

Remuneration Report 2019

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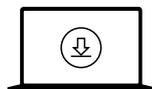
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This is an excerpt of Siegfried's Annual Report 2019.
All chapters of Siegfried's Annual Report 2019 can be
downloaded at report.siegfried.ch.

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 2019 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^{bis} 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 Chair of Remuneration Committee
- Competencies and tasks of Remuneration Committee
- Procedures for setting and approving remuneration
- Principles of remuneration policy and remuneration elements
- Remuneration of Board of Directors
- Remuneration of Executive Committee
- Shareholdings of Board of Directors and Executive Committee at end of 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 2019 reporting year (audited)	18
	Remuneration paid to the Board of Directors for the 2019/2020 term of office (projection)	18
	Remuneration paid to the Board of Directors in the 2018 reporting year (audited)	19
	Remuneration paid to the CEO and Executive Committee in the 2019 reporting year (audited)	20
	PSUs allocated to the CEO and Executive Committee in the 2019 reporting year	21
	Remuneration paid to the CEO and Executive Committee in the 2018 reporting year (audited)	21
Art. 15: Loans and credits granted to the Board of Directors and Executive Committee	As of December 31, 2019, 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)	23
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 2019; nor are any such commitments outstanding as at December 31, 2019. (audited)	23
Art. 17: Audit of the remuneration report by statutory auditor	Report of the Statutory Auditor on the Remuneration Report	24

Introduction by Chair of Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the 2019 Remuneration Report.

As outlined in the general section of the annual report, 2019 was another challenging year for Siegfried from an operational perspective. 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 EBITDA and ROCE targets were not fully met in 2019, and this is reflected in the target achievement figures. The strategy of deliberately and systematically linking remuneration to actual operational performance is having the desired effect – short-term, performance-based incentives are only distributed if operational targets are met.

This report provides detailed explanations of our remuneration principles and model; it sets out how each remuneration element and plan works and highlights how these 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.

During the reporting year, the Remuneration Committee conducted a thorough review of the short and long-term performance-based remuneration programs STIP and LTIP at its three regular meetings. The review was intended to ensure that these instruments are closely aligned with the company's strategy and support the long-term interests of our shareholders. The Remuneration Committee concluded that the main features and mechanisms of our remuneration systems are still appropriate and adequate. However, it recommended that minor adjustments be made to both plans. Specifically, the following changes will be made from the 2020 reporting year:

- In the case of the LTIP, the investment requirement, which remains binding, will be adjusted in such a way that the amount to be invested at the beginning of the program is in line with the market. The previous requirement was increasingly presenting a hurdle for new hires – a fact that can prove detrimental in a competitive labor market. The Executive Committee is exempt from this adjustment. The strict – and likewise binding – obligation to hold a defined number of shares throughout participation in the LTIP remains unchanged.
- As part of the revision of the performance management process, the minimum value below which no bonus is paid was set at 25% of the target value for short-term performance-based remuneration. In recent years, the previous threshold (minimum value of 50%) has increasingly led to an undesirable dampening of performance motivation due to Siegfried's traditionally ambitious targets; this significantly reduces the effectiveness of short-term performance-based remuneration as a control and management instrument.

A review of the remuneration of the Board of Directors and Executive Committee using comparable figures from external sources showed that there have been only minor changes since the last detailed analysis in 2017; a detailed review as per the regular two-year cycle was therefore dispensed with. The next review is currently scheduled for 2021.

Over the past year, the Remuneration Committee has been actively monitoring the progress of projects relating to corporate culture and employee/leadership development, as the Board of Directors is convinced that effective implementation in these areas is fundamental to the success and performance of the company.

In addition to dealing with regular remuneration issues, in the coming year the Remuneration Committee will once again devote attention to corporate culture, leadership, talent management and employee development initiatives spearheaded by the Executive Committee.

1. Competencies and Tasks of 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 2019/2020 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 2019

Topics	Winter	Summer	Autumn
General subjects			
Personnel changes in Senior Management group	•	•	•
Update HR projects	•	•	•
Update pension funds	•	•	•
Talent review			•
Governance			
Preparation of remuneration report (incl. analysis on remuneration disclosure)		•	•
Approval of remuneration report	•		
Preparation "Say-on-Pay" vote for upcoming GM	•		
Remuneration of Board of Directors			
Setting remuneration for next term of office (incl. amount to be approved at GM)	•		
Remuneration of Executive Committee			
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 last reviewed in 2017, on the basis of an executive study undertaken in collaboration with an external partner (Mercer). The remuneration of Executive Committee members was reviewed in 2019 in light of publicly available data. Given that the market situation remains virtually unchanged, a decision was taken to delay the next detailed analysis until 2021.

