

# Corporate governance

# 2016 17

## Contents

12	Basis of the corporate governance report
12	Governance-related events in fiscal year 2016/17
13	Group structure and significant shareholders
15	Capital structure
19	Board of Directors
27	Executive Committee
30	Compensation, share ownership and loans
30	Shareholder participation rights
32	Change-of-control clauses and takeover defenses
33	Auditors
34	Communication policy

## 1 Basis of the corporate governance report

This corporate governance report describes the principles of leadership and control at the top organizational levels of the Schaffner Group, in accordance with the Directive on Information Relating to Corporate Governance (DCG) issued by SIX Swiss Exchange AG. Unless indicated otherwise, the information in this report for fiscal year 2016/17 is as at 30 September 2017 or for the year then ended. The corporate governance of the Schaffner Group substantially follows the guidelines and recommendations of the Swiss Code of Best Practice for Corporate Governance (first published in 2002, revised in 2007, 2014 and 2016). The Schaffner Group's corporate governance principles and regulations are set out in its Articles of Association and in its Management Organization Regulations (the name of the latter document in German is "Organisationsreglement").

All relevant corporate governance documents are available at the following web address:

[www.schaffner-ir.com](http://www.schaffner-ir.com)

As an active participant in the UN Global Compact, the Schaffner Group is committed to honoring the principles of the Compact regarding human rights, labor, the environment and the prevention of corruption. Schaffner expects its employees to be accountable for their actions, to respect people, society and the environment, to follow applicable rules and act with integrity. The Group's current relevant report (Communication on Progress) is available at:

<https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/330661>

The Schaffner Group has also adopted the Electronic Industry Code of Conduct (EICC) and is committed to its implementation in all Schaffner companies. This is to ensure that working conditions in the whole Schaffner supply chain are safe, that employees are treated with respect and dignity, and that manufacturing operations are environmentally sound. The EICC can be viewed at: <http://www.responsiblebusiness.org/standards/code-of-conduct/>

The Schaffner Group supports the Conflict Minerals Act for the protection of human rights in the mining industry, particularly in the mining of ore to produce tin, tantalum, tungsten and gold in conflict regions.

## 2 Governance-related events in fiscal year 2016/17

### 2.1 Resolutions of the General Meeting

On 12 January 2017 at the 21<sup>st</sup> Annual General Meeting (AGM) of Schaffner Holding AG, shareholders elected Philipp Buhofer and Urs Kaufmann as members of the Board of Directors for the term ending at the conclusion of the next AGM. Philipp Buhofer replaces Herbert Bächler, who had served as a Board member for eight years and did not stand for re-election. Urs Kaufmann was elected as the Chairman of the Board of Directors and as a member of the Compensation Committee, for the term ending at the conclusion of the next AGM. For the same term, the existing Board members Daniel Hirschi, Gerhard Pegam, Suzanne Thoma and Georg Wechsler were re-elected to the Board, and Daniel Hirschi and Suzanne Thoma were re-elected as members of the Compensation Committee. The shareholders also reappointed the lawyer and notary Wolfgang Salzmann as the independent proxy and re-elected BDO AG, Solothurn, as the external auditors for fiscal year 2016/17. The shareholders also followed the proposal of the Board of Directors to forgo payment of a dividend, and adopted the compensation report for fiscal year 2015/16 in a consultative vote.

For the compensation of the six-member Board of Directors, the shareholders approved a maximum aggregate amount of CHF 650 thousand for the period to the next AGM. For the compensation of the Executive Committee, which is made up of the Chief Executive Officer and four other members, the shareholders approved a maximum aggregate amount of CHF 4,000 thousand for fiscal year 2017/18. The minutes of the 21<sup>st</sup> Annual General Meeting of Schaffner Holding AG can be accessed on the Schaffner Group's website under the Annual General Meeting tab, at the following web address:  
[www.schaffner-ir.com/annual-general-meeting/documentation](http://www.schaffner-ir.com/annual-general-meeting/documentation)

## 2.2 Changes in Executive Committee membership

On 1 September 2017, Marc Aeschlimann assumed his position as Chief Executive Officer of the Schaffner Group, taking over from Kurt Ledermann, the Chief Financial Officer, who had served as CEO on an interim basis from 16 July 2016 to 31 August 2017.

# 3 Group structure and significant shareholders

## 3.1 Group structure

### 3.1 Group operating structure

The Schaffner Group has a divisional organizational structure, with the three segments EMC, Power Magnetics and Automotive. The reporting to the Executive Committee follows this structure.

The chart below shows the Group's operating structure at 30 September 2017:

<b>Annual General Meeting</b>
<b>Board of Directors</b> Risk and Audit Committee – Compensation Committee – Nomination Committee
<b>Executive Committee</b> Group functions
<b>EMC division – Power Magnetics division – Automotive division</b>

The Chief Executive Officer has responsibility for the operational management of the Schaffner Group. He is also the head of the Executive Committee, which is the top echelon of the Group's operational management. The management of the Schaffner Group is provided by the Board of Directors and (through the Board's delegation of authority) by the Chief Executive Officer and the Executive Committee.

The division of responsibilities between the Board, the Chief Executive Officer and the Executive Committee is described in this corporate governance report on page 21 in section 5.5, on page 24 in section 5.6 and on page 27 in section 6.

The Executive Committee had the following structure at 30 September 2017:

Executive Committee	
<b>Marc Aeschlimann</b>	Chief Executive Officer
<b>Kurt Ledermann</b>	Chief Financial Officer
<b>Ah Bee Goh</b>	Chief Operating Officer
<b>Guido Schlegelmilch</b>	Executive Vice President

More information about the Executive Committee is provided on page 27 of this corporate governance report, in section 6.

### 3.1.2 Listed companies

The Schaffner Group maintains an international presence through its own subsidiaries and a network of independent distributors. The parent company of the Schaffner Group is Schaffner Holding AG, whose shares are traded on the SIX Swiss Exchange.

Schaffner Holding AG is the only Group company listed on a stock exchange.

Schaffner Holding AG is a public limited company incorporated in Switzerland and has its registered office in Luterbach. At 30 September 2017 the share capital consisted of 635,940 ordinary registered shares with a total nominal value of CHF 20,668,050.

Registered office	4542 Luterbach, Switzerland
Listing exchange and regulatory standard	SIX Swiss Exchange, Swiss Reporting Standard
Security number	906209
ISIN	CH 0 009 062 099
Ticker symbol	SAHN
Nominal value per share	CHF 32.50

Key share data for Schaffner Holding AG is provided on page 4 of this annual report.

### 3.1.3 Non-listed Group companies

The directly and indirectly held companies consolidated in the Group accounts of Schaffner Holding AG are shown on page 82 of this report in the notes to the consolidated financial statements.

## 3.2 Significant shareholders

At 30 September 2017 there were 1,194 shareholders registered with voting rights in the share register of Schaffner Holding AG (prior year: 1,300). Of the issued shares, 99.8% represented free float (prior year: 100%). Schaffner Holding AG held 0.2% as treasury shares (prior year: 0.0%). At 30 September 2017, shares of unregistered owners amounted to 17.5% of the issued shares (prior year: 16.6%).

The following table shows the shareholder structure of Schaffner Holding AG at the balance sheet date, in terms of those shareholders who reported holding 3% or more of the voting rights of Schaffner Holding AG.

