

# Contents

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# 1. Guidelines

Productive employees with integrity are the key factor in Emmi's success. They enable objectives to be met through their commitment, mutual respect and honest business practices. In so doing, they contribute to the sustainable growth of the Group. Remuneration is only one part of the overall reward: respect, meaningful work, responsible organisation of the working environment and opportunities for further development are just as important.

The Board of Directors supports employees and thus the corporate strategy with an appropriate remuneration policy, i.e. one that is performance-focused and in line with market conditions and that incorporates the company's commercial development. Basic remuneration should reflect the requirements, skills and responsibilities of the respective role, as well as the performance and conduct of the employee. In addition, it should provide income security. The variable remuneration component at management level strengthens the shared responsibility. It focuses performance and conduct on sustainable business development and provides the opportunity to share in the company's success.

The Board of Directors firmly believes that the aforementioned factors improve and reward job motivation while at the same time reflecting Emmi's corporate values. It therefore considers a share and option programme to be unnecessary, also in terms of a simple and transparent remuneration system.

With regard to the remuneration of the company's management, Article 29b of the Articles of Association Emmi AG states: Remuneration of members of the Board of Directors, Group Management and any advisory body should be adequate, competitive and performance-based. In addition, it should be determined in accordance with the strategic objectives and the success of the Emmi Group.

## 2. Remuneration system

### 2.1 Remuneration components

The remuneration of the Board of Directors and the Agricultural Council is fixed remuneration. The remuneration of Group Management comprises a fixed and a variable component. Variable means: depending on success and performance in the previous financial year in connection with defined objectives (“bonus”). The variable remuneration of a member of Group Management should not exceed 50 % of fixed remuneration. No long-term variable component has been implemented. For further information on this topic see section 2.3 Remuneration of Group Management.

According to Article 29b of the Articles of Association Emmi AG, the company can issue equity securities, conversion or option rights, or other rights to equity securities to members of the Board of Directors, the Agricultural Council and Group Management as part of their remuneration. Emmi currently intentionally forgoes share or option plans or other share ownership programmes. This is intended to ensure that the remuneration system remains straightforward and transparent.

### 2.2 Remuneration of the Board of Directors and the Agricultural Council

The remuneration of members of the Board of Directors and the Agricultural Council is not related to performance. It is therefore purely basic remuneration, which is paid in cash. It comprises a basic salary and compensation for attending meetings. The amount of the remuneration reflects the time and work which the members invest to fulfil their duties in the Board of Directors, the Agricultural Council and the committees, as well as in the two pension fund foundations. In particular, the members of the Board of Directors and the Agricultural Council do not receive any bonus payments or other financial benefits such as employee terms and conditions or discounted share options. They have no entitlement to services or non-cash benefits.

Once a year, the Personnel and Compensation Committee assesses the remuneration of the Board of Directors compared to listed (small cap) and private Swiss companies. In doing so, it takes into account companies from the consumer goods sector with a similar level of internationalisation, together with firms based in the region from various sectors and of different sizes. Approximately 20 companies meeting the criteria given above, primarily from the food, machinery, plastics and retail industries, served as the comparison group. In addition, the Committee has access to a recent external benchmark study from 2017 which compared the remuneration of the Emmi Board of Directors to external salaries and analysed whether the current remuneration and remuneration structure were in line with the market. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, social security contributions and expenses are components of the fixed remuneration according to the table in section 6 Remuneration for the year under review. The General Meeting approves this fixed remuneration as a maximum ceiling amount for the current financial year.

## 2.3 Remuneration of Group Management

Remuneration of the members of Group Management comprises a fixed and a variable remuneration component (short-term bonus). Both components are paid in cash.

The basic remuneration reflects the experience, knowledge and continuing performance of members of Group Management as well as the competitiveness in external market comparisons based on function-related salary benchmarks. The Personnel and Compensation Committee has available to it a current external study from 2017 for the purpose of comparing the adequacy and competitiveness of the total remuneration. The same comparison group was used for the function-related salary benchmark and for the assessment of the remuneration of the Board of Directors. In the year under review, no external advisor was consulted regarding the remuneration structure.

The basic remuneration, non-cash benefits (company car), expense allowance, and relevant social security and pension benefits are part of the fixed remuneration according to the table in section 6 Remuneration for the year under review. The General Meeting approves this fixed remuneration prospectively as a maximum ceiling amount for the coming financial year.

The Personnel and Compensation Committee decides the fixed remuneration of the CEO and other members of Group Management for the following year, taking into account the maximum ceiling amount approved by the General Meeting.

Variable remuneration: Article 29b of the Articles of Association Emmi AG states that, in general, the variable remuneration paid to a member of Group Management must not exceed 50 % of fixed remuneration. This is a bonus based on achievement of performance targets, which is paid in cash. The amount reflects the result of the previous financial year and comprises the following three criteria:

- Group performance (weighting 50 %)
- Respective business area performance (weighting 30 %)
- Achievement of individual performance targets (weighting 20 %)

The measurement of business performance is based on the three pillars of sales, income and market share. For service areas, the relevant targets also relate to ongoing development with a view to providing the core business with continuously better support.

