

Corporate Governance Report



Responsible corporate management and control that are in the interests of shareholders, customers, employees and further stakeholders alike are the foundation of the CPH Group's ability to sustainably create value through its business activities.

This section is structured in accordance with the corporate governance guidelines of the SIX Swiss Exchange. For some items, reference is made to the consolidated financial statements from Page 44, and in particular to the additional corporate governance information in the annex to the consolidated financial statements from Page 73. This section is based on the Organizational Regulations of CPH Chemie + Papier Holding AG, which are available on the www.cph.ch website in the Investors' section.

Group structure and shareholders

Management structure as of 31 December 2017

CEO

Peter Schildknecht

CFO

Richard Unterhuber

Chemistry Division

Alois Waldburg-Zeil

Paper Division

Klemens Gottstein

Packaging Division

Wolfgang Grimm

The CPH Group comprises three autonomous divisions. The Group is led by the Group CEO; the divisions are headed by the Divisional CEOs. Group Executive Management consists of the Group CEO, the Group CFO and the Divisional CEOs. The Group CEO reports directly to the Chairman of the CPH Board of Directors. CPH Chemie + Papier Holding AG (the holding company) is domiciled in Perlen/Root, Switzerland. For an overview of the subsidiaries included in the consolidated financial statements, see Page 78.

Capital structure

For further details of the capital structure, please see the additional corporate governance information on Page 73.

Shareholder structure (in %)	31.12.2017	31.12.2016
Uetikon Industrieholding AG	49.9	49.9
Ella Schnorf-Schmid	7.2	7.2
Sarasin Investmentfonds AG	5.0	5.0
Members of the Board of Directors and Group Executive Management (and related parties)	1.7	1.7
Publicly-held shares	30.6	30.9
Shares currently not listed in the Share Register	5.6	5.3
Total shareholders	824	798

Board of Directors

The Board of Directors of CPH Chemie + Papier Holding AG is entrusted with the overall management of the company. The Board is responsible in particular for determining the company's strategic alignment and thrust, defining its accounting and financing principles, assessing business opportunities and risks and appointing and supervising Group Executive Management. In full compliance with the relevant legal provisions and the company's Articles of Incorporation, the Board of Directors has delegated the management of the company to Group Executive Management, headed by the Group CEO (see above). The delimitation of authorities here and the collaboration among the Board, its committees, Group Executive Management and the Group's three divisions are laid down in detail in the Organizational Regulations of CPH Chemie + Papier Holding AG.

The members of the Board of Directors are elected individually by the Ordinary General Meeting to serve for a one-year period. They may be re-elected. In accordance with the Organizational Regulations, a Board member's mandate will end at the latest at the Ordinary General Meeting of the year in which their 70th birthday falls.

The Chairman of the Board and the members of its Personnel & Compensation Committee are elected from the Board's ranks by the Ordinary General Meeting. Apart from these appointments, the Board is self-constituting, and elects from its ranks a Deputy Chairman, the members of its Finance & Auditing Committee and the chairs of its two committees. The Board consisted of six members as of 31 December 2017. No Board member currently serves the company in an executive capacity or has done so in the past three years.

Members of the Board of Directors and its committees as of 31 December 2017

Board member since	Board function	Finance & Auditing Committee	Personnel & Compensation Committee
Peter Schaub	1994 Chairman	Member	Personnel only
Tim Talaat	1994 Deputy Chair		Member
Mauro Gabella	2005 Member		Chair
Kaspar W. Kelterborn	2015 Member	Chair	
Manuel Werder	2015 Member	Member	
Christian Wipf	2008 Member		Member

The Board of Directors has formed two permanent committees: Finance & Auditing and Personnel & Compensation. The committees take no decisions themselves: they primarily perform a preparatory and advisory function, helping the full Board to conduct its meetings more efficiently and take swift and well-founded decisions. Their duties are laid down in separate Descriptions of Duties.

The two board committees are currently composed as follows:

Finance & Auditing

The Finance & Auditing Committee consists of Kaspar Kelterborn (chair), Peter Schaub and Manuel Werder. The Group CEO and CFO also attend all committee meetings as permanent guests.