Shareholder	Equity interest
Shareholder group BURU Holding AG	20%
J. Safra Sarasin Investmentfonds AG	10%
UBS Fund Management (Switzerland) AG	7%
Mirabaud – Equities Swiss Small and Mid	5%
Fortezza Finanz Aktienwerk (Teil I FCP)	3%
Credit Suisse Funds AG	3%
Jörg Wolle	3%

In connection with the disclosure obligations under stock exchange law for shareholders whose share of voting rights reaches, rises above or falls below certain thresholds, the following shareholders filed notifications with Schaffner Holding AG and SIX Swiss Exchange AG in fiscal year 2016/17.

25 February 2017	Mirabaud – Equities Swiss Small and Mid: Exceeded 3% of voting rights
25 February 2017	UBS Fund Management (Switzerland) AG: RoPAS (CH) Institutional Fund-Equities Switzerland: Fell below 5% of voting rights held through a single fund
20 April 2017	Jörg Wolle: Exceeded 3% of voting rights
17 May 2017	Fortezza Finanz Aktienwerk (Teil I FCP): Exceeded 3% of voting rights
20 May 2017	UBS Fund Management (Switzerland) AG: RoPAS (CH) Institutional Fund-Equities Switzerland: Fell below 3% of voting rights held through a single fund
15 June 2017	Shareholder group BURU Holding AG: Change in composition of a group

Further information on significant shareholders is provided on page 93 in the notes to the company financial statements of Schaffner Holding AG. As well, a current list of significant shareholders is available on the website of the SIX Swiss Exchange at: [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=SCHAFFNER](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=SCHAFFNER)

### 3.3 Cross-shareholdings

There were no cross-shareholdings between Schaffner and other publicly traded companies.

## 4 Capital structure

### 4.1 Issued share capital

Schaffner Holding AG has an issued share capital of CHF 20,668,050, consisting of 635,940 registered shares with a nominal value of CHF 32.50 per share. The issued shares are fully paid. Each share carries one vote at the General Meeting. All shares not held by the Company or by one of its subsidiaries carry dividend and voting rights.

### 4.2 Authorized unissued capital

#### 4.2.1 Authorized capital for equity-based compensation

Schaffner Holding AG has unissued authorized capital of CHF 590,850 to satisfy obligations under equity incentive plans. This capital (in German: bedingtes Kapital) consists of up to 18,180 fully payable registered shares with a nominal value of CHF 32.50 per share. Detailed information can be found on page 79 of this annual report 2016/17 of the Schaffner Group, in section 15 of the notes to the consolidated financial statements.

#### 4.2.2 Other authorized capital

The other authorized capital (i.e., capital for purposes other than equity compensation) created by the Annual General Meeting on 12 January 2016 was not utilized within the period allowed, which ended 13 January 2017. Schaffner Holding AG thus does not have other authorized capital.

### 4.3 Changes in equity in the last three fiscal years

The Annual General Meeting on 15 January 2015 passed a resolution to distribute CHF 6.50 per share (exempt from Swiss anticipatory tax) in the form of a repayment of excess share premium.

The Annual General Meeting on 12 January 2016 passed a resolution to distribute CHF 6.50 per share (exempt from Swiss anticipatory tax) in the form of a repayment of excess share premium.

The changes in share capital, in share premium, in retained earnings and in the other components of consolidated equity are presented in detail in the consolidated financial statements, on page 59 of this annual report 2016/17. The comparative information on changes in equity for the three prior years is found in the consolidated financial statements on page 64 of the annual report 2015/16, page 65 of the annual report 2014/15 and page 65 of the annual report 2013/14.

### 4.4 Shares and participation certificates

#### 4.4.1 Shares

The 635,940 issued shares of Schaffner Holding AG have a nominal value of CHF 32.50 per share. Each share carries one vote and attracts dividends.

Subject to provisions (i), (ii) and (iii) below, the shares are issued in uncertificated form and maintained as book-entry securities.

Transfers of or dispositions regarding book-entry securities, including the granting of interests therein as collateral, are subject to the Swiss Federal Act on Book-Entry Securities. If uncertificated shares are transferred by assignment, the transfer is valid only if notified to the Company.

(i) Shares maintained as book-entry securities may be withdrawn from the custody system by the Company.

(ii) Shareholders are not entitled to printing and delivery of certificates (physical securities) or to conversion of registered shares issued in one form into another form. The Company may, however, at any time print and deliver certificates (single share certificates, collective certificates or global certificates) or convert uncertificated or certificated shares into another form, and may cancel issued certificates that are returned to the Company. Shareholders that are registered in the share register may at any time request a certification of ownership of their shares from the Company.

(iii) By amending the Articles of Association, the General Meeting of shareholders may at any time convert registered shares into bearer shares or convert bearer shares into registered shares.

#### 4.4.2 Participation certificates

There were no participation certificates of Schaffner Holding AG at 30 September 2017 (participation certificates, or Partizipationsscheine in German, essentially are a type of preference share).

### 4.5 Dividend right certificates

Schaffner Holding AG had not issued any dividend right certificates as of 30 September 2017 (dividend right certificates, or Genussscheine in German, essentially are preference shares for related parties).

#### 4.6 Restrictions on transferability and nominee registration

Registered shares of Schaffner Holding AG may be acquired by all legal or natural persons. The purchase of Schaffner shares is subject to registration restrictions concerning the recognition and registration of share purchasers, and of nominees, as voting shareholders. These restrictions are specified in detail in the Share Registration Regulation of Schaffner Holding AG. The Share Registration Regulation was issued by the Board of Directors in reliance on sections 685a and 685d et seq. of the Swiss Code of Obligations and article 6 of the Articles of Association, and can be viewed under the Annual General Meeting tab of the Schaffner Group website at: [www.schaffner-ir.com](http://www.schaffner-ir.com)

##### 4.6.1 Recognition of share purchasers as voting shareholders

Shareholders or beneficial owners are deemed to be those persons registered in the Company's share register. In accordance with article 6 para. 3 of the Articles of Association of Schaffner Holding AG, purchasers of shares are upon their request recorded as voting shareholders in the share register by the Board of Directors if the purchasers expressly state that they have acquired and will hold the shares for their own account. Recognition as a shareholder with voting rights thus requires both that the shareholder in question bears the economic risk incident to ownership of the shares to be registered, and that, in the application for registration, the shareholder expressly declares to the Company that the shareholder has acquired and will hold the shares for the shareholder's own account. In reliance on article 6 para. 3 of the Articles of Association and the recognition requirements derived from it, applicants (purchasers holding legal title to the shares) are thus not recognized as voting shareholders if they have acquired, and are holding, the shares as a result of a securities lending transaction or similar transaction that gives them legal ownership without the associated economic risk.

##### 4.6.2 Registration of share purchasers

For each registration in the share register as a voting shareholder, a personally signed registration application or a registration authorization must be on file at the respective SIX SIS AG custodian bank, containing all of the following information:

- › For individuals: Last name, first name, nationality, and address
- › For legal entities: Entity name, registered office, and address

Every registration in the share register requires evidence of the acquisition of full legal title to the shares or evidence of the establishment of beneficial ownership, and always requires an express declaration that the shares were acquired and are held by the applicant in the applicant's own name and for the applicant's own account.