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) and terms of employment contract		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
Structure 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 17, 2019:

- Maximum total for overall remuneration of the Board of Directors (now expanded by one member) for the 2019/2020 term of office (CHF 1 750 000)
- Maximum total for the fixed overall remuneration of the Executive Committee for 2020 (CHF 3 200 000)
- Short-term, performance-based remuneration for the Executive Committee for 2018 (CHF 1 049 158)
- Long-term, performance-based remuneration for the Executive Committee for 2019 (CHF 2 000 000)

Likewise, the proposals relating to the structure described above will be put before the General Meeting on April 17, 2020.

3. Principles of Remuneration Policy and Remuneration Elements

Principles of Remuneration Policy

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

Remuneration Elements

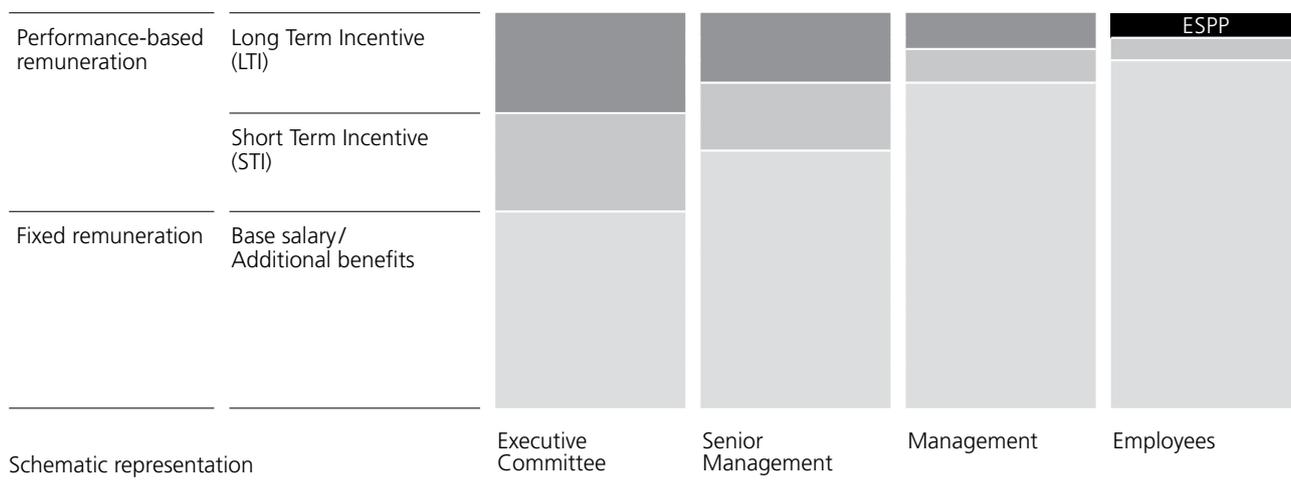
Siegfried's remuneration model is designed as a package consisting of fixed and performance-based elements.

An employee's total remuneration mix is contingent on his/her functional level, position, 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)

	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
Performance-based remuneration	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)
	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 remuneration elements	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
	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 and Board members)

The performance-based share of remuneration depends on an individual's functional level; the greater the responsibility assumed within the organization, the larger the share.



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, as well as local market conditions. Siegfried aims to ensure that the base salary of employees who meet the expected performance, behavioral, and academic 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 or prescribed in sectoral collective agreements.

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 personal target bonus assuming 100% target achievement ("target STI") is defined for each plan participant. The target STI depends on the plan participant's functional level. The target categories and associated weighting applicable to each employee depend on the employee's functional level and are defined in a target matrix that is coordinated across all areas of the company.

Under the STIP, targets are set and communicated 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		n. a.	Chairman of the Board of Directors
Executive Committee	Board of Directors	CEO	CEO
Senior Management			
Management		Executive Committee	Line Manager
Employees			

The corporate targets used are EBITDA (earnings before interest, taxes, depreciation and amortization) and ROCE (return on capital employed) – key operational and strategic performance indicators commonly used in the chemicals industry. The target values for the relevant reporting year are set and communicated annually by the Board of Directors. The annually defined EBITDA and ROCE targets are geared to achievement of the long-term EBITDA and ROCE goals on which the LTIP is based.

