

# Compensation report 2014

We attach great importance to providing fair, market-appropriate compensation and position ourselves mid-range with regard to our peers. We take care to ensure that the individual components of compensation, and the corresponding criteria, for employees at all levels do not provide any incentives for taking on inappropriate risks.



# 1 Key components of Valiant's compensation policy

Valiant has produced a compensation report since 2010. This year for the first time, however, we have provided the report in a separate chapter. The compensation report is submitted to the Annual General Meeting for a consultative vote.

Within the framework of the ordinance against excessive compensation in listed companies (VegüV), the Annual General Meeting of 16 May 2014 approved various amendments to the articles of association relating to compensation. The new provisions will be applied for the first time at the 2015 Annual General Meeting.

However, the principles that became mandatory in 2015 were already largely applied in 2014.

## 1.1 Simple and transparent compensation system

We advocate a moderate compensation policy and implement a simple, transparent compensation system. Variable compensation is dependent on business results and is paid out to the members of the Executive Board exclusively in cash and blocked shares.

## 1.2 Board of Directors: 20 per cent in Valiant shares and no variable compensation

Compensation for the Board of Directors consists of a fixed fee and, until the end of the 2014/2015 term of office, attendance fees for meetings. Attendance fees will be discontinued from the 2015/2016 term of office. In addition to the fixed fee, the members of the Board of Directors receive a lump-sum expenses allowance that forms part of the total compensation.

Twenty per cent of the fee is paid out in the form of Valiant shares that are blocked for a period of three years. The Board of Directors does not receive any variable compensation.

## 1.3 Restriction on variable compensation for the Executive Board

Variable compensation for members of the Executive Board consists of a cash component together with Valiant shares that are blocked for a minimum period of three years. Overall, variable compensation may not exceed 50 per cent of the total compensation of a member of the Executive Board.

## 1.4 Curtailment of compensation

Should the group record a loss, the Board of Directors' fee is reduced by 50 per cent. The fee is similarly curtailed if dividends are reduced as a result of business results.

In the event that the group records a loss, the Executive Board does not receive any variable compensation. Members of the Executive Board are not entitled to variable compensation during any period in which they have been released from their duties when leaving the company.

## 1.5 Termination of Long-Term Incentive Plan (LTI)

Since the amended articles of association make no provision for a Long-Term Incentive Plan (LTI), the LTI in place was terminated and the provisions accrued from the 2012 and 2013 financial years paid out to the members of the Executive Board effective end of 2014.

## 2 Compensation principles

### 2.1 Market oriented

We attach great importance to providing fair, market-appropriate compensation and position ourselves mid-range with regard to our peers. We take into account developments in the labour market and regularly take part in pay comparison surveys.

### 2.2 Focussed on performance and results

We are committed to performance- and results-based compensation. This is part of our HR policy, which fosters a performance-oriented culture and recognises and rewards extraordinary personal achievement and contributions to Valiant's business success.

### 2.3 Risk awareness

We take care to ensure that the individual components of compensation and the corresponding measurement and decision-making criteria for employees at all levels do not provide incentives for taking on inappropriate risks. Employees are subject to reductions in variable compensation in the event of any failure to comply with regulations, codes of conduct or internal directives, and in particular in the event of any negligent handling of risk.

## 3 Calculation of variable compensation

For 2014, the basis for determining the overall pool for variable compensation was the average business result (result before extraordinary items and taxes) reported for 2013 and 2014. The share of the average operating result allocated to the pool was defined by the Board of Directors at the beginning of the financial year on the basis of an evaluation scale. For 2014, the amount paid out in variable compensation was CHF 9.3 million, with CHF 1.3 million of this amount paid to the Executive Board (not including LTI payout).

From 2015, the basis for determining the overall pool for variable compensation will be the operating result stated in the consolidated financial statements. Nine per cent of this will be allocated to the overall pool for variable compensation. If, in any one year, the consolidated financial statements show a loss, no overall pool will be created for that year and there will thus be no variable compensation for any members of staff, including the Executive Board.

