technological and regional markets for the company.

Barbara Senn

lic. iur., Attorney-at-Law, LL.M., born in 1967, a Swiss national. She has been General Counsel for the Conzzeta Group since 2010. She previously worked at Georg Fischer AG, Schaffhausen, as a legal adviser and corporate compliance officer (2002 to 2010) and, between 1996 and 2001, as legal counsel at the Rieter Group in Winterthur.

Alex Waser

Automotive engineer HTL, MBA, born in 1967, a Swiss national. Between 2010 until his arrival at the Conzzeta Group, he managed the majority of European markets for Ecolab, a US provider of systems solutions for the food industry, out of its European branch Ecolab Europe GmbH, Wallisellen. Between 1994 and 2010, he worked at the SPX Group, a business offering workshop equipment and diagnostic systems for the automotive industry worldwide. During this time, he performed various management functions in Europe and in the United States, including most recently that of president of Service Solutions for SPX Europe GmbH, Hainburg (Germany), for the Europe, Middle East and Africa regions.

The members of the Executive Committee do not carry out any significant activities outside the Conzzeta Group other than those specified above.

Rules Contained in the Articles of Association Relating to the Number of Permitted Activities under Article 12 para. 1 point 1 OaEC

According to Article 28 of the Articles of Association of the company, no member of the Executive Board² may accept more than four appointments, including no more than two in companies listed on the stock exchange. Each appointment must be approved by the Board of Directors. These restrictions do not apply to:

- appointments to companies controlled by the company or that control the company;
- appointments taken up by a member of the Executive Board on the instructions of the company. No member of the Executive Board may take up more than ten such appointments; and
- appointments to associations, charitable foundations and staff pension funds. No member of the Executive Board may take up more than ten such appointments.

Appointments mean appointments to the highest management body of a legal entity that must be entered into the Commercial Register or an equivalent foreign register. Appointments to different legal entities under joint control or with the same economic beneficiary are regarded as one single appointment.

² The term “Executive Committee” used in the Articles of Association refers to the group of individuals designated in the Annual Report, in the Organizational Regulations, on the website of the Conzzeta Group or elsewhere as the group management.

Management Contracts

Conzzeta AG has not concluded any management contracts with companies or natural persons from outside the Group.

5 Compensation, Shareholdings and Loans

Content and Method for Determining Compensation and Shareholding Programs

Regarding compensation and shareholdings of members of the Board of Directors and the Executive Committee, along with the content of, responsibility for and the procedures for determining compensation and shareholding programs and any loans, credit, or retirement benefits, please refer to the statements in the Compensation Report, pages 42 ff.

Rules contained in the Articles of Association

According to Article 25 of the Articles of Association of Conzzeta AG, the company may pay the members of the Executive Board a performance-related remuneration in addition to their fixed remuneration. The performance-related remuneration paid in any given year may not exceed 150 % of the fixed remuneration for that year.

The performance-related remuneration is determined in accordance with company targets. It takes account in particular of:

- a. the achievement of planned targets within the area of responsibility;
- b. the further development of the business;
- c. staff management and development.

The remuneration of the Board of Directors and the performance-related remuneration of the Executive Board may be paid in cash or through the allocation of shares or options. The shares must be acquired on the market. The remuneration may be paid by the company or by companies controlled by it.

According to Article 24 of the Articles of Association of Conzzeta AG, the company or the companies controlled by it are empowered to pay an additional amount of up to 35 % of the relevant approved overall amount for the duration of the remuneration periods already approved to any member who joins the Executive Board or is promoted within the Executive Board after remuneration has been approved by the general meeting.

According to Article 27 of the Articles of Association of Conzzeta AG, the company or companies controlled by it may arrange for alternative retirement benefits for members of the Executive Board who do not or only partially benefit from Swiss pension funds.

The company or companies controlled by it may grant loans up to the value of the annual remuneration to members of the Executive Board.

The Articles of Association do not contain any rules on loans, credit, or retirement benefits with respect to members of the Board of Directors.