In the case of registration applications by shareholders holding the shares for their own account where the applicant has reported holding 3% or more of the voting rights of Schaffner Holding AG, the registration is not performed until the Company has received a complete disclosure notification by the applicant pursuant to section 120 of the Financial Market Infrastructure Act (also referred to in German as FinfraG). If the disclosure notification meets the legal requirements (i.e., contains the legally required information about the beneficial owner), the applicant (i.e., the acquired stock) is registered in the share register as having voting rights. If the disclosure notification is not made within the 20-day deadline specified in section 685g of the Swiss Code of Obligations, or is incomplete, the application for registration with voting rights is denied and the shareholder (i.e., the acquired stock) is registered in the share register as non-voting.

### 4.6.3 Registration of nominees

Persons who do not expressly declare in their registration application that they hold the shares for their own account are classified as nominees. In accordance with article 6 para. 4 of the Articles of Association, by default any single nominee is registered in the share register as holding voting shares only up to a maximum of 5% of the Company's share capital recorded in the Swiss commercial register of companies. Above this limit of 5%, the Board of Directors registers shares of nominees in the share register as voting shares only if:

(i) the nominee discloses the names, addresses and holdings of Company shares of the persons for whose account the nominee holds 0.5% or more of the total registered-share capital recorded in the commercial register, and

(ii) an agreement exists between the nominee and the Company which specifies the nominee's position and the details of the nominee's notification obligations.

The registrar (the company retained to operate the share register) is responsible for sending the nominee agreement to the respective nominee and collecting the information to be disclosed. If complete disclosure is not made by the 20-day deadline specified in section 685g of the Swiss Code of Obligations, or if no nominee agreement is concluded between the Company and the nominee within this period, the nominee is registered in the share register as non-voting in respect of these shares. To the extent permitted by law, the Board of Directors is authorized to enter into agreements with nominees regarding reporting obligations. On a case-by-case basis, the Board may approve exceptions to the nominee rules.

Where legal entities or groups with joint legal status are related to one another by capital, voting rights, management or in some other manner, they are deemed collectively to constitute a single purchaser. Also deemed a single purchaser are all natural persons, legal entities or groups with joint legal status that by agreement, as a syndicate or in any other way act in a coordinated manner with a view to circumventing the nominee rules. The Company may void registrations in the share register with retroactive effect from the date of registration if they were based on false information given by the purchaser. The purchaser must be informed of the deletion immediately.

Registered non-voting shareholders and registered non-voting nominees cannot exercise the voting rights associated with the shares nor exercise other rights related to the voting rights. However, they are not restricted in exercising any of their other shareholder rights, including also pre-emptive rights. At the General Meeting the shares registered as non-voting are treated as unrepresented (see section 685 f (2) and (3) of the Swiss Code of Obligations).

The registration restrictions described above also apply to shares bought or subscribed through the exercise of pre-emptive rights, options or conversion rights.

At 30 September 2017, 17.5% (prior year: 16.6%) of all issued shares were unregistered or were registered as non-voting shares.

## 4.7 Convertible bonds and options

### 4.7.1 Convertible bonds

There are no outstanding convertible bonds of Schaffner Holding AG.

### 4.7.2 Share option plan

The share option plan for senior operational management and members of the Board of Directors of the Schaffner Group (the Employee Share Option Plan) is described in detail on page 79 in the consolidated financial statements.

## 5 Board of Directors

### 5.1 Members of the Board

The Articles of Association require the Board of Directors of Schaffner Holding AG to have between three and seven members.

On 30 September 2017 the Board of Directors consisted of six, non-executive members. In the three years prior to the reporting period (fiscal years 2013/14, 2014/15 and 2015/16), none of these Board members were members of Schaffner's Executive Committee or of the management of a subsidiary, and none had or have material business relationships with the Schaffner Group. The members of the Board of Schaffner Holding AG are thus independent within the meaning of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, the Swiss business federation.

In fiscal year 2016/17 the Board of Directors of Schaffner Holding AG had the following members:

#### **Urs Kaufmann**, Chairman, born 1962

---

Degree in Engineering, Federal Institute of Technology (ETH), Zurich; Senior Executive Program, IMD, Lausanne

Since 2017 is Chairman of the Board of Directors of Huber+Suhner AG, Herisau. Became a Board member of Huber+Suhner in 2014 and, from 2014 to 2017, was the Designated Representative of its Board. From 2002 to 2017 was CEO of Huber+Suhner, having joined its Executive Committee in 2001. Previously held various management positions in the same group. From 1987 to 1993 worked as project manager, production manager and sales manager at Zellweger Uster AG in Switzerland and the USA.

#### **Philipp Buhofer**, Vice Chairman, born 1959

---

Degree in Business Administration, Lucerne University of Applied Sciences (HWW), Horw

Since 1997 is an independent entrepreneur and member of boards of directors. From 2002 to 2003 was Designated Representative and Chairman of the Board of Directors of EPA AG, Zurich, from 1997 to 2001 was a member of its Board of Directors, and from 1987 to 1997 was a member of its Executive Committee. From 1984 to 1987 was Manager of Purchasing and Marketing for Metro International, Baar, Düsseldorf and Hong Kong.

#### **Daniel Hirschi**, born 1956

---

Degree in Engineering, Berne University of Applied Sciences, Biel

From 2006 to 2009 was CEO and Designated Representative of the Board of Directors of Benninger AG, Uzwil. From 1983 to 2005 served in various management functions at Saia-Burgess, Murten, including CEO from 2001 and Designated Representative of the Board from 2003.

#### **Gerhard Pegam**, born 1962

---

Electrical Engineer, Klagenfurt Technical College, Austria

From 2001 to beginning of 2012 was CEO of Epcos AG. From 2009 to 2012 was a member of the Board of Directors of Epcos parent company TDK-EPC Corp. From middle of 2011 to mid-2012 was a Corporate Officer of TDK Corporation, Japan, and from 2004 to 2012 was a member of the Board of ZVEI, the German Electrical and Electronic Manufacturers' Association. From 1999 to 2001 was COO of Epcos AG. Between 1982 and 1999 held various management positions at Epcos, Siemens and Philips.

#### **Suzanne Thoma**, born 1962

---

PhD in Technical Sciences and MSc in Chemical Engineering, Federal Institute of Technology (ETH), Zurich

From 1 January 2013: CEO of the BKW Group, Berne. Previously member of the Group Executive Committee of BKW AG, Berne, in charge of the Networks division. From 2007 to 2009 was head of the Automotive division of the Wicor Group, Rapperswil-Jona. Earlier, from 2002 to 2007 was CEO of Rolic Technologies Ltd., Allschwil, and from 1990 to 2002 worked for Ciba Spezialitätenchemie AG (now BASF AG) in various positions and countries.

**Georg Wechsler, born 1956**

Degree in Business Administration; Swiss Certified Accountant

From 1994 to January 2016 was CFO and member of the Group Executive Committee of Model Holding AG, Weinfelden. Previously worked in various roles for, among others, Zurmunt Finanz AG, Zurich; Zellweger Uster AG, Uster; and KPMG Fides, Zurich.

The Secretary of the Board, since June 2008, is Kurt Ledermann, CFO of the Schaffner Group. The Secretary is not a member of the Board.

**5.2 External activities and interests****Philipp Buhofer**

Philipp Buhofer is Chairman of the Board of Kardex AG, Zurich; Chairman of the Board of Cham Paper Group Holding AG, Cham; Chairman of the Board of Rapid Holding AG, Dietikon; Designated Representative of the Board of BURU Holding AG, Hagendorn; member of the Board of Dax Holding AG, Hagendorn; and member of the Board of Lorzengrund Immobilien AG, Hagendorn.

