

## Corporate governance report

### 1 Group structure and shareholders

**1.1 Group structure.** The operational structure of the Valora Group is presented on page 11.

**1.1.1 Listed companies within the scope of consolidation.** The only listed company within the Valora Group is Valora Holding AG, which is domiciled in Berne. The company is listed in the main segment of the SWX Swiss Exchange and on the BX Berne Exchange (Swiss securities number 208 897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN CH 0002088976)). The company's market capitalisation for the last five years is presented on page 123.

**1.1.2 Non-listed companies within the scope of consolidation.** These companies are set out on pages 94 - 95, with the company name and domicile, total share capital and the percentage thereof held by Group companies.

**1.2 Significant shareholders.** Since January 1, 2007, the following significant shareholders reported their holdings in shares of Valora Holding AG as required by Article 20 of the Swiss Stock Exchange Act as follows:

On February 15, 2007, Bank Julius Bär & Co. Ltd, Zurich reported holding 165 353 registered shares, representing 5.01% of the outstanding share capital, subsequently reporting, on March 9, 2007, that its holdings had decreased below the 5% trigger level.

On July 16, 2007, Alpine Select AG, Zug reported that the aggregate number of registered shares jointly held by itself and its subsidiary Sumara AG, Zug had been reduced to less than 5% of Valora Holding AG's outstanding share capital on July 13, 2007.

On September 24, 2007, Deutsche Bank Ltd, Frankfurt reported that, at September 18, 2007, it held a total of 77 473 registered shares of Valora Holding AG as well as an aggregate long position of 5 610 500 call options and covered warrants on Valora Holding AG registered shares whose terms either required or permitted physical delivery of the underlying shares on exercise and that these instruments covered a further 92 593 registered shares. Deutsche Bank AG's aggregate position thus represented 5.15% of the company's outstanding voting shares. On October 11, 2007, Deutsche Bank Ltd, Frankfurt reported that it and its subsidiary DWS Investments Switzerland, Zurich, held a combined position amounting to 86 484 registered shares of Valora Holding AG and a further long position of 6 010 500 call options and covered warrants on Valora Holding AG registered shares whose terms either required or permitted physical delivery of the shares on exercise and that these instruments covered a further 100 592 shares. In aggregate, these holdings thus represented 5.67% of the outstanding voting shares of Valora Holding AG. On October 15, 2007, Deutsche Bank then reported that the aggregate position in Valora Holding AG registered shares held by it and its subsidiary, DWS Investments Switzerland, Zurich, had fallen below 5% of the outstanding share capital on October 10, 2007.

On October 18, 2007, a group of investors reported that, at October 15, 2007, it held a total of 363 291 registered shares of Valora Holding AG, equating to 11.01% of the outstanding voting shares. The group consisted of: a) GoldenPeaks Capital Management Ltd, Grand Cayman, as Investment Manager of GoldenPeaks Active Value Master Fund Ltd, b) Lombard Odier Darier Hentsch Fund Managers SA, Geneva, c) Pictet Funds SA, Geneva as

Administrators of Pictet (CH) - Swiss Equities and Pictet (CH) - Mid Small Cap, d) Pictet Funds (Lux) Absolute Return Global Diversified, Luxembourg, e) Pictet Funds (Lux) Small Cap Europe, Luxembourg, f) The Alphanatics Fund, Grand Cayman and g) 3V Asset Management AG, Zurich. The type of agreement was reported as non-binding and the person designated as representing all members of the group was Adriano Agosti, GoldenPeaks Capital Management Ltd, Grand Cayman.