# 4 Decision-making authority for determining compensation

The principles of Valiant's compensation policy and the decision-making authorities are defined in the articles of association of Valiant Holding AG and in the separate compensation regulations for the Board of Directors and for the Executive Board.

## 4.1 Setting of compensation for the Board of Directors

With regard to compensation for the 2014/2015 term of office, decisions are taken by the Board of Directors upon the proposal from the Nomination and Compensation Committee.

Following the amendments to the articles of association approved at the Annual General Meeting of 16 May 2014, from 2015 the annual general meeting will hold an annual, binding vote on maximum compensation for the Board of Directors for the respective forthcoming term of office.

## 4.2 Setting of compensation for the Executive Board

The decision regarding the fixed compensation for 2015 and the variable compensation for 2014 was taken by the Board of Directors upon the proposal from the Nomination and Compensation Committee.

From 2015, the annual general meeting will hold an annual, binding vote on the maximum fixed compensation for the Executive Board for the coming financial year and the maximum variable compensation for the Executive Board for the current financial year.

## 4.3 Rules in the articles of association

The articles of association of Valiant Holding AG stipulate, in particular, the following rules in respect of loans.

### **Vote of the annual general meeting on payments**

(see Article 27 of the articles of association of Valiant Holding AG)  
See sections 4.1 and 4.2 of the compensation report.

### **Principles governing results-dependent payments**

(see Article 29 of the articles of association of Valiant Holding AG)  
In addition to fixed compensation, the members of the Executive Board may receive variable compensation based on the company's results and on the achievement of performance targets. The targets for the Executive Board are defined at the beginning of the year. The Board of Directors stipulates the weightings for the respective targets and target values and assesses the extent to which targets have been achieved once the financial year has ended.

Variable compensation for members of the Executive Board consists of a cash component together with shares blocked for a minimum of three years.

### **Additional amount for members of the Executive Board**

(see Article 28 of the articles of association of Valiant Holding AG)  
Persons who either join the Executive Board or are promoted within the Executive Board subsequent to compensation having been approved may receive payment of an additional amount if the compensation already approved is not sufficient to cover the compensation necessary for these persons. The additional amount may not exceed 25 per cent of the most recently approved maximum Executive Board compensation for the CEO and 20 per cent for the other functions on the Executive Board.

### **Loans**

(see Article 32 of the articles of association of Valiant Holding AG)  
Loans to members of the Board of Directors and the Executive Board may not exceed a total of CHF 2 million for each member, including parties related to them, and must satisfy the criteria used by Valiant in respect of the creditworthiness and debt-servicing capacity of third parties.

# 5 Components of compensation

## 5.1 Components of compensation for the Board of Directors

### Board of Directors

Fee for 2014/2015 term of office	Fixed fee based on function (chairman, vice chairman, member) and amount of time involved plus a standardised meeting attendance fee. The fees are paid out as follows: 80 per cent in the form of cash and 20 per cent in the form of shares (blocked for three years).
	Rates p.a.
	Chairman: CHF 380,000 <sup>1)</sup>
	Vice Chairman: CHF 160,000 <sup>1)</sup>
	Member: CHF 80,000 <sup>1)</sup>
	Attendance fee: CHF 650 <sup>2)</sup>
	Additional fees p.a.
	Chairman Strategy Committee/Chairman Audit Committee: CHF 50,000
	Member Strategy Committee/Member Audit Committee: CHF 30,000
	Chairman Nomination and Compensation Committee/Chairman Risk Committee: CHF 35,000
	Member Nomination and Compensation Committee/Member Risk Committee: CHF 20,000
Additional benefits	Chairman: Company car
Joining/severance payments	Valiant does not make any joining or severance payments.
Curtailement of fee	Should the group record a loss, the Board of Directors' fee is reduced by 50 per cent. The Board of Directors' fee is similarly curtailed if dividends are reduced as a result of business results. The scope of the curtailment applicable is defined on a case-by-case basis. The Nomination and Compensation Committee submits a recommendation to the Board of Directors at the appropriate time.
Terms and conditions of payment	The rates of compensation set out above are fees per calendar year and shall be calculated on a pro rata basis for members of the Board of Directors who leave or join the Board during a calendar year. Fees shall be paid in two installments.  From the 2015 Annual General Meeting, fees will be redefined for the period from annual general meeting to annual general meeting. Fees for members who join or leave during the period defined shall be calculated on a pro rata basis.