**Daniel Hirschi**

Daniel Hirschi is a member of the Board, member of the Audit committee, and Chairman of the Compensation Committee, of Carlo Gavazzi Holding AG, Steinhausen; and Vice Chairman of the Board and Chairman of the Compensation Committee of Komax Holding AG, Dierikon.

**Urs Kaufmann**

Urs Kaufmann is a member of the Board and Chairman of the Compensation Committee of SFS Group AG, Heerbrugg; and of Gurit Holding AG, Wattwil, as well as a member of the Board of Vetropack Holding AG, Bülach and of Müller Martini Holding AG, Hergiswil; as well as a member of the Executive Committee of Swissmem.

**Gerhard Pegam**

Gerhard Pegam is a Vice Chairman of the Board and a member of the Audit Committee and the Strategy Committee of OC Oerlikon Corporation AG, Pfäffikon; and a member of the Supervisory Board of Süss Microtech AG, Garching, Germany.

**Suzanne Thoma**

Suzanne Thoma is a member of the Board of UPM Corporation, Helsinki, and a member of the Board of the Beckers Group, Berlin.

**Georg Wechsler**

Georg Wechsler holds various positions on the boards of companies not significant for the purposes of the Corporate Governance Directive of the SIX Swiss Exchange.

**5.3 Restrictions on positions outside the Group**

Outside the Schaffner Group, a member of the Board of Directors may hold a maximum of five positions as a member of the highest-level governing or administrative body of other listed companies and a maximum of five positions as a member of such a body in non-listed legal entities within the meaning of section 12 para. 1 (1) OAEC.

For the purpose of this provision, positions (including employment positions) at companies controlled by the Company or positions/employment which the respective member assumes in the capacity of member of the Board of Directors (e.g., at joint ventures or pension funds of the Schaffner Group or at companies in which the Company holds a significant non-consolidated interest) are not deemed to be positions/employment outside the Schaffner Group.

The following are counted as a single position for the purpose of this provision: positions/employment at mutually related companies outside the Schaffner Group, dual roles, and positions which are assumed in the capacity of a member of the top governing or administrative body or executive management of a legal entity outside the Schaffner Group (e.g., positions at joint ventures or pension funds of that legal entity or at companies in which that legal entity holds a significant non-consolidated interest).

#### **5.4 Board elections and terms**

The members of the Board of Schaffner Holding AG are annually elected individually by the General Meeting. Board members may be re-elected for consecutive terms. Board members must be shareholders of the Company and be less than 70 years of age on the day of their election or re-election.

The General Meeting annually elects the Chairman of the Board of Directors and, individually, each member of the Compensation Committee (who must be members of the Board), and the independent proxy. Their term of office ends at the conclusion of the next Annual Shareholder Meeting.

#### **5.5 Internal organization**

Except for the election of the Board Chairman and the members of the Compensation Committee by the General Meeting, the Board of Directors constitutes itself in its first meeting of each term, in accordance with article 15 of the Articles of Association. The Board may appoint a Vice Chairman from among its members, who assumes the Chairman's responsibilities when the latter is unavailable. The Board designates its Secretary, who need not be a member of the Board.

##### **5.5.1 Division of responsibilities within the Board**

Since the 2017 Annual General Meeting, Urs Kaufmann has been the Chairman of the Board of Directors and Philipp Buhofer has been the Vice Chairman. Urs Kaufmann also chairs the Compensation Committee and the Nomination Committee. The Risk and Audit Committee is chaired by Georg Wechsler. The Board has no other standing committees or designated positions.

##### **5.5.2 Composition, purpose and responsibilities of Board committees**

The Board of Directors of Schaffner Holding AG maintains the Board committees detailed below. Their principal purpose is to provide decision support to the Board in special subject areas. The Board's duties and powers always remain with the full Board.

The Board committees are made up solely of non-executive members of the Board. The committees brief the Board on their conclusions and proposals at the ordinary Board meetings. However, in urgent matters they immediately inform the Chairman of the Board or the Chief Executive Officer, at any time. Outside the ordinary Board meetings, the Board committee members also work directly with members of the Executive Committee (which is the Group's top echelon of operational management and is not a Board committee). New committees may be formed at any time as required.

The term of office of committee members normally coincides with their term as Board members.

##### **5.5.2.1 Compensation Committee**

The Compensation Committee has the following general responsibilities:

- › Establishment and periodic review of the Schaffner Group's compensation policy and principles, performance criteria and performance targets; periodic review of the implementation of the foregoing items and submission of proposals and recommendations to the Board of Directors

- › Preparation of all relevant decisions of the Board of Directors with respect to compensation of the members of the Board of Directors and the Executive Committee, submission of proposals to the Board regarding the nature and amount of the annual compensation of the members of the Board of Directors and Executive Committee, and preparation of the proposal for the respective maximum aggregate amount
- › Submission of proposals to the Board for identifying the list of potential recipients of performance-related compensation and for setting the annual performance targets for this compensation
- › Development of equity incentive plans, and submission of proposals to the Board with respect to the selection of plan participants and the granting of shares, the issue price and vesting or holding periods under equity incentive plans
- › Decision-making or decision support in accordance with legal requirements or provisions of the Articles of Association

The Board of Directors may assign further duties to the Compensation Committee with respect to compensation, human resources and related areas. The Board sets out the organization, procedures and reporting of the Compensation Committee in a committee charter.

#### **Membership of the Compensation Committee**

The Compensation Committee is made up of two or more Board members elected to the committee by the General Meeting. The Board of Directors elects the chairperson of the committee.

Members at 30 September 2017	Since AGM
<b>Urs Kaufmann</b> , committee chairman	2017
<b>Daniel Hirschi</b>	2010
<b>Suzanne Thoma</b>	2012

The Compensation Committee convenes as often as business requires, and not less than twice per year. The committee may invite other Board members, Executive Committee members and specialists to its meetings as required. Generally the meetings are attended by the Chief Executive Officer and Chief Financial Officer as well as the Head of Corporate Human Resources, who is not a member of the Executive Committee.

In the fiscal year the Compensation Committee performed its duties without involving external advisors.

#### **5.5.2.2 Risk and Audit Committee**

The Risk and Audit Committee acts solely in an advisory capacity. It assists the Executive Committee in handling financial matters and risk management. At the same time, on behalf of the Board of Directors, the Risk and Audit Committee monitors performance especially in the following areas of responsibility of the Executive Committee:

- › Appropriateness and validity of the Group's accounting
- › Consolidated annual financial statements
- › Analysis of the various risks to which the Schaffner Group is exposed
- › Organization and processes of the system of internal control
- › Organization and processes of risk management
- › Tax planning
- › Financial part of the rolling forecast
- › Other major responsibilities of the finance department

The Risk and Audit Committee, on behalf of the Board, receives the audit reports of the external independent auditors on the company financial statements and consolidated financial statements and presents the reports to the Board for review and comment. The committee regularly briefs the Board on the results of its verification activities and submits the necessary proposals for courses of action to the Board Chairman for consideration by the Board.

### Membership of the Risk and Audit Committee

The Risk and Audit Committee consists of two or more Board members elected to the committee by the General Meeting. The Board of Directors elects the chairperson of the committee. The majority of the committee's members, and especially the chairman, should have experience in finance and accounting and be independent.

Members at 30 September 2017	Since AGM
<b>Georg Wechsler</b> , committee chairman	2012
<b>Philipp Buhofer</b>	2017
<b>Gerhard Pegam</b>	2013

The Risk and Audit Committee meets as often as business requires, and generally at least twice per year. Every member may request a meeting. The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer usually attend the meetings. Additional persons may be asked to attend (particularly representatives of the auditors), at the discretion of the committee chairman.

