

# REMUNERATION REPORT

<b>BASIC REMUNERATION PRINCIPLES</b>	<b>54</b>
<b>REMUNERATION OF THE BOARD OF DIRECTORS</b>	<b>54</b>
<b>REMUNERATION OF GROUP MANAGEMENT</b>	<b>56</b>
<b>REPORT OF THE STATUTORY AUDITOR</b>	<b>61</b>

The remuneration report provides information about the principles of Interroll's remuneration policy, the management process and the remuneration of the Board of Directors and Group Management. It complies with the requirements of Sections 14 to 16 of the Swiss Ordinance Against Excessive Compensation in Stock Exchange Listed Companies dated 20 November 2013 (VegüV), the guidelines on corporate governance information of SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on 30 June 2014.

## BASIC REMUNERATION PRINCIPLES

A fair, systematic and transparent remuneration system is aimed at contributing to the long-term development of the Interroll Group and to securing its business success. The Interroll Group's remuneration system is in line with its corporate strategy and based on appropriately rewarding short-term and long-term targets which have been achieved. It is aimed at putting Interroll in a position to attract, develop and retain the best people in its particular field and sector.

The Interroll Group's remuneration policy features the following aspects:

- The Board of Director's compensation exclusively comprises fixed remuneration. In this way, Interroll ensures the corporate body's independence in its supervision of Group Management.
- The ratio of fixed to variable remuneration for members of Group Management is appropriate and the level of the respective elements does not fluctuate excessively in order to prevent excessive variable remuneration components from negatively influencing individuals' willingness to take risks or resulting in a short-term approach.
- Remuneration must be commensurate with the responsibility, quality of the work and individual workload of the relevant role.
- In addition, remuneration is to ensure appropriate and competitive compensation based on the value contribution, the role and individual performance.
- As a component of the remuneration for members of Group Management, share plans are aimed at rewarding the achievement of long-term Group targets in the interests of shareholders and promoting long-term corporate performance.

The Board of Directors is responsible for the principles of the Group's remuneration policy and management process and is supported by the Compensation Committee in the fulfilment of this responsibility. The Board of Directors decides on the total remuneration

for the Board of Directors as well as Group Management and presents a proposal to the Annual General Meeting for approval.

On behalf of the Board of Directors, the Compensation Committee prepares all proposals and the basis for remuneration decisions to be taken. Its key duties are as follows:

- Propose and regularly review the Interroll Group's remuneration policy
- Propose and develop remuneration regulations for the Board of Directors and Group Management
- Propose and specify the remuneration principles for the following financial year
- Propose the remuneration for members of the Board of Directors
- Propose the remuneration for the CEO and, at the CEO's request, the remuneration of the other members of Group Management
- Propose employment terms and conditions, material amendments to existing contracts of employment with members of Group Management as well as other strategic HR decisions

At the Annual General Meeting of Interroll Holding AG on 12 May 2017, the Board of Directors will propose the total remuneration of the Board of Directors for the period up to the 2018 Annual General Meeting and the total remuneration for Group Management for financial year 2017 for approval. The voting rules authorising the remuneration of Board of Directors and Group Management are included in the Articles of Association of the Company.

## REMUNERATION OF THE BOARD OF DIRECTORS

### Principles and and the determination of remuneration

Remuneration paid to members of the Board of Directors is fixed, commensurate with their responsibilities and paid in cash. No variable components are included. In this way, Interroll ensures the independence of the Board of Directors in its supervision of Group Management. The remuneration depends on the workload and responsibilities of the Board of Directors. It takes into account market conditions and is based on the comparative values from other listed Swiss medium-sized industrial companies with international activities.

All remuneration paid to members of the Board of Directors of Interroll Holding AG by Interroll Holding AG and the subsidiaries over which it has direct or indirect control is decisive in determining annual

remuneration. Every year, the Board of Directors determines the fixed remuneration of the members of the Board of Directors of Interroll Holding AG for the period of time up to the next Annual General Meeting of Interroll Holding AG on the basis of the remuneration regulations of 15 March 2014 and at the Compensation Committee's request, subject to approval by the Annual General Meeting. Extraordinary efforts that go beyond the normal duties of the Board of Directors may be additionally compensated. All social security contributions are made by the employer.