The non-achievement of targets may lead to this remuneration not being paid at all in extreme cases; in the event of over-achievement of targets, it can increase up to a maximum of 120 % of the target amount. The variable remuneration of the CEO and the other members of Group Management is agreed by the Personnel and Compensation Committee in connection with the business results. The General Meeting approves the total variable remuneration from the previous financial year.

## 3. Responsibilities and definition process

### 3.1 Approval model of the General Meeting

Article 29e of the Articles of Association Emmi AG defines the approval model. Each year, the General Meeting approves in a separate and binding manner the proposals put forward by the Board of Directors with regard to:

- the maximum total amount of remuneration of the Board of Directors and the Agricultural Council for the current financial year
- the maximum total amount of fixed remuneration for Group Management for the following financial year
- the total amount of variable remuneration for Group Management for the previous financial year

The following **approval model** clarifies which remuneration components and for which period the shareholders will vote on at the 2019 Ordinary General Meeting.

#### Approval model for the General Meeting 2019



### 3.2 Decision-making process

**Remuneration system:** The Board of Directors determines the principles of the remuneration system for the Board of Directors and Group Management as part of its general overall management. The Personnel and Compensation Committee undertakes its regular review and assessment. In this respect, it supports the Board of Directors in determining the remuneration system. External experts would only be involved at most in a fundamental restructuring of the remuneration system.

**Remuneration amounts:** The Personnel and Compensation Committee submits a proposal for the remuneration of the members of the Board of Directors to the Board of Directors. The Board of Directors decides annually on its remuneration and submits the maximum total remuneration to the General Meeting for approval.

The remuneration for the Chairman of the Board of Directors, the members of the Agricultural Council, the CEO and the other members of Group Management is decided annually by the Personnel and Compensation Committee. The Board of Directors proposes the total amounts of the relevant remuneration to the General Meeting for approval.

### 3.3 Personnel and Compensation Committee

With the exception of the remuneration of the members of the Board of Directors, the Personnel and Compensation Committee decides on remuneration. It defines the remuneration of the Chairman of the Board of Directors and CEO (associate member) in compliance with the rules on abstention.

#### Composition of the Personnel and Compensation Committee

Election by the 2018 General Meeting until the 2019 General Meeting.

<b>Konrad Graber</b> Chairman	Independent Member and Chairman of the Board of Directors
<b>Monique Bourquin</b> Member	Independent Member of the Board of Directors
<b>Thomas Oehen-Bühlmann</b> Member	Independent Member and Vice-Chairman of the Board of Directors

## 4. Loans and credits

Article 29c of the Articles of Association Emmi AG stipulates that the members of the Board of Directors, Agricultural Council and Group Management may be granted advance payments up to a maximum of KCHF 1,000, in particular in the form of advances on costs for litigation connected to the activity of the person concerned as a member of the Board of Directors, Agricultural Council or Group Management.

## 5. Proposals to the General Meeting

The proposed total amounts ensure the required level of entrepreneurial flexibility to be able to react to changes (additional members of the Board of Directors, Agricultural Council and Group Management; transfers in committees; extraordinary occurrences; general reserve). There is no intention to use up the full ceiling amounts. Article 29e of the Articles of Association Emmi AG provides for an additional amount of a maximum of 20 % if additional or replacement members are appointed to Group Management following approval of the fixed remuneration.

All amounts mentioned under point 5 are in KCHF.

### 5.1 Board of Directors

Approval of the total amount of fixed remuneration of the Board of Directors up to a maximum of KCHF 970 for financial year 2019.

Proposal to GM 2019 for full year 2019	Remuneration paid 2018 (see section 6)	Proposal to GM 2018 for full year 2018
<b>970</b> (ceiling amount)	917	940 (ceiling amount)

### 5.2 Agricultural Council

Approval of the total amount of fixed remuneration of the Agricultural Council up to a maximum of KCHF 40 for financial year 2019.

Proposal to GM 2019 for full year 2019	Remuneration paid 2018 (see section 6)	Proposal to GM 2018 for full year 2018
<b>40</b> (ceiling amount)	25	36 (ceiling amount)



### 5.3 Group Management fixed remuneration

Approval of the total amount of fixed remuneration of Group Management up to a maximum of KCHF 5,420 for financial year 2020.

Proposal to GM 2019 for full year 2020	Proposal to GM 2018 for full year 2019	Remuneration paid 2018 (see section 6)	Proposal to GM 2017 for full year 2018
<b>5,420</b> (ceiling amount)	5,400 (ceiling amount)	4,661	4,980 (ceiling amount)

### 5.4 Group Management variable remuneration

Approval of the total amount of variable remuneration of Group Management of KCHF 1,040 for financial year 2018.

