

# Remuneration Report

The Remuneration Report describes Siegfried Group's (Siegfried's) remuneration principles and defines the competencies and responsibilities associated with setting remuneration for members of its Board of Directors and Executive Committee. The report also contains detailed information about remuneration plans and payments made in the 2017 financial year.

This Remuneration Report was drafted in accordance with Siegfried Holding's articles of incorporation and with SIX Swiss Exchange's Directive Corporate Governance, and contains all the information required as per article 663b<sup>bis</sup> and article 663c paragraph 3 of the Swiss Code of Obligations (CO), as well as articles 13 to 17 of the "Ordinance Against Excessive Compensation at Public Companies" (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV).

The Remuneration Report is structured as follows:

- Introduction by the Chair of the Remuneration Committee
- Competencies and tasks of the Remuneration Committee
- Procedures for setting and authorizing remuneration
- Principles of remuneration policy and remuneration elements
- Remuneration of the Board of Directors
- Remuneration of Executive Committee members
- Shareholdings of the Board of Directors and Executive Committee at the end of the reporting year
- Contractual agreements, loans, credits, and additional contributions

In this report, details pursuant to articles 14 to 17 VegüV are to be found in the following sections:

VegüV Article	Text/Figure/Table	Page
Art. 14: Remuneration paid to the Board of Directors and Executive Committee	Remuneration paid to the Board of Directors in the 2017 reporting year (audited)	38
	Remuneration paid to the Board of Directors for the 2017/2018 term of office (projection)	38
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	Remuneration paid to the CEO and Executive Committee in the 2016 reporting year (audited)	39
Art. 15: Loans and credits granted to the Board of Directors and Executive Committee	PSUs allocated to the CEO and Executive Committee in the 2017 reporting year	39
	As of December 31, 2017, Siegfried Holding AG and its Group companies do not have any outstanding securities, loans, advances or credits to members of the Board of Directors or the Executive Committee of Siegfried Holding AG. (audited)	40
Art. 16: Remuneration, loans and credits to affiliated persons	Further, no securities, loans, advances or credits were granted at non-market rates to persons affiliated with current members of the Executive Committee or Board of Directors or to former members of the Executive Committee or Board of Directors in 2017; nor are any such commitments outstanding as at December 31, 2017. (audited)	40
Art. 17: Audit of the remuneration report by statutory auditor	Report of the Statutory Auditor on the Remuneration Report	40

## Introduction by the Chair of the Remuneration Committee

The remuneration of the Board of Directors, the Executive Committee, and non-management employees of the Group is an important topic for all of Siegfried's stakeholders. In 2017, the Remuneration Committee thus once again made concerted efforts to ensure Siegfried's attractiveness as an employer, ensure full and transparent compliance with statutory regulations/internal guidelines and review the appropriateness of the remunerations on an ongoing basis.

The following topics related to remuneration were addressed in 2017:

- Adjustment of remuneration structure and remuneration amounts for the Board of Directors for the 2017/2018 term of office
- Review of overall remuneration for the Executive Committee
- Adjustment of Long Term Incentive (LTI) remuneration for the Executive Committee

This report provides detailed explanations of our remuneration principles and model; it sets out how each remuneration element and plan works and highlights how they are linked to enterprise value and target achievement. The report also presents – and comments on – key targets, target achievement and the resulting amounts paid to the Board of Directors and Executive Committee in the reporting year, as per legal requirements.

As explained in the general section of the annual report, 2017 was another challenging year for Siegfried from an operational point of view. As in previous years, the Board of Directors, along with the CEO and the Executive Committee, set ambitious goals for the company, designed to ensure a long-term increase in enterprise value. At Group level, the relevant targets (EBITDA and ROCE) were slightly exceeded overall, and this is reflected in the target achievement figures. The strategy of deliberately and systematically linking re-

muneration to performance (i.e.w. short-term, performance-based incentives are only distributed if operational targets are met) is clearly effective. In addition to dealing with regular remuneration issues, in 2018 the Remuneration Committee will devote special attention to corporate culture, leadership and talent management measures and initiatives spearheaded by the Executive Committee, as the Board of Directors is convinced that these factors contribute substantially to business success.

## 1. Competencies and Tasks of the Remuneration Committee

In accordance with the articles of incorporation, the Remuneration Committee is composed of at least two members of the Board of Directors, who are each elected by the General Meeting for a one-year term of office. Reto Garzetti (Chair), Dr. Martin Schmid and Ulla Schmidt were elected to the Remuneration Committee for the 2017/2018 term of office. The Remuneration Committee shall constitute itself; it may appoint a chair from among its members.

The Remuneration Committee supports the Board of Directors in

- defining and reviewing the remuneration policy and principles;
- defining and reviewing the targets and target levels for short and long-term, performance-based remuneration elements and evaluating target achievement;
- preparing recommendations on Board and Executive Committee members' remuneration for the attention of the General Meeting.

Depending on the agenda, the Chairman of the Board, the CEO, and the Global Head HR may also join meetings of the Remuneration Committee. The Chairman of the Board, the CEO, and/or the Global Head HR must withdraw during consideration of agenda items relating directly to them. After every Remuneration Committee meeting, a set of minutes and a summary of topics discussed, decisions taken and recommendations made is sent to the Board of Directors. The Remuneration Committee convenes at least twice annually. During the reporting year, the Remuneration Committee convened three times for ordinary meetings and also held other discussions.

### Topics considered per Remuneration Committee meeting in 2017

Topics	Winter	Summer	Autumn
<b>General subjects</b>			
Personnel changes in Senior Management group	•	•	•
Update HR projects	•	•	•
Update pension funds	•	•	•
Talent review			•
<b>Governance</b>			
Preparation of remuneration report (incl. analysis on remuneration disclosure)		•	•
Approval of remuneration report	•		
Preparation "Say-on-Pay" vote for upcoming GM	•		
<b>Remuneration of Board of Directors</b>			
Setting remuneration for next term of office (incl. amount to be approved at GM)	•		
<b>Remuneration of Executive Committee</b>			
Signing off target achievement for previous year and approving short-term, performance-based remuneration (STI) (incl. amount to be approved at GM)	•		
Setting grant date for long-term, performance-based remuneration (LTI)	•		
Setting LTIP remuneration amount for current financial year (incl. amount to be approved at GM)	•		
Setting target remuneration for following financial year (incl. amount to be approved at GM)	•		
Setting STI target values for next financial year			•
Setting LTIP target values for next performance period			•

## 2. Procedures for Setting and Approving Remuneration

### Regular Benchmarking and External Consultants

In keeping with normal industry practice, Siegfried regularly benchmarks internal remuneration data at all locations against those of other multinational companies in order to ensure competitiveness and attractiveness on the labor market. Our goal is to ensure that employees who meet the academic, performance and behavioral criteria associated with a given position receive a total remuneration package that is in line with the benchmark market median for similar positions in comparable companies. For this purpose, Siegfried works with independent external remuneration specialists.

