

# Compensation Report

## 2018

*This report is issued in accordance with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO/VegüV) of 20 November 2013 and the Directive on Information relating to Corporate Governance dated 20 March 2018 of SIX Exchange Regulation. Unless indicated otherwise, all of the information provided is as of 31 December 2018.*

### Compensation of the board of directors and the executive board

#### Principles

The provisions applicable to voting at the general meeting of shareholders regarding the compensation of the members of the Board of Directors and the Executive Board are set out in article 18c of the articles of incorporation, and those regarding any additional amounts in article 18b thereof. The Articles of Association are on our homepage under Corporate Governance ([www.ofh.ch/en/investors](http://www.ofh.ch/en/investors)).

Based on the Board of Director's proposal, the Annual General Meeting approves the maximum compensation of the Board of Directors for the period until the next Annual General Meeting as well as the maximum compensation of the Executive Board for the next year.

The provisions applicable to variable compensation and share allocations are set out in article 18d + e of the articles of incorporation ([www.ofh.ch/en/investors](http://www.ofh.ch/en/investors)).

The compensation of the Board of Directors is made up entirely of a fixed component, whereas the Executive Board's compensation comprises a fixed and a variable component. External specialists are consulted only in the case of a fundamental redesign of the compensation structure. At group level, compensation is determined for new hires or promotions based on function-specific benchmarks.

The Board of Directors can allocate entitlements for employee shares to members of the Group Management as part of an equity participation plan. If they remain with the company for the duration of the vesting period, the participants in the plan are entitled to receive one employee share per entitlement. If the employee leaves the firm before the end of the vesting period, any entitlement for employee shares is usually extinguished.

The members of the Group Management can elect, on a voluntary basis, to receive a portion of their annual bonus in the form of restricted shares at a preferential price set by the Board of Directors as part of the equity bonus plan. The Board of Directors determines each year the portion of the bonus that can be awarded in shares and the duration of the vesting period. The voting rights and dividend rights are transferred with the transfer of the shares to the beneficiary.

Apart from the contributions to the pension fund, which are limited to a maximum of CHF 846,000 (maximum insured salary) by the Occupational Pensions Act (OPA/BVG), the Orell Füssli Group does not provide any special old-age benefit schemes.

The fixed compensation of the Executive Board and the Chairman of the Board of Directors includes individually agreed additional benefits, such as the provision of a company vehicle at no charge or the reimbursement of the cost of a rail season ticket (GA).

No severance payments ('golden parachutes') have been agreed with any of the members of the Board of Directors and the Executive Board. The members of the Executive Board do not have long-duration contracts (maximum period of notice of nine months).

#### Compensation of the Board of Directors

The Compensation Committee of the Board of Directors reviews annually the regulations applicable to the determination of the compensation of the Board of Directors. The Compensation Committee proposes to the Board of Directors any changes it deems necessary. The Board of Directors approves the compensation, which will take effect as of the subsequent term of office. Final approval of the compensation for the subsequent year is given only after the Annual General Meeting gives its approval. Board members receive a fixed amount of compensation.

#### Compensation of the Executive Board

Final approval of the amount of the fixed and variable components of the compensation for the subsequent financial year is given by the Annual General Meeting. Within this range, the Compensation Committee of the Board of Directors reviews the fixed compensation as proposed by the CEO. The amount of the fixed compensation is defined according to the function, duties, qualifications, experience and the market environment. The CEO (when it concerns his own compensation) and the members of the Executive Board are not present during the discussions to determine the compensation. The Compensation Committee adjusts the compensation, where necessary, and passes on its recommendation to the attention of the Board of Directors. The Board makes the final decision and approves the fixed compensation component.

The variable component of the Executive Board's compensation is based on the bonus regulations as approved by the Board of Directors. The maximum value (for achieving or overachieving all of the targets) of the variable component is determined individually and amounts to between 45 percent and 75 percent of the basic salary. It is calculated according to a predefined formula based on the EBIT as well as the achievement of agreed annual goals (weightings: EBIT 60 percent

and individual goals 40 percent). The Executive Board members are assessed against the group's results in addition to the EBIT. The individually determined goals, which have a three- to five-year horizon, comprise quantitative and qualitative components; such goals must also be specific, measurable, challenging, relevant and time-certain. They may concern, for example, the implementation of a project, adherence to a project budget or the further development of expertise. With the involvement of the Executive Board members, the CEO elaborates the goals of the individuals, the measurement criteria and the range of values. Lastly, he agrees on the proposed goals with the Chairman of the Board of Directors. After their approval by the Chairman of the Board of Directors, the proposed goals are reviewed by the Compensation Committee of the Board of Directors. The Compensation Committee adjusts them, if necessary, and passes on its recommendation to the attention of the Board of Directors. The Board then makes the final decision and approves the goals. The bonus regulations also provide for individual cash bonus payments to be made at the discretion of the Board of Directors to employees of the Orell Füssli Group as a reward for exceptional performance.