<sup>1)</sup> The rates of fees shown include CHF 10,000 of a lump-sum expenses allowance for the Chairman and CHF 5,000 for the Vice Chairman and members of the Board of Directors.

<sup>2)</sup> Attendance fees will be discontinued from the 2015/2016 term of office.

#### Additional information:

- The Board of Directors may define additional payments for membership of ad hoc committees or for additional duties and projects. These payments shall be defined depending on the time involved and within the framework of existing rates.
- The honorary chairman shall not receive any compensation (such as cash or payments in kind) or any benefits (such as the use of office space or IT resources).
- Should they resign during a term of office, the members of the Board of Directors shall no longer be owed any compensation as from their resignation date. No compensation is issued for the remainder of the term of office.
- No compensation is owed to the members of the Board of Directors once their term of office has ended.
- Any blocks on shares issued shall remain in place even after the member has left.

The compensation paid to the members of the Board of Directors is set out in table 6.1 on page 62. Loans to the members of the Board of Directors are set out in table 6.3 on page 63. Loans to members of the Board of Directors and persons related to them are granted at the same conditions as for third parties. The shares held by members of the Board of Directors are set out in the notes to the annual financial statements of Valiant Holding AG in table 15 on page 116.

## 5.2 Components of compensation for the Executive Board

### Executive Board

Basic compensation (fixed compensation)	Basic compensation corresponds to the fixed gross annual salary stipulated in the individual contract of employment. Basic compensation is defined according to the function involved, the responsibilities involved, personal performance development and the market situation.
Lump-sum expenses allowance	CEO: CHF 24,000 Member of the Executive Board: CHF 15,600
Variable compensation 2014	Results- and performance-related variable compensation paid out retroactively composed as follows: <ul style="list-style-type: none"> <li>• Cash component (70%); payable immediately</li> <li>• Share component (30%); blocked for 3 years</li> </ul> <p>Upon the proposal of the Nomination and Compensation Committee, the Board of Directors defines the overall amount of variable compensation for the Executive Board and the individual compensation for the CEO, taking account of the following measurement criteria:</p> <ul style="list-style-type: none"> <li>• Achievement of a predefined business result</li> <li>• Achievement of the company targets stipulated by the Board of Directors</li> </ul> <p>The company targets are defined by the Board of Directors at the beginning of the year. The Board of Directors stipulates the weightings for the respective targets and the target values and assesses the extent to which targets have been achieved once the financial year has ended.</p> <p>The CEO defines the individual variable compensation for the members of the Executive Board within the framework of the overall amount of variable compensation of the Executive board approved by the Board of Directors and taking account of individual target attainment.</p>
Restriction on variable compensation	The variable compensation of the members of the Executive Board may not exceed 50 per cent of total compensation. In the year under review, variable compensation amounted to between 29.7 per cent and 42.2 per cent of the total compensation for the members of the Executive Board.
Additional benefits	<ul style="list-style-type: none"> <li>• Company car or first-class annual travelcard</li> <li>• Business allowances</li> <li>• Occupational pension benefits above legal minimum</li> <li>• Loyalty bonuses</li> <li>• Contributions to further professional training</li> <li>• Preferential conditions and employee benefits</li> <li>• REKA credit</li> </ul>
Notice period	Members of the Executive Board are subject to a twelve-month period of notice.
Joining/severance payments	Valiant does not make any joining or severance payments.
Compensation in the event of dividend reduction group loss	Variable compensation also depends on the dividend trend. Should the group report a loss, no variable compensation is due.
Terms and conditions of payment	Basic compensation (fixed fee) is paid out to the members of the Executive Board in equal monthly installments. Variable compensation to the members of the Executive Board is paid in April of the following year.