On November 1, 2007, the following group members reported that on that date they held a total of 333 711 registered shares of Valora Holding AG, representing 10.11% of the outstanding voting shares: a) GoldenPeaks Capital Management Ltd, Grand Cayman, as Investment Manager of GoldenPeaks Active Value Master Fund Ltd, b) GoldenPeaks Capital Partners Ltd, Zug. c) Pictet Funds SA, Geneva as Administrators of Pictet (CH) - Swiss Equities and Pictet (CH) - Swiss Mid Small Cap, Pictet - Institutional Swiss Equities, Pictet (CH) Enhanced - Swiss Equities 130/130, d) Pictet Funds (Lux) - Absolute Return Global Diversified, Luxembourg, e) Pictet Funds (Lux) Small Cap Europe, Luxembourg, f) Pictet Funds (Lux) - Continental European Equities, Luxembourg, g) Pictet Funds (Europe) SA, Luxembourg - Pictet Strategy Fund - Global Strategy - (CHF), h) The Alphanatics Fund, George Town, Grand Cayman and i) 3V Asset Management AG, Zurich. The type of agreement was reported as non-binding and the person designated as representing all members of the group was Adriano Agosti, GoldenPeaks Capital Management Ltd, Grand Cayman. This November 1, 2007 report also stated that the composition of the group had changed as follows: Lombard Odier Darier Hentsch Fund Managers SA, Geneva had left the group, while GoldenPeaks Capital Partners Ltd, Zug, Pictet Funds (Lux) - Continental European Equities, Luxembourg and Pictet Funds (Europe) SA, Luxembourg had joined. On December 17, 2007, the above group reported its dissolution on that same date.

On December 4, 2007, Amber Capital LP, New York reported that in its capacity as Investment Manager of Amber Master Fund (Cayman), George Town, Grand Cayman - Amber Capital LP is mandated with the independent management of shares held by the beneficiary owner Amber Master Fund (Cayman) - reported that it held a total of 102 415 registered shares of Valora Holding AG, representing 3.10% of the outstanding voting shares.

On December 6, 2007, Richelieu Finance Gestion Privée, Société Anonyme, Paris reported that, at December 1, 2007, through its investment funds Richelieu Europe and Richelieu Evolution, it held a total of 134 000 registered shares of Valora Holding AG, representing 4.06% of the outstanding voting shares. On January 29, 2008, Richelieu Finance Gestion Privée reported that, as a result of sales by two public funds it manages, its aggregate holdings in Valora Holding AG registered shares at January 24, 2008, amounted to 97 628 shares, which equates to 2.96% of the outstanding voting shares.

On December 6, 2007, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM), Geneva reported that, at December 3, 2007, it held a total of 132 092 registered shares of Valora Holding AG, representing 4.00% of the outstanding voting shares. These 132 092 shares were reported as being held as follows: 99 892 (or 3.03% of all voting shares) by LODH Swiss Cap (ex-SMI), 2 186 (or 0.07%) by LODH Opportunity Swiss Small and Mid Caps and 30 014 (or 0.91%) by IF IST2 - Actions Suisses Valeurs Complémentaires.

On January 28, 2008, Lombard Odier Darier Hentsch Fund Managers SA (LODHFM) reported that, at January 25, 2008, share sales had reduced the aggregate position held by

its investment funds LODH Swiss Cap (ex-SMI) and LODH Opportunity Swiss Small and Mid Caps to 96 441 registered shares of Valora Holding AG, representing 2.92% of the outstanding voting shares.

Purchases of its own shares by Valora Holding AG resulted in its holding 107 057 shares of treasury stock at December 7, 2007, which equates to 3.24% of the company's outstanding voting shares.

On December 20, 2007, a group of investors acting in concert reported that, at December 17, 2007, they held a total of 147 916 registered shares of Valora Holding AG, representing 4.48% of the outstanding voting shares. The group comprised: a) GoldenPeaks Capital Management Ltd, Grand Cayman, as Investment Manager of GoldenPeaks Active Value Master Fund Ltd, and b) GoldenPeaks Capital Partners Ltd, Zug.

On January 14, 2008, UBS Fund Management (Switzerland) Ltd, Basle reported that at January 10, 2008 it held a total of 173 604 registered shares of Valora Holding AG, representing 5.26% of the outstanding voting shares.

On February 20, 2008, the State of New Jersey Common Pension Fund D, Trenton, NJ 08625 reported that, at December 1, 2007, it held a total of 150 000 registered shares of Valora Holding AG, representing 4.55% of the outstanding voting shares.

**1.3 Cross-shareholdings.** There are no cross-shareholdings with any other companies.

## 2 Capital structure

**2.1 Capital structure at December 31, 2007.** Ordinary capital of Valora Holding AG: CHF 3 300 000, comprising 3 300 000 registered shares each of CHF 1.00 nominal value. Conditional capital of Valora Holding AG: CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value.