Proposal to GM 2019 for full year 2018 (see section 6)	Remuneration paid 2017	Proposal to GM 2018 for full year 2017
<b>1,040</b>	930	930

## 6. Remuneration for the year under review

Board of Directors	Fixed remuneration				Variable remuneration			Total previous year
	Basic remuneration <sup>1)</sup>	Non-cash benefits	Other remuneration <sup>2)</sup>	Total fixed <sup>3)</sup>	Bonus <sup>1)</sup>	Total variable	Total fixed and variable	
<b>Konrad Graber</b>								
Chairman	270	–	–	<b>270</b>	–	–	<b>270</b>	270
<b>Thomas Oehen-Bühlmann</b>								
Vice-Chairman	83	–	20	<b>103</b>	–	–	<b>103</b>	100
<b>Christian Arnold-Fässler</b>								
Member	57	–	15	<b>72</b>	–	–	<b>72</b>	61
<b>Stephan Baer</b>								
Member (until 12.4.2018)	34	–	–	<b>34</b>	–	–	<b>34</b>	75
<b>Monique Bourquin</b>								
Member	63	–	17	<b>80</b>	–	–	<b>80</b>	77
<b>Christina Johansson</b>								
Member (since 12.4.2018)	43	–	11	<b>54</b>	–	–	<b>54</b>	n.a.
<b>Niklaus Meier</b>								
Member	67	–	25	<b>92</b>	–	–	<b>92</b>	81
<b>Alexandra Post Quillet</b>								
Member (since 12.4.2018)	39	–	11	<b>50</b>	–	–	<b>50</b>	n.a.
<b>Josef Schmidli</b>								
Member (until 12.4.2018)	23	–	7	<b>30</b>	–	–	<b>30</b>	62
<b>Franz Steiger</b>								
Member	49	–	13	<b>62</b>	–	–	<b>62</b>	58
<b>Diana Strebel</b>								
Member	55	–	15	<b>70</b>	–	–	<b>70</b>	63
<b>Total Board of Directors</b>	<b>783</b>	<b>–</b>	<b>134</b>	<b>917</b>	<b>–</b>	<b>–</b>	<b>917</b>	<b>847</b>
Agricultural Council								
Christophe Eggenschwiler (until 30.9.2018)	4	–	1	<b>5</b>	–	–	<b>5</b>	6
Pirmin Furrer	6	–	1	<b>7</b>	–	–	<b>7</b>	7
Stephan Hagenbuch	6	–	–	<b>6</b>	–	–	<b>6</b>	7
Peter Hegglin (since 1.7.2017)	6	–	1	<b>7</b>	–	–	<b>7</b>	4
Markus Zemp (until 30.6.2017)	–	–	–	<b>–</b>	–	–	<b>–</b>	4
<b>Total Agricultural Council</b>	<b>22</b>	<b>–</b>	<b>3</b>	<b>25</b>	<b>–</b>	<b>–</b>	<b>25</b>	<b>28</b>
Group Management								
Urs Riedener, CEO	867	3	229	<b>1,099</b>	389	389	<b>1,488</b>	1,421
Other Members	2,687	25	850	<b>3,562</b>	651	651	<b>4,213</b>	3,749
<b>Total Group Management</b>	<b>3,554</b>	<b>28</b>	<b>1,079</b>	<b>4,661</b>	<b>1,040</b>	<b>1,040<sup>4)</sup></b>	<b>5,701</b>	<b>5,170</b>

<sup>1)</sup> Basic remuneration and bonuses comprise payments already made or still to be made and social security and pension contributions made by the employee.

<sup>2)</sup> In the case of members of the Board of Directors, other compensation includes expenses, social security contributions and pension contributions. For members of Group Management, it comprises all additional benefits, such as expenses, pensions, child allowances and mandatory social security contributions made by the employer that are currently paid to them directly or that will be paid to them at a later stage after the end of their employment.

<sup>3)</sup> The remuneration of the Board of Directors also includes work in the committees, in the Agricultural Council (allocation of duties, see Corporate Governance report), in a subsidiary (until 2017) as well as in the two pension fund foundations. Emmi Group employees who are members of the Agricultural Council do not receive any compensation for their work on the Agricultural Council.

<sup>4)</sup> Subject to approval by the General Meeting.

### Loans and credits in the year under review

No loans or credits were granted or made to members of the Board of Directors, Agricultural Council or Group Management in the year under review, and none were outstanding as at 31 December 2018. In addition, no loans or credits have been granted to former members of the Board of Directors, Agricultural Council or Group Management, or related parties of current or former members of the Board of Directors, Agricultural Council or Group Management, and none were outstanding as at 31 December 2018.

## 7. Auditors' report



### Report of the Statutory Auditor

To the General Meeting of Emmi AG, Lucerne

We have audited the accompanying remuneration report of Emmi AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the section 6 on page 60 of the compensation report.

#### Responsibility of the Board of Directors

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 for the year ended 31 December 2018 of Emmi AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Thomas Affolter  
Licensed Audit Expert  
Auditor in Charge

Manuel Odoni  
Licensed Audit Expert

Lucerne, 27 February 2019