

# Compensation Report

The Compensation Report provides an overview of the compensation programs and the method for determining compensation at Conzzeta. It documents the compensation awarded to the Board of Directors and the Executive Committee in financial year 2017.

The report conforms to the relevant provisions of the Ordinance against excessive pay in stock listed companies (“VegüV”), the standards relating to information on corporate governance issued by SIX Swiss Exchange, and the principles of the *économiesuisse* “Swiss Code of Best Practice for Corporate Governance”.

## 1 Compensation governance

### 1.1 Shareholder involvement

At the last ordinary Annual General Meeting (AGM) of shareholders on April 25, 2017, the members of the Human Resources (HR) Committee, which was established in 2014, were re-elected by the shareholders. They also adopted the 2016 compensation report presented for a consultative vote and approved the maximum total compensation for the Board of Directors for the 2017/2018 term of office amounting to CHF 1.5 million and for the Executive Committee for the 2018 financial year in the amount of CHF 7.7 million.

At the upcoming ordinary AGM on April 24, 2018, shareholders will be able to adopt a binding vote on the prospective total compensation to be awarded to the Board of Directors and to the Executive Committee, respectively. They will also be able to voice their opinion retrospectively in a consultative vote on this compensation report.

### 1.2 Duties of the Board of Directors

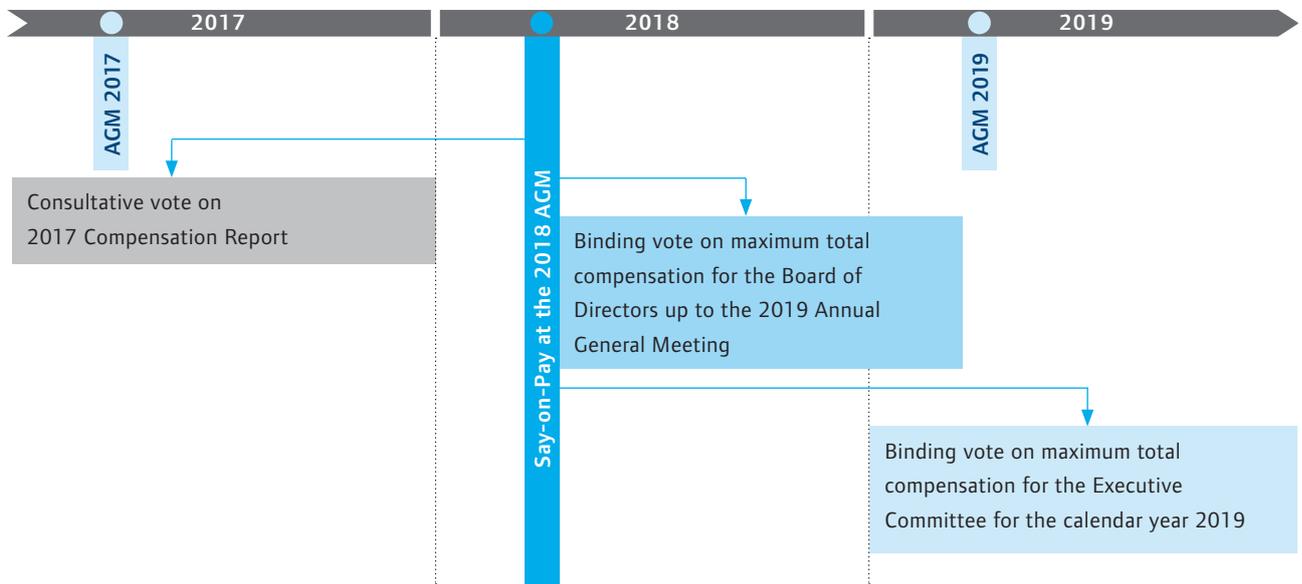
At the request of the HR Committee, the Board of Directors approves the personnel and compensation policy for the Group, and the general terms of employment of the members of the Executive Committee.

At the AGM, the Board of Directors puts forward its own total compensation amount and that of the Executive Committee for approval. It also approves the compensation to be awarded individually to the members of the Board of Directors and Executive Committee, based on the proposal of the HR Committee and with reference to the total compensation amounts agreed at the AGM.

