

# Remuneration Report

## The Remuneration Report provides details of the principles, programmes and procedures for determining the remuneration paid to the CPH Board of Directors and to Group Executive Management and their amounts in 2020.

This report is divided into two sections. Section 1 is not subject to the auditing required under Article 13 of Switzerland's VegüV Ordinance Against Excessive Remuneration at Stock Exchange-Listed Companies, whereas Section 2 is.

### 1 Remuneration and general information

The fundamental aim of the CPH Group is to provide remuneration that is in line with market levels. CPH regards such remuneration as a combination of a fixed and a variable salary component. The amount of each individual's overall remuneration and the components thereof are determined by regularly reappraising the current classification of each function, benchmarking the remunerations awarded and comparing these to market rates (see also the details for the Board of Directors and Group Executive Management). Any modifications proposed to the remuneration for the Group CEO or further members of Group Executive Management are submitted for approval to the full Board of Directors by its Personnel & Compensation Committee, with due reference to the market comparisons conducted.

Every meeting of the Personnel & Compensation Committee is preceded by an agenda that is communicated to each Board member. The Committee also informs the other Board members of the topics it has discussed and the background to any proposals or recommendations submitted at the next Board meeting.

The Personnel & Compensation Committee generally meets three times (and at least twice) a year. Three such meetings and further discussions on the succession to Mauro Gabella were held in 2020.

The members of the Personnel & Compensation Committee are elected individually by the Ordinary General Meeting to serve for one year. For further details of the Committee's current composition and prime duties and responsibilities, please see the Corporate Governance section.

Individual performance has a direct influence on the compensation paid to all CPH Group personnel, including management members. The assessment thereof is based on the degree to which broader and individual targets are achieved, and such achievement is remunerated via a variable salary component or Short-Term Incentive (STI). For each function, a target variable compensation is defined that will be paid if the targets concerned are achieved in full. The actual variable

compensation to be paid will then be determined on the basis of the degrees to which such targets are achieved, with a maximum annual variable compensation payable amounting to 150% of the target set. The variable compensation gradations between the lower and upper limits of 0% and 150% may be either linear or stepped: the details here are determined as part of the annual target-setting process. For 2020, linear gradations were adopted for all the personnel concerned.

The Group CEO has a contractual notice period of 12 months, while the further members of Group Executive Management have a notice period of six months. There are no contractual agreements regarding severance payments. CPH maintains occupational pension arrangements for all its employees. There are no additional insurance arrangements for Group Executive Management members. The members of the Board of Directors are not insured under any CPH occupational pension scheme. The CPH remuneration system remained unchanged in 2020 from the previous year.

The structure and amounts of the remuneration paid for certain functions are reappraised using external benchmarks every two to three years. The remuneration paid to the members of Group Executive Management and the three Divisional Managements was most recently analyzed by an outside company in 2019. Three benchmark groups were created to this end. Group I consisted of Swiss-based international companies in the paper, packaging and chemistry sectors (such as Acino, Dottikon, Ems-Chemie, Givaudan, Baumgartner and Vifor). Group II added further international industrial companies domiciled in Switzerland (such as Feintool, Lantal Textiles, Huber+Suhner, Stäubli, Landis&Gyr and Schaffner). Group III comprised international subsidiaries (including those of companies in Groups I and II) based in China, Germany, the USA and other countries. About two-thirds of the companies in these three benchmark groups were stock exchange-listed. The functions assessed were assigned to the appropriate benchmark group(s) using the recruitment market principle.

The proposals on the maximum aggregate remuneration for the Board of Directors and for Group Executive Management are prepared by the Board's Personnel & Compensation Committee, appraised by the full Board and submitted to the General Meeting for approval. Should the proposal be rejected, and should the Board not submit a new proposal (or have this rejected, too), an Extraordinary General Meeting should be convened within three months, or the Board may submit a further such proposal for retrospective approval at the next Ordinary General Meeting.