**2.2 Conditional capital.** Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares each of CHF 1.00 nominal value, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2007.

**2.3 Changes in capital structure.** No changes in capital structure occurred during the years 2006 or 2007. Changes in capital structure which occurred in 2005 are reported on page 68 of the 2005 Financial Report.

The movements in the reserves and equity of Valora Holding AG are shown in the balance sheet (page 99) and in the notes to the annual financial statements of Valora Holding AG (page 100).

**2.4 Shares, participation certificates and dividend-right certificates.** All 3 300 000 registered shares have a nominal value of CHF 1.00 each and are fully paid up. Each share entitles its holder to a dividend, apart from the shares held as treasury stock by Valora Holding AG. There are no preferred rights.

Valora Holding AG has not issued any participation certificates or dividend-right certificates.

**2.5 Convertible bonds and options.** At December 31, 2007 Valora Holding AG did not have any convertible bonds or options outstanding.

**2.6 Restrictions on share transferability and the registration of nominees.** Details of these restrictions are set out in section 6.1 of this Corporate Governance Report.

### 3 Board of Directors

**3.1 Members of the Board of Directors.** Name, year of birth, nationality, education and professional background

#### 3.1.1 Members of the Board of Directors at December 31, 2007.



**Beatrice Tschanz Kramel**, 1944, Swiss, Chairwoman, journalist, has held posts as head of corporate communications at Ringier AG, Jelmoli AG and SAir Group and as a Member of the Executive Committee of Centerpulse. Independent communications consultant since 2003.



**Werner Kuster**, 1941, Swiss, Deputy Chairman, doctorate in Engineering from the Swiss Federal Institute of Technology, has held CEO posts in retail with the Globus group and EPA. Independent management consultant since 2002.



**Andreas Gubler**, 1957, Swiss, doctorate in Law, attorney at law, LL. M., has actively practised in law offices in Berne, Zurich and Washington D.C. and with Ernst & Young, Former member of the Executive Committee of Askli Holding. Partner in the law firm of Gubler Walther Leuch in Berne.



**Franz Julen**, 1958, Swiss, Swiss Federal diploma in hotel and restaurant management, has held posts as deputy director of MBD Sportmarketing, chairman of the management committee of Vökl International AG and COO of INTERSPORT International Corporation. CEO of INTERSPORT International Corporation since 2000.



**Paul-Bernhard Kallen**, 1957, German, doctorate in Political Economy, masters degree in Economics, former partner at McKinsey, has held various executive positions with the Hubert Burda Media Group, and has been a member of its management board since 1999.



**Felix Weber**, 1950, Swiss, doctorate in economics from the University of St. Gallen, has held posts as CEO of Alusuisse South Africa, partner with McKinsey & Co. Zurich and Executive Vice President and CFO of Adecco. Managing Director of Lehman Brothers (Europe), Zurich, since 2006.

Fritz Ammann stepped down as Chairman as of the end of November 2007, whereupon the Board of Directors elected Beatrice Tschanz Kramel to serve as interim Chairwoman. Felix Weber began a temporary leave of absence from his Board duties at the end of October 2007 in order to avoid any potential conflicts of interest.

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations to the Group.

### 3.1.2 Board members newly elected with effect from January 30, 2008.

An extraordinary general meeting of shareholders was held on January 30, 2008. Its sole agenda item was the election of new Board members. Following the extraordinary general meeting, the newly constituted Board of Directors held its first meeting, at which it elected Rolando Benedick as its new Chairman. Werner Kuster will remain Vice Chairman. The extraordinary general meeting elected the following new Board members:



**Rolando Benedick**, 1946, Swiss, has held posts as CEO of Innovazione and CEO of the Manor Group. Chairman of the Board of Directors of the Manor Group since 2000, Board member at Barry Callebaut, Jacobs Holding AG, MCH Messe Schweiz AG and Accarda AG.



**Markus Fiechter**, 1956, Swiss, masters degrees in Chemical Engineering from the Swiss Federal Institute of Technology and in Economics from the St. Gallen Business School, has previously held posts as a consultant with The Boston Consulting Group and as CEO of the Minibar group. CEO of Jacobs Holding AG since 2004, Board member at Barry Callebaut and Minibar AG.