The committee's tasks comprise in particular:

- evaluating the Group's financing and accounting systems in terms of their appropriateness, reliability and effectiveness
- examining the annual and half-yearly accounts and financial statements and other financial information intended for publication, and determining their guidelines, quality standards and content
- monitoring the assessment of corporate risks and the Group's risk management practices
- monitoring the Group's investment and hedging policies
- monitoring the Group's Internal Control System and its effectiveness
- monitoring the Group's business activities in terms of its observance and implementation of Board resolutions, company policy principles and directives and the relevant legal provisions, particularly those relating to stock exchange law
- assessing the work, performance, independence and remuneration of the external group and statutory auditor and making recommendations on the election of the same to the Board of Directors and the General Meeting, approving the auditing plan, processing audit reports and overseeing the adoption of the external auditor's recommendations
- monitoring the Group's real-estate strategy.

The committee met for three half-day deliberations in 2017.

Personnel & Compensation

The Personnel & Compensation Committee comprises Mauro Gabella (chair), Tim Talaat, Christian Wipf and Peter Schaub (personnel affairs only). The Group CEO also attends all committee meetings as a permanent guest, unless his own compensation or other topics relating to him are being discussed. The committee's tasks comprise in particular:

- devising guidelines for the CPH Group's compensation and benefit policy (in particular the compensation principles for the Board and Group Executive Management) on behalf of the Board of Directors
- submitting proposals to the full Board of Directors for the compensation of the same
- assessing the performance of the Group CEO and the further members of Group Executive Management and their achievement of their annual targets, and submitting corresponding proposals for their fixed and variable compensation to the full Board of Directors
- monitoring the implementation of the CPH Group's compensation policy along with groupwide salary developments
- making recommendations to the full Board of Directors on elections to its ranks and the appointment of a new Group CEO and/or further members of Group Executive Management, and on their terms and conditions of employment.

The committee met for three half-day deliberations in 2017.

The Board of Directors met seven times in 2017: for two half-day meetings, four full-day meetings and a two-day strategy meeting. The Board also took a longer trip to China to visit the Group's new facilities. The Group CEO and the CFO are permanent guests at all Board meetings unless topics relating directly to them (such as their compensation) are being discussed. Its own internal issues are discussed by the Board in separate preliminary in-camera meetings.

The current and future development of each division are discussed in depth at dedicated annual half-day meetings. These are also attended by the full Divisional Management of the division concerned.

The Board's two-day strategy meeting is devoted to strategic issues and the medium-term development of the CPH Group and its divisions. Parts of the meeting are also attended by the full Group Executive Management and members of the Divisional Management teams.

The Chairman of the Board is in regular contact with the Group CEO to support him in his duties and in the implementation of business strategy.

The Board of Directors supervises Group Executive Management through structured reporting and controlling processes. The Board receives a comprehensive monthly written report on current business trends, financial results, market developments, emerging risks and other key events. The Group CEO also reports on the latest business trends and performance and all further issues of relevance to the Group at every Board meeting.

Risk management

Risk management is practised in accordance with principles laid down by the Board of Directors and Group Executive Management under which the strategic and operational business risks, the hedging of currency exchange rate, interest rate, market, credit and liquidity risks and the Internal Control System (ICS) are regularly analyzed and reappraised. These risks are summarized in an annual Risk Report which is submitted to the Board of Directors. Further details of the ICS will be found in the annex to the consolidated financial statements on Page 76.

The external auditor supports the Board of Directors and its Finance & Auditing Committee as part of the statutory audit mandate by checking the existence of the internal control system (ICS).

Group Executive Management

Group Executive Management is CPH's supreme executive body, and is charged with the Group's operational management. Group Executive Management is tasked primarily with implementing the strategy defined by the Board of Directors, applying corporate policy and managing and coordinating the activities of the Group's business divisions. The members of Group Executive Management are appointed by the Board

of Directors. Group Executive Management generally meets once a month. It also conducts an annual two-day retreat; and a further one-and-a-half-day management meeting is held every year together with the full managements of the Group's three business divisions.

Remuneration

For the remuneration paid to the Board of Directors and Group Executive Management, please see the Remuneration Report on Page 34.