#### 5.5.2.3 Nomination Committee

The Nomination Committee acts solely in an advisory capacity. It regularly reports the results of its activities to the Board and submits the necessary proposals on the following types of matters to the Board Chairman for transaction by the Board:

- › Staff promotions to the Executive Committee
- › New hiring or dismissal of Executive Committee members; in the case of new hiring, members of the Nomination Committee participate in the evaluation of prospective staff

### Membership of the Nomination Committee

Members at 30 September 2017	Since AGM
<b>Urs Kaufmann</b> , committee chairman	2017
<b>Daniel Hirschi</b>	2010
<b>Suzanne Thoma</b>	2012

The Nomination Committee meets as often as business requires, and generally at least once per year. Every member may request a meeting. Generally the meetings are attended by the Chief Executive Officer and Chief Financial Officer as well as the Head of Corporate Human Resources, who is not a member of the Executive Committee. Additional persons may be asked to attend, at the discretion of the committee chairman.

### 5.5.3 Procedures of the Board and of its committees

Meetings of the Board of Directors are called by the Chairman or Vice Chairman or, if both are unavailable, by another Board member. The Board convenes as often as business requires or when a Board member requests it, but not less than once per quarter. Board meetings are normally called in writing, stating the agenda items. The agenda is set by the Chairman, who also includes items proposed by the Executive Committee. Board meetings are called at least ten days before the meeting date. In urgent matters, the requirement for written notice and/or for ten days' notice can be waived. When this occurs, it must be noted in the minutes of the meeting.

The Board of Directors has a quorum when the majority of its members participate in oral discussions and votes. Members may also be present by telephone or via electronic media (for example, videoconferencing). Resolutions are passed by a simple majority of votes. In the event of an equality of votes, the chairman of the meeting has a second or casting vote. For the purpose of resolutions concerning capital increases, the Board has a quorum irrespective of the number of members present. Unless a member requests an oral discussion, the Board may also vote on its resolutions by written ballot (submitted by mail, fax or e-mail). In such a “postal” vote (also known as a written resolution), passage of a resolution requires the affirmative vote of the majority of all Board members. Postal votes and their outcome must be recorded in the minutes of the next meeting.

The Chairman of the Board (or if unavailable, the Vice Chairman or another deputy) prepares and chairs the meetings of the Board. He is responsible for the proper calling and conducting of the meetings and for the timely and appropriate briefing of the Board members.

In the reporting period the Board met nine times. The following overview shows the individual Board members’ attendance at Board and Board committee meetings:

Number of meetings attended	BD	RAC	CC	NC
<b>Urs Kaufmann</b> , Chairman	5	2	1	2
<b>Philipp Buhofer</b> , Vice Chairman	5	1	–	–
<b>Daniel Hirschi</b>	9	1	2	3
<b>Herbertl Bächler</b>	4	–	1	1
<b>Gerhard Pegam</b>	9	3	–	–
<b>Suzanne Thoma</b>	9	–	2	3
<b>Georg Wechsler</b>	9	3	–	–

BD Board of Directors

RAC Risk and Audit Committee

CC Compensation Committee

NC Nomination Committee

The Chief Executive Officer and Chief Financial Officer attend the ordinary meetings of the Board. For the discussion of specific matters, the Board calls on members of the Executive Committee, other management staff or external advisors to attend its meetings as required. In the year under review, no external advisors were called to any significant extent.

## 5.6 Division of authority

The Board of Directors of Schaffner Holding AG is responsible for determining Group strategy. It reviews the Group’s broad plans and objectives and identifies internal and external risks and opportunities. Decisions on matters within the Board’s non-delegable and inalienable responsibilities defined in article 18 of the Articles of Association and section 716a of the Swiss Code of Obligations are reserved for the Board.

Schaffner Holding AG is the holding company for the Schaffner Group. As a consequence, the Board of Directors has the following responsibilities in particular:

- › Overall management of the Schaffner Group
- › Setting and approving the strategy and business planning of the Schaffner Group and supervising their implementation
- › Ensuring the efficiency (as necessary for implementation assurance) of accounting, financial controls, risk management and reporting
- › Appointment and removal of the Executive Committee and authorized signatories
- › Regular review of business activities
- › Approval of the decisions of the Executive Committee on the filing, defending or handling of lawsuits, administrative or arbitration proceedings, and on the settlement of litigation where the amount in dispute exceeds CHF 1,000 thousand
- › Decisions on matters not reserved for or transferred to another body by law, by the Articles of Association or by the Organizational Regulations
- › Formulation and preparation of resolutions for consideration by the General Meeting
- › Presentation to the General Meeting of nominations for the election of the Chairman and Vice Chairman of the Board, the members and chairman of the Compensation Committee, the independent proxy and the external auditors
- › Proposal to the General Meeting regarding the approval of compensation, that is, the respective maximum aggregate compensation of the whole Board of Directors and whole Executive Committee for the fiscal year following the AGM, in accordance with articles 24 and 25 of the Articles of Association
- › Setting the compensation of the individual Board members and Executive Committee members within the respective approved maximum aggregate amount
- › Approval of compensation of Executive Committee members for a fiscal year for which the General Meeting has already approved the compensation or the maximum aggregate amount of compensation, in reliance on and within the limits of article 26 of the Articles of Association (“additional amount”)
- › Decisions on fixed compensation of the Board of Directors and Executive Committee, variable cash compensation and other compensation of the Executive Committee, and awards of shares of Schaffner Holding AG to the individual members of the Board and of the Executive Committee, subject to the provisions of the law, the Articles of Association and applicable regulations, and except inasmuch as decisions are reserved for the General Meeting
- › Approval for Executive Committee members to accept additional positions within the meaning of article 23 of the Articles of Association
- › Founding of subsidiaries, corporate mergers, and acquisition of business interests or their sale, their pledging as collateral or their liquidation
- › Entry by the Company into fundamentally new business activities, and material changes to the existing portfolio of businesses
- › Acquisition, mortgaging and sale of real estate
- › Establishment and closing of branch offices
- › Approval of the decisions of the Executive Committee in all matters outside the scope of day-to-day business (those not covered by the Authorization Policy) that could give rise to one-time obligations or commitments of more than CHF 500 thousand or to recurring obligations or commitments in an annual amount of more than CHF 250 thousand

To an extent consistent with the applicable legal provisions and the Articles of Association, the Board of Directors has delegated the operational management of the Schaffner Group to the Executive Committee, led by the Chief Executive Officer. The Chief Executive Officer is responsible for the overall operational management of the Company. He has responsibility for the long-term success of the Group in terms of the strategy set by the Board of Directors. The Chief Financial Officer has responsibility for financial, tax and capital management. He is also responsible for the transparency of the financial results and for ensuring high-quality, timely financial reporting.