The remuneration packages of Siegfried's Executive Committee and Board members are regularly reviewed – usually every two to three years – and compared with data from executive studies, specific benchmark data, and disclosures of companies that are comparable in terms of size and structure, business mix, model, and geographical structure; the extent to which the selected companies compete with Siegfried for the same highly qualified employees is also factored into the equation. The remuneration packages of Siegfried's Executive Committee were reviewed in 2017, on the basis of an executive study undertaken in collaboration with an external partner (Mercer). The executive study contains benchmark data from over 100 Swiss-headquartered companies with a global reach/client base. 25% of the benchmark group consists of companies from directly related sectors (pharmaceuticals/chemicals and medtech); the remaining 75% consists of a cross-section of companies of a comparable size and with a similar scope (15% consumer goods, 10% banking/insurance, and 50% other manufacturers and non-manufacturing industrial corporations).

### Process for Setting and Approving Remuneration

Remuneration is set and approved as follows:

Process for defining and approving remuneration	CEO	Remuneration Committee	Board of Directors	General Meeting
Principles of remuneration for the Board of Directors		Makes proposal	Proposes a motion	Enacts
Remuneration model for CEO (incl. short- and long-term, performance-based remuneration in the form of cash or shares)		Makes proposal	Proposes a motion	Enacts
Remuneration model for the Executive Committee (incl. short- and long-term, performance-based remuneration in the form of cash or shares)	Makes proposal	Recommends	Proposes a motion	Enacts
Maximum total remuneration for the Board of Directors for the term of office lasting until the next Ordinary General Meeting		Makes proposal	Enacts	Approves
Maximum total remuneration for the fixed remuneration of the Executive Committee (incl. the CEO) for the following financial year	Makes proposal	Recommends	Enacts	Approves
Maximum total short-term, performance-based remuneration of the Executive Committee (incl. the CEO) for the previous financial year	Makes proposal	Recommends	Enacts	Approves
Maximum total long-term, performance-based remuneration of the Executive Committee (incl. the CEO) for the current financial year	Makes proposal	Recommends	Enacts	Approves
Principles of share and profit-sharing plans		Makes proposal	Enacts	
HR and remuneration policy		Makes proposal	Enacts	

The following remuneration elements were approved at the General Meeting on April 20, 2017:

- Maximum total for overall remuneration of the Board of Directors for the 2017/2018 term of office (CHF 1 450 000)
- Maximum total for the fixed overall remuneration of the Executive Committee for 2018 (CHF 3 700 000)

- Short-term, performance-based remuneration for the Executive Committee for 2016 (CHF 1 231 136)
- Long-term, performance-based remuneration for the Executive Committee for 2017 (CHF 3 080 000).

Likewise, the proposals relating to the structure described above will be put before the General Meeting on April 20, 2018.

### 3. Principles of Remuneration Policy and Remuneration Elements

#### Principles of Remuneration Policy

Recruiting, developing, and retaining qualified and talented managers and professional specialists are crucial for Siegfried's success. The remuneration structure and its elements are geared towards achieving this goal and are based on the following fundamental objectives:

- ensure an effective link between individual performance and sustainable enterprise value for Siegfried's shareholders;
- reward individual performance, competence, and desired behaviors in line with Siegfried's corporate values and leadership principles;
- create a sustainable performance culture by implementing performance-related remuneration that is contingent on the Group's success;
- set effective incentives by balancing long and short-term remuneration elements;
- act fairly and transparently when making and communicating remuneration-related decisions;
- ensure market competitiveness;
- comply with all legal and regulatory requirements relating to remuneration including, in particular, those regarding minimum wages, equal pay for men and women, and provisions linked to the disclosure and approval of remuneration for Siegfried's most senior decision-making bodies;
- ensure that dilution resulting from performance/ share-based remuneration does not exceed 1.0% per year (long-term average).

	Element	Instrument	Purpose	Criteria	Target Group
Fixed remuneration	Annual base salary	Monthly cash payment	Attracting and retaining employees	Requirements of the job, employee experience and ability, job performance, local market conditions	All employees
	Short-term, performance-based remuneration (STIP)	Annual cash payment	Rewarding employees' performance and contribution to enterprise value	Achieving corporate, functional, and individual targets in a given financial year	All employees (excluding Board members)
Performance-based remuneration	Long-term, performance-based remuneration (LTIP)	Annual grant of performance share units (PSUs)	Ensuring a sustainable increase in enterprise value; aligning the interests of shareholders and management	Achieving corporate targets at the end of the three-year performance period	Management (excluding Board members)
	Additional benefits	Pension plan and fringe benefits	Safeguarding employees and their dependents in old age or in the event of illness	Local market conditions, laws and other regulations	All employees
Additional benefits	Employee Share Purchase Plan (ESPP)	Employee participation plan, which allows employees to purchase Siegfried shares at a discounted price	Strengthening employees' interest in and loyalty to the company; enabling employees to take a stake in the company's success via a potential share price increase	Size of initial investment, share price development	Employees below management (excluding LTIP participants)

#### Remuneration Elements

Siegfried's remuneration model is designed as a package consisting of fixed and performance-based elements.