Shareholders' rights and change of control

Shareholders' rights and change-of-control clauses will be found in the additional corporate governance information on Page 74.

External auditor

Statutory and group auditor

PricewaterhouseCoopers AG, Zurich

First elected: 1971

Current term: the 2017 financial year

Auditor-in-charge

Thomas Illi (since 2016)

The remuneration paid to the external auditor is shown on Page 75. The Board of Directors' Finance & Auditing Committee examines the reports of the external auditor and assesses its work. The Committee then reports on this to the full Board. All the meetings of the Finance & Auditing Committee in 2017 were also attended by representatives of the external auditor.

Information for shareholders and bondholders

Share price trends

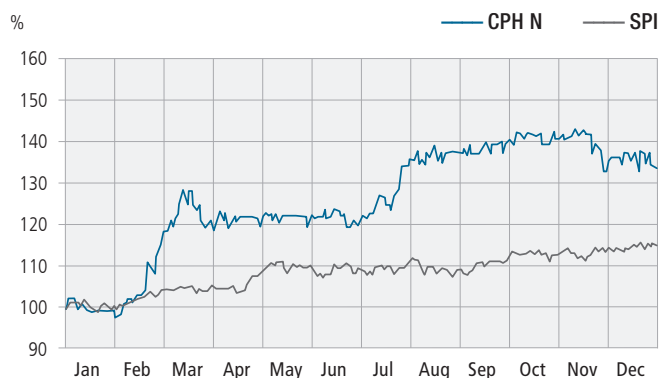
The CPH share, which is listed on the SIX Swiss Exchange, closed at CHF 53.55 on 30 December 2017, a 33.9% increase on its closing price at the end of 2016. This was well above the performance of the market as a whole: the Swiss Performance Index (SPI) rose 19.9% over the same period.

Bond price trends

CPH issued a five-year CHF 120 million bond with a coupon of 2.75% in July 2014. The bond is listed on the SIX Swiss Exchange. The CPH bond closed the 2017 business year on 29 December at 102.55, compared to 103.00 at the end of 2016.

Securities information	Share	Bond
Securities number	162 471	24 761 122
ISIN	CH0001624714	CH0247611228
Reuters	CPH.S	
SIX Swiss Exchange	CPHN	CPH14
Coupon		2.75% p.a.
Coupon payment		10 July
Repayment at par		10 July 2019
Amount		CHF 120 million

CPH share price developments in 2017



CPH 2014–2019 2.75% bond price developments in 2017



Per-share statistics ¹⁾	2017	2016	2015	2014	2013
Share price on 31 December in CHF	53.55	40.00	31.40	56.45	61.50
High in CHF	57.30	42.20	59.90	63.80	67.45
Low in CHF	39.00	29.80	30.00	55.95	59.20
Nominal value per share in CHF	5.00	5.00	5.00	5.00	5.00
Key figures per share ²⁾					
Equity per share in CHF	66.06	63.49	67.12	73.67	72.38
Price-to-book ratio on 31 December	0.81	0.63	0.47	0.77	0.85
Net result per share in CHF	2.66	-1.32	-5.52	1.75	-45.25
Price/earnings ratio on 31 December	20.10	n.a.	n.a.	32.25	n.a.
Cash flow per share in CHF	2.41	4.71	1.20	6.80	4.55
Free cash flow per share in CHF	2.14	0.32	0.23	0.07	2.28
Dividend per share (2017: recommendation) in CHF	0.65	0.65	0.60	0.65	0.65
Market capitalization					
Number of shares ¹⁾	6 000 000	6 000 000	6 000 000	6 000 000	6 000 000
Share capital in CHF million	30	30	30	30	30
Market capitalization in CHF million	321	240	188	339	369

¹⁾ All information restated in view of the 1:20 share split of 10 April 2015

²⁾ Based on consolidated financial statements; excluding minorities

Investor relations agenda

- 20 February 2018 Publication of the 2017 Annual Report; media conference and investors' meeting
- 14 March 2018 Ordinary General Meeting
- 20 July 2018 2018 Half-Year Report (to 30 June)

CPH's communications on its business trends and performance, its letters to shareholders and key ad-hoc disclosures may be obtained via an email service that is available from the www.cph.ch website (under Investors -> Communications).