The general meeting has the non-transferable power to approve the remuneration of the Board of Directors and the Executive Board (Article 9 para. 5 of the Articles of Association of Conzzeta AG). According to Article 23 of the Articles of Association, the general meeting approves the proposals of the Board of Directors concerning the maximum overall amounts a) of the direct and indirect remuneration of the Board of Directors for the period until the next ordinary general meeting; b) of the direct and indirect remuneration of the Executive Board for the following financial year.

The Board of Directors may present additional or differing proposals relating to the same period or other periods for approval by the general meeting.

6 Participation Rights of Shareholders

Restrictions on Voting Rights and Representation

Each Class A registered share and each Class B registered share is entitled to one vote at the general meeting of the company (Article 13 para. 1 of the Articles of Association). The shares of Conzzeta AG are not subject to any restrictions on voting rights per the Articles of Association.

Pursuant to Article 689 para. 2 CO, a shareholder may represent his or her own shares at the general meeting or arrange to be represented by a third party. According to Article 9 OaEC, the shareholders may also authorize the independent proxy to exercise their voting rights. In addition, according to Article 13 of the Articles of Association, the Board of Directors issues rules of procedure concerning participation in and representation at the general meeting. The company recognizes only one representative per share.

The Articles of Association of Conzzeta AG do not contain any regulations governing the issue of instructions to the independent proxy or concerning electronic participation at the general meeting.

Quora Stipulated in the Articles of Association

According to Article 11 of the Articles of Association of Conzzeta AG, a resolution by the general meeting requires at least two-thirds of the votes represented and an absolute majority of the nominal value of shares represented for:

- any amendment of the Articles of Association;
- any change to the share capital;
- any restriction or cancellation of the subscription right;
- the dissolution of the company.

Except as provided by Article 704 CO, the general meeting passes all other resolutions and conducts elections by an absolute majority of the votes cast, excluding blank or invalid votes.

Calling of the General Meeting

According to Article 8 of the Articles of Association of Conzzeta AG, invitations to ordinary and extraordinary general meetings are issued no later than 20 days prior to the date of the meeting by the Board of Directors, or as the case may be, by the external auditors, by a notice published in the Swiss Official Gazette of Commerce, which must state the agenda items and the proposals of the Board of Directors, and as the case may be, of the shareholders who have requested that a general meeting be held or that a specific item be placed on the agenda.

Shareholders representing at least 10% of the share capital may request that a general meeting be called.

Inclusion of Items on the Agenda

Article 8 of the Articles of Association of Conzzeta AG provides that shareholders representing at least 5% of the share capital may request that a specific item be placed on the agenda. The request must be filed with the company at least 40 days before the general meeting.

Subsequent to the reduction of the share capital approved at the Annual General Meeting of April 29, 2014 (see, in this regard, 2016 Annual Report, “Changes in Capital”, page 25 f., www.conzzeta.com/en/media-center), the Board of Directors considered reducing the percentage threshold required in order to place a certain item on the agenda and arrived at the conclusion that, in view of the shareholder structure of Conzzeta AG, it was not advisable to reduce the threshold.

Entries in the Share Register

According to Article 13 para. 2 of the Articles of Association of Conzzeta AG, the Board of Directors issues rules of procedure concerning participation in and representation at the general meeting. The Board of Directors has resolved to set the cut-off date for participation in a general meeting at five working days before the date of the meeting. The cut-off date is announced in the invitation to the shareholders. No entries may be made in the share register between the cut-off date and the date of the meeting. There are no rules that allow for any exceptions.

7 Change in Control and Defensive Measures

Duty to Offer

According to Article 6 of the Articles of Association of Conzzeta AG, purchasers of shares in the company are not obligated to present a public offer to buy in accordance with Article 135 (1) of the Financial Market Infrastructure Act (FMIA) (opting-out).