Functional targets are derived from Siegfried’s strategy, operational priorities, and corporate targets and are based on the overall performance of a given function or location. 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, key performance indicators (KPIs) relevant to steering the operational business and achieving corporate targets. Typical KPIs include safety statistics per location (number of notifiable events as per international OSHA [Occupational Safety and Health Administration] standards), profitability per location (manufacturing efficiency), and active management of overdues.

Individual targets are agreed bilaterally between the line manager and the employee. They are linked to the performance of the employee and usually take the form of project or task-related goals.

At the end of the 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:

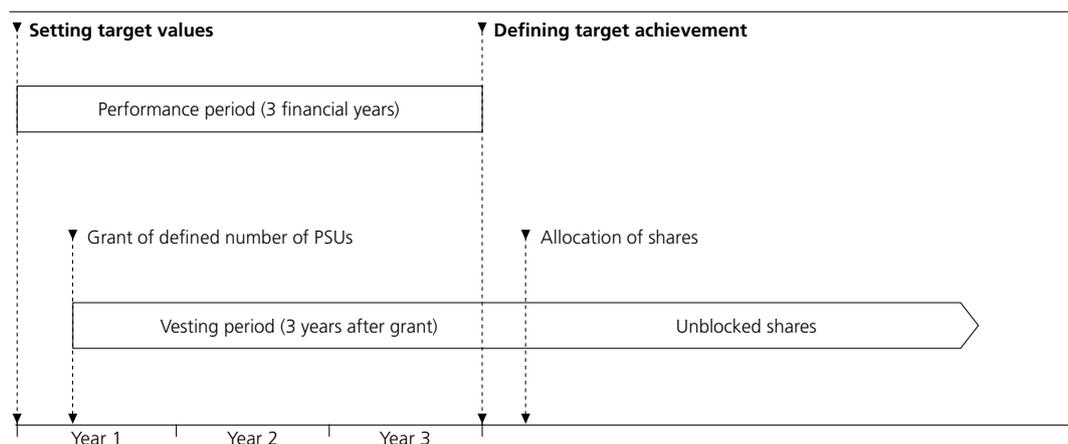
Target category	Weighting of target category	Target achievement	Weighted target achievement
Corporate targets	30%	90%	27%
Functional targets	40%	125%	50%
Individual targets	30%	110%	33%
Overall target achievement			110%

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

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’s enterprise value.

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 Board of Directors has set an 8% annual increase in share value as its long-term TSR target value (100%). The Board of Directors defines EBITDA and ROCE target values annually for each new PSU grant, taking account of Siegfried Group’s five-year medium-term planning.

Remuneration Report

Principles of Remuneration Policy and Remuneration Elements

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		TSR CAGR of 8% (minimum level: 4%, maximum level: 12%)	70%
Operational KPI	Cumulative EBITDA over a given three-year performance period	The Board of Directors sets target values annually for each new PSU grant	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.

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 the minimum targets are not reached, the PSUs lapse without compensation. The value of shares allocated at the end of the vesting period is determined according to the market price at the time of allocation.

Furthermore, shares may only be transferred following the three-year vesting period provided the plan participant has a valid employment relationship with the company.

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 (maximum three years) by using their own funds to invest in Siegfried shares.

In March 2019, shares for the performance period 2016 – 2018 were allocated. Target achievement (and hence the performance factor) for the 2016 – 2018 performance period was 177.9%. The detailed breakdown of target achievement was as follows: TSR CAGR: 200%, EBITDA: 102.4%, and ROCE: 150%. 1.779 shares were thus allocated per PSU. On 18.03.2019, based on a total of 29 757 PSUs originally granted, 37 591 shares were transferred to Siegfried's Executive Committee and upper and middle management. During the vesting period, 7 213 PSUs lapsed without compensation due to participants exiting the plan and 4 207 PSUs had, as per internal regulations, been transferred early in the form of shares on the relevant employee's exit date (due to retirement or redundancy).

	Number of granted PSUs 2016 ¹	Number of allocated shares 2019 ^{3, 4, 5}
CEO	3 600	6 404
Executive Management	8 400	10 761
Senior Management	9 200	11 457
Management	7 482	8 043
Discretionary Group ²	1 075	926
Total	29 757	37 591

¹ 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. Organizational changes during the vesting period are not reflected.