### 1.3 Duties of the HR Committee

As determined in the Articles of Association and in the Organizational Rules of Conzzeta AG, the HR Committee, which also performs additional tasks in its role as the Personnel Committee (HR Committee), is responsible for preparing the proposals for the attention of the Board of Directors in relation to nomination and compensation matters:

## Structure of shareholders' voting on compensation at the 2018 AGM



### Nomination:

- Development of the selection criteria for positions on the Board of Directors and on the Executive Committee
- Succession planning for positions on the Board of Directors and on the Executive Committee
- Assessment and encouragement of the executives and talents
- Supervision of the human resources policy and personnel development plans
- Responsibility for the guideline on permissible external mandates for the members of the Executive Committee and preparation of the respective requests to the Board of Directors

### Compensation:

- Motion to the Board of Directors on the compensation policy for members of the Board of Directors and of the Executive Committee
- Review of compensation system and related payments, and of their compliance with the provisions of the Articles of Association
- Preparation of motions to the AGM on the maximum total compensation for the Board of Directors and Executive Committee
- Proposal on the compensation of the individual members of the Board of Directors and of the Executive Committee
- Review and assessment of pension plans
- Preparation of the Compensation Report

The final decision on the compensation of the Board of Directors and the Executive Committee within the maximum compensation agreed at the AGM remains with the Board of Directors.

The HR Committee consists of three members of the Board of Directors who are elected individually and annually by the Annual General Meeting of shareholders for a period of one year. At the 2017 Annual General Meeting of shareholders, Philip Mosimann (Chairman), Werner Dubach and Robert F. Spoerry were re-elected as members of the HR Committee.

The HR Committee meets as often as business requires, but at least three times a year. At the start of the year, the HR Committee proposes to the Board of Directors the variable compensation of the Group CEO and the other members of the Executive Committee for the previous financial year based on the assessment of business and individual performance. The Committee also proposes the compensation of the members of the Board of Directors for the term of office completed and presents the Compensation Report to the Board of Directors. The meeting at year-end is dedicated on the one hand to nomination matters such as the succession planning for positions on the Board of Directors and on the Executive Committee, the definition of appropriate selection criteria for such positions and the review of personal development plans. At the same meeting, the (target) compensation amounts for the Group CEO and the other Executive Committee members for the following year are established.

## Responsibilities

	CEO	HR Committee	Board of Directors	Annual General Meeting
Compensation policy		proposes	approves	
Total compensation of Board of Directors		proposes	proposes	approves
Compensation of individual members of Board of Directors		proposes	approves	
Total compensation of Executive Committee		proposes	proposes	approves
Individual compensation of CEO		proposes	approves	
Compensation of individual members of the Executive Committee	proposes	proposes	approves	
Compensation Report		proposes	approves	consultative vote

As a general rule, the Chairman of the Board, the Group CEO and the Head of Corporate Human Resources are invited to join the meetings of the HR Committee in an advisory capacity. The HR Committee Chairman may invite other members of the Executive Committee as appropriate. The Chairman of the Board, the Group CEO and other executives do not take part in the discussions concerning their own compensation.

The HR Committee Chairman reports to the Board of Directors on the activities of the Committee after each meeting. The minutes of the Committee meetings are made available to all members of the Board of Directors.

## 2 HR Committee priorities in 2017

The HR Committee met six times during the 2017 reporting year. Its principal focus was the search for and selection of the CEO for FoamPartner (Foam Materials business unit) and the introduction of a share-based compensation component for the next level of management. Other priorities were the introduction of targeted personnel development initiatives to expand the internal pool of management candidates, an outcome of the 2016 analysis of the Conzzeta Group's succession planning and the development and implementation of Group competencies.

### 2.1 Recruitment of FoamPartner CEO

Following Bart J. ten Brink's mutually agreed replacement as CEO of FoamPartner and member of the Executive Committee, it was the responsibility of the HR Committee to find a successor. Key requirements were all-encompassing and international management experience in the chemical industry and the ability to define and control FoamPartner's strategic direction in accordance with the

Group's objectives, while specific experience with integration processes was also regarded as important. In a defined recruitment process and on the recommendation of the HR Committee, the Board of Directors appointed Michael Riedel as the new CEO of FoamPartner and member of the Executive Committee effective January 1, 2018.

