

# REMUNERATION REPORT

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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 listed stock 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:

- Directors' 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 Manage-

ment and presents a proposal to the Annual General Meeting for approval, starting with financial year 2015. On behalf of the Board of Directors, the Compensation Committee prepares all proposals and the basis for remuneration decisions to be taken.

The Compensation Committee's key duties are as follows:

- Propose and regularly review 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 13 May 2016, the Board of Directors will propose the total remuneration of the Board of Directors for the period up to the 2017 Annual General Meeting and the total remuneration for Group Management for the financial year 2016 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 approved during the last Annual General Meeting.

## REMUNERATION OF THE BOARD OF DIRECTORS

### Principles and specifying the 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 and at the Compensation Committee's request, subject to approval by the Annual General Meeting. No separate remuneration is paid to members of committees. 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 2015 (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 Compensation	Shares held as of 31.12.	Voting Rights in %
<b>Kurt Rudolf</b>							
2015	P, CC	150	18		<b>168</b>	400	0.05
2014	P, CC	150	18		<b>168</b>	500	0.06
<b>Urs Tanner</b>							
2015	VP	75	12		<b>87</b>		0.00
2014	VP	75	12		<b>87</b>		0.00
<b>Paolo Bottini</b>							
2015	AC	57	9		<b>66</b>	20	0.00
2014	AC	50	8		<b>58</b>	20	0.00
<b>Philippe Dubois</b>							
2015	AC	57	9		<b>66</b>	100	0.01
2014	AC	50	8		<b>58</b>	100	0.01
<b>Horst Wildemann</b>							
2015	CC	57	5		<b>62</b>		0.00
2014	CC	50	4		<b>54</b>		0.00
<b>Stefano Mercurio</b>							
2015		57	12		<b>69</b>		0.00
2014		50	10		<b>60</b>		0.00
<b>Ingo Specht</b>							
2015		57	9		<b>66</b>	82,340	10.43
2014		50	8		<b>58</b>	86,695	11.17
<b>Total Board of Directors</b>							
<b>2015</b>	<b>510</b>	<b>74</b>			<b>584</b>	<b>82,860</b>	<b>10.49</b>
<b>2014</b>	<b>475</b>	<b>68</b>			<b>543</b>	<b>87,315</b>	<b>11.25</b>

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

\* Social Security costs consist of employers' and employees' contributions to the state-run Swiss social security system.

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

### **Valuation of total remuneration for 2015**

In the reporting year, the remuneration of the Board of Directors comprised no non-recurring effects. No change has occurred compared with the previous year. At the 2015 Annual General Meeting, the Board of Directors will propose the same remuneration as in the past period.

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

No further payments in cash or in kind are made or 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 (audited)**

Interroll Holding AG and its subsidiaries granted no loans and advances to members of the Board of Directors in the two reporting years. There were no loans from past years.

## **REMUNERATION OF GROUP MANAGEMENT**

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

For each Group Management member an individual remuneration agreement exists, the projected total remuneration, which 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.

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 global or local activities for one or more subsidiaries in Switzerland or abroad (based on a separate contract of employment) of the respective member of Group Management are compensated.

On the basis of the remuneration regulations 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 from 2015 onwards. 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 13 May 2016, the Board of Directors will present for the first time a proposal for total remuneration of Group Management for financial year 2016 for approval.

### **Fixed remuneration**

The fixed remuneration component of total remuneration is contractually stipulated and generally remains unchanged for three to four 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 approx. 60 % of total remuneration for members of Group Management in an operating managerial role and approx. 30 % for members in a centralized holding role. In the reporting year, the variable share in relation to total remuneration of Group Management amounted to 40 %.

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 the key figures listed below, compared with the previous year and a rolling 3-year plan:

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 at least 66% for members of Group Management in an operating managerial role and at least 33% for members of Group Management in a centralized holding role.

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 a business acquired, successful strategic projects, the achievement of inventory reduction targets etc.

Using the plan for several years as the basis of variable remuneration (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 year, and short-term cost-cutting is prevented in the areas of market development and innovation etc. which could otherwise hamper the long-term development of Interroll.