### Long-term incentive (LTI) programme

The Articles of Incorporation of CPH Chemie + Papier Holding AG permit the use of long-term incentives (LTIs), particularly in the form of employee share ownership plans.

An employee share ownership plan exclusive to Group Executive Management members was introduced in 2020 in the form of a restricted stock plan. The shares concerned are bindingly assigned to their beneficiaries at the time they are awarded, but are subject to a three-year vesting period, during which they are not subject to any further performance or results criteria. The value of these shares varies solely on the basis of the corresponding stockmarket prices.

The award price of such shares is the arithmetic mean of the closing prices of the CPH Chemie+Papier Holding AG share for the 15 consecutive calendar days immediately before and immediately after the publication of the annual results for the business year concerned.

The number of shares awarded to each Group Executive Management member is based on their individual LTI target amount. Such shares are only awarded provided the individual concerned has not served or been served notice at the time of such award.

The shares required for such awards are acquired by CPH Chemie+Papier Holding AG each year on the equities market. The shares are awarded in annual tranches, immediately after their award price has been determined following publication of the corresponding annual results. Such shares carry both voting and dividend rights from the date of their award.

The shares of each annual tranche are entirely at their holder's disposal after the conclusion of their three-year vesting period.

#### **Remuneration of the Board of Directors**

The remuneration paid to members of the Board of Directors consists of a fixed monetary amount. Members' work on either of the Board's two technical committees is additionally remunerated via meeting attendance fees. Board members are further awarded a flat daily allowance for any work beyond their normal meeting activities.

The remuneration paid to Board members is determined on the basis of comparisons with publicly available data for comparable Swiss industrial companies whose shares are also listed on the SIX Swiss Exchange. The remuneration rates concerned are proposed to the full Board by its Personnel & Compensation Committee.

In accordance with Switzerland's VegüV Ordinance against Excessive Compensation in Stock Exchange-Listed Companies and the correspondingly amended Articles of Incorporation of CPH Chemie+Papier Holding AG, the maximum aggregate amount payable to the Board of Directors in the period between two Ordinary General Meetings is subject to the approval of the first such Meeting. This provision entered into effect from the 2015 Ordinary General Meeting.

For specific remuneration payments, please see Section 2 below.

#### **Remuneration of Group Executive Management**

The remuneration awarded to the members of CPH's Group Executive Management consists of a fixed and a variable (short-term incentive or STI) component which are both fully paid in monetary form. With effect from 2020, Group Executive Management members also receive further remuneration in the form of company shares under a long-term incentive or LTI programme. The STI variable remuneration paid depends on the degree to which group targets and individual divisional or functional targets are achieved. The maximum variable remuneration amounts to 100% of the fixed basic salary for the Group CEO and 50% thereof for the further Group Executive Management members.

The assessment of the performance of Group Executive Management for variable remuneration purposes is based on a specific target-setting process. These targets are set in five areas: financial results, customers & market, innovation, processes and leadership & personnel. The financial results targets are the same for all Group Executive Management members, while individual divisional and/or functional targets are set in the four further areas.

The achievement of the quantitative targets set for the financial key performance indicators of EBIT, operating cash flow and net working capital accounts for 60% of the variable remuneration, with the remaining 40% based on the achievement of the quantitative and qualitative targets set in the other four areas. The Heads of Divisions' performance in financial results terms is based two-thirds on the results of their division and one-third on Group results. The corresponding performances of the Group CEO and CFO are based solely on the Group results achieved.

The targets for all target areas are prescribed by the Board of Directors for all Group Executive Management members (with financial results targets derived directly from agreed budget parameters). The Group CEO and the further members of Group Executive Management may make target proposals, and the Group CEO may make proposals for the remuneration of the further Group Executive Management members. The latter have their achievement of their annual targets assessed by the Group CEO, who submits appropriate recommendations to the Board's Personnel & Compensation Committee, while the Group CEO's performance is assessed by the Chairman of the Board. All such assessments are discussed by the Personnel & Compensation Committee, which then submits a report to the full Board on the degrees to which each member of Group Executive Management has achieved the targets set, together with recommendations on the individual variable remunerations to be paid. The final decision thereon is then taken by the Board in toto, with due regard to the maxima specified by the previous Ordinary General Meeting.