### 2.2 Harmonization of the compensation system for the next management level

Promoting a culture of performance and success entails, among other things, a more entrepreneurial way of thinking and aligning the interests of employees with those of the company's shareholders. For this reason and as a means of encouraging employee loyalty, the Board of Directors approved, on the HR Committee's recommendation, the introduction of a share-based long-term incentive plan (LTI) representing no more than 10% of annual base salary. The members of business unit management and persons in selected Group roles are eligible to participate in the LTI scheme. The first allocation of restricted stock units (RSUs) will be made at the end of March 2018.

The value of the LTI allocation for the aforementioned management level depends on earnings per share (EPS) and may vary between 100% and 150% of the target amount. The number of allocated restricted stock units is determined by dividing the calculated monetary value of the LTI (EPS rate of target achievement × LTI target amount) by the average share price in the period from November 1 of the current period to January 31 of the following period. The restricted stock units are subject to a three-year vesting period and will thereafter be converted into Conzzeta AG shares based on a ratio of 1:1. This is conditional upon the employees concerned being in employment at the time of the conversion and allocation of shares, with no period of notice served by

either side. Shares will be allocated to employees after the Board of Directors has approved the annual financial statements, and the number of shares allocated will be rounded up to the next whole number. Employees who terminate their employment forfeit their restricted stock units. As a transitional arrangement, eligible employees who were employed at the company prior to July 1, 2017 may convert up to one third of the RSUs allocated in 2018 each year starting in 2019.

In addition to the introduction of the LTI, the existing regulations for eligible employees were reviewed and the existing performance-based cash component was harmonized in the form of a Group short-term incentive plan (STI). The annual STI target amount is usually no more than 20% of annual base salary. The performance parameters comprise financial targets (KPIs) (75%) and an individual target (25%), which are agreed at the beginning of the year during an individual target-setting process. The weighting of the respective targets under the STI for the Executive Committee (see section 4.2) also applies to the STI for members of Group staff and business unit employees, although for the latter, only the financial targets of their own business units are relevant. The financial targets are usually based on the respective budget allowance, and budget variances result in upward or downward adjustments. The amount of the STI payout is therefore based on the extent to which the employee's business unit has achieved its targets and the extent to which the employee achieved his or her individual targets. It may range from 0% to not more than 30% (the cap) of base salary.

### 2.3 Succession planning and personnel development

The key positions within the Conzzeta Group defined in 2016 were periodically reviewed in 2017 as regards succession planning. Despite the introduction of initial targeted personnel development initiatives, there is still a need for action both with respect to direct and medium-term successors. It is hoped that the introduced personnel development initiatives will expand the internal pool of management candidates for key positions within the Conzzeta Group.

In 2017, a two-part Talent Development Program was run for the first time with participants from all business units (module 1 held in February 2017 in Switzerland; module 2 held in June 2017 in Hong Kong). Participants were selected based not only on their individual potential as managers, but also based on skills defined as relevant within the framework of the new Group competencies.

The program consists of a personal assessment, individual coaching and the compilation of a further development plan at the end of the second training module. During the program, the participants worked on specific projects in multi-disciplinary teams with the aim of generating concrete results within 100 days. The plan is to run the Talent Development Program annually in the future with 15 to 20 candidates. The candidates for the 2018 program have already been selected, and the first module of the 2018 program was again successfully completed in February.

Since 2017, the Global Management Team (GMT) has been invited once a year to a two-day annual conference. The team includes the members of the Executive Committee, the members of business unit management, the heads of the Group functions and other selected key functions. Starting in 2018, there are plans to launch and run a global leadership program for GMT members. The goal is to promote and develop a shared understanding of leadership at Conzzeta which cuts across the various business divisions.

### 2.4 Group competencies

In 2017, the Group competencies developed by the Executive Committee were rolled out across all of the business units and incorporated in internal HR processes. The Group competencies are seven strategically relevant key skills (see page 8) which form the basis for the targeted development of a Conzzeta-specific culture of performance and success. Given the existing growth strategy, the Group competencies are of superior importance to ensure that the expectations of the increasingly global customer base can be met or even exceeded with innovative, flexible and timely solutions. The Group competencies have been integrated by the business units in their existing instruments of management, in adapted form where necessary. As far as human resources are concerned, the competencies form the basis for selecting candidates for new positions or for training or upskilling internal employees.