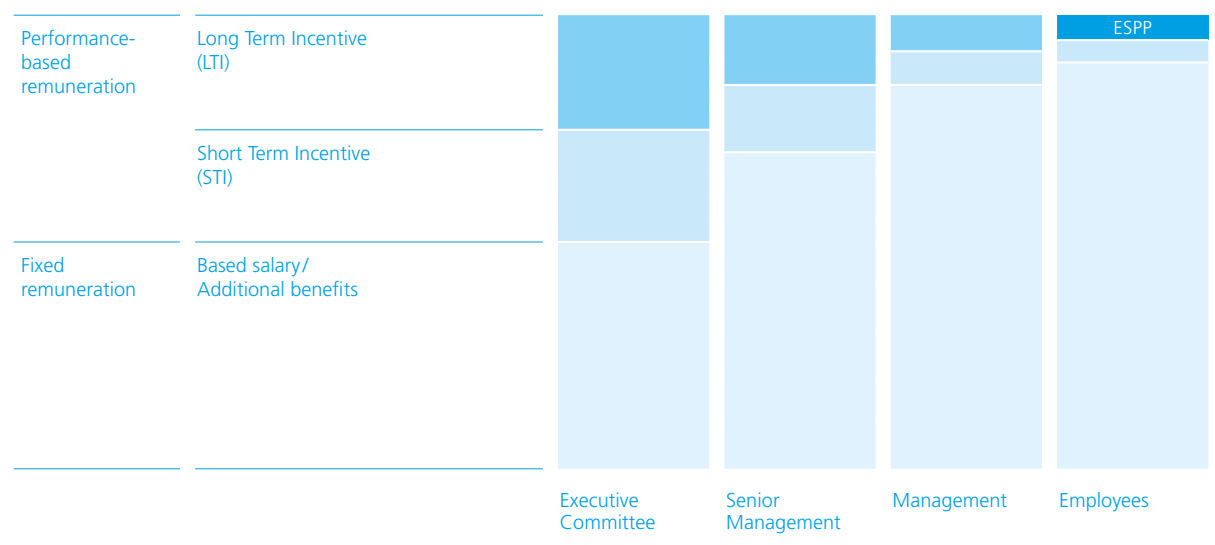
An employee's total remuneration mix is contingent on his/her functional level, function, responsibilities, experience, and location. In the reporting year, employee remuneration was composed of the following elements:

1. Fixed remuneration – annual base salary
2. Performance-based remuneration
  - (i) Short-term, performance-based remuneration (Short Term Incentive Plan, STIP)
  - (ii) Long-term, performance-based remuneration (Long Term Incentive Plan, LTIP)
3. Additional remuneration elements
  - (i) Additional benefits, in line with market practice
  - (ii) Employee Share Purchase Plan (ESPP)

#### Fixed Remuneration – Annual Base Salary

Each employee receives an annual base salary that is linked to the requirements of the position, the individual's experience, capabilities and performance, and local market conditions. Siegfried aims to ensure that the base salary of employees who meet the expected performance and qualification parameters in full corresponds to the market median for comparable positions in the chemicals/pharmaceuticals industry. Annual adjustments are made individually in light of internal and external benchmarks regarding the competitiveness of salaries, employee performance, and the overall economic health of the company. Salary adjustments only occur automatically in cases where they are required by law. Typically, no provision is made for base salary adjustments in the course of a given year.

The performance-based share of remuneration depends on an individual's functional level; the higher the level, the larger the share



Schematic representation

#### Short-Term, Performance-Based Remuneration (Short Term Incentive Plan, STIP)

The Short Term Incentive Plan (STIP) allows Siegfried to customize employee incentives across all functional levels. The Short Term Incentive (STI) rewards an individual's performance and contribution to enterprise value, based on a retrospective consideration at the end of each financial year; it is paid in cash (at nominal value) in the following year.

The performance-based remuneration paid out under the STIP is contingent on the achievement of corporate, functional, and individual targets. A per-

sonal target bonus assuming 100% target achievement ("target STI") is defined for each plan participant. The target STI depends on the requirements of the plan participant's position as well as on related responsibilities, functional level, and local market conditions. The target categories and associated weighting applicable to each employee depend on the employee's functional level and are defined in a target matrix.

Under the STIP, targets are set annually for one financial year (performance period). Responsibility for defining STIP targets depends on the functional level of the employee, and is assigned as follows:

Level	Corporate targets Setting and approval of targets and target achievement	Functional targets Setting and approval of targets and target achievement	Individual targets Setting and approval of targets and target achievement
CEO	Board of Directors	n. a.	Chairman of the Board of Directors
Executive Committee		CEO	CEO
Senior Management			
Management		Executive Committee	Line Manager
Employees			

As a general rule, the corporate targets used are the key operational and strategic performance indicators in the chemical industry: EBITDA (earnings before interest, taxes, depreciation and amortization) and ROCE (return on capital employed). Each year, the Board of Directors sets and approves the target values based on the figures in Siegfried's medium-term planning (5-year horizon) and on the budget figures defined for the following year. The annually defined EBITDA and ROCE figures are geared to achievement of the long-term EBITDA and ROCE goals which also provide the basis for the LTIP.

Functional targets (quantitative and qualitative) are derived from Siegfried's strategy, operational priorities, and corporate targets and are based on the overall performance of a given function. They are defined in a top-down process by the Executive Committee and are broken down incrementally into individual departments, locations, and teams. Functional targets are, for the most part, predefined KPIs related to steering the operational business and achieving corporate targets. Typical key indicators include net working capital (defined as a percentage of sales revenue), safety statistics per location (number of notifiable events as per international OSHA [Occupational Safety and Health Administration] standards), adherence to clients' quality and delivery specifications (OTIF: on time in full), and active management of overdues.

Individual targets relate to the performance of the employee and usually take the form of project, leadership, or behavioral targets which are agreed bilaterally between the line manager and the employee.

At the end of the one-year performance period, target achievement of the corporate, functional, and individual targets is assessed. The achievement scale ranges from 0 to maximum 200% for corporate targets, and from 0 to maximum 150% for functional and individual targets. An individual's overall target achievement is derived from the weighted sum of target achievements. The individual STI is calculated by multiplying the target STI amount by the overall target achievement.

Sample calculation of target achievement for a member of middle management with a target STI of 10% of fixed annual base salary:

Target category	Weighting of target category	Target achievement	Weighted target achievement
Corporate targets	30%	90%	27%
Functional targets	40%	125%	50%
Individual targets	30%	110%	33%
<b>Overall target achievement</b>			<b>110%</b>

Actual STI: target STI (10%) x overall target achievement (110%) = 11% of annual base salary.

In 2017, the achievement of corporate targets – which apply at all locations – was 121.5% (EBITDA 143.0%; ROCE 100.0%).

