

# CORPORATE GOVERNANCE

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## 1 INTRODUCTION

### Basis of the corporate governance report

The corporate governance report 2017 of the Interroll Group refers to the official guideline of the SIX Swiss Exchange on Corporate Governance, best practice related to the Minder initiative as well as to the regulations of the “Swiss Code of Best Practice for Corporate Governance”.

### Cross references

In order to minimise repeated comments, certain sections cross refer to other sections, especially to the financial report.

## 2 GROUP STRUCTURE AND SHAREHOLDERS

### Group structure

The operational management structure is disclosed in chapter 4 of this report.

### Parent company and stock listing

The holding company of the Group, Interroll Holding Ltd., is headquartered in Sant’Antonino/TI, Switzerland. Its registered shares are traded in the main segment of the SIX Swiss Exchange under the security number 637289. Further notes to the listing can be found in the chapter “Interroll on the Capital Market” on page 8 of the annual report.

### Consolidation range

Subsidiaries belonging to the consolidation range of the Interroll Group are disclosed in note 8.4 of the Group’s financial statements. There are no other equity instruments publicly traded except those of Interroll Holding Ltd.

### Significant shareholders

All significant shareholders holding a reportable share are disclosed in note 3.5 (“Significant shareholders”) of the financial statements of Interroll Holding Ltd. Changes made during the year can be viewed on the SIX Swiss Exchange website under Significant Shareholders with Interroll.

### Cross shareholdings

The Interroll Group maintains neither capital nor voting rights with other entities.

## 3 CAPITAL STRUCTURE

### Share capital and voting rights

The share capital of Interroll Holding Ltd. amounts to CHF 854,000 and is made up of 854,000 fully paid registered shares with a par value of CHF 1 each. Each share has one voting right.

### Authorised or conditional capital

There is no authorised or conditional capital.

### Other equity or participation instruments

Furthermore, there are no other equity-like instruments such as profit-sharing rights or participation certificates.

### Changes in capital

There were no changes to the capital structure in the reporting or previous year.

### Limitations on transferability and nominee rights

Information about limitations on transferability and other nominee rights of the shareholders is disclosed in chapter 10 (“Shareholders’ participation rights”) of this report on corporate governance.

### Further information on shareholders’ equity

Additional information on equity is disclosed in the financial statements of the Group (see 1.5 “Consolidated statement of changes in equity”) and in the respective notes.

## 4 OPERATIONAL MANAGEMENT STRUCTURE

### Functional organisational structure

The Interroll Group consists of one single business unit. The complete product range is sold in all markets through local sales organisations. Interroll caters to the needs of its customers (original equipment manufacturers, systems integrators, end users) by offering a tailor-made product portfolio and expert consulting services. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Center (IRC), which is centrally located, researches new application technologies and develops new products. Global Centers of Excellence continue developing the product range they focus on.

### Management structure

The Group Management and the Interroll management structure are organised by function (Overall Management, Products & Technology, Global Sales & Service, Marketing and Finance). The Board of Directors bases its financial management of the Group on both the turnover generated in the product groups and geographical markets as well as on consolidated financial reports. In addition, Group Management assesses the achievement of financial and qualitative targets and other key performance indicators of all subsidiaries.

The Interroll Group has no advisory body.

### Board of Directors

<b>CHAIRMAN</b>			
Urs Tanner			
<b>VICE CHAIRMAN</b>	<b>AUDIT COMMITTEE</b>	<b>COMPENSATION COMMITTEE</b>	<b>OTHER MEMBERS</b>
Prof. Dr Horst Wildemann	Philippe Dubois Paolo Bottini	Urs Tanner Prof. Dr Horst Wildemann	Stefano Mercorio Ingo Specht

### Group Management

<b>CHIEF EXECUTIVE OFFICER</b>	
Paul Zumbühl	
<b>CHIEF FINANCIAL OFFICER</b>	<b>SENIOR VICE PRESIDENT CORPORATE MARKETING &amp; CULTURE</b>
Daniel Bättig	Jens Karolyi
<b>EXECUTIVE VICE PRESIDENT GLOBAL SALES &amp; SERVICE</b>	<b>EXECUTIVE VICE PRESIDENT PRODUCTS &amp; TECHNOLOGY</b>
Dr Christoph Reinkemeier	Dr Ralf Garlich
<b>REGIONS</b>	
Executive Vice President Americas	Tim McGill
Executive Vice President Asia	Dr Ben Xia

### **Interroll Research Center (IRC), Global Product Management**

The Interroll Research Center (IRC) develops new products, techniques and technologies in close cooperation with the Centers of Excellence, Global Product Management and Global Sales.