With the exception of one company car, no fringe benefits are granted to Group Executive Management members.

Since the 2015 Ordinary General Meeting, in accordance with Switzerland's VegÜV ordinance and the correspondingly amended Articles of Incorporation of CPH Chemie+Papier Holding AG, the maximum aggregate fixed and variable remuneration payable to Group Executive Management have been approved by each Ordinary General Meeting for the following business year.

Any new members of Group Executive Management who are appointed and assume their duties after the Ordinary General Meeting has approved the maximum aggregate Group Executive Management remuneration for the business year concerned may – under Article 22 of the CPH Chemie+Papier Holding AG Articles of Incorporation – be paid an additional amount totalling (for all such new members) no more than 40% of this maximum aggregate amount.

The remuneration paid in 2020 to the members of the Board of Directors, the Group CEO (who received the highest total remunera-

tion of any Group Executive Management member) and the further members of Group Executive Management is shown in the tables in Section 2.

## 2 Remuneration paid to members of the Board of Directors and Group Executive Management

This remuneration includes salaries, bonuses, credits, social security payments and occupational pension scheme contributions.

### Notes on the remuneration paid to members of the Board of Directors

The amounts shown are the remuneration paid for the year concerned, regardless of when such payment was made. All such remuneration is in monetary form. Board members are not subject to any share ownership or share option plans. The remuneration is shown in gross form, including employees' social security contributions. The social security contributions shown separately include those of the employer.

### Remuneration paid to members of the Board of Directors

#### 2020 in CHF thousand

| Board of Directors   | Board member since | Function        | Finance & Auditing Committee | Personnel & Compensation Committee | Fixed remuneration | Board committee meeting fees | Social security contributions | Total      |
|----------------------|--------------------|-----------------|------------------------------|------------------------------------|--------------------|------------------------------|-------------------------------|------------|
| Peter Schaub         | 1994               | Chairman        | Member                       | Member                             | 319                | 0                            | 20                            | 339        |
| Tim Talaat           | 1994               | Deputy Chairman |                              | Chair                              | 91                 | 27                           | 7                             | 125        |
| Mauro Gabella        | 2005               | Member          |                              | Member                             | 89                 | 8                            | 4                             | 101        |
| Kaspar W. Kelterborn | 2015               | Member          | Chair                        |                                    | 91                 | 24                           | 7                             | 122        |
| Manuel Werder        | 2015               | Member          | Member                       |                                    | 91                 | 8                            | 6                             | 105        |
| Christian Wipf       | 2008               | Member          |                              | Member                             | 91                 | 10                           | 7                             | 108        |
| <b>Total</b>         |                    |                 |                              |                                    | <b>772</b>         | <b>77</b>                    | <b>51</b>                     | <b>900</b> |

A maximum aggregate remuneration of CHF 930 000 was set for the period between the 2020 and 2021 Ordinary General Meetings by the 2020 Meeting. Any differences to 2019 are attributable to the higher official Swiss state AHV contributions in 2020 and to roundings to the nearest thousand.