Fixed-term contracts of employment and mandate agreements for members of the Board of Directors may be for a fixed contractual term of up to one year.

### Total remuneration for the 2016 term (audited)

Compensation paid to members of the Board of Directors is disclosed in accordance with VegüV and OR 663c as follows:

in thousands CHF		Cash	Shares / options	Social security*	Other benefits	Total com- pensation	Shares held as of 31.12.	Voting rights in %
<b>Urs Tanner</b>								
2016	P, CC **	150		17		<b>167</b>		0.00
2015	VP	75		12		<b>87</b>		0.00
<b>Paolo Bottini</b>								
2016	AC	60		10		<b>70</b>	20	0.00
2015	AC	57		9		<b>66</b>	20	0.00
<b>Philippe Dubois</b>								
2016	AC	60		6		<b>66</b>	100	0.01
2015	AC	57		9		<b>66</b>	100	0.01
<b>Horst Wildemann</b>								
2016	VP**, CC	75		7		<b>82</b>	820	0.10
2015	CC	57		5		<b>62</b>		0.00
<b>Stefano Mercorio</b>								
2016		60		12		<b>72</b>		0.00
2015		57		12		<b>69</b>		0.00
<b>Ingo Specht</b>								
2016		60		10		<b>70</b>	76,135	9.55
2015		57		9		<b>66</b>	82,340	10.35
<b>Total Board of Directors</b>								
<b>2016</b>		<b>465</b>		<b>62</b>		<b>527</b>	<b>77,075</b>	<b>9.67</b>
<b>2015</b>		<b>510</b>		<b>74</b>		<b>584</b>	<b>82,860</b>	<b>10.42</b>

P: Chairman of the BoD; AC: Audit Committee; VP: Vice Chairman of the BoD; CC: Compensation Committee

\* Social security costs consist of employer and employee contributions to the state-run Swiss social security system.

\*\* In this new function since 13 May 2016.

The Board of Directors holds no stock options with respect to Interroll Holding AG shares.

### **Valuation of total remuneration for the 2016 term**

The remuneration of the Board of Directors of approximately CHF 527,000 from GM 2016 to GM 2017 contains no significant special effects and is at the same level as in the previous year, within the CHF 700,000 approved at the Annual General Meeting 2016.

### **Outlook for the total remuneration for the 2017 term**

For the first time in 11 years, the Board of Directors is proposing a general increase in management fees of a total of max. CHF 160,000 p.a. and is proposing a maximum remuneration of CHF 800,000 at the Annual General Meeting 2017 for the term until the next Annual General Meeting 2018 (previous year: CHF 700,000).

### **Other remuneration (audited) and additional information**

No further payments in cash or in kind are made and no other remuneration, e.g. commission for the takeover or transfer of companies or parts thereof, is paid to members of the Board of Directors.

Severance pay for members of the Board of Directors is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

### **Loans and credits (audited)**

Interroll Holding AG and its subsidiaries granted no loans, advances or credits to members of the Board of Directors in the two reporting years.

## **REMUNERATION OF GROUP MANAGEMENT**

### **Principles and specification of total remuneration**

An individual remuneration agreement exists for each Group Management member whereby the projected total remuneration is based on the criteria specified below for determining the remuneration and market conditions in the relevant country. The projected total remuneration comprises a fixed and a variable remuneration component and may be exceeded as a result of excellent performance. The Group Management's actions must always focus on achieving a long-term sustained increase in value rather than pursuing short-term profit maximisation. The composition of total remuneration for the members of Group Management in general and the CEO in particular is based on this aim.