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. In the two reporting years, no deviation from the agreement occurred.

### Allotment of shares

The Interroll shares granted as part of fixed (CEO) and variable remuneration to members of Group Management are blocked for four to eight years. The blocking period is aimed at motivating Group Management to perform its duties in the interests of the Interroll Group's long-term sustainable development rather than short-term profit maximisation.

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). In this sense, the share plan for Group Management represents a long-term performance incentive and is intended to promote identification with and loyalty to Interroll in the long run.

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. The members of Group Management decide by 15 December of the relevant financial year ended on the percentage of variable remuneration which they wish to receive in the form of Interroll shares (min. 20% of variable remuneration). In the financial year ended, Group Management members held no stock options entitling them to acquire Interroll Holding AG shares.

### Total remuneration for 2015 (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 listed stock 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 as follows:

in thousands CHF	Remuneration (net)		Equity-based compens.			Other Benefits	<b>Total Compensation</b>
	Fixed	Variable*	Shares**	Options	Social Security***		
<b>CEO (highest)</b>							
2015	661	856	389		520	43	<b>2,469</b>
2014	663	792	390		508	43	<b>2,396</b>
<b>Other members</b>							
2015	1,347	407	341		258	118	<b>2,471</b>
2014	1,429	471	226		262	94	<b>2,482</b>
<b>Total Group Management</b>							
<b>2015</b>	<b>2,008</b>	<b>1,263</b>	<b>730</b>		<b>778</b>	<b>161</b>	<b>4,940</b>
<b>2014</b>	<b>2,092</b>	<b>1,263</b>	<b>616</b>		<b>770</b>	<b>137</b>	<b>4,878</b>

\* The difference between provisions made in the previous year and the actually paid-out bonuses is netted with the variable compensation planned for the year under review.

\*\* In the period under review 2,043 (previous year: 1,769) own shares were attributed. 2,043 of these shares (previous year: 1,769) may not be sold for a period of four to eight years as of grant date. Share-based payments correspond to tax values.

\*\*\* Social security costs consist of employers' - and employees' contributions to the state-run Swiss social security system.

### 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 663 (bis) 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 0.39m (previous year: CHF 0.32m) related to company cars – CHF 0.07m (previous year: CHF 0.08m) – and share-based remuneration – CHF 0.32m (previous year: CHF 0.24m).

### Valuation of total remuneration for 2015

Due to the high achievement of financial and individual objectives total remuneration to Group Management in the reporting year was higher than in the previous year in local currencies, but about equal to the previous year expressed in Swiss francs. However, it was significantly lower than the maximum total compensation of CHF 5.8 million approved during the Annual General Meeting in 2015 (incl. share-based compensation at market and at tax value at the granting date).

### Total remuneration of the last 10 years

The table below indicates total remuneration of Group Management from 2006 to 2015:

in CHFm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Executive	5.8	5.2	4.4	4.3	4.9	5.0	5.2	4.7	4.9	4.9

\* Source: Annual Reports 2006–14, according to figures in column “Total Compensation” e.g. incl. all pension and other services.

Group Management and the total remuneration of Group Management remained at a steady level since 2006. During these 10 years, Interroll has advanced to become the global market leader for key products in the internal logistics business and market capitalisation was increased by 3 times.

### Outlook for total remuneration in 2016

As in the last years, in 2016 total remuneration and its payment depend on target achievement. With two members of the Group Management the fixed remuneration increased a bit in 2016 after 3–4 years of service. Total achievable remuneration presented to the Annual General Meeting in 2016 assumes maximum target achievement and comprises a reserve for currency fluctuations. The actual amount paid is usually lower than than the amount approved by the Annual General Meeting.

### 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 and China as well as 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 or in kind are made 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 (audited)

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



## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING

INTERROLL HOLDING LTD

Sant'Antonino

We have audited the remuneration report of Interroll Holding AG for the year ended 31 December 2015. 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 52 to 57 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 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 LTD for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Two handwritten signatures are shown side-by-side. The signature on the left is "P. Balkany" and the signature on the right is "R. Zenegaglia".

Patrick Balkany  
Audit expert  
Auditor in charge

Remo Zenegaglia