Change of Control Clauses

No agreements or plans contain any change of control clauses in favor of the members of the Board of Directors. Regarding the share rights to be granted to certain employees of Conzzeta Group from 2018 (restricted share units; see further Compensation Report, page 44 ff.), a change of control at the level of Conzzeta AG, its merger with an unrelated company or the disposal of the entirety of or a majority of a business unit to an unrelated company would trigger the early transformation of the entitlements over Conzzeta shares, although in the last-mentioned case only for employees whose employment relationship with a company from the Conzzeta Group has ended for this reason or has been transferred to the new owner. The lock-up periods for the Conzzeta shares allocated to the members of the Executive Committee also end under the same circumstances (see further the Compensation Report, page 47 f.).

8 Auditors

Duration of the Mandate and Term of Office of the Chief Auditors

Since 1939, the statutory auditors of Conzzeta AG have been KPMG Ltd, based in Zurich, or its legal predecessor. The chief auditor, François Rouiller, has been responsible for the mandate since financial year 2017. According to Article 730a (2) of the Swiss Code of Obligations, the chief auditor changes every seven years.

Auditing fee

The auditing company KPMG charged the following fees for the reporting year:

- Auditing fees: CHF 1 275 000.
- Additional fees for auditing and consultancy services in connection with acquisitions and tax advice: CHF 247 000.

Information Tools Pertaining to the External Auditors

The Audit Committee established by the Board of Directors for finance and auditing assesses the efficacy, performance, fee and independence of the auditors and presents a report concerning these matters once each year to the Board of Directors. This assessment by the Audit Committee, in particular also in relation to the quality of the inspection work, is made during a discussion conducted following the presentation by the external auditors concerning the interim audit and the audit on the yearly financial statements. The Board of Directors does not carry out any further assessment without cause.

The auditors are invited to the meetings of the Audit Committee where the issues dealt with are relevant. During the reporting year, they participated in three of the four meetings. In particular, the interim audit report, the annual financial statement, the management letter and the comprehensive report to the Board of Directors are discussed between the Audit Committee and the auditors, the first in November and the others in March. The Chairman of the Audit Committee and the Group CFO inform the Board of Directors at the Board of Directors' meeting in March about the auditors' reports, their own assessment of the issues raised and the action to be taken. At its meeting in August, the Audit Committee establishes the key points of the audit along with the auditors for presentation to the Board of Directors.

The Group CFO prepares all of these matters in conjunction with the auditors for discussion by the Audit Committee and approval by the Board of Directors and implements the recommended improvements.

As regards non-audit services, care is taken to ensure that no mandates are placed with KPMG that could result in a conflict of interest with the auditing mandate or impair its independence.

Regarding the information tools available to the internal auditors, reference is made to the comments provided under the title "Information and Control Tools vis-à-vis the Executive Committee" (page 34 f.).

9 Information Policy

According to Article 32 of the Articles of Association of Conzzeta AG, the publication organ of the company is the Swiss Official Gazette of Commerce. In the situations prescribed by law, written notices are sent by the company to the shareholders or beneficial owners registered at the time of the notice by ordinary letter to the service address included in the share register.

The company publishes an annual report for the period ending December 31 and an interim report for the period ending June 30. Interested persons can obtain information at Conzzeta AG's website, via the company's press releases (pull-service: www.conzzeta.com/en/media-center/news-releases) or subscribe to an e-mail distribution list (push-service: www.conzzeta.com/en/media-center). A financial press and analysts' conference is held for media and financial analysts in conjunction with the publication of the Annual Report. The Group accounts drawn up according to Swiss GAAP FER provide an overview that corresponds to the actual circumstances.

The above and further information concerning the company, including next events and contacts, are available on the website www.conzzeta.com (contact data and agenda on the start page).

10 Significant Changes since the Balance Sheet Date

On October 31, 2017, Conzzeta AG announced that, with effect from January 1, 2018, the Board of Directors appointed Dr. Michael Riedel as the new head of the FoamPartner Business Unit and as a member of the Executive Committee. He replaces Bart J. ten Brink, who resigned as head of the FoamPartner Business Unit and as a member of the Executive Committee at the end of 2017.