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

³ Excluding shares which have already been converted into shares during the vesting period based on Art. 8.3. of the regulations (retirement / termination for economic reasons). In the reporting period, this concerns 3 333 shares in connection with the departure of the former CEO, Dr. R. Hanko.

⁴ Excludes 865 shares for participants at the Nantong site, who received an equivalent cash amount instead of shares due to regulatory restrictions.

⁵ Number of transferred shares based on outstanding PSUs at the time of transfer.

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

Overview of Outstanding PSUs

	Grant 2017 (Vesting period 2017–2020)	Grant 2018 (Vesting period 2018–2021)	Grant 2019 (Vesting period 2019–2022)
Number of PSUs granted¹	35 180	31 246	30 192
CEO	3 600	2 800	2 800
Executive Committee	9 177	7 225	6 391
Management	22 403	21 221	21 001
Outstanding PSUs as per December 31, 2019	24 036	24 594	28 505
CEO	0	0	2 800
Executive Committee	8 277	7 225	6 391
Management	15 759	17 369	19 314
Lapsed PSUs as per December 31, 2019²	8 258	5 584	1 687
CEO	1 200	1 867	0
Executive Committee	900	0	0
Management	6 158	3 717	1 687
Shares granted from PSUs as per December 31, 2019³	2 886	1 068	0
CEO	2 400	933	0
Executive Committee	0	0	0
Management	486	135	0

¹ Reported number of PSUs per employee category refers to the grant date and is not corrected for organizational changes.

² Entitlement lapsed due to termination of employment relationship by employee or Siegfried.

³ Pro rata share transfer based on 100% target achievement due to termination of employment on retirement/redundancy.

Additional Benefits

In all locations, additional benefits include, first and foremost, retirement provision and insurance to cover staff in the event of loss of earnings in the event of disability, illness, accident, or death. The form and amount of these additional benefits are governed by local market conditions and legislation.

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 in these segregated 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. In principle, 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.

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
2019	185	3 009	CHF 265.74	30.04.2022
2018	270	9 751	CHF 207.68	30.04.2021
2017	315	9 783	CHF 140.15	30.04.2020
2016	228	8 431	CHF 122.61	30.04.2019

4. Remuneration of 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' remuneration comprises a fixed cash component 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 per the table 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 granted at the beginning of a Board member's term of office following the approval of directors' remuneration by the Ordinary General Meeting. From the date of grant, 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 following table shows remuneration rates for the 2019/2020 term of office:

Base Fee	Cash component	Lump sum expense allowance	Number of restricted shares	Actual number of restricted shares allocated for 2019/2020 term of office ¹
Chairman of the Board of Directors	140 000	20 000	900	704
Vice-Chairman of the Board of Directors	70 000	10 000	450	352
Other members of the Board of Directors	50 000	10 000	450	352
Fees for individual functions				
Chair of Committee	10 000			
Member of Committee	5 000			

¹ Number of shares allocated was reduced in order to meet approved maximum total for overall remuneration of the Board of Directors for the 2019/2020 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. The share component of the remuneration is valued according to Swiss GAAP FER.

Remuneration Paid to Board of Directors in 2019 Reporting Year (Audited)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration 2019 ¹	Employer contributions to social security ²	Total remuneration financial year 2019
Andreas Casutt (Chairman)	140 000	20 000	160 000	262 870	20 481	443 351
Rudolf Hanko (Vice-Chairman)	46 667	6 667	53 334	88 939	7 084	149 357
Colin Bond (Member; Chair of Audit Committee)	60 000	10 000	70 000	131 435	10 123	211 558
Wolfram Carius ³ (Member; Chair of Strategy Committee)	60 000	10 000	70 000	131 435		201 435
Reto Garzetti (Member; Chair of Remuneration Committee)	70 000	10 000	80 000	131 435	10 685	222 120
Martin Schmid (Member)	66 667	10 000	76 667	131 435	10 471	218 573
Ulla Schmidt ³ (Member)	60 000	10 000	70 000	131 435		201 435
Total (serving members on December 31, 2019)	503 334	76 667	580 001	1 008 984	58 844	1 647 829

The remuneration figures shown in the table are gross amounts and were booked according to the accrual principle (4/12 for the 2018/2019 term of office; 8/12 for the 2019/2020 term of office).

¹ Fixed number of shares as part of Board of Directors remuneration; value per share as approved by the General Meeting (CHF 345.50 for the 2018/2019 term of office, CHF 379 for the 2019/2020 term of office).