Additional information:

- The same procedure is used to set the compensation for all members of the Executive Board.
- Since the articles of association amended at the 2014 Annual General Meeting make no provision for a Long-Term Incentive Plan (LTI), the LTI in place was terminated and the provisions accrued from 2012 and 2013 were paid to the members of the Executive Board effective end of 2014.
- Any blocks on shares issued shall remain in place even after the member has left.
- Compensation for positions on the executive boards of third-party organisations where Valiant has a stake of more than 50 per cent shall be paid to Valiant in full.
- Compensation for mandates of members of the Executive Board with third-party organisations in which Valiant has a stake of less than 50 per cent shall be paid to the member concerned up to an annual overall amount of CHF 30,000 (fees and allowances for meeting attendance for all positions). Amounts in excess of this threshold shall be paid to Valiant.
- In the year under review, no payments were made for positions on the executive boards of third-party organisations in which Valiant holds a stake of less than 50 per cent.

The compensation paid to the members of the Executive Board is set out in table 6.2 on page 63. Loans to the members of the Executive Board are set out in table 6.3 on page 63. Members of the Executive Board are granted loans with preferential terms, as is customary in the sector. Loans are granted according to the same criteria as for third parties. The shares held by members of the Executive Board are set out in the notes to the annual financial statements of Valiant Holding AG in table 15 on page 116.

# 6 Compensation in the reporting period

## 6.1 Payments to members of the Board of Directors

NAME, POSITION	Fixed fee		Shares <sup>1)</sup>		Social benefits <sup>2)</sup>		Benefits in kind <sup>3)</sup>		Total	
	2014 in CHF thousands	2013 in CHF thousands	2014 in CHF thousands	2013 in CHF thousands	2014 in CHF thousands	2013 in CHF thousands	2014 in CHF thousands	2013 in CHF thousands	2014 in CHF thousands	2013 in CHF thousands
Jürg Bucher, Chairman	353	353	90	89	50	51	8	8	502	501
Dr Hans-Jörg Bertschi, Vice Chairman <sup>5)</sup>	97	176		43	14	29			111	248
Dr Ivo Furrer, Vice Chairman	147	74	35	18	24	13			206	105
Barbara Artmann, Member <sup>6)</sup>	57		14		10				81	–
Jean-Baptiste Beuret, Member <sup>7)</sup>	106	163	26		18				150	163
Dr Christoph Bühler, Member	123	62	30	15	21	11			174	88
Andreas Huber, Member	91	78	22	18	15	13			128	109
Paul Nyffeler, Member <sup>4)</sup>		67				6			–	73
Franziska von Weissenfluh, Member	110	91	26	21	18	15			154	127
Franz Zeder, Member	92	110	23	25	16	18			131	153
<b>Total</b>	<b>1,176</b>	<b>1,174</b>	<b>266</b>	<b>229</b>	<b>187</b>	<b>156</b>	<b>8</b>	<b>8</b>	<b>1,638</b>	<b>1,567</b>

<sup>1)</sup> Shares subject to a three-year block on disposal.

<sup>2)</sup> Social security benefits include employee and employer contributions for old age and survivors' insurance (AHV), disability insurance (IV), unemployment insurance (ALV), EO and family allowances (FAK).

<sup>3)</sup> Private share of cars.

<sup>4)</sup> Until the Annual General Meeting of 24 May 2013.