### Long-Term, Performance-Based Remuneration (Long Term Incentive Plan, LTIP)

The Long Term Incentive Plan (LTIP) is a long-term, performance-based remuneration element aimed at ensuring a sustainable increase in enterprise value, an alignment of interests between plan participants and shareholders, and the retention of management with the company. The LTIP is open to members of the Executive Committee and management as well as to employees selected annually by the Board of Directors and Executive Committee whose contribution has a substantial influence on Siegfried's long-term development. The LTIP therefore links a portion of the Executive Committee's and management's performance-based remuneration to the long-term development of the Group.

Every year, as part of their total remuneration package, plan participants are granted a fixed number of Performance Share Units (PSUs); the number of PSUs is separately defined for each individual plan member by the Board of Directors. Each PSU is a non-binding entitlement to a maximum of two Siegfried shares depending on the company evolving satisfactorily and on the achievement of pre-defined targets during the three-year performance period. Where applicable, a transfer of shares takes place after a three-year vesting period (three-year period starting on the date of the actual grant of the PSUs and ending on the same day three calendar years later).

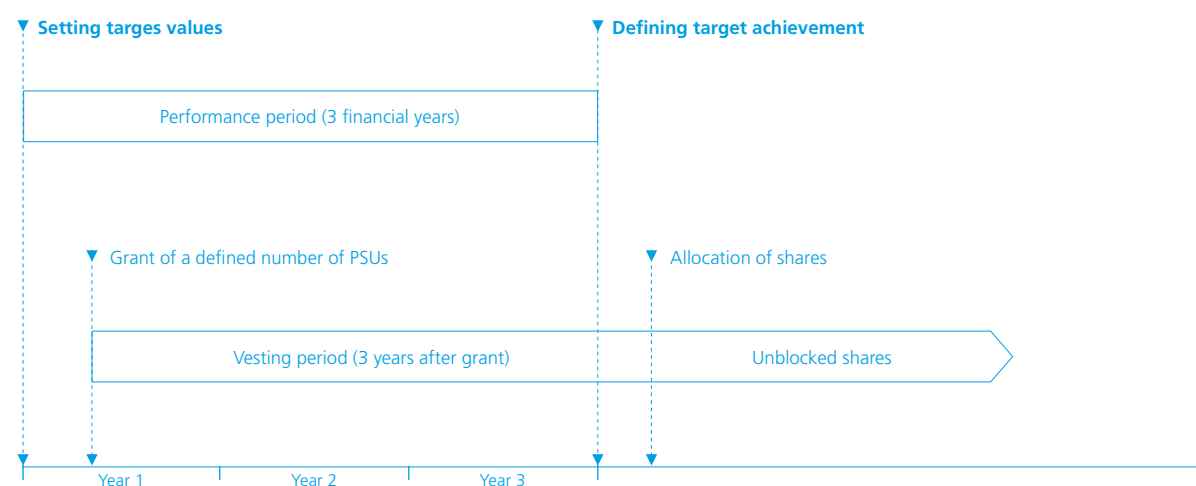
For the purposes of Siegfried's LTIP, long-term growth in enterprise value is gauged according to the

compound annual growth rate (CAGR) of the capital market KPI "total shareholder return" (TSR), and the operational KPIs EBITDA and ROCE. The KPIs are selected and defined with the aim of sustainably increasing enterprise value and aligning the interests of management and shareholders.

The Board of Directors has defined a CAGR of 8% as a long-term (100%) target value for TSR. The Board of Directors defines target EBITDA and ROCE values annually for each new PSU grant, taking account of Siegfried Group's five-year medium-term planning.

Target achievement of TSR CAGR for a performance period is set according to the "relevant market price at inception" (the average closing price of the Siegfried share on the SIX Swiss Exchange over the last twelve months' stock trading days up to the inception date of the relevant performance period) and the "relevant market price at closing" (the average closing price of the Siegfried share on the SIX Swiss Exchange over the last twelve months' stock trading days up to the closing date of the relevant performance period). Both the relevant market price at inception and at closing are adjusted for corporate events such as payment of dividends, payouts from the capital contribution reserve, capital increases, (reverse) share splits, and changes to the nominal value of shares.

EBITDA target achievement following a performance period is defined as cumulative EBITDA over the three-year performance period. The key parameters for calculating ROCE are EBITDA and capital employed during the last year of a given performance period.



KPIs	Key performance indicator and definition	Setting target values	Target value	Weighting
Capital market KPI	CAGR of total shareholder return (TSR) over the three-year performance period	The Board of Directors reviews and sets target values annually for each new PSU grant	TSR CAGR of 8% (minimum level: 4%, maximum level: 12%)	70%
Operational KPI	Cumulative EBITDA over a given three-year performance period		Set annually, taking into account the company's medium-term planning	15%
	ROCE of the last year in the three-year performance period		Set annually, taking into account the company's medium-term planning	15%



The number of shares transferred per PSU to the plan participant at the end of the three-year vesting period depends on the achievement level (performance factor) for TSR CAGR target values and operational targets set by the Board for the relevant period. In calculating the performance factor, target achievement for desired TSR CAGR receives a 70% weighting and target achievement for desired operational targets receives a 30% weighting.

The performance factor may have a value between 0 and 2. If targets are reached (100% achievement), the performance factor is given a value of 1 and the plan participant receives one (1) share per PSU. If targets are exceeded, the plan participant may receive a maximum of two (2) shares per PSU. The value of shares allocated at the end of the vesting period is determined according to the market price at the time of allocation. If the minimum targets are not reached, the PSUs lapse without compensation.

Furthermore, shares may only be transferred following the three-year vesting period provided the plan participant has a valid employment relationship with the company (the point in time at which notice of contract termination is given, not the date on which the contract ends, is the relevant criterion here).

In order to ensure a sustainable increase in enterprise value and an alignment of interests between the Executive Committee/management and Siegfried's shareholders, LTIP participants must meet certain equity participation requirements. Participants must thus hold a certain number of Siegfried shares for the duration of their participation in the plan. The number of shares to

be held is twice the number of PSUs granted under the LTIP at the last grant date. New employees joining the plan must meet these equity participation requirements within a defined period (of maximum three years) by using their own funds to invest in Siegfried shares.