### 3 Principles of compensation

Compensation of the Executive Committee is awarded on a performance- and results-related basis. Alongside a fixed base salary, the compensation also comprises a variable annual performance-related component in cash (STI) and a long-term, share-based component (LTI) aligned to long-term corporate goals, thus covering the interests of shareholders and management:

- Compensation must be appropriate for and in line with the company's values. These values foster a balanced approach to risk and opportunity with regard to the short- and long-term success of the company.
- Total compensation levels should be attractive and in line with market practice for comparable positions in similar companies.
- Compensation is based on the responsibilities of the role, the skill set required to be successful in the role and on the individual profile of the executive.
- A portion of compensation is linked to ambitious business performance and to the achievement of individual targets.

When determining the target compensation of the Board of Directors and of the Executive Committee, the level of compensation paid by other international industrial companies based in Switzerland is taken into consideration, insofar as these companies are comparable in terms of complexity, size (market capitalization, revenue, number of employees) and geographical reach.

For this purpose, the compensation of the Board of Directors and of the Executive Committee is periodically reviewed on the basis of compensation studies conducted by third party providers, or publicly available data such as the compensation disclosure in the annual reports of the relevant companies.

The financial performance of the company and the relevant businesses, as well as the achievement of individual objectives determined within the annual goal-setting process, influence the compensation effectively paid out to the Group CEO and the other members of the Executive Committee in a given year. In addition, the Board of Directors considers the overall economic and market environment and their impact on business performance, and any special factors as well as additional aspects relevant to individuals.

The compensation awarded to the Board of Directors is aligned to the market situation and the specific responsibilities. In order to guarantee independent supervision, the compensation awarded to Board members does not contain a performance-related component. However, approx-

imately 50 % of the compensation is awarded in the form of restricted shares.

### 4 Compensation system

#### 4.1 Board of Directors

Compensation for the members of the Board of Directors is based on their term of office and is composed of a base amount that is not results-based, and an additional amount for committee work. The base compensation is paid partly in cash and partly in shares that are subject to a four-year vesting period. In addition to this, BoD members are eligible for additional benefits including flat-rate expenses and social security contributions.

The share-based component is awarded in the form of restricted shares. The number of shares is calculated according to the net payment amount divided by the applicable share price. This is the average price from November 1 to January 31. The shares are usually allocated in April, after the AGM. When shares were allocated in 2017, the method for rounding fractional shares was aligned with the method used for the Executive Committee (rounded up to the next whole number of shares instead of rounding down and paying the difference in cash).

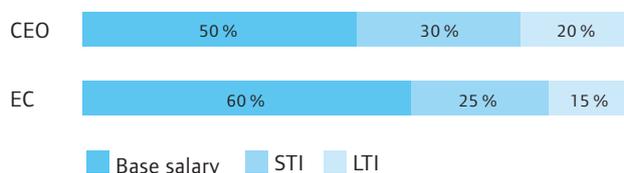
#### 4.2 Executive Committee

The compensation system is based on an annual target income comprised of a base salary, a variable performance-related cash component (short-term incentive plan; STI) and a variable share-based performance-related component (long-term incentive plan; LTI). The breakdown of the total compensation for the Group CEO and the other members of the Executive Committee, assuming a target achievement rate of 100 %, is shown in the diagram on the following page.

The compensation system for the Executive Committee is performance- and results-related and is intended to provide tangible incentives for the Executive Committee to act in line with strategy to generate profitable growth and therefore in harmony with the interests of the shareholders, the owners of the company.

Depending on target achievement, the variable compensation component varies between 0 % up to a maximum of 150 % of the agreed target amounts (cap). The maximum STI here, given a target achievement rate of 150 %, can be 90 % of base salary for the Group CEO and 62.5 % of base salary for the members of the Executive Committee. The maximum amounts for the LTI are 60 % of base salary for the Group CEO and 37.5 % for the members of the Executive Committee.

### Breakdown of compensation (with 100 % achievement of targets)



For the financial targets, the target amount is generally the budget allowance and is paid out at 100 % on achievement of targets; for each individual parameter, any deviations from the budget cause upward or downward adjustments in line with a predefined scale, so that payments may vary between 0 % and 150 % (cap).

The assessment of individual performance is based on the achievement of personal targets determined at the beginning of the year. As well as quantitative targets, these may also include qualitative targets of a strategic nature, such as the implementation of important projects in market, project and personnel development, as well as mergers and acquisition activities.