### Compensation 2018

(audited from this point until the end of page 54 by the external auditor)

With regard to the 2018 equity bonus plan, the Board of Directors has determined that the members of the Executive Board may receive 1/3 of their bonus in the form of shares with a vesting period of three years and at a preferential price of +20% of that part of the bonus they are entitled to receive in shares.

The entitlements for employee shares allocated under the equity participation plan are subject to a three-year vesting period.

In accordance with the termination agreement with Martin Buyle, CEO of the Orell Füssli Group, his outstanding share entitlements were reduced to reflect the fact that he will not remain in his position for the entire vesting period of the awarded shares. For the entitlements allocated in 2016 and 2017, this has no impact on the present compensation report, as those entitlements were already fully disclosed in the 2016 and 2017 compensation reports. For the entitlements allocated at the start of 2018, the amount reduced in accordance with the termination agreement is disclosed in the 2018 compensation table below. Additionally, the termination agreement stipulates that no share awards shall be made at the end of the qualifying period. Instead, the equivalent value based on the share price at that time will be paid out in cash. This has no impact on the compensation value of the entitlements as disclosed.

In 2018, within the framework of the bonus regulations of the Orell Füssli Group, a one-off, individual bonus for extraordinary performance was paid in cash to the CEO of the Orell Füssli Group. This is disclosed in the table below as part of the variable cash compensation in 2018.

Within the framework of the pension fund regulations of the Orell Füssli Group, a one-off bridging payment was made in 2018 to the employees concerned to cover (partially) the decline in the amount of the pension due to the reduction of the conversion rate. This also concerned two members of the Executive Board. The related amounts are included in the table below of the compensation of the members of the Executive Board in the column labelled 'Social security and pension fund expenses'.

The disclosed compensation amounts are for the services rendered in the year under review. The following tables therefore include all entitlements to compensation relating to the 2018 financial year in full. Compensation that has not yet been paid is accrued in the financial year in question, even when the payment will only be made in the following year.

### COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2018

in CHF	Fixed compensation	Variable compensation	Other payments		Total 2018
	in cash	in cash	Special allowances	Social security expenses	
Dr Anton Bleikolm, Chairman	170,004	–	–	9,530	179,534
Dr Caren Genthner-Kappesz, Member of the Board of Directors	55,000	–	–	–	55,000
Dieter Widmer, Audit Committee (Chairman)	75,000	–	–	5,491	80,491
Dr Thomas Moser, Compensation Committee (Member)	55,000	–	–	4,027	59,027
Peter Stiefenhofer, Audit Committee (Member) <sup>1)</sup>	60,000	–	34,000	3,824	97,824
Dr Beat Lüthi, Vice Chairman Compensation Committee (Chairman)	55,000	–	–	4,027	59,027
<b>Total</b>	<b>470,004</b>	<b>–</b>	<b>34,000</b>	<b>26,899</b>	<b>530,903</b>

<sup>1)</sup> Compensation paid against invoice excl. VAT for special task in the project Atlantic Zeiser.

## COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2017

in CHF	Fixed compensation	Variable compensation	Other payments		Total 2017
	in cash	in cash	Special allowances	Social security expenses	
Dr Anton Bleikolm, Member of the Board of Directors (until 12.05.2017) Chairman (as of 13.05.2017) <sup>1)</sup>	126,185	–	–	5,885	132,070
Heinrich Fischer, Chairman (until 12.05.2017) Compensation Committee (Member)	62,152	–	–	3,531	65,683
Dr Caren Genthner-Kappesz, Member of the Board of Directors	55,000	–	–	–	55,000
Dieter Widmer, Audit Committee (Chairman)	75,000	–	–	5,445	80,445
Dr Thomas Moser, Compensation Committee (Chairman)	55,000	–	–	3,993	58,993
Peter Stiefenhofer, Audit Committee (Member)	60,000	–	–	4,356	64,356
Dr Beat Lüthi, Vice Chairman (as of 13.05.2017) Compensation Committee (Member)	36,667	–	–	2,648	39,315
<b>Total</b>	<b>470,004</b>	<b>–</b>	<b>–</b>	<b>25,858</b>	<b>495,862</b>

<sup>1)</sup> Until 12.05.2017 Member of the Board of Directors. Compensation paid against invoice excl. VAT.

The social security expenses include the mandatory employer's contributions. No pension fund contributions were made.

## COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR 2018

in CHF	Fixed compensation	Short term variable compensation incl. bonus share plan <sup>2)</sup>		Long term variable compensation (vested benefits)	Other payments <sup>5)</sup>	Social security and pension fund expenses	Total 2018
	in cash (CHF)	in cash (CHF)	in shares (CHF) <sup>3)</sup>	in shares (CHF) <sup>4)</sup>			
Martin Buyle, CEO Orell Füssli Group <sup>1)</sup>	370,002	235,000	–	25,868	30,938	113,811	775,619
Other members of the Executive Board <sup>1)</sup>	553,404	154,680	14,240	–	19,625	203,532	945,481
<b>Total</b>	<b>923,406</b>	<b>389,680</b>	<b>14,240</b>	<b>25,868</b>	<b>50,563</b>	<b>317,343</b>	<b>1,721,100</b>

<sup>1)</sup> The Executive Board consisted of four members as of 31 December 2018 (incl. CEO).

<sup>2)</sup> The termvariable compensation component is paid out in the following year. With regard to variable compensation components, the members of the Group Management can choose to receive it entirely in cash or 2/3 in cash and 1/3 in shares. For the CEO, the disclosed variable compensation in cash for 2018 includes the annual variable compensations payable in the following year and a one-off, individual performance bonus in the amount of CHF 50,000.00, which was paid in cash during the year.

<sup>3)</sup> Three-year vesting period, valued in accordance with the market price as at the allocation period (December 2018) at CHF 86.30. Planned transfer date: 15 April 2019.

<sup>4)</sup> Valued in accordance with the market price as at the transfer date of 1 January 2018 at CHF 116.00. Reduced payment to the CEO in accordance with the termination agreement.

<sup>5)</sup> Including additional pension fund contribution as a bridging payment for the "transitional generation" (due to the decline in the conversion rate) for a total amount of CHF 50,610.00.

## COMPENSATION OF THE MEMBERS OF THE EXECUTIVE BOARD FOR THE FINANCIAL YEAR 2017

in CHF	Fixed compensation	Short term variable compensation incl. bonus share plan <sup>2)</sup>		Long term variable compensation (vested benefits)	Other payments	Social security and pension fund expenses	Total 2017
	in cash (CHF)	in cash (CHF)	in shares (CHF)	in shares (CHF) <sup>3)</sup>			
Martin Buyle, CEO Orell Füssli Group <sup>1)</sup>	350,000	135,450	–	50,672	29,275	91,621	657,018
Other members of the Executive Board <sup>1)</sup>	386,009	71,703	–	–	43,480	99,814	601,006
<b>Total</b>	<b>736,009</b>	<b>207,153</b>	<b>–</b>	<b>50,672</b>	<b>72,755</b>	<b>191,435</b>	<b>1,258,024</b>

<sup>1)</sup> The Executive Board consisted of four members as of 31 December 2017 (incl. CEO). The fourth Member of the Executive Board started his work on 01.08.2017

<sup>2)</sup> The short-termvariable compensation component is paid out in the following year. With regard to variable compensation components, the members of the Group Management can choose to receive it entirely in cash or 2/3 in cash and 1/3 in shares. No bonus shares were allocated for the financial year 2017.

<sup>3)</sup> Valued in accordance with the market price on the day of allocation (01.01.2017) at CHF 124.50.

The social security and pension fund expenses include the mandatory and voluntary employer's contributions. The pension fund contributions are made jointly by the employer and the employee.

**Loans and other payments**

The provisions applicable to loans and other payments are set out in article 18i of the articles of incorporation ([www.ofh.ch/en/investors](http://www.ofh.ch/en/investors)).

In the 2018 and 2017 financial years, no loans were granted to the current or past members of the Board of Directors and the Executive Board. Additionally, no guarantees were given on behalf of the members of these bodies for loans granted by third parties. As of 31 December 2018, no such loan receivables were disclosed on the balance sheet.

**Further disclosure**

The Orell Füssli Group did not make any other payments to current or previous members of the Board of Directors, the Executive Board or any related parties thereof and did not waive any claims that it had against such persons.

## Report of the statutory auditor on the compensation report



### *Report of the statutory auditor to the General Meeting of Orell Füssli Holding Ltd Zurich*

We have audited the remuneration report of Orell Füssli Holding Ltd for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the paragraphs labelled 'audited by the external auditor' on pages 53 and 54 of the remuneration report.

#### **Board of Directors' responsibility**

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 of Orell Füssli Holding Ltd for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Wallmer  
Audit expert  
Auditor in charge

Martin Bettinaglio  
Audit expert

Zürich, 15 March 2019

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland  
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, [www.pwc.ch](http://www.pwc.ch)

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.