## 5.7 Monitoring and control in respect of the Executive Committee

### Board of Directors

The Executive Committee provides the Board with a monthly written report on the Group's financial results. The reporting consists of the consolidated balance sheet, income statement, statement of changes in equity, a statement of changes in provisions, and the cash flow statement. The data are compared against the prior-year results. The Board of Directors regularly discusses the monthly reports at its meetings. The Chief Executive Officer and Chief Financial Officer attend the meetings. The Executive Committee carries out a risk assessment at least once per year and reports on the findings to the Board of Directors. In this assessment, the general risks are analyzed and rated. Monitoring-and-control points and processes are defined based on the risk assessment and are implemented by the respective process owner. The Board of Directors monitors the assessment of the Group's risks and verifies the implementation of risk management. Other tools for the monitoring and control of the Executive Committee are the following:

- › Periodic communication of the Executive Committee's forecasts for revenue and for the key earnings and financial position data
- › Rolling forecast
- › Annual strategic analytical reviews of the Group and the divisions
- › A multi-year plan regularly updated by the Executive Committee
- › Special reports by the Executive Committee on significant investments, acquisitions and partnerships

The Chief Executive Officer keeps the Board informed of all significant events. He promptly informs the Chairman of the Board of any exceptional developments.

Even outside the Board meetings and beyond the monthly reporting by the Executive Committee, every member of the Board may request further information from individual members of the Executive Committee on the business performance and other important matters.

### Chairman of the Board

The Board Chairman regularly meets with the Chief Executive Officer and Chief Financial Officer to discuss current business performance and activities.

### Committees

Outside the ordinary Board meetings, the Board committee members also work directly with members of the Executive Committee (which is the Group's top echelon of operational management and is not a Board committee).

### Internal audit

In view of the size of the company, the Schaffner Group elects not to maintain a dedicated internal audit function. Instead, focused special audits are conducted by units of the Schaffner Group with the participation of the CFO and external consultants.

## 6 Executive Committee

The responsibilities and powers of the Executive Committee are specified in the Management Organization Regulations (German name: Organisationsreglement). Its main responsibilities are:

- › Operational management
- › Optimization of internal organization and processes
- › External representation of the Schaffner Group
- › Internal and external communication

Under the Articles of Association, the employment agreements of Executive Committee members must either have a fixed term of not more than one year, or be of indefinite duration with a notice period of not more than twelve months.

In the year under review the Schaffner Executive Committee had from three to four members. The new CEO joined the Executive Committee with effect from 1 September 2017, after the CEO function had been fulfilled on an interim basis from 16 July 2016 to 31 August 2017 by the Chief Financial Officer.

### Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for the overall operational management of the Company. He has responsibility for the long-term success of the Group in terms of the strategy set by the Board of Directors. The CEO is responsible in particular for:

- › Ensuring the implementation of the Board's decisions
- › Representing Schaffner Holding AG to the public and in important associations, institutions, etc.
- › Submitting proposals to the Board of Directors, especially regarding strategy and financial targets, as well as regarding all business which requires Board approval under the Articles of Association, the Authorization Policy or the Management Organization Regulations
- › Submitting proposals to the Nomination Committee for the nomination and removal of members of the Executive Committee
- › Submitting proposals to the Compensation Committee on the fixed compensation, variable cash compensation, other compensation, and awards of shares of Schaffner Holding AG, for the individual members of the Executive Committee
- › Linking Group strategy and operational management by performing the following duties:
  - › Formulation of Group strategy, policy and procedures for the approval of the Board of Directors
  - › Ensuring the achievement of the strategic direction set by the Board
  - › Leadership of the Group's operational management, including balancing short-term targets with the needs of Group strategy
- › Preparation of the Group's financial plans, particularly the annual targets and medium-term planning, with accountability for the overall financial performance against the targets set by the Board of Directors
- › Leadership of the Executive Committee and the other positions reporting to the CEO
- › Management development for the Company and preparation of performance appraisals of the Executive Committee members for the attention of the Nomination Committee and Compensation Committee
- › Ensuring the Group's adherence to internal policy and regulations and the Code of Conduct, and compliance with the Articles of Association and applicable legal requirements
- › Liaison between the Executive Committee and Board of Directors to ensure early and exact briefing of the Board

**Chief Financial Officer**

The Chief Financial Officer (CFO) devises the framework for all strategic and operational controllership activities, ensures the Group's secure financing, optimizes its financing structure, and supports the Chief Executive Officer and the other Executive Committee members in all financial matters.

**Chief Operating Officer**

The Chief Operating Officer (COO) is responsible for the achievement of the Group's productivity, efficiency and quality targets.

**Executive Vice President**

The Executive Vice President (EVP) is accountable for achieving the objectives within his area of responsibility. These targets and goals include, in particular, achieving a leading market position as well as continuous innovation to support lasting competitiveness.

**6.1 Responsibilities and members of the Executive Committee**

The Executive Committee is the Group's highest-ranking operational management body and supports the Chief Executive Officer in fulfilling his responsibility for managing the Group's activities. It consists of the officers whose biographies are outlined below, and has the following responsibilities and accountabilities within the parameters set by the Board of Directors:

- › Active participation in the process of planning and implementing the Board-approved strategy
- › Efficient and effective fulfilment of the Executive Committee's main duties, with close cooperation between its members
- › Proposal and execution of strategic plans
- › Management of the Group functions of the individual Executive Committee members
- › All matters outside the scope of day-to-day business (those not covered by the Authorization Policy) that do not give rise to one-time obligations or commitments of more than CHF 500 thousand or to recurring obligations or commitments in an annual amount of more than CHF 250 thousand
- › Keeping of the accounting records in accordance with the law, the specific provisions of the accounting standards adopted by Schaffner Holding AG, and the Listing Rules of the SIX Swiss Exchange
- › Human resources policy, HR management and labor relations

The members of the Executive Committee are actively involved in its consensus-oriented decision process. Decisions are made by consensus or, where no consensus can be reached, are made by the Chief Executive Officer with due regard to the opinions expressed by the Executive Committee's members.

In fiscal year 2016/17 the Executive Committee of the Schaffner Group had the following members:

**Marc Aeschlimann, CEO, born 1968**

---

Degree in Electrical Engineering, Federal Institute of Technology (ETH), Zurich; MBA, Marshall Business School, Univ. of Southern California

With the Schaffner Group since 1 September 2017 as CEO. Previously CEO of R&S Group, CEO of Piffner Messwandler, and CEO of Franke Coffee Systems after various management positions at the Franke Group, including five years in China as Head of Food Service Systems for the Asia, Pacific & Middle East region. Earlier worked as a consultant at Helbling Management Consulting.

**Kurt Ledermann, CFO, born 1968**

---

MSEE Degree in Electrical Engineering, Federal Institute of Technology (ETH), Zurich; Master of Arts HSG, University of St. Gallen  
With the Schaffner Group since 1 June 2008 as CFO, and additionally as interim CEO from 16 July 2016 to 31 August 2017. Previous roles included Executive VP of Finance & IT, RUAG Aerospace; Head of Finance & Accounting, Schaffner Group; CFO, Medivision; Group Controller and Head of Investor Relations, Sika Group.

**Ah Bee Goh, COO, born 1950**

Honours Bachelor of Science in Production Engineering, University of Strathclyde; MSc in Industrial Engineering, National University of Singapore; MSc in Finance, University of Leicester; MBA, University of Surrey

With the Schaffner Group since 1 July 2007. Was VP, Manufacturing until 30 September 2011; COO from 1 October 2011. Previously Managing Director at Leica Instruments, Singapore, and various management roles at Maxtor Peripherals, Seagate Technology and Tandon/Western Digital.

**Guido Schlegelmilch, Executive VP, born 1964**

Degree in Business Engineering and PhD, Darmstadt University of Technology

With the Schaffner Group since 1 February 2009 as Managing Director, Schaffner Deutschland. Executive VP and Head of EMC division since 1 October 2011. Previously held various management positions at Philips Semiconductors and NXP Semiconductors.