#### 4.2.1 Base salary

The base salary is fixed and is determined on the basis of the following factors:

- Scope and responsibilities of the respective function (job profile)
- Market value of the role (competitiveness)
- Internal peer comparisons (internal equity)
- Individual profile of the incumbent, such as skill set, capabilities, experience and performance

#### 4.2.2 Variable cash compensation (STI)

The performance parameters for the STI comprise 75 % financial targets (KPIs) and a 25 % individual target, which are agreed on an annual basis during the budgeting

and individual target-setting process. For members of the Executive Committee with a Group role, the financial performance parameters correspond with the Conzzeta Group's consolidated figures, whereas the financial performance parameters for the heads of the business units are based 25 % on the Group figures and 50 % on the figures for the relevant business unit. The measurement of financial performance covers the following performance parameters (KPIs):

- Total revenue (TR)
- Operating profit (EBIT)
- Ratio of net operating assets to total revenue (NOA/TR)

#### 4.2.3 Long-term incentive (LTI)

The LTI represents 15 % of the target compensation amount (or 20 % in the case of the CEO). Of this, the only performance parameter is the earnings per share (EPS) for the financial year. Depending on the actual figure, the monetary value of the share allocation can vary between 0 % and 150 % (cap) depending on EPS target achievement. The number of shares allocated is the product of the LTI monetary value divided by the average share price from November 1 in the current year to January 31 in the following period, with a reduction allowed of 10 %. To qualify for the share allocation, the recipient must be in employment on the date of the allocation, with no period of notice served by either side. Shares are allocated to employees in March/April after the Board of Directors has approved the annual financial statements, and the number of shares allocated is rounded up to the next whole number.

The shares allocated for the LTI remain restricted for four years. In the event of invalidity, death or termination of the employment relationship following a change of control this vesting period is cancelled.

### Performance parameters and target weighting for short-term incentive (STI)

		Financial targets			Personal target
		Total revenue	EBIT	NOA	Individual
Group CEO, Group CFO, General Counsel	Conzzeta	20 %	35 %	20 %	25 %
	Business unit heads				
	Conzzeta	10 %	10 %	5 %	25 %
	Business unit	10 %	30 %	10 %	

## Calculation of share allocation (LTI)



### 4.2.4 Benefits

Members of the Executive Committee participate in the benefit plans available in their country of employment. Benefits consist mainly of retirement plans that are designed to ensure a reasonable standard of living for employees and their family members after retirement or in the event of illness, disability or death.

Members of the Executive Committee with a Swiss employment contract are insured with the standard pension fund available to all Group employees in Switzerland. The fund covers annual income (fixed base salary and variable STI target compensation) up to the maximum amount permitted by law. The benefits go beyond the statutory requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans ("BVG").

Members of the Executive Committee with a foreign employment contract are insured according to the local market practice and legislation.

In addition, members of the Executive Committee are entitled to certain perquisites such as a company car or car allowance and other benefits in kind. Executive Committee members further receive flat-rate expenses in line with the applicable expense regulations approved by the tax authorities.

### 4.2.5 Contractual provisions

The employment contracts of members of the Executive Committee are concluded for an indefinite period and stipulate a notice period of nine months (12 months for the Group CEO). They do not contain any agreement on severance payments or change-of-control provisions.

### 4.2.6 Transitional arrangement

With the transition to the new employment contracts effective January 1, 2016, whereby the total compensation awarded to the Executive Committee members became more heavily performance-based, those members who were appointed prior to January 1, 2015 were guaranteed a minimum amount of variable compensation which would diminish over three years. In the third and last year of the transitional arrangement (2017), the minimum amount of variable compensation guaranteed was 30 % of target variable income (STI and LTI).

Under the transitional arrangement, eligible members of the Executive Committee could choose one last time in 2017 between receiving shares or a partial cash payment not exceeding 40 % as their LTI. In 2017, these members of the Executive Committee took 12 % of the LTI target amount in cash.

## Compensation system for the Executive Committee

Elements	Description
<b>Fixed base salary</b>	Monthly cash compensation for execution of the role and to attract, retain and motivate executives. Based on the current market price and on the individual executing a leadership role conducive to achieving profitable growth.
<b>Variable cash compensation (STI)</b>	Annual cash compensation to reward achievement of financial results and individual targets within the financial year (short-term incentive; STI).
<b>Long-term incentive (LTI)</b>	The share-based component ensures that compensation is long-term aligned with the interests of shareholders over the long term. The shares are restricted for four years.
<b>Additional benefits</b>	Retirement and insurance plans to establish a reasonable level of income in retirement, further benefits based on market practice (e.g. flat-rate expenses).