Total remuneration is determined on the basis of key criteria, such as global responsibility in the relevant role, individual actual performance contributing to the Group's long-term strategic development, the complexity of the area of responsibility and the personal results achieved on behalf of the Group.

External consultants may additionally be involved in determining the structure and level of remuneration on a case-by-case basis. As part of the Group's reorganisation and the appointment of a new Group Management in 2011–2013, market comparisons were made with the help of the relevant recruitment consultants and used in determining the level of remuneration when recruiting staff in Europe, America and Asia. Furthermore, comparisons were made on the basis of a detailed up-to-date Kienbaum salary study and a Towers Watson salary survey. These comparisons were repeated based on both studies in 2016.

In determining the annual total remuneration, all remuneration paid to members of Group Management by Interroll Holding AG and the subsidiaries over which it has direct control is taken into account, irrespective of whether such compensation relates to the global or local activities of the respective member of Group management and whether these are carried out for one or more subsidiaries in Switzerland or abroad (based on a separate contract of employment).

On the basis of the remuneration regulations dated 15 March 2014 and at the Compensation Committee's request, the Board of Directors specifies the total remuneration of Group Management every year, subject to approval from the Annual General Meeting. The Compensation Committee works out the CEO's total remuneration. The CEO works out the total remuneration of the other members of Group Management and submits his proposal to the Compensation Committee every year for approval by the Board of Directors. At the Annual General Meeting of Interroll Holding AG on 12 May 2017, the Board of Directors will present for approval a proposal regarding the total remuneration of Group Management for financial year 2017.

### **Fixed remuneration**

The fixed remuneration component of total remuneration is contractually stipulated and generally remains unchanged for three to five years if the job does not change. Adjustments may be made on the basis of the assessment of individual performance and in the event of changes to the area of responsibility.

### Variable remuneration

The maximum possible share of variable remuneration amounts to 60 % of total remuneration for the CEO, 50 % for members of Group Management in an operational management role and 30 % for members with centralised roles within the holding company. In the reporting year, the variable share in relation to total remuneration of Group Management amounted to approx. 37 %.

The calculation basis for variable remuneration includes the measurable sustained financial success (of the company or a part thereof) and annual individual targets, which must be measurable and of considerable strategic significance.

The company's financial success used to calculate the financial success component of variable remuneration is measured in terms of key figures compared with the previous year and a rolling 3-year plan. The key financial figures are: operating profit (EBITDA), operating profit margin (EBITDA in % of sales), gross margin (in % of sales), sales growth (growth compared with forecast and/or previous year) and return on net assets (RONA).

Specific key figures may be weighted differently or disregarded, depending on the company's strategic position or the role of each member of Group Management.

As a rule, the weighting of the financial success component in variable remuneration amounts to 100 % for the CEO, at least 66 % for members of Group Management in an operational management role and at least 33 % for members of Group Management with a centralised role within the holding company.

For the "individual targets" component, between 3 and a maximum of 5 individual measurable targets are agreed every year, with either the same or a different weighting. These targets must make an important contribution to the current or long-term success of the Group or parts thereof. They relate, for example, to new products, gaining market share, developing new markets, the successful integration of an acquired company, successful strategic projects, the achievement of inventory reduction targets, etc.

Basing variable remuneration on a multi-year plan (rather than the budget) motivates members of Group Management to think long-term. It means that the relative improvement is measured compared with the previous one-year period and the rolling 3-year plan, and short-term cost-cutting is prevented in the areas of market development and innovation, etc.

The Compensation Committee may deviate from the agreed variable remuneration in favour of a Group Management member if failure to achieve specific targets was solely attributable to external factors, or if an exceptional one-off performance was delivered.

### Overview: weighting of the variable part of total remuneration

Role in Group Management	Variable compensation for the total remuneration	Share component "financial success" in variable remuneration	Share component "individual targets" in variable remuneration
Group CEO	up to max. 60 %	100 % as a rule	0 % to approx. 33 % possible**
Executive VP*	up to max. 50 %	66 % or more	up to approx. 33 %
Corporate VP*	up to max. 30 %	33 % or more	up to approx. 66 %

\* Executive Vice President: operational management role; Corporate Vice President: centralised role within the holding company.