**Conrad Löffel**, 1946, Swiss, Federally qualified Swiss auditor, has held posts as CFO of Intercontainer, CFO of Kuoni, CFO of Danzas and partner and member of the Board of Directors of Ernst & Young AG, Basle. Independent management consultant since 2006.

**3.2 Other business activities and interests.** A number of Board members engage in other business activities with major companies.

**3.2.1 Membership of supervisory boards.**

- Rolando Benedick: Chairman of the Board of Directors of the Manor Group, Board member at Barry Callebaut, Jacobs Holding AG and MCH Messe Schweiz AG.
- Markus Fiechter: Chairman of the Board of Directors of Barry Callebaut and Minibar AG.
- Andreas Gubler: Chairman of the Board of Directors of Micro Value AG.
- Franz Julen: Vice Chairman of the Supervisory Board of the Union of Groups of Independent Retailers of Europe (UGAL).
- Paul-Bernhard Kallen: Chairman of the Supervisory Board of Tomorrow Focus AG.
- Felix Weber: member of the Board of Directors of Syngenta AG, Vice-Chairman of the Board of Directors of Publigroupe AG.

**3.2.2 Memberships of Executive Committees**

- Markus Fiechter: CEO of Jacobs Holding AG, Zurich
- Franz Julen: CEO of INTERSPORT International Corporation, Berne
- Paul-Bernhard Kallen: member of the Management Board of the Hubert Burda Media Group, Munich
- Felix Weber: Managing Director of Lehman Brothers (Europe), Zurich

**3.3 Elections and terms of office.** The Board of Directors comprises at least three members. They are elected for a term of three years, after which they may be re-elected. To ensure rotation, the period of office as a Board member is limited: every member must retire at the latest after serving four full three-year terms. Members retire permanently from the Board on the date of the Annual General Meeting preceding their 70th birthday. This also applies to the Chairman of the Board. Any exceptions to the above are subject to the approval of the General Meeting. The election and re-election of Board members is staggered as much as possible.

**Board members' terms of office:**

|                         | First elected | Current term ends |
|-------------------------|---------------|-------------------|
| Rolando Benedick        | 2008          | 2011              |
| Werner Kuster           | 2005          | 2008              |
| Markus Fiechter         | 2008          | 2011              |
| Andreas Gubler          | 1999          | 2008              |
| Franz Julen             | 2007          | 2010              |
| Paul-Bernhard Kallen    | 2007          | 2010              |
| Conrad Löffel           | 2008          | 2011              |
| Beatrice Tschanz Kramel | 2000          | 2009              |
| Felix Weber             | 2006          | 2009              |

**3.4 Internal organisational structure and committees.** There is no specific allocation of responsibilities among Board members. Board members are, however, selected so as to ensure that the Board as a whole has specific expertise in the finance, retail, media, publishing, franchising, trading, IT and legal fields.

Until the extraordinary general meeting of shareholders in January 2008, the composition of the Board committees was as follows:

- Audit Committee: Andreas Gubler (Chairman following Felix Weber's departure at the end of October, 2007), Franz Julen and Felix Weber (Chairman until the beginning of his leave of absence at the end of October, 2007).
- Nomination and Compensation Committee: Beatrice Tschanz Kramel (Chairwoman), Franz Julen (from the end of November, 2007) and Werner Kuster.

In addition, by virtue of their offices, Board Chairman Fritz Ammann was a member of the standing committees until the end of November, 2007, and Board Chairwoman Beatrice Tschanz Kramel was a member of them from the end of November, 2007.

Since the extraordinary general meeting of shareholders held on January 30, 2008 the composition of the Board committees has been as follows:

- Audit Committee: Conrad Löffel (Chairman), Andreas Gubler, Werner Kuster.
- Nomination and Compensation Committee: Franz Julen (Chairman), Markus Fiechter, Paul-Bernhard Kallen, Beatrice Tschanz Kramel.

By virtue of his office, Board Chairman Rolando Benedick is a member of the standing committees.

The duties of the Audit Committee are as follows:

- a) To assess accounting practices and principles, financial control and financial planning on behalf of the Board of Directors.
- b) To assess the risks to which the Valora Group is exposed on behalf of the Board of Directors.
- c) To monitor the efficiency of management and information systems and other internal control mechanisms.
- d) To define the mandates