² Incl. social security deductions on the tax value of the pro rata share component of the fixed Board of Directors remuneration (allocated in 2019) for the 2019/2020 term of office.

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

In 2019, no remuneration was paid to the members of the Board of Directors other than that presented above. During the 2019/2020 term of office, total Board of Directors remuneration is projected to be CHF 1.73 million; the figure approved at the General Meeting was CHF 1.75 million.

Remuneration Paid to Board of Directors for 2019/2020 Term of Office (Projection until end of 2019/2020 Term of Office)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration term of office ¹	Employer contributions to social security ²	Total remuneration term of office 2019/2020
Andreas Casutt (Chairman)	140 000	20 000	160 000	266 816	20 748	447 564
Rudolf Hanko (Vice-Chairman)	70 000	10 000	80 000	133 408	10 661	224 069
Colin Bond (Member; Chair of Audit Committee)	60 000	10 000	70 000	133 408	10 251	213 659
Wolfram Carius ³ (Member; Chair of Strategy Committee)	60 000	10 000	70 000	133 408		203 408
Reto Garzetti (Member; Chair of Remuneration Committee)	70 000	10 000	80 000	133 408	10 818	224 226
Martin Schmid (Member)	60 000	10 000	70 000	133 408	10 211	213 619
Ulla Schmidt ³ (Member)	60 000	10 000	70 000	133 408		203 408
Total (term of office 2019/2020, serving members)⁴	520 000	80 000	600 000	1 067 264	62 689	1 729 953
Approved by the General Meeting for 2019/2020 term of office						1 750 000

The remuneration figures shown in the table apply to the 2019/2020 term of office (May 2019–April 2020).

¹ Fixed number of shares as part of Board of Directors remuneration; value per share as approved by the General Meeting 2019 (CHF 379).

² Incl. social security deductions on the tax value of the share component of the fixed Board of Directors remuneration (allocated in 2019) for the 2019/2020 term of office.

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

⁴ Projected total until the end of the 2019/2020 term of office.

Remuneration Paid to Board of Directors in 2018 Reporting Year (Audited)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration 2018 ¹	Employer contributions to social security ²	Total remuneration financial year 2018
Andreas Casutt (Chairman)	140 000	20 000	160 000	251 021	19 536	430 557
Martin Schmid (Vice-Chairman)	80 000	10 000	90 000	125 510	10 791	226 301
Colin Bond (Member; Chair of Audit Committee)	60 000	10 000	70 000	125 510	9 639	205 149
Wolfram Carius ³ (Member; Chair of Strategy Committee)	60 000	10 000	70 000	125 510		195 510
Reto Garzetti (Member; Chair of Remuneration Committee)	70 000	10 000	80 000	125 510	10 221	215 731
Ulla Schmidt ³ (Member)	60 000	10 000	70 000	125 510		195 510
Total (serving members on December 31, 2018)	470 000	70 000	540 000	878 572	50 187	1 468 759

The remuneration figures shown in the table are gross amounts and were booked according to the accrual principle (4/12 for the 2017/2018 term of office; 8/12 for the 2018/2019 term of office).

¹ Fixed number of shares as part of Board of Directors remuneration; value per share as approved by the General Meeting (CHF 284 for the 2017/2018 term of office, CHF 345.50 for the 2018/2019 term of office).

² Incl. social security deductions on the tax value of the pro rata share component of the fixed Board of Directors remuneration (allocated in 2018) for the 2018/2019 term of office.

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

5. Remuneration of Executive Committee

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 following table summarizes the Executive Committee's remuneration in 2019 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. The performance-based components STI and LTI are explained in detail below. In 2019, the ratio of fixed to performance-based components in the CEO's remuneration was 42% to 58% (2018: 33%/67%) while the ratio for the Executive Committee averaged 51% to 49% (2018: 41%/59%).

Remuneration Paid to CEO and Executive Committee in 2019 Reporting Year (Audited)

CEO and Executive Committee	Fixed remuneration in cash ¹	Short-term, performance-based remuneration (STI) in cash ²	Total cash payments	Long-term, performance-based remuneration (LTI) in PSUs ³	Employer contributions to social security ⁴	Employer contributions to pension fund	Total remuneration 2019 ⁵
Highest individual remuneration: Wolfgang Wienand	570 000	238 460	808 460	561 764	94 808	74 108	1 539 140
Other Executive Committee members	1 759 115	403 831	2 162 946	1 282 227	233 551	231 493	3 910 217
Total (at December 31, 2019)	2 329 115	642 291	2 971 406	1 843 991	328 359	305 601	5 449 357

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

¹ Including contractual remuneration in Siegfried shares for a member of the Executive Committee in the amount of approximately CHF 54'000.