\*\* In extraordinary strategic situations; in reporting year 2016: 0 %.

### Long-term remuneration component: allotment of shares

Based on their commitment and influence, Group Management members are to participate long-term in the Group's increased value and also share the business risk as shareholders (and equity co-investors), as well as identify with Interroll's values.

As a result of this objective, a long-term share plan was agreed with the CEO in early 2005. As a long-term compensation component, the CEO receives a number of shares, which (since 2014) are dependent on the performance of the share price and the exceeding of certain minimum thresholds of earnings per share, operating profit margin and return on net assets (RONA). These shares are blocked for 6 to 8 years.

The share plan for the rest of Group Management was also introduced as a long-term remuneration component with the restructuring of the Group in 2011. These members of Group Management receive a number of shares as a long-term component of the variable remuneration (min. 20%). These shares are blocked for 4 years.

The conversion rate for variable remuneration applicable to the number of Interroll shares allotted is the relevant share price on 31 December of the financial year ended less the deduction permitted for tax purposes, depending on the length of the blocking period.

### Total remuneration for 2016 (audited)

Compensation paid to members of Group Management is disclosed in accordance with the requirements of Sections 14 to 16 of the Swiss Ordinance Against Excessive Compensation in Stock Exchange Listed Companies dated 20 November 2013 (VegüV), the guidelines on corporate governance information of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on 30 June 2014, and is as follows:

in thousands CHF	Remuneration (net)		Equity-based compens.		Social security <sup>3)</sup>	Other benefits	Special compensation <sup>4)</sup>	Total compensation
	Fixed	Variable <sup>1)</sup>	Shares <sup>2)</sup>	Options				
<b>CEO (highest)</b>								
2016	656	881	497	0	560	44	627	<b>3,265</b>
2015	661	856	389	0	520	43		<b>2,469</b>
<b>Other members</b>								
2016	1,377	419	311	0	277	118		<b>2,502</b>
2015	1,347	407	341	0	258	118		<b>2,471</b>
<b>Total Group Management</b>								
<b>2016</b>	<b>2,033</b>	<b>1,301</b>	<b>807</b>	<b>0</b>	<b>838</b>	<b>161</b>	<b>627</b>	<b>5,767</b>
<b>2015</b>	<b>2,008</b>	<b>1,263</b>	<b>730</b>	<b>0</b>	<b>778</b>	<b>161</b>		<b>4,940</b>

<sup>1)</sup> The difference between provisions made in the previous year and the bonuses actually paid out is netted with the variable compensation planned for the year under review.

<sup>2)</sup> In the period under review 2,289 (previous year: 2,043) own shares were granted. 2,289 of these shares (previous year: 2,043) may not be sold for a period of four to eight years as of grant date. Share-based payments correspond to tax values.

<sup>3)</sup> Social security costs consist of employers' and employees' contributions to the state run Swiss social security system.

<sup>4)</sup> 700 Interroll shares, may not be sold for a period of five years as of the grant date (tax value). Explanation under "Valuation of total remuneration for financial year 2016" (page 59).

**Explanations regarding the calculation method**

The calculation method under IFRS differs in two aspects from the calculation of remuneration and shareholdings of members of the Board of Directors and Group Management in accordance with OR 663bis and OR 663c:

- Compensation for company cars under IFRS is based on the expenses including depreciation and lease instalments stated in the annual accounts. Under the OR, a rate of 0.8 % per month of the acquisition cost of the vehicles is used.
- Under IFRS, share-based remuneration is determined at market value on the allotment date. Under the OR, shares are valued at their taxable value, which is derived from the market value. As a result of the blocking period, the taxable value decreases compared with the market value according to the blocking period defined.
- The difference of CHF 0.641 million (previous year: CHF 0.390 million) related to company cars – CHF 0.058 million (previous year: CHF 0.070 million) – and share-based remuneration – CHF 0.583 million (previous year: CHF 0.320 million).