**6.2 External activities and interests****Marc Aeschlimann**

Member of the Board of Directors of Wartmann Technologie AG, Oberbipp.

**Kurt Ledermann**

Vice Chairman of the Board of Anlagestiftung Winterthur AWi, Zurich.

The other members of the Executive Committee do not hold any positions in governing or supervisory bodies of any significant organization, institution or foundation under private or public law. They do not have any permanent management or advisory positions in significant interest groups or hold any public or political office.

**6.3 Restrictions on positions outside the Group**

Outside the Schaffner Group, a member of the Executive Committee may hold a maximum of two positions as a member of the highest-level governing or administrative body of other listed companies and of non-listed legal entities within the meaning of section 12 para. 1 (1) OAEC; this limit is set out in section 2.4 para. 8 of the Management Organization Regulations of Schaffner Holding AG.

For the purpose of this provision, positions (including employment positions) at companies controlled by the Company or positions/employment which the respective member assumes in the capacity of member of the Executive Committee (e.g., at joint ventures or pension funds of the Schaffner Group or at companies in which the Company holds a significant non-consolidated interest) are not deemed to be positions/employment outside the Schaffner Group.

The following are counted as a single position for the purpose of this provision: positions/employment at mutually related companies outside the Schaffner Group, dual roles, and positions which are assumed in the capacity of a member of the top governing or administrative body or executive management of a legal entity outside the Schaffner Group (e.g., positions at joint ventures or pension funds of that legal entity or at companies in which that legal entity holds a significant non-consolidated interest).

Executive Committee members require the approval of the Board of Directors to accept positions/employment outside the Schaffner Group.

**6.4 Management contracts**

Schaffner Holding AG and its Group companies have no management contracts with third parties.

## 7 Compensation, share ownership and loans

Information on compensation, shareholdings and loans of the Board of Directors and Executive Committee is provided in the compensation report of the Schaffner Group on pages 37 to 53 of this annual report.

## 8 Shareholder participation rights

### 8.1 Voting rights restrictions and proxy voting

At 30 September 2017 there were 1,194 shareholders registered in the share register. Each share of Schaffner Holding AG, with the exception of any shares held by the Company (treasury shares), carries one vote at the General Meeting of shareholders. There are no restrictions on voting rights.

Every shareholder with voting rights may have his shares represented by a proxy that he has appointed (which does not need to be a shareholder) or by the independent proxy.

Representation of shareholders requires the presentation of a written proxy (a written power of attorney), the recognition of which is a matter for the Board of Directors. Shareholders may also use electronic means to issue proxy mandates and directions to the independent proxy.

In the notice of the General Meeting, the Board of Directors announces the record date (at which registration in the share register is required for participation in and voting at the meeting), and the details of the written and electronic proxies and instructions.

The General Meeting annually elects an independent proxy, whose term of office ends at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted. Natural persons, legal entities and partnerships are all eligible for election. If the Company does not have an independent proxy, the Board of Directors appoints one for the next General Meeting.

### 8.2 Quorums under the Articles of Association

Except as otherwise required by law or the Articles of Association, the General Meeting passes its resolutions and decides its elections by an absolute majority of the votes cast, excluding abstentions and blank and invalid votes. If an election is not completed in the first round and there is more than one candidate, a second round of voting is held, which is decided by a relative majority. In the event of an equality of votes, the chairman of the meeting has the casting vote. The Articles of Association of Schaffner Holding AG do not provide for special quorums that go beyond the provisions of Swiss corporation law.

### 8.3 Calling of the General Meeting

The General Meeting is called by the Board of Directors no later than 20 days before the meeting date, by issuing a notice in the Company's official gazette for statutory notices. Notice of the meeting may additionally be sent by letter to all shareholders registered in the share register. In addition to the meeting date, hour and place, the notice must state the items of business to be discussed and the resolutions proposed by the Board of Directors and by shareholders that have requested a General Meeting or have put forward an item for discussion at the meeting.

Resolutions cannot be passed on matters that have not been announced in this manner, except for motions to call an Extraordinary General Meeting or to conduct a special audit.

Shareholders representing at least one-tenth (10%) of the share capital may submit a request – which is binding on the Company – to call an Extraordinary General Meeting. Such a request must be in writing and state the business to be discussed and the proposed resolutions.

#### **8.4 Placing business on the General Meeting agenda**

One or more shareholders who together represent at least 5% of the share capital, or shares with a nominal value of at least CHF 1,000 thousand, whichever is less, may by their written request have business placed on the agenda of a General Meeting; the request must state the proposed resolutions. Such a request must be received by the Company no later than 45 days before the General Meeting.

#### **8.5 Registration in the share register**

In accordance with article 6 para. 1 of the Articles of Association, Schaffner Holding AG maintains a share register. The Company may outsource the operation of the share register to a company specializing in such services (a registrar). At present the share register is operated by ShareCommService AG, based in Glattbrugg, Switzerland. The manager of the share register is Schaffner's Chief Financial Officer. In matters concerning the share register, the CFO reports to the Chairman of the Board. The Chairman and the Chief Executive Officer receive regular reports on the shareholder structure (including share deregistrations above a certain size of shareholding). The Board of Directors annually receives a report on the shareholder structure.

The Share Registration Regulation of Schaffner Holding AG sets out the details of the rules governing registration in the share register, including particularly the related authority structure, the maintenance of the share register, and the monitoring of the shareholdings recorded in it. The Share Registration Regulation was issued by the Board of Directors in reliance on sections 685a and 685d et seq. of the Swiss Code of Obligations and article 6 of the Articles of Association. The Regulation can be viewed in the Annual General Meeting section of the website at:

[www.schaffner-ir.com](http://www.schaffner-ir.com)

Further information regarding restrictions on transferability and nominee registrations is given from page 17 of this corporate governance report in section 4.6.

Shares for which the requirements (as set out in the Share Registration Regulation or in any amendments thereto) for registration as a voting shareholder are not, or no longer, fulfilled are registered in the share register as non-voting shares.

These registration restrictions also apply to shares bought or subscribed through the exercise of options, pre-emptive rights or conversion rights.

The authority structure for the approval of shareholder registrations in the share register is as follows:

- › Registration applications for up to 5,000 shares per transaction that either clearly meet or clearly do not meet the requirements for registration as a voting shareholder or nominee: Approval by the registrar (the company commissioned to operate the share register)
- › Applications for registration as a nominee: Approval by the registrar
- › Registration applications for more than 5,000 shares per transaction, and all other transactions which do not clearly meet the requirements for registration as a voting shareholder or voting nominee, or in which there is uncertainty: Approval by the manager of the share register
- › All registration applications of shareholders or groups of shareholders that hold the shares for their own account and have reported holding 3% or more of the voting rights of Schaffner Holding AG: Approval by the manager of the share register

Exceptional cases can at any time be referred for approval to the Chairman or, if absent, to the Vice Chairman of the Board.

The Board may, after hearing the affected party, delete the party's registration in the share register as a voting shareholder, retroactively to the date of registration, if the registration was the result of false information supplied by the purchaser, and instead register the affected party as a non-voting shareholder. Registrations can also be deleted (or reclassified as non-voting) when a registered shareholder refuses, despite prior warning, to provide the requested information or fails to provide requested documentation (of beneficial ownership, etc.). The authority to decide on deleting or reclassifying the registration of a voting shareholder or nominee or on terminating the relationship with a nominee rests with the Chairman of the Board of Directors. The purchaser must be informed of a deletion immediately.