² To be paid out in April 2020 after approval at General Meeting.

³ Includes PSUs granted in 2019 for plan period 2019–2021; PSUs are valued as per external consultant ALGOFIN (CHF 200.63 per PSU).

⁴ Includes an assumed social insurance contribution on both the 2019 STI (7.8%) and PSUs granted in 2019 (7.7%).

⁵ Doesn't include fringe benefits (REKA money, child and family allowances, employer contributions to BU/NBU) in the amount of approximately CHF 20 000.

In 2019, no remuneration was paid to the Executive Committee members other than that presented above. Fixed remuneration paid in the 2019 financial year (CHF 2.81 million) did not exceed the CHF 3.3 million approved at the General Meeting 2018.

Overview of 2019 STI Calculations

CEO and Executive Committee	Target STI as % of fixed base salary	Target STI in CHF	Actual 2019 STI in CHF ^{1,2,3,4}	Actual STI as % of target STI	Actual 2019 STI amount incl. social security deductions ² , to be approved at the General Meeting
CEO	75%	427 500	238 460	55.78%	257 060
Other Executive Committee members	40%–50%	769 852	403 831	52.46%	435 330
Total		1 197 352	642 291	53.64%	692 390

¹ To be paid out in April 2020 after approval at General Meeting.

² Assuming 7.8% social security contributions.

³ Target weighting – CEO: corporate targets (EBITDA, ROCE): 80%, individual targets: 20%; other Executive Committee members: corporate targets (EBITDA, ROCE): 50%, functional targets (e.g. safety, NWC, manufacturing efficiency): 30%, individual targets: 20%.

⁴ In 2019, the overall achievement of corporate targets relevant for the ExeCom was 32.2% (EBITDA: 64.4%; ROCE: 0%).

The value of the PSUs granted to the CEO and other members of the Executive Committee for the three-year performance period January 1, 2019–December 31, 2021 under the LTIP is reported once and in full as Executive Committee remuneration in the reporting year (2019). In 2019, the CEO and the Executive Committee were granted a total of 9 191 PSUs. At the time of grant, an external valuation expert used best practice methods to determine the fair value of one PSU as CHF 200.63. This fair value at the time of grant 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 at the end of the vesting period may deviate from the fair value assigned to the PSUs on grant 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.

PSUs granted to CEO and Executive Committee in 2019 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	Value of allocated PSUs ¹	Social insurance contributions on value of PSUs ²	
2019–2021	CEO					2 800	561 764	43 256	0%–200%
	Other members of the Executive Committee	11.03.2019	01.01.2019–31.12.2021	11.03.2019–11.03.2022	11.03.2022	6 391	1 282 226	98 731	
Total						9 191	1 843 990	141 987	
Total cost to enterprise						1 985 977			
Approved sum by General Meeting³						2 000 000			

¹ PSUs are valued as per external consultant ALGOFIN (CHF 200.63 per PSU).

² Includes an assumed 7.7% social insurance contribution.

³ Approval of PSUs allocated in the financial year 2019 for the performance period 2019–2021 at the General Meeting 2019.

Remuneration Paid to CEO and Executive Committee in 2018 Reporting Year (Audited)

CEO and Executive Committee	Fixed remuneration in cash ¹	Short-term, performance-based remuneration (STI) in cash ²	Total cash payments	Long-term, performance-based remuneration (LTI) in PSUs ³	Employer contributions to social security ⁴	Employer contributions to pension fund	Total remuneration 2018 ⁵
Highest individual remuneration: Rudolf Hanko	570 000	305 663	875 663	883 372	124 507	95 635	1 979 177
Other Executive Committee members	2 088 239	668 486	2 756 725	2 279 416	348 899	263 170	5 648 210
Total (at December 31, 2018)	2 658 239	974 149	3 632 388	3 162 788	473 406	358 805	7 627 387

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

¹ Includes employer contribution to share purchase by R. Suter (ESPP) for purposes of meeting LTIP investment requirements.

² To be paid out in April 2019 after approval at General Meeting.