<b>FUNCTIONAL UNIT</b>	<b>MANAGED BY</b>	<b>COMPANY</b>
Research & Development	Helmut Maiwald	Interroll Holding GmbH, Wermelskirchen (DE)
Global Product Management	Dietmar Hager	Interroll Holding GmbH, Wermelskirchen (DE)

### **Global Centers of Excellence (CoE)**

The seven Interroll Centers of Excellence are responsible worldwide for product development, strategic purchasing and the application and development of production technologies for specific product ranges. Furthermore, they produce and supply semi-finished goods to Group companies. The global Centers of Excellence of the Interroll Group are managed by the following persons:

<b>FUNCTIONAL UNIT</b>	<b>MANAGED BY</b>	<b>COMPANY</b>
Rollers, RollerDrive	Armin Lindholm	Interroll Engineering GmbH, Wermelskirchen (DE)
Industrial Drum Motors	Dr Hauke Tiedemann	Interroll Trommelmotoren GmbH, Baal (DE)
Supermarket Products	Dr Anders-Staf Hansen	Interroll Joki A/S, Hvidovre (DK)
Dynamic Storage Products	Bertrand Reymond	Interroll SAS, La Roche-sur-Yon (FR)
Conveyors and Sorters	Bernhard Kraus	Interroll Automation GmbH, Sinsheim (DE)
Belt Curves	Shane Belcher	Interroll Engineering West Inc., Cañon City (US)
Technopolymers	Ingo Specht	Interroll AG, Sant'Antonino (CH)

### **Worldwide sales and production companies**

#### **Regional Centers of Excellence (RCoE)**

Regional Centers of Excellence produce for the EMEA, Americas and Asia-Pacific regions. These centers handle the full product range of the global Centers of Excellence and provide the regional sales and service subsidiaries with finished products and the assembly sites with unfinished goods. Production assets and real estate were acquired as of 1 December 2016 in Kronau, Germany, which as from then formed the Regional Competence Center for Belt Curves in Europe-Middle East-Africa (EMEA).

#### **Production companies and local assemblies**

Guided by the production processes and production technology of the Interroll Centers of Excellence, local production companies manufacture and assemble products for regional markets. They concentrate on specific product groups within the full product range.

#### **Sales and service subsidiaries**

Interroll sales companies concentrate on specific market and customer segments offering the full range of Interroll products and 24-hour repair service. As per 1 January 2017, Interroll USA, LLC in Wilmington, NC started as a sales unit for the United States of America.

## Management of the operational subsidiaries

The management of the above companies was delegated to the following persons:

### EUROPE–MIDDLE EAST–AFRICA (EMEA)

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
Sales, service	Central Europe	J. Mandelatz	Interroll Fördertechnik GmbH, Wermelskirchen (DE)
Sales, service	France	G. Calvez	Interroll SAS, Saint-Pol-de-Léon (FR)
Sales, service	Northern Europe	E. Kaiser	Interroll Nordic A/S, Hvidovre (DK)
Sales, service	Great Britain, Ireland	Ch. Middleton	Interroll Ltd., Corby (GB)
Sales, service	Iberian peninsula	R. Rovira	Interroll España SA, Cerdanyola del Vallès (ES)
Sales, service	Czech Rep., Balkans, Hungary	F. Ratschiller	Interroll CZ s.r.o., Breclav (CZ)
Sales, service	Poland, Russia, Ukraine	F. Ratschiller	Interroll Polska sp. z o.o., Warsaw (PL)
Sales, service	Turkey, Middle East	F. Ratschiller	Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR)
Sales, service	Italy	F. Ratschiller	Interroll Italia Srl (IT)
Sales, assembly, service	Africa	H. Campbell	Interroll SA (Proprietary) Ltd., Johannesburg (ZA)
RCoE	EMEA	M. Kuhn	Interroll Kronau GmbH (DE)

### AMERICAS

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE	USA	A. Robinson	Interroll Corporation, Wilmington/NC (US)
RCoE, sales, service	USA	R. Wright	Interroll Atlanta LLC, Hiram/GA (US)
Sales, service	USA	R. Keely	Interroll USA LLC, Wilmington/NC (US)
Sales, assembly, service	Canada	S. Gravelle	Interroll Canada Ltd., Newmarket/Toronto (CA)
Sales, assembly, service	Brazil, Argentina	M. Gaio	Interroll Logística Ltda., Jaguariuna/São Paulo (BR)
Sales, service	Mexico	L. Pallares	Interroll Mexico S. de R.L de C.V., Mexico City (MX)