**Valuation of total remuneration for 2016**

At CHF 5.77 million, total remuneration paid to the Group Management was higher than in the previous year (CHF 4.94 million), but within the maximum total remuneration of CHF 5.80 million as approved by the Annual General Meeting in 2016. This is due to the high target achievement and a special compensation of CHF 0.63 million (in the form of 700 shares with a 5-year vesting period) to CEO Paul Zumbühl. This special compensation is intended to express our appreciation for exceptional achievements and merits during his 17 years of excellent management work for the Interroll Group.

Since his entry into office on 1 January 2000 (2½ years after the going public), the share price has risen tenfold. His leadership is characterised by a solid strategy, a high discipline, a continuous strengthening of the balance sheet and a global and successful market expansion.

To date, no compensation has ever been paid for additional or extraordinary achievements to Paul Zumbühl. Thus, this special indemnity has a onetime character. Excluding this special compensation, the regular total remuneration in the financial year 2016 was CHF 5.14 million (previous year: 4.94 million).

**Outlook for total remuneration in 2017**

The effective amount of the variable remuneration 2017 to the Group Executive Board is – as in recent years – based on the actual achievements. The fixed remuneration 2017 was adjusted after three to five years for four members of the Group Management. The maximum possible total remuneration for the financial year 2017 of CHF 5.90 million (previous year: CHF 5.80 million) submitted for approval at the Annual General Meeting on May 12, 2017 assumes a maximum achievement of the plan targets and contains a reserve for currency fluctuations. The effective remuneration is generally lower than the maximum authorized at the General Meeting. The regular and disbursed total remuneration 2016 of CHF 5.14 million (excluding the special compensation) is therefore the reference.

**Development of total remuneration in the last 10 years**

The table below shows total remuneration of Group Management over the last 10 years:

in CHF million	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Group Management	5.2	4.4	4.3	4.9	5.0	5.2	4.7	4.9	4.9	5.8*

\* incl. one time special compensation of CHF 0.6 million

Source: Annual Reports 2007–16, according to figures in the column “Total Compensation”, e.g. incl. all pension and other benefits.

Since 2007, the total remuneration (including pension and other employee benefits) has remained at a steady level with roughly the same number of members of Group Management. During these 10 years, Interroll has advanced to become the global market leader for key products in the internal logistics business and its market capitalisation was increased three-fold.

**Other remuneration (audited)  
and additional information**

The regulations on expenses and pensions are specified in the applicable local employment terms and conditions as well as the relevant statutory and prevailing market conditions of the countries concerned, in particular Germany, the USA, China and Switzerland.

In Switzerland, each Group Management member contributes a quarter to a third of the “savings element” to the pension fund. The rest is paid by the employer.

A company car and mobile phone are made available to the members of Group Management for business and private use. Alternatively, the corresponding amount is paid as a monthly flat rate. The maximum permitted limits in terms of the value of company cars are regulated in-house.

No further payments in cash, in kind or other remuneration, e.g. commission for the takeover or transfer of companies or parts thereof, is paid to members of Group Management.

Severance pay for members of Group Management is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

The notice periods for members of Group Management range from three to twelve months.

**Loans and credits (audited)**

Interroll Holding AG and its subsidiaries granted no loans, advances or credits to members of Group Management in the two reporting years.





## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF INTERROLL HOLDING AG SANT'ANTONINO

We have audited the remuneration report of Interroll Holding AG for the year ended 31 December 2016. 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 tables labeled “audited” on pages 55, 56, 58 and 60 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 Interroll Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'P. Balkanyi', with a horizontal line extending to the right.

Patrick Balkanyi  
Audit expert  
Auditor in charge

A handwritten signature in black ink, appearing to read 'N. Bertschinger', with a horizontal line extending to the right.

Nicole Bertschinger  
Audit expert

Zurich, 13 March 2017