In March 2017, for the first time, shares from the LTIP launched on 01.01.2014 were transferred. The performance factor for the 2014–2016 performance period was 152% (TSR CAGR: 200%; EBITDA: 82%; ROCE: 0%). 1.52 shares were thus granted per PSU. On 16.03.2017, based on a total of some 25 076 PSUs originally granted, 30 638 shares were transferred to Siegfried's Executive Committee and management. During the vesting period, 4426 PSUs lapsed without compensation and 502 PSUs were, as per the relevant internal regulations, transferred early (on the employee's exit date due to retirement or redundancy).

	Number of allocated PSUs 2014 <sup>1</sup>	Number of granted shares 2017 <sup>2</sup>
CEO	3 600	5 472
Executive Management	9 050	10 336
Senior Management	5 825	7 372
Management	5 332	5 980
Discretionary Group <sup>2</sup>	1 269	1 478
<b>Total</b>	<b>25 076</b>	<b>30 638</b>

<sup>1</sup> Includes PSUs that lapsed due to exits during the vesting period or PSUs that, as per internal regulations, were converted into shares on the relevant exit date due to retirement/redundancy.

<sup>2</sup> Each year, the Board of Directors and Executive Management at their discretion jointly nominate staff members below management level to participate in the plan.

<sup>3</sup> Number of transferred shares based on outstanding PSUs at the time of transfer.

## Additional Benefits

Additional benefits include, first and foremost, retirement pensions and insurance to cover staff in the event of disability, death, accident or illness. The form and amount of such additional benefits are governed by local market conditions and legislation.

In Switzerland and abroad, Siegfried operates a number of insurance plans that cover staff against the risks of death, disability, and old age. The amount of pension benefits depends on the employee's number of insured years, age, insured salary, and accumulated capital.

In Switzerland, a supplementary defined-contribution pension plan is available for individuals whose income exceeds a given threshold. All members of the Executive Committee and some members of Senior Management are enrolled in this pension plan.

Both employee and employer contribute to the aforementioned pension plans.

The assets of the funded pension plans are held in separate foundations or by insurers and cannot flow back to the employer.

Moreover, accrual-funded direct commitments are in place in Germany; these are recognized on the balance sheet as pension liabilities. The relevant accruals are revalued each year.

Plans also exist for anniversaries or other benefits linked to years of service.

## Employee Share Purchase Plan (ESPP)

The Employee Share Purchase Plan (ESPP) allows employees who are not eligible to participate in the LTIP to purchase Siegfried shares at a discounted price. Shares may be purchased once a year (in April) at a discount of 30% versus the defined purchase price and are subject to a restriction period of three years from the date of purchase. The defined purchase price is equivalent to the average closing price of the Siegfried share on the SIX Swiss Exchange over the twelve months' stock trading days prior to the purchase. Employees may invest up to 10% of their annual base salary in the ESPP. The ESPP has been introduced at all locations where the local legal and tax frameworks allow it to be implemented.

In addition to regular ESPP participants, new members of management may participate, to a limited extent, in the ESPP in order to acquire the number of shares needed to satisfy the LTIP equity participation requirement. Participation over and above this is not permitted, however.

	Number of participants	Number of purchased/ issued shares	Discounted purchase price per share	End of restriction period
2017	315	9 783	CHF 140.15	30.04.2020
2016	228	8 431	CHF 122.61	30.04.2019

The following table provides an overview of granted and outstanding entitlements (PSUs) from the LTIP.

## Overview of Outstanding PSUs

	Allocation 2015 (Vesting period 2015–2018)	Allocation 2016 (Vesting period 2016–2019)	Allocation 2017 (Vesting period 2017–2020)
<b>Number of PSUs granted</b>	<b>25 409</b>	<b>29 757</b>	<b>35 180</b>
CEO	3 600	3 600	3 600
Executive Committee	8 250	8 400	9 177
Management	13 559	17 757	22 403
<b>Outstanding PSUs as per December 31, 2017</b>	<b>19 472</b>	<b>23 375</b>	<b>31 418</b>
CEO	3 600	3 600	3 600
Executive Committee	5 900	6 050	8 277
Management	9 972	13 725	19 541
<b>Lapsed PSUs as per December 31, 2017<sup>1</sup></b>	<b>5 656</b>	<b>6 180</b>	<b>3 720</b>
CEO	0	0	0
Executive Committee	2 350	2 350	900
Management	3 306	3 830	2 820
<b>Shares granted from PSUs as per December 31, 2017<sup>2</sup></b>	<b>281</b>	<b>202</b>	<b>42</b>
CEO	0	0	0
Executive Committee	0	0	0
Management	281	202	42

<sup>1</sup> Entitlement lapsed due to termination of employment relationship by employee or Siegfried.

<sup>2</sup> Pro rata share transfer based on 100% target achievement due to termination of employment on retirement/redundancy.

## 4. Remuneration of the Board of Directors

The remuneration model for members of the Board of Directors is geared to recruiting and retaining experienced and motivated individuals to carry out the duties of a Board member. Board members receive a fixed cash and a share-based component (fixed number of shares). By incentivizing Board members to further the success of the company and increase enterprise value over the long term, the share component ensures that the interests of Siegfried's directors and shareholders are aligned. Members of the Board of Directors do not receive any performance-based remuneration.

The cash component consists of a base fee for the Board mandate, and fees for individual functions as Vice-Chairman of the Board of Directors or as Chair of a Committee of the Board. From the 2017/2018 term of office, a fee for participating in a Board committee was implemented (details below). In addition, for each term of office, Board members receive an expense allowance covering all incidental expenses relating to their professional duties.

Shares are allocated at the beginning of a Board member's term of office following the approval of directors' remuneration by the Ordinary General Meeting. As from the date of allocation these shares are subject to a three-year restriction period. Should a Board member give notice during the current term of office, he/she undertakes to transfer the shares back to Siegfried on a pro rata basis.

The remuneration model described above and the relevant remuneration rates were introduced for the 2014/2015 term of office. In 2016, the first three-yearly review of this model was conducted. As a result of positive share price developments, the total remuneration of members of the Board of Directors has increased in recent years and the originally stipulated remuneration mix (50% cash, 50% shares) has shifted in favor of the share component. The Board of Directors has decided to retain the current remuneration model with its cash and share components, but to strengthen incentives to improve share price performance and adjust the overall amount. Both the cash and the share components have therefore been reduced, whilst at the same time the weighting of the share component has been increased. Furthermore, the compensation for chairing, or participating in a Board committee has been restructured, although the total amount spent remains unchanged. Remuneration for chairing a committee has been halved and remuneration for participating in a committee has been introduced.