## 5 Compensation of the Board of Directors for the 2017/2018 term of office

At the ordinary Annual General Meeting on April 25, 2017, a maximum total amount of CHF 1.5 million was approved for the Board of Directors for the term of office up to the 2018 Annual General Meeting. This sum covers the fixed base compensation in cash and shares, the additional compensation for committee work, as well as additional benefits, including flat-rate expenses and social security contributions.

For the 2017/2018 term of office, the members of the Board of Directors received total compensation of CHF 1.3 million. This total is lower than the total sum approved and is slightly less than the previous year.

Around 50 % of the base compensation of the Board of Directors will be in the form of shares which will be allocated at the end of April after the 2018 ordinary Annual General Meeting. A total of 537 shares were allocated to members of the Board of Directors for the 2017/2018 term of office.

These shares remain restricted for four years. Information on the shareholdings of members of the Board of Directors is outlined on page 106. The new arrangement for the allocation of shares is to round up to the next whole number of shares and then deduct the rounding difference from the cash payment. The rest of the base compensation is awarded in cash together with the compensation for committee work. In addition, each member of the Board of Directors was paid flat-rate expenses of CHF 5 000 per year (CHF 21 600 for the Chairman). The representation allowance for committee chairmen was increased from CHF 15 000 to CHF 20 000 as of the 2017/2018 term of office.

No loans or credits were granted to members of the Board of Directors or related parties in the reporting year. As of December 31, 2017, there were no outstanding loans or credit agreements between the company and the members of the Board of Directors or related parties.

### Compensation for members of the Board of Directors for 2017

	Fixed cash component	Share component <sup>1</sup>	Committee work	Additional benefits	Total
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
Ernst Bärtschi, Chairman	199.4	200.6		45.1	445.1
Roland Abt, Member	44.3	50.7	18.3	16.3	129.6
Matthias Auer, Member	44.3	50.7	10.0	15.4	120.4
Werner Dubach, Member	44.3	50.7	10.0	9.2	114.2
Philip Mosimann, Member	44.3	50.7	18.3	16.3	129.6
Urs Riedener, Member	44.3	50.7	20.0	16.5	131.5
Jacob Schmidheiny, Member	44.3	50.7		8.6	103.6
Robert F. Spoerry, Member	44.3	50.7	10.0	15.4	120.4
<b>Total</b>	<b>509.5</b>	<b>555.5</b>	<b>86.6</b>	<b>142.8</b>	<b>1 294.4</b>

<sup>1</sup> Shares allocated at a price of CHF 1 034.20 (rounded up to the next whole number of shares)

## Compensation for members of the Board of Directors for 2016

	Fixed cash component <sup>1</sup>	Share component <sup>2</sup>	Committee work	Additional benefits	Total
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
Ernst Bärtschi, Chairman	200.2	199.8		62.6	462.6
Roland Abt, Member	45.4	49.6	15.0	15.9	125.9
Matthias Auer, Member	45.4	49.6	10.0	15.4	120.4
Werner Dubach, Member	45.4	49.6	10.0	9.2	114.2
Philip Mosimann, Member	45.4	49.6	15.0	15.9	125.9
Urs Riedener, Member	45.4	49.6	10.0	15.4	120.4
Jacob Schmidheiny, Member <sup>3</sup>	45.4	49.6	8.3	9.1	112.4
Robert F. Spoerry, Member	45.4	49.6	10.0	15.4	120.4
<b>Total</b>	<b>518.0</b>	<b>547.0</b>	<b>78.3</b>	<b>158.9</b>	<b>1 302.2</b>

1 Cash compensation incl. rounding difference from share allocation

2 Shares allocated at a price of CHF 740 (rounded down to the next whole number of shares)

3 Committee work ended as of April 30, 2016

## 6 Compensation of the Executive Committee for 2017

For the 2017 financial year, the members of the Executive Committee received total compensation of CHF 7.0 million compared with CHF 6.7 million the year before. This complied with the maximum total compensation for the Executive Committee of CHF 7.7 million approved at the ordinary Annual General Meeting on April 28, 2016. The increased amount of total compensation reflects the improved financial performance of the Group and to some extent the business units, as well as what the Board of

Directors considers to be very good progress with the implementation of strategic initiatives.