Under article 13 para. 4 of the Articles of Association, in the notice of the General Meeting the Board of Directors announces the record date at which registration in the share register is required for participation in and voting at the meeting, and thereby indicates the length of the period for which the share register will be closed. The record date for registration is generally the fifth trading day before the day of the General Meeting. Accordingly, the closure of the share register is as a rule in effect from the fourth trading day before the day of the General Meeting until and including the day of the General Meeting.

Deletions from the share register can be made during the closure. Thus, despite the closure, a share seller is struck from the share register to the extent of the shares sold, if the sale is reported to the Company or to the manager of the share register during the closure. An admission ticket for the General Meeting already issued in the seller's name is automatically rendered void by the deletion from the share register. In the event of the partial sale of a shareholding, the delivered admission ticket must be exchanged at the registration desk on the day of the General Meeting. The invitation to the General Meeting shall note this requirement.

## 9 Change-of-control clauses and takeover defenses

### 9.1 Requirement to make a public tender offer

The Articles of Association of Schaffner Holding AG contain neither an opting-up nor an opting-out clause. This means that any person or entity acquiring one-third (33⅓%) or more of the voting rights of Schaffner Holding AG must, under section 135 para. 1 of the Financial Market Infrastructure Act, make a public tender offer for the remaining shares.

### 9.2 Clauses on changes of control

In either of the following two cases, the participants in the Schaffner Holding AG Employee Share Option Plan 1998 (ESOP) and in the Restricted Share Plan (RSP) have the right to immediately exercise some or all of their options and/or sell some or all of their restricted shares, without regard to the holding periods:

- › If any person or entity directly or indirectly acquires sufficient shares in the Company to become obligated under section 135 para. 1 Financial Market Infrastructure Act to make a tender offer for all other outstanding shares of the Company, or
- › If Schaffner Holding AG sells all or a substantial portion of the Company's assets.

## 10 Auditors

### 10.1 Duration of audit firm's engagement and tenure of lead audit partner

#### 10.1.1 Starting date of current audit engagement

The external independent audit firm is elected annually by the General Meeting. Since fiscal year 2015/16, BDO AG, Solothurn, is the independent auditor of Schaffner Holding AG and, as the Group's audit firm, is responsible for the auditing of the Schaffner Group.

#### 10.1.2 Date of first appointment of lead audit partner

The lead audit partner at the external auditors (the person in charge of the audit engagement), Beat Rüfenacht, has held this position since fiscal year 2015/16. The lead audit partner's tenure is limited by law to seven years.

### 10.2 Audit fees

In fiscal year 2016/17, BDO AG billed the Schaffner Group a total of CHF 201 thousand for services in connection with the auditing of the company financial statements of Schaffner Holding AG and the consolidated financial statements of the Schaffner Group (prior year: CHF 228 thousand).

#### 10.3 Additional fees

In addition, BDO AG invoiced the Schaffner Group CHF 25 thousand (prior year: CHF 7 thousand) for other services, which had the following composition:

In CHF '000	2016/17	2015/16
<b>Tax consulting</b>	9	2
<b>Miscellaneous</b>	16	5

### 10.4 Informational instruments pertaining to external audits

The Risk and Audit Committee, on behalf of the Board of Directors, annually reviews the license, performance, fees and independence of the external auditors and recommends to the Board which external auditors to propose for election by the General Meeting. It also ensures compliance with the legal requirement for rotation of the lead audit partner. The external auditors in the course of their audit activities regularly communicate their findings to the Risk and Audit Committee, along with any suggestions for improvement. The external auditors report to the Board in a comprehensive management letter (prepared after the audit of the annual financial statements) and through the "reports of the statutory auditor" published in the annual report.

The Risk and Audit Committee meets with the external auditors at least two times per year, sets the scope and objectives of the audits, and annually assesses the work of the external audit firm through a performance evaluation process. This process takes into account the committee's experience in working with the external audit firm and the audit firm's own quality assurance measures in respect of the engagement. The Risk and Audit Committee obtains assurance that the lead audit partner has the necessary technical qualifications and fulfills the requirements as to independence. The Chief Executive Officer and Chief Financial Officer also attend these meetings. The Board of Directors is kept informed by the Risk and Audit Committee.

## 11 Communication policy

Schaffner follows a policy of open and active communication with the public and the financial markets. The communication policy also adheres to the rules of the SIX Swiss Exchange and the applicable legal requirements. The Schaffner Group's financial reporting is in accordance with Swiss GAAP FER.

As a company listed on the SIX Swiss Exchange, Schaffner also publishes information relevant to the share price (so-called "ad-hoc" disclosures), in accordance with section 53 of the Listing Rules. In these communications the Schaffner Group makes forward-looking statements. These statements are always based on management's judgment, at the time of the statement, regarding the current and future position and performance of the company. It is not the policy of Schaffner Holding AG to update previously published information.

The Schaffner Group reports on its financial and business performance on a half-yearly basis. All publications are made available in electronic format on Schaffner's website and mailed on request.

The investor relations activities of the Schaffner Group include the following events (among others), conducted in compliance with the ad-hoc-disclosure requirements of the SIX Swiss Exchange:

- › Annual General Meeting
- › Annual presentation of the full-year results
- › Conference calls for the publication of the half-year results and other news
- › Meetings with shareholders, investors and analysts
- › Road shows
- › Themed investor days

Media releases are available on the investor relations website of the Schaffner Group for at least two years after publication and can be accessed using the following link:

[www.schaffner-ir.com/news-presentations/news](http://www.schaffner-ir.com/news-presentations/news)

Annual and half-year-reports, corporate governance reports and compensation reports are available for at least five years on the investor relations website of the Schaffner Group at:

[www.schaffner-ir.com/reports](http://www.schaffner-ir.com/reports)

Shareholders can receive the latest ad-hoc disclosures of the Schaffner Group by e-mail. Registration for this free service is offered on the investor relations website of the Schaffner Group at:

[www.schaffner-ir.com/news-presentations/e-mail-service](http://www.schaffner-ir.com/news-presentations/e-mail-service)

Responsibility for corporate communications rests with the Chief Executive Officer. He is supported in investor relations by the Chief Financial Officer.

The Company's official gazette for the publication of statutory and regulatory news is the Swiss Official Gazette of Commerce, or SOGC.

Publications in connection with maintaining the listing of the Company's shares on the SIX Swiss Exchange are effected in accordance with the Listing Rules of the SIX Swiss Exchange. The Listing Rules can be viewed at:

[www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/listing-rules/03\\_01-LR\\_en.pdf](http://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/listing-rules/03_01-LR_en.pdf)

An important source of current in-depth information on the Group, including products and contact details, are these web pages:

[www.schaffner.com](http://www.schaffner.com)

[www.schaffner-ir.com](http://www.schaffner-ir.com)

### **Investor relations contact**

- › Kurt Ledermann  
Chief Financial Officer  
[kurt.ledermann@schaffner.com](mailto:kurt.ledermann@schaffner.com)  
T +41 32 681 66 08

### **Financial calendar**

<b>11 January 2018</b>	22 <sup>nd</sup> Annual General Meeting
<b>9 May 2018</b>	Publication of half-year report 2017/18
<b>6 December 2018</b>	Publication of annual report 2017/18
<b>15 January 2019</b>	23 <sup>rd</sup> Annual General Meeting

The fiscal year-end of Schaffner Holding AG is 30 September.