#### 2019 in CHF thousand

| Board of Directors   | Board member since | Function        | Finance & Auditing Committee | Personnel & Compensation Committee | Fixed remuneration | Board committee meeting fees | Social security contributions | Total      |
|----------------------|--------------------|-----------------|------------------------------|------------------------------------|--------------------|------------------------------|-------------------------------|------------|
| Peter Schaub         | 1994               | Chairman        | Member                       | Member                             | 319                | 0                            | 20                            | 339        |
| Tim Talaat           | 1994               | Deputy Chairman |                              | Member                             | 91                 | 8                            | 6                             | 105        |
| Mauro Gabella        | 2005               | Member          |                              | Chair                              | 92                 | 23                           | 7                             | 122        |
| Kaspar W. Kelterborn | 2015               | Member          | Chair                        |                                    | 92                 | 23                           | 7                             | 122        |
| Manuel Werder        | 2015               | Member          | Member                       |                                    | 91                 | 8                            | 6                             | 105        |
| Christian Wipf       | 2008               | Member          |                              | Member                             | 91                 | 8                            | 6                             | 105        |
| <b>Total</b>         |                    |                 |                              |                                    | <b>776</b>         | <b>70</b>                    | <b>52</b>                     | <b>898</b> |

No remuneration was paid to any former Board members. No loans were made to any current or former Board members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Board members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Board members.

#### Notes on the remuneration paid to members of Group Executive Management

The variable remuneration shown for 2020 corresponds to the provisions made (on an accrual basis). The variable remuneration shown for 2019 has been adjusted to reflect the payments actually made. This is not new remuneration, but the same remuneration as was shown in the 2019 Annual Report. That remuneration could only be shown on the basis of the provisions made (on an accrual basis), however, whereas the table below shows the final amounts actually paid for 2019.

All such remuneration, both fixed and variable, is in monetary form. Since 2020, Group Executive Management members have been subject to a share ownership plan (see Page 35). The remuneration is shown in gross form, including employees' company pension scheme and social security contributions. The company pension scheme and social security contributions shown separately include those of the employer. "Further compensation" relates to the private use of the company car and any long-service awards.

No remuneration was paid to any former Group Executive Management members. No loans were made to any current or former Group Executive Management members, and no such loans are outstanding.

No remuneration was paid and no loans were made to any parties related to any Group Executive Management members, and no such loans are outstanding. No transactions were conducted on non-market terms with any natural persons or legal entities related to any Group Executive Management members.

#### Remuneration paid to members of Group Executive Management

**2020** in CHF thousand

| Group Executive Management   | Function | Fixed compensation | Variable compensation (STI) | LTI share-based compensation | Pension scheme and social security contributions | Further compensation | Total        |
|------------------------------|----------|--------------------|-----------------------------|------------------------------|--|----------------------|--------------|
| Peter Schildknecht           | CEO      | 520                | 340                         | 60                           | 165  | 4                    | 1 089        |
| Further GEM members combined |          | 1 200              | 400                         | 120                          | 324  | 55                   | 2 099        |
| <b>Total</b>                 |          | <b>1 720</b>       | <b>740</b>                  | <b>180</b>                   | <b>489</b>                                       | <b>59</b>            | <b>3 188</b> |

A maximum aggregate remuneration of CHF 3 500 000 was set for the 2020 business year by the 2019 Ordinary General Meeting. The members of Group Executive Management were assigned a total of 2 381 shares (based on a share price of CHF 75.75) in 2020 under their share-based compensation.

**2019** in CHF thousand

| Group Executive Management   | Function | Fixed compensation | Variable compensation (STI) | LTI share-based compensation | Pension scheme and social security contributions | Further compensation | Total        |
|------------------------------|----------|--------------------|-----------------------------|------------------------------|--|----------------------|--------------|
| Peter Schildknecht           | CEO      | 500                | 314                         | –                            | 151  | 4                    | 969          |
| Further GEM members combined |          | 1 150              | 300                         | –                            | 278  | 55                   | 1 783        |
| <b>Total</b>                 |          | <b>1 650</b>       | <b>614</b>                  | <b>–</b>                     | <b>429</b>                                       | <b>59</b>            | <b>2 752</b> |

# Report of the statutory auditor on the Remuneration Report

We have audited the remuneration report of CPH Chemie+Papier Holding AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in chapter 2 on pages 37 to 38 of the remuneration report.

## Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

## Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the remuneration report of CPH Chemie+Papier Holding AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Josef Stadelmann  
Audit expert

Zürich, 12 February 2021