The revised remuneration model and rates were presented and approved at the General Meeting 2017 and apply as per the 2017/2018 term of office. The Board of Directors will continue to regularly review – and if necessary adjust – both the level and structure of remuneration in the future.

The following table shows remuneration rates for the 2017/2018 term of office:

Base Fee	Cash component	Lump sum expense allowance	Number of restricted shares	Actual number of shares allocated for 2017/2018 term of office <sup>1</sup>
Chairman of the Board of Directors	140 000	20 000	900	856
Vice-Chairman of the Board of Directors	70 000	10 000	450	428
Other members of the Board of Directors	50 000	10 000	450	428
Fees for individual functions				
Chair of Committee	10 000			
Member of Committee	5 000			

<sup>1</sup> Number of shares allocated was reduced in order to meet approved maximum total for overall remuneration of the Board of Directors for the 2017/2018 term of office.

The following tables show remuneration paid/allocated in the reporting year and the prior year. Remuneration of the Board of Directors is shown by financial year.

### Remuneration Paid to the Board of Directors in the 2017 Reporting Year (Audited)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration 2017 <sup>1</sup>	Employer contributions to social security <sup>2</sup>	Total remuneration financial year 2017
Andreas Casutt (Chairman)	146 666	20 000	166 666	223 203	18 524	408 393
Martin Schmid (Vice-Chairman)	73 333	10 000	83 333	111 601	9 680	204 614
Colin Bond (Member; Chair of Audit Committee)	66 667	10 000	76 667	111 601	9 311	197 579
Wolfram Carius <sup>3</sup> (Member; Chair of Strategy Committee)	66 667	10 000	76 667	111 601		188 268
Reto Garzetti (Member; Chair of Remuneration Committee)	66 667	10 000	76 667	111 601	9 331	197 599
Ulla Schmidt <sup>3</sup> (Member)	60 000	10 000	70 000	111 601		181 601
<b>Total (serving members on December 31, 2017)</b>	<b>480 000</b>	<b>70 000</b>	<b>550 000</b>	<b>781 209</b>	<b>46 846</b>	<b>1 378 055</b>
Thomas Villiger <sup>4</sup> (Vice-Chairman; Chair of Remuneration Committee)	33 333	3 333	36 666	30 567	2 939	70 172
<b>Total (on December 31, 2017, including former members)</b>	<b>513 333</b>	<b>73 333</b>	<b>586 666</b>	<b>811 776</b>	<b>49 785</b>	<b>1 448 227</b>

The remuneration figures shown in the table are gross amounts and were booked according to the accrual principle (4/12 for the 2016/2017 term of office; 8/12 for the 2017/2018 term of office).

<sup>1</sup> Fixed number of shares as part of Board of Directors remuneration; valued as per closing share price on date of allocation.

<sup>2</sup> Incl. social security deductions on the tax value of the pro rata share component of the fixed Board of Directors remuneration (allocated in 2017) for the 2017/2018 term of office.

<sup>3</sup> Exempted from Swiss social security obligation (fulfills social security obligations in principal country of employment).

<sup>4</sup> Thomas Villiger did not put himself up for re-election as member of the Siegfried Board of Directors for the 2017/2018 term of office.

In 2017, no remuneration was paid to the members of the Board of Directors other than that presented above. During the 2017/2018 term of office, Board of Directors remuneration is projected to total CHF 1.44 million; the figure approved at the General Meeting was CHF 1.45 million.

### Remuneration Paid to the Board of Directors for the 2017/2018 Term of Office (Projection)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration term of office <sup>1</sup>	Employer contributions to social security <sup>2</sup>	Total remuneration term of office 2017/2018
Andreas Casutt (Chairman)	140 000	20 000	160 000	243 104	18 432	421 536
Martin Schmid (Vice-Chairman)	80 000	10 000	90 000	121 552	10 272	221 824
Colin Bond (Member; Chair of Audit Committee)	60 000	10 000	70 000	121 552	9 066	200 618
Wolfram Carius <sup>3</sup> (Member; Chair of Strategy Committee)	60 000	10 000	70 000	121 552		191 552
Reto Garzetti (Member; Chair of Remuneration Committee)	70 000	10 000	80 000	121 552	9 688	211 240
Ulla Schmidt <sup>3</sup> (Member)	60 000	10 000	70 000	121 552		191 552
<b>Total (term of office 2017/2018, serving members)<sup>4</sup></b>	<b>470 000</b>	<b>70 000</b>	<b>540 000</b>	<b>850 864</b>	<b>47 458</b>	<b>1 438 322</b>
<b>Approved by the General Meeting for 2017/2018 term of office</b>						<b>1 450 000</b>

The remuneration figures shown in the table apply to the 2017/2018 term of office (May 2017–April 2018).

<sup>1</sup> Fixed number of shares as part of Board of Directors remuneration; Value per share as approved by the General Meeting 2017 (CHF 284).

<sup>2</sup> Incl. social security deductions on the tax value of the share component of the fixed Board of Directors remuneration (allocated in 2017) for the 2017/2018 term of office.

<sup>3</sup> Exempted from Swiss social security obligation (fulfills social security obligations in principal country of employment).

<sup>4</sup> Projected total until the end of the 2017/2018 term of office.

### Remuneration Paid to the Board of Directors in the 2016 Reporting Year (Audited)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration 2016 <sup>1</sup>	Employer contributions to social security <sup>2</sup>	Total remuneration financial year 2016
Andreas Casutt (Chairman)	160 000	20 000	180 000	173 733	18 169	371 902
Thomas Villiger (Vice-Chairman; Chair of Remuneration Committee)	100 000	10 000	110 000	86 867	9 512	206 379
Colin Bond (Member; Chair of Audit Committee)	80 000	10 000	90 000	86 867	9 423	186 290
Wolfram Carius <sup>3</sup> (Member; Chair of Strategy Committee)	80 000	10 000	90 000	86 867		176 867
Reto Garzetti (Member)	60 000	10 000	70 000	86 867	8 233	165 100
Martin Schmid (Member)	40 000	6 667	46 667	61 133	5 665	113 465
Ulla Schmidt <sup>3</sup> (Member)	40 000	6 667	46 667	61 133		107 800
<b>Total (serving members on December 31, 2016)</b>	<b>560 000</b>	<b>73 334</b>	<b>633 334</b>	<b>643 467</b>	<b>51 002</b>	<b>1 327 803</b>

The remuneration figures shown in the table are gross amounts and were booked according to the accrual principle (4/12 for the 2015/2016 term of office; 8/12 for the 2016/2017 term of office).