The latest CPH corporate communications and interim reports will also be found on the www.cph.ch website, together with further corporate information.

Investor relations contact

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The Board of Directors

AS OF 31 DECEMBER 2017



Peter Schaub

Chairman

Peter Schaub (born 1960), Swiss national, lic. iur., attorney-at-law, first elected in 1994, Chairman since 2010.

Current positions

Partner at Weber Schaub & Partner AG, tax and legal consultants, Zurich; Chairman of the Board of Directors of Zindel Immo Holding AG, Chur; Deputy Chairman of the Board of Directors of Mobimo AG, Lucerne; Deputy Chairman of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Deputy Chairman of the Board of Directors of UBV Holding AG, Uetikon; Member of the Board of Directors of Rüegg Cheminée Holding AG, Zumikon; Member of the Board of Directors of Scobag Privatbank AG; member of the boards of directors of various further unlisted companies; trustee of various foundations.

Previous positions

Tax commissioner at the Cantonal Tax Office, Zurich; junior associate at the Schellenberg Wittmer law firm, Zurich.

Mauro Gabella

Mauro Gabella (born 1952), Swiss and French national, Dr. sc. nat., first elected in 2005, chair of the Personnel & Compensation Committee since 2010.

Current positions

Chairman of the Board of Directors of The PME & Co, Luxembourg; CEO of HCS HealthCare Management Solutions, Chesières.

Previous positions

Chairman of the Board of Directors of Pharmalp SA; Vice President Organizational Excellence & Project Management Europe for Sanofi-Aventis, Paris; Vice President Central & Southern Europe for Sanofi-Aventis, Paris.

Manuel Werder

Manuel Werder (born 1974), Swiss national, lic. iur. and LL.M. attorney-at-law, first elected in 2015.

Current positions

Partner at Niederer Kraft & Frey AG, Zurich; Member of the Board of Directors of Uetikon Industrieholding AG, Uetikon; Member of the Board of Directors of UBV Holding AG, Uetikon; member of the boards of directors of various further unlisted companies; trustee of various foundations.

Previous positions

Senior Associate and Associate at Niederer Kraft & Frey AG; secondment to Allende & Brea Abogados, Buenos Aires; Foreign Associate at Fox Horan & Camerini LLP, New York.

Tim Talaat

Deputy Chairman

Tim Talaat (born 1960), Swiss national, MSEE and MBA, first elected in 1994, Deputy Chairman since 2015.

Current positions

Majority shareholder and Chairman of the Board of Directors of Swiss Industrial Holding AG, Uetikon; Member of the Board of Directors of Bachofen AG, Uster.

Previous positions

CEO of Looser Holding AG, Arbon; Managing Partner at Swiss Industrial Finance AG, Pfäffikon SZ; CEO of SR Technics Switzerland and Member of the SR Technics Group Executive Board, Zurich Airport.

Kaspar W. Kelterborn

Kaspar W. Kelterborn (born 1964), Swiss national, lic. oec. HSG, first elected in 2015, chair of the Finance & Auditing Committee since election.

Current positions

CFO and Member of the Executive Committee of the Conzzeta Group, Zurich; member of the boards of directors of various Conzzeta AG subsidiaries.

Previous positions

CFO and Member of the Executive Management of the Unaxis Group, Pfäffikon; leading executive functions in finance and controlling both in and outside Switzerland for the Clariant Group, Muttenz.

Christian Wipf

Christian Wipf (born 1957), Swiss national, lic. oec. HSG, first elected in 2008.

Current positions

Chairman and Delegate of the Board of Directors of Wipf Holding AG, Brugg; Chairman of the Board of Directors of Wipf AG, Volketswil; Chairman of the Board of Directors of Elco AG, Brugg; Chairman of the Board of Directors of Swiss Direct Marketing AG, Brugg.

Previous positions

CEO of Wipf AG, Volketswil; Executive Management of Seetal Schaller AG, Brugg.

From left: Kaspar W. Kelterborn, Peter Schaub, Manuel Werder, Christian Wipf, Tim Talaat and Mauro Gabella.