<sup>5)</sup> Until the Annual General Meeting of 16 May 2014.

<sup>6)</sup> From the Annual General Meeting of 16 May 2014.

<sup>7)</sup> For his services as Chairman, Jean-Baptiste Beuret received total compensation of CHF 207,760 from RBA-Holding AG in 2014.

## 6.2 Payments to members of the Executive Board

2014

NAME	Fixed	Variable	Shares <sup>2)</sup>	Benefits	Social and	Total
	net salary in CHF thousands	net salary <sup>1)</sup> in CHF thousands	in CHF thousands	in kind <sup>3)</sup> in CHF thousands	pension benefits <sup>4)</sup> in CHF thousands	
Executive Board	1,280	1,174	369	29	1,127	3,979
The highest amount received by a member						
Martin Gafner, Deputy CEO	260	358	85	8	352	1,064
Markus Gygax, CEO	365	307	127		229	1,028

2013

NAME	Fixed	Variable	Shares <sup>2)</sup>	Benefits	Social and	Total
	net salary in CHF thousands	net salary in CHF thousands	in CHF thousands	in kind <sup>3)</sup> in CHF thousands	pension benefits <sup>4)</sup> in CHF thousands	
Executive Board	1,627	1,470	93	38	1,515	4,743
The highest amount received by a member						
Michael Hobmeier, CEO <sup>5)6)</sup>	472	700		8	430	1,610
Markus Gygax, CEO from 18 November 2013	37	33	5		41	116

<sup>1)</sup> Incl. tranches of the 2012 and 2013 Long-Term Incentive Plan.<sup>2)</sup> The company's shares are measured at their market rates.<sup>3)</sup> Private shares of cars.<sup>4)</sup> Includes employee and employer contributions for old age and survivors' insurance (AHV), disability insurance (IV), income replacement scheme (EO), unemployment insurance (ALV), family allowances (FAK), occupational accident insurance (BUV), non-occupational accident insurance (NBUV), pension fund and supplementary pension fund.<sup>5)</sup> In this function until 30 April 2013.<sup>6)</sup> Salaries due under the existing employment contract valid up to 30 April 2014 (salary, lump-sum expenses, variable salary components for the years 2011 to 2014).

In the year under review, no payments were made to former members of the Executive Board. For information on payments made in the previous financial year, please refer to page 103 of the annual report 2013 of Valiant Holding AG.

## 6.3 Loans to members of the Board of Directors and the Executive Board

BOARD OF DIRECTORS <sup>1)3)</sup>	Mortgages		Other borrowing		Total	
	2014	2013	2014	2013	2014	2013
	in CHF thousands					
Jean-Baptiste Beuret, Member	654	660			654	660
Andreas Huber, Member	450	–			450	–
Franz Zeder, Member	790	550			790	550
<b>Total Board of Directors</b>	<b>1,894</b>	<b>1,210</b>	<b>0</b>	<b>0</b>	<b>1,894</b>	<b>1,210</b>
<b>EXECUTIVE BOARD<sup>2)3)</sup></b>						
Member with the highest total borrowing						
Bernhard Röthlisberger	840	815			840	815
<b>Total Executive Board</b>	<b>2,540</b>	<b>1,915</b>	<b>0</b>	<b>0</b>	<b>2,540</b>	<b>1,915</b>

<sup>1)</sup> Loans to members of the Board of Directors are granted on the same terms as for third parties.<sup>2)</sup> Loans to member of the Executive Board are granted loans on preferential terms, as is customary in the sector.<sup>3)</sup> All loans to related parties were granted on customary market terms.

# 7 Auditor's report



Report of the statutory auditor  
to the General Meeting of  
Valiant Holding AG  
Lucerne

We have audited the remuneration report of Valiant Holding AG (pages 55 to 63) for the year ended 31 December 2014.

#### *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 Valiant Holding AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Hugo Schürmann  
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Lucerne, 18 March 2015

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