<sup>1</sup> Fixed number of shares as part of Board of Directors remuneration; valued as per closing share price on date of allocation.

<sup>2</sup> Incl. social security deductions on the tax value of the pro rata share component of the fixed Board of Directors remuneration (allocated in 2016) for the 2016/2017 term of office.

<sup>3</sup> Exempted from Swiss social security obligation (fulfills social security obligations in principal country of employment).

## 5. Remuneration of Executive Committee Members

The Executive Committee's remuneration is comprised of a fixed base salary in line with the market, a short-term, performance-based component (STI), a long-term, performance-based component (LTI), and additional benefits. The overall value of remuneration packages as well as individual remuneration components are regularly benchmarked and, if necessary, adjusted (see also section 2).

The following table summarizes the Executive Committee's remuneration in 2017 and indicates the highest individual remuneration for services rendered in the reporting year (CEO). The remuneration is broken down into the components listed above: fixed base salary, short and long-term, performance-based remuneration, social security expenditure and pension plan expenditure. In 2017, the CEO's total remuneration was made up of one-third fixed base salary and two-thirds performance-based components (2016: 45%/55%) while the ratio for the Executive Committee averaged 40% to 60% (2016: 55%/45%).

In 2017, no remuneration was paid to the Executive Committee members other than that presented above. Fixed remuneration paid in 2017 (CHF 3.13 million) did not exceed the CHF 3.7 million approved at the General Meeting 2016.

The value of the PSUs granted to the CEO and other members of the Executive Committee for the three-year performance period January 1, 2017–December 31, 2019 under the LTIP is reported once and in full as Executive Committee remuneration in 2017. In 2017, the CEO and the Executive Committee were granted a total of 12 777 PSUs. At the time of allocation, an external valuation expert used best practice methods to determine the fair value of one PSU as CHF 211.62. This fair value at the time of allocation is the amount based on which remuneration in the reporting year and relevant social insurance contributions due are calculated. In the event of a share transfer, the actual income received by Executive Committee members at the end of the vesting period may deviate from the fair value assigned to the PSUs on allocation depending on LTIP target achievement (the performance factor) and the share price at the time of transfer.

In order to ensure full transparency, the PSUs allocated in the reporting year are shown as totals in the following table of remuneration paid to the Executive Committee. In the Consolidated Financial Statements, however, LTIP expenses are distributed over the three-year performance period.

### Remuneration Paid to the CEO and Executive Committee in the 2017 Reporting Year (Audited)

CEO and Executive Committee	Fixed remuneration in cash	Short-term, performance-based remuneration (STI) in cash <sup>1</sup>	Total cash payments	Long-term, performance-based remuneration (LTI) in PSUs <sup>2</sup>	Employer contributions to social security <sup>3</sup>	Employer contributions to pension fund	Total remuneration 2017 <sup>4</sup>
Highest individual remuneration: Rudolf Hanco	570 000	436 991	1 006 991	761 832	116 868	94 596	1 980 287
Other Executive Committee members <sup>5</sup>	1 981 846	921 901	2 903 747	1 942 037	316 672	273 036	5 435 492
<b>Total (at December 31, 2017)</b>	<b>2 551 846</b>	<b>1 358 892</b>	<b>3 910 738</b>	<b>2 703 869</b>	<b>433 540</b>	<b>367 632</b>	<b>7 415 779</b>

The remuneration figures shown in the table are gross and are based on the accrual principle.

<sup>1</sup> To be paid out in April 2018 after approval at General Meeting.

<sup>2</sup> Includes PSUs granted in 2017 for plan period 2017–2019; PSUs are valued as per external consultant ALGOFIN (CHF 211.62 per PSU).

<sup>3</sup> Includes an assumed 7% social insurance contribution on both the 2017 STI and PSUs granted in 2017.

<sup>4</sup> Doesn't include fringe benefits (REKA money, child and family allowances, employer contributions to BU/NBU) in the amount of approximately CHF 24 000.

<sup>5</sup> Michael Hüsler left the company on August 20, 2017; remuneration reduced pro rata (exception LTIP: no pro rata reduction; however, granted PSUs lapse due to exit).

### Remuneration Paid to the CEO and Executive Committee in the 2016 Reporting Year (Audited)

CEO and Executive Committee	Fixed remuneration in cash	Short-term, performance-based remuneration (STI) in cash <sup>1</sup>	Total cash payments	Long-term, performance-based remuneration (LTI) in PSUs <sup>2</sup>	Employer contributions to social security <sup>3</sup>	Employer contributions to pension fund	Total remuneration 2016 <sup>4</sup>
Highest individual remuneration: Rudolf Hanco	570 000	335 160	905 160	372 672	82 500	95 250	1 455 582
Other Executive Committee members <sup>5</sup>	2 074 571	815 434	2 890 005	869 568	239 832	292 353	4 291 758
<b>Total (at December 31, 2016)</b>	<b>2 644 571</b>	<b>1 150 594</b>	<b>3 795 165</b>	<b>1 242 240</b>	<b>322 332</b>	<b>387 603</b>	<b>5 747 340</b>

The remuneration figures shown in the table are gross and are based on the accrual principle.

<sup>1</sup> To be paid out in April 2017 after approval at General Meeting.

<sup>2</sup> Includes PSUs granted in 2016 for plan period 2016–2018; PSUs are valued as per external consultant ALGOFIN (CHF 103.52 per PSU).

<sup>3</sup> Includes an assumed 7% social insurance contribution on both the 2016 STI and PSUs granted in 2016.

<sup>4</sup> Doesn't include fringe benefits (REKA money, child and family allowances, employer contributions to BU/NBU) in the amount of approximately CHF 22 000.

<sup>5</sup> Walter Kittl left the company on October 31, 2016; remuneration reduced pro rata (exception LTIP: no pro rata reduction; however, granted PSUs lapse due to exit).

### PSUs Allocated to the CEO and Executive Committee in the 2017 Reporting Year

Plan period	Executive Committee	PSU grant date	Performance period	Vesting period	Vesting date	Value at 100% target achievement			Potential target achievement
						PSUs allocated <sup>1</sup>	Value of allocated PSUs <sup>2</sup>	Social insurance contributions on value of PSUs <sup>3</sup>	
2017–2019	CEO	16.03.2017	01.01.2017–31.12.2019	16.03.2017–16.03.2020	16.03.2020	3 600	761 832	53 328	0%–200%
	Other members of the Executive Committee <sup>1</sup>					9 177	1 942 037	135 943	
<b>Total</b>						<b>12 777</b>	<b>2 703 869</b>	<b>189 271</b>	
<b>Total cost to enterprise</b>						<b>2 893 140</b>			
<b>Approved sum by General Meeting<sup>4</sup></b>						<b>3 080 000</b>			

<sup>1</sup> Incl. Michael Hüsler's PSU allocation; as per the LTIP Regulations, these lapse without remuneration due to his exit.

<sup>2</sup> PSUs are valued as per external consultant ALGOFIN (CHF 211.62 per PSU).

<sup>3</sup> Includes an assumed 7% social insurance contribution.

<sup>4</sup> Approval of PSUs allocated in the financial year 2017 for the performance period 2017–2019 at the General Meeting 2017.

## 6. Shareholdings of the Board of Directors and Executive Committee at the End of the Reporting Year

### Shareholdings of Board Members

The following table lists shareholdings of Board members and affiliated persons.

Board of Directors	December 31, 2017		December 31, 2016	
	Total shares	of which restricted	Total shares	of which restricted
Andreas Casutt (Chairman)	18 000	2 856	17 500	3 000
Martin Schmid (Vice-Chairman)	928	928	500	500
Colin Bond (Member)	2 428	1 428	2 000	1 500
Wolfram Carius (Member)	1 928	1 428	1 500	1 500
Reto Garzetti (Member)	7 462	1 428	14 034	1 500
Ulla Schmidt (Member)	928	928	500	500
<b>Total (serving members)</b>	<b>31 674</b>	<b>8 996</b>	<b>36 034</b>	<b>8 500</b>
Thomas Villiger <sup>1</sup>			5 735	1 500
<b>Total (including former members)</b>	<b>31 674</b>	<b>8 996</b>	<b>41 769</b>	<b>10 000</b>
<b>In % of share capital</b>	<b>0.75%</b>	<b>0.21%</b>	<b>1.00%</b>	<b>0.24%</b>

<sup>1</sup> Thomas Villiger did not put himself up for re-election as member of the Siegfried Board of Directors for the 2017/2018 term of office.

### Shareholdings of Executive Committee Members

The following table lists shareholdings of Executive Committee members and affiliated persons.

Executive Committee	December 31, 2017		December 31, 2016	
	Total shares	of which restricted	Total shares	of which restricted
Rudolf Hanco (CEO)	75 000	0	69 000	2 272
Reto Suter (CFO) <sup>1</sup>	500	0		
René Imwinkelried (Global Head Technical Operations)	9 478	0	10 122	1 223
Arnoud Middel (Global Head HR)	3 000	0	4 300	1 032
Marianne Späni (Global Head BD & Sales)	18 576	0	19 416	1 416
Wolfgang Wienand (Chief Scientific & Strategy Officer)	10 844	0	11 716	1 098
<b>Total (serving Executive Committee members)</b>	<b>117 398</b>	<b>0</b>	<b>114 554</b>	<b>7 041</b>
Michael Hüsler (CFO) <sup>2</sup>			13 500	1 062
<b>Total (including former Executive Committee members)</b>	<b>117 398</b>	<b>0</b>	<b>128 054</b>	<b>8 103</b>
<b>In % of share capital</b>	<b>2.79%</b>	<b>0.00%</b>	<b>3.07%</b>	<b>0.19%</b>

<sup>1</sup> Reto Suter joined the company on May 1, 2017.

<sup>2</sup> Michael Hüsler left the company on August 20, 2017.

## 7. Contractual Agreements, Loans, Credits, and Additional Contributions

The employment contracts of Executive Committee members and the CEO are open-ended and provide for a notice period of six months. Board mandates are not subject to notice periods and terminate ordinarily at the end of the one-year term of office. There are no contractual agreements or undertakings in place with respect to severance payments or special clauses for members of either the Executive Committee or Board of Directors. The Long Term Incentive Plan, which entered into effect on January 1, 2014 (see section 4), stipulates that

a) In the event of a change of control of Siegfried Holding AG, plan participants will, on the date of the change of control, receive a pro-rated number of shares for all PSUs granted for ongoing vesting periods. The number of shares to be distributed per PSU is calculated on the basis of a valuation method to be determined by the Board of Directors.

b) In the event of a takeover of Siegfried Holding AG which is not endorsed by the Board of Directors, shares are distributed to plan participants pro rata and on the basis of 100% target achievement as per the date of change of control for all PSUs of an ongoing vesting period. The pro rata entitlement is calculated from the grant date of the PSUs until the date of the change of control.

As of December 31, 2017, Siegfried Holding AG and its Group companies do not have any outstanding securities, loans, advances or credits to members of the Board of Directors or the Executive Committee of Siegfried Holding AG. Further, in the reporting year, no securities, loans, advances or credits were granted at non-market rates to persons affiliated with current members of the Executive Committee or Board of Directors or to former members of the Executive Committee or Board of Directors; nor are any such commitments outstanding as at December 31, 2017.

# Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

## Report of the Statutory Auditor on the Remuneration Report

We have audited the accompanying remuneration report (charts on pages 38 and 39 and page 40 section 7) of Siegfried Holding AG for the year ended 31 December 2017.

### 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.

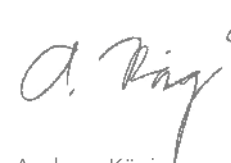
### Opinion

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

PricewaterhouseCoopers AG



Thomas Illi  
Audit Expert  
Auditor in charge



Andreas Kägi  
Audit Expert

Basel, 9 March 2018