Changes in the composition of the Executive Committee make it difficult to make a direct comparison with the previous year. Specifically, when the Group CEO took office as of January 1, 2016, he received compensation for the loss of deferred variable compensation from his previous employer. The compensation included shares valued at CHF 100 000 for 2016, CHF 150 000 for 2017 and CHF 210 000 for 2018. The total amount of CHF 460 000 was credited to the LTI and recognized in the financial year 2016. This explains the significantly

## Compensation of the Executive Committee for financial year 2017

	Base salary	STI	LTI <sup>1</sup>	Pension contribution 1 <sup>st</sup> + 2 <sup>nd</sup> pillar	Additional benefits	Total compensation 2017
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
<b>Executive Committee</b>						
Total compensation of the Executive Committee	3 052.6	1 735.6	1 082.2	813.0	321.9	7 005.3
Highest single amount: Group CEO, M. Willome	681.0	565.9	381.6	196.7	47.0	1 872.2

<sup>1</sup> Shares no longer allocated to the head of the "Chemical Specialties" business unit.

## Compensation of the Executive Committee for financial year 2016

	Base salary	STI	LTI	Pension contribution 1 <sup>st</sup> + 2 <sup>nd</sup> pillar	Additional benefits	Total compensation 2017
	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand	CHF thousand
<b>Executive Committee</b>						
Total compensation of the Executive Committee <sup>1</sup>	2 925.3	1 338.7	1 376.0	759.9	318.4	6 718.3
Highest single amount: Group CEO, M. Willome <sup>2</sup>	653.0	431.6	751.7	196.9	36.0	2 069.2

<sup>1</sup> Oliver Pabst, new Executive Committee member from September 1, 2016, as successor to Rolf Schmid, CEO Mammut Sports Group, who left the Executive Committee on June 1, 2016.

<sup>2</sup> Includes compensation for the full amount of the share-based compensation from his previous employer lost as a result of the move to Conzzeta.

lower LTI in 2017 and the lower total compensation for the Group CEO. The share number calculations and the share allocations under the compensation arrangement for the Group CEO happen at the same time as the ordinary LTI. However, the relevant shares will remain restricted for only two years and will only be transferred if the Group CEO is in employment at the time, with no period of notice served by either side. 2017 was the first year that the CEO of the Sporting Goods business unit, who was appointed effective September 1, 2016, was included in the total figure for the Executive Committee for the entire year. In addition, no more shares were allocated to the former head of the FoamPartner business unit for the 2017 financial year after his resignation effective December 31, 2017.

With consideration of the aforementioned factors, the higher variable compensation paid to the Executive Committee is attributable to significantly improved financial targets at Group level and the progress made towards achieving individual targets. For the purposes of the STI, the average rate of target achievement by all Executive Committee members was 118 %, up from 94 % the previous year. Furthermore, the target amount for reported earnings per share (EPS), which determines the monetary value of the share allocation for the 2017 financial year, was exceeded by 27 %.

For the 2017 financial year, the members of the Executive Committee will receive 1 000 shares. The shares will be allocated at the end of March at a price of CHF 1 034.20, the average share price from November 1, 2017 to January 31, 2018. Despite the significantly higher LTI performance assessment criterion (EPS), fewer shares will be allocated compared to the previous year because the share price

has risen considerably. The allocated shares will remain restricted for four years, in other words they will be released in April 2022.

Information regarding shares held by Executive Committee members is outlined on page 107.

As regards payments made to former Executive Committee members, in 2017 the former CEO of the Sporting Goods business unit, who left effective March 1, 2017, was remunerated at standard market rates for consulting services provided in connection with ongoing projects.

No loans or credits were granted to members of the Executive Committee or related parties in the reporting year. As of December 31, 2017, there were no current loan or credit agreements between the company and the members of the Executive Committee or related parties.





# Report of the Statutory Auditor

## To the General Meeting of Shareholders of Conzzeta AG, Zurich

We have audited the remuneration report dated December 31, 2017 of Conzzeta AG for the year ended December 31, 2017. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections «Compensation report for the 2017 financial year in accordance with the Ordinance Against Excessive Compensation in Listed Companies» on pages 49 to 51 of the compensation report.

### Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the remuneration report for the year ended December 31, 2017 of Conzzeta AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller  
Licensed Audit Expert  
Auditor in Charge

Reto Kaufmann  
Licensed Audit Expert

Zurich, March 16, 2018

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