³ Includes PSUs granted in 2018 for plan period 2018–2020; PSUs are valued as per external consultant ALGOFIN (CHF 315.49 per PSU).

⁴ Includes an assumed 7.7% social insurance contribution on both the 2018 STI and PSUs granted in 2018.

⁵ Doesn't include fringe benefits (REKA money, child and family allowances, employer contributions to BU/NBU) in the amount of approximately CHF 20 000.

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

Shareholdings of Board Members

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

	December 31, 2019		December 31, 2018	
	Total shares	of which restricted	Total shares	of which restricted
Board of Directors				
Andreas Casutt (Chairman)	19 000	2 298	18 738	2 594
Rudolf Hanko (Vice-Chairman)	88 669	352		
Colin Bond (Member)	3 149	1 149	2 797	1 297
Wolfram Carius (Member)	2 649	1 149	2 297	1 297
Reto Garzetti (Member)	8 183	1 149	7 831	1 297
Martin Schmid (Member)	1 649	1 149	1 297	1 297
Ulla Schmidt (Member)	1 649	1 149	1 297	1 297
Total	124 948	8 395	34 257	9 079
In % of share capital	2.94%	0.20%	0.80%	0.21%

Shareholdings of Executive Committee Members

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

	December 31, 2019		December 31, 2018	
	Total shares	of which restricted	Total shares	of which restricted
Executive Committee				
Wolfgang Wienand (CEO)	16 627	0	14 208	0
Reto Suter (CFO)	4 000	3 500	4 000	3 500
René Imwinkelried (Global Head Technical Operations)	9 852	0	12 095	0
Arnoud Middel (Global Head HR)	4 500	0	5 026	0
Marianne Späne (Global Head BD & Sales)	25 644	0	22 531	0
Jürgen Roos (Chief Scientific Officer) ¹	140	0		
Total (serving Executive Committee members)	60 763	3 500	57 860	3 500
Rudolf Hanko (CEO) ²			86 080	0
Total (including former Executive Committee members)	60 763	3 500	143 940	3 500
In % of share capital	1.41%	0.08%	3.38%	0.08%

¹ Jürgen Roos joined the company on April 1, 2019.

² Rudolf Hanko left the company as CEO on December 31, 2018.

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 3), 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, 2019, 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, 2019.

Report of the Statutory Auditor on the Remuneration Report

We have audited the remuneration report of Siegfried Holding AG for the year ended 31 December 2019. 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 18 to 21 and page 23 section 7 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 Siegfried Holding AG for the year ended 31 December 2019 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, 28 February 2020



About this Annual Report

In addition to highlighting Siegfried's business performance and its position concerning assets, finances and earnings, this report throws light on the company's commitment concerning sustainability and its interaction with society and the various stakeholders.

They are to gain a comprehensive and differentiated understanding of how Siegfried incorporates these issues into its corporate strategy and of progress achieved in this regard in the course of the year. The report appears in English and German language.

Scope

We report on the 2019 financial year ending 31 December 2019. The future-oriented topics dealt with in the report represent an exception. Siegfried's Annual Report appears annually and was last published in March 2019, both in a printed version and as PDF on our corporate website. The next report will come out in the spring of 2021.

Governance

Our statement concerning Governance describes the principles of management and the control of the Siegfried Group. Essentially, the Siegfried Group's corporate governance follows the Swiss Code of Best Practice and is subject to regular reviews and further development by the Board of Directors. Any deviations from these guidelines find mention in the report.

Principles of accounting

The Siegfried Group's financial reporting is carried out in accordance with the entire guidelines of Swiss GAAP FER and the provisions of the Swiss law.

External validation

PricewaterhouseCoopers AG (PwC) as auditors reviewed Siegfried Holding AG's Compensation Report (tables with remark "Audited") for the financial year ending 31 December 2019 and came to the conclusion that it corresponds with the law and with article 14 to 16 of the Ordinance against excessive remuneration for listed stock corporations. The process of sustainability reporting was supported by BSD Consulting, a consulting company specialized in the management of sustainability issues.

Sustainability Report in Accordance with GRI Standards

This report has been prepared in accordance with the GRI Standards: Core option. Furthermore, for the present annual report, the GRI Materiality Disclosures Service was carried out and the accuracy of the GRI references 102-40 to 102-49 confirmed. Please refer to the detailed GRI content index on the Internet at report.siegfried.ch.

Publisher's Note

This Annual Report is also available in German, being the original version.

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