### ASIA-PACIFIC

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE	China	T. Zhang	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
RCoE	Asia-Pacific	M.K. Lo	Interroll Shenzhen Co. Ltd., Shenzhen (CN)
Sales, service	China	L. Zhi	Interroll Holding Management (Shanghai) Co. Ltd. (CN)
Sales, service	South Korea	S. Jeong	Interroll Korea Corp. Seoul (KR)
Sales, service	Japan	G.W. Seng	Interroll Japan Co. Ltd., Tokyo (JP)
Sales, assembly, service	Thailand	N. Grisorn	Interroll (Thailand) Co. Ltd., Panthong (TH)
Sales, service	Singapore, South East Asia	G.W. Seng	Interroll (Asia) Pte. Ltd., Singapore (SG)
Sales, assembly, service	Australia	P. Cieri	Interroll Australia Pty. Ltd., Melbourne (AU)

## 5 BOARD OF DIRECTORS

### Members of the Board of Directors



*From left to right*

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*Back row: Stefano Mercorio, Ingo Specht,  
Prof. Dr Horst Wildemann, Philippe Dubois*

*Front row: Urs Tanner, Paolo Bottini*

#### **Election principles and terms of office**

The Board of Directors is composed of at least six members. These members are elected individually at the Annual General Meeting for a one-year term. The shareholders Dieter Specht and Bruna Ghisalberty or their direct first-generation descendants are entitled to nominate two representatives (one representative per family) in total, as long as they hold at least 10% each of the share capital.

## PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF THE BOARD OF DIRECTORS

### URS TANNER

(born 1951, Swiss)

Executive MBA University of St. Gallen, AMP Harvard, served as CEO of Medela Group, Managing Director of the Tools & Plastics business segment of Mikron Group and held leading positions with Styner & Bienz AG (Adval Tech). Currently he is a co-owner of Halcyon Associates Inc. in the USA as well as a Board member of the Board of Directors of Neutrik AG. Mr. Tanner, a member since 2008, was appointed Vice Chairman in 2009, has served as Chairman of the Board of Directors of Interroll Holding AG since 13 May 2016 and is also a member of the Compensation Committee.

### PAOLO BOTTINI

(born 1965, Swiss)

lic. iur., lawyer and tax specialist (Eidg. Dipl.), held various positions within the law firm Bär & Karrer and is currently a managing partner of the firm in Lugano. Mr. Bottini has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

### PHILIPPE DUBOIS

(born 1950, Swiss)

lic. iur. and lic. oec., was responsible for the IPO of Interroll Holding AG while working for UBS Warburg. He also held senior investment banking positions at the bank Julius Bär. Currently he is an independent management and financial consultant for M&A, corporate finance and management coaching. Mr. Dubois has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

### STEFANO MERCORIO

(born 1963, Italian)

holds a degree in economics. He is currently working as a legal auditor and is the founder and senior partner of Studio Castellini Mercorio & Partners. Since 1987 he has been Dottore Commercialista iscritto all "Albo dei Dottori Commercialisti e degli Esperti contabili di Bergamo". Mr. Mercorio has been a member of the Board of Directors of Interroll Holding AG since 2013.

### INGO SPECHT

(born 1964, German)

holds a professional qualification as an industrial business manager from the Chamber of Commerce and Industry of Cologne, Germany. He was owner and Managing Director of Luxis, Locarno, and has held various senior positions in IT, marketing and business development with the Interroll Group. Currently, he is serving as Managing Director of Interroll SA. Mr. Specht has been a member of the Board of Directors since 2006.

### PROFESSOR DR HORST WILDEMANN

(born 1942, German)

Dipl.-Ing. in mechanical engineering and Dipl.-Kfm. in business administration, Prof. Dr. Dr. h.c. mult., serves as Managing Director of TCW Transfer-Centrum for Production Logistics and Technology Management GmbH & Co. KG, and as head of the research institute for management, production and logistics at the Technical University of Munich. He has honorary doctorates from the universities of Klagenfurt, Passau and Cottbus. He is currently Chairman of the Advisory Boards of Möhlenhoff GmbH and Rudolf GmbH as well as a member of the Advisory Board of Hamberger Industrierwerke AG. He is also a member of the Boards of Directors of Sick AG and Zeppelin GmbH. Prof. Dr. Wildemann has been a member of the Board of Directors of Interroll Holding AG and a member of the Compensation Committee since 1999. Furthermore, he has served as the Vice Chairman of the Board of Directors of Interroll Holding since May 2016.

## 6 INTERNAL ORGANISATION

### Constitution and committees of the Board of Directors

The Board of Directors consists of the Chairman, the Vice Chairman and the other members. The Board of Directors is assisted by two permanent committees focusing on the areas of auditing (Audit Committee) and remuneration policy (Compensation Committee).

### Audit Committee

The Audit Committee receives the audit reports prepared by the local external auditors and by the Group auditor. It prepares the respective report on them to the Board of Directors. In particular, it ensures that the Group companies are also being audited on a regular basis. The Audit Committee mandates the internal audit department to execute internal audits and reviews respective audit reports.

At least once a year, the Audit Committee also commissions a report on audits undertaken and planned as well as on any proposals to improve the audit function. The Audit Committee submits its proposals to the Board of Directors for decision.

### Compensation Committee

The Compensation Committee submits its proposals for the salary and bonus of the CEO, the members of Group Management, and the compensation of the Board of Directors to the Board of Directors for decision. At the request of the CEO at the beginning of the year, it defines the targets for bonus payments. In addition, the Compensation Committee is responsible for establishing the terms of the share ownership scheme. The remuneration scheme is described in the remuneration report.

### Mode of collaboration of the Board of Directors and its committees

The Board of Directors meets as often as business requires, but at least four times per year.

The meetings are convened by the Chairman of the Board of Directors. Each member of the Board of Directors may demand that a meeting be convened, specifying the item on the agenda to be discussed. The CEO participates in the meetings of the Board of Directors. The executive vice presidents of the respective functional units and the vice presidents of the corporate functions as well as other members of management are invited to attend meetings when necessary.

The Board of Directors is deemed quorate if an absolute majority of its members is present in person. Resolutions are adopted on the basis of an absolute majority of votes present. If votes are tied, the Chair-

man has the casting vote. All resolutions are recorded in the minutes. The meetings usually take a full day.

Both committees of the board meet as necessary. Any member is entitled to convene committee meetings. In the 2017 financial year, the Board of Directors met on five occasions, the Audit Committee three times and the Compensation Committee twice for regular scheduled meetings.

## 7 AUTHORITY REGULATIONS

### Statutory base for the authority regulations

All basic authorities and tasks of the governing bodies are set out in the Articles of Incorporation of Interroll Holding Ltd. Responsibilities and duties that cannot be delegated to third parties are defined in these articles.

### Responsibility of the Board of Directors

The Board of Directors is responsible for the Group's strategy and governs the overall management, supervision and control over the operational management of the Interroll Group. The Board of Directors has exercised its statutory authority to delegate management to third parties who need not be shareholders (Group Management).

### Management and organisational regulations

Under the organisational regulations, the Board of Directors has delegated the management of ongoing business to a Chief Executive Officer (CEO). The CEO is responsible for the overall management of the Interroll Group and for all matters not falling under the purview of another governing body, as specified by law, the Articles of Incorporation or the organisational regulations. In particular, the CEO is responsible for the operational management of the company as a whole. Competencies and controls are specified within a set of organisational regulations.

## 8 INFORMATION AND CONTROL INSTRUMENTS

### Reporting to the Board of Directors

At each meeting, the CEO informs the Board of Directors of the course of business, the principal events within the Group and the discharge of duties delegated to Group Management.

### Management Information System

The Management Information System (MIS) of the Interroll Group consolidates the balance sheet, income statement and cash flow statement, as well as financial data pertaining to the subsidiary companies, on a monthly basis and compares the current figures with



those of the previous year and the budget. On the basis of the quarterly financial statements, the budget is assessed in the form of a forecast as to whether it is attainable with regard to each entity and also for the consolidated group. The financial reports are discussed during the meetings of the Board of Directors.

#### **Internal audit and control instruments**

On behalf of the Audit Committee, internal audits are performed annually at selected subsidiary companies. The focal points of the audit are defined according to the risk profile of the respective entity. The reports of the Audit Committee are discussed with local management.

Extraordinary occurrences and decisions of material importance, as specified in the organisational regulations, are immediately brought to the attention of all members of the Board of Directors in writing.

## **9 GROUP MANAGEMENT**

The Group Management of the Interroll Group had the following members as of the end of 2017:

<b>NAME/ YEAR OF BIRTH</b>	<b>NATIONALITY</b>	<b>FUNCTION</b>	<b>MEMBER SINCE</b>
Paul Zumbühl (1957)	Swiss	Chief Executive Officer (CEO)	January 2000
Daniel Bättig (1964)	Swiss	Chief Financial Officer (CFO)	March 2013
Dr Ralf Garlichs (1962)	German	Executive Vice President Products & Technology	July 2006
Dr Chr. Reinkemeier (1966)	German	Executive Vice President Global Sales & Service	January 2011
Jens Karolyi (1970)	German	Sen. Vice President Corporate Marketing & Culture	January 2011
Tim McGill (1955)	British	Executive Vice President Operations Americas	January 2011
Dr Ben Xia (1966)	Chinese	Executive Vice President Operations Asia	June 2013

## **10 SHAREHOLDERS' PARTICIPATION RIGHTS**

#### **Representation and restriction of voting rights**

Rights governing shareholder participation are in accordance with the requirements specified in the Swiss Code of Obligations. Each share issued has one vote. A shareholder's voting rights are restricted to a maximum of 5% of the total number of votes. Individual nominees, however, are entitled to exercise more than 5% of the total votes if they disclose the identity of the beneficiaries they represent and if the respective beneficiaries as a whole do not exercise more than 5% of the voting rights. This restriction of voting rights does not apply to the founding families, insofar as the individual families hold at least 10% of the share capital.

Registered shares of nominees that exceed 2% of the shares outstanding are only listed in the share register as shares furnished with voting rights if the nominee has provided written consent to the possible disclosure of names, addresses and shareholdings of those persons for whom the said nominee holds 0.5% or more of the shares outstanding.

#### **Statutory quorum**

Subject to contrary statutory or legal provisions, the Annual General Meeting is quorate irrespective of the number of shareholders present and the shares represented by proxy.

**Convocation of the Annual General Meeting**

The invitation to the Annual General Meeting is issued at least twenty days prior to the AGM and is legally effective upon inclusion in the Company's chosen vehicle of communication ("Schweizerisches Handelsamtsblatt"). In addition, the Board of Directors sends a written invitation to those registered shareholders listed in the share register.

**Agenda and registration in the share register**

The invitation to the Annual General Meeting has to include all items on the agenda as well as all motions put forward by the Board of Directors and, if applicable, by the shareholders who have called for a General Meeting or the inclusion of an item on the agenda. No resolutions shall be passed on motions relating to items which have not been announced in the requisite manner, with the exception of those motions relating to the convocation of an Extraordinary General Meeting or the execution of a special audit. No entries are made into the share register less than ten days prior to an Annual General Meeting up to the day subsequent to the AGM.

**11 CHANGE IN CONTROL AND DEFENCE MEASURES****Obligation to make an offer**

There are no statutory regulations regarding opting up and opting out.

**Change in control clauses**

There are no agreements for severance pay, other agreements and plans in the event of a change in control or upon termination of a contract of employment.

**12 AUDITOR****Duration of the mandate and term of office of the lead auditor**

By decision of the Annual General Meeting of 12 May 2017, Interroll Holding Ltd. has appointed PricewaterhouseCoopers (PwC) for another term of one year as its auditing company. PwC has been the Group Auditor of the Interroll Group since 2011. Mr. Patrick Balkanyi has been the lead auditor with audit responsibility since 2012.

**Audit fees**

The audit fees charged by PwC to subsidiaries of the Interroll Group in the business year 2017 amounted to CHF 0.4 million. The audit fees charged by PwC in 2016 amounted to CHF 0.4 million.

**Supervisory and control instruments pertaining to the audit**

The Audit Committee is responsible for evaluating the external audit. The external auditors prepare an audit report to be submitted to the Board of Directors. At least two consultations are held each year between the external auditors and the Audit Committee. Material findings for each entity (Management Letters) as well as for the consolidated accounts are presented in the "Comprehensive Auditor's Report to the Board of Directors", which is discussed in detail.

**13 INFORMATION POLICY****Contact person**

Interroll is committed to providing swift, transparent and synchronous information to all stakeholders. To ensure that, the Group CEO and the Group CFO are available as direct contact persons.

**Published reports on the course of business**

The Interroll Group publishes comprehensive financial results twice a year: for the first half and for the financial year as a whole. In addition to the financial results that are carried out in accordance with IAS/IFRS, shareholders and financial markets are regularly informed of significant changes and developments.

**Source of information**

Further relevant information and financial reports are available on [www.interroll.com/investor-relations](http://www.interroll.com/investor-relations), where reports can be downloaded. Shareholders recorded in the share register may request to receive the Annual Report in printed form and register for automatic delivery of the Annual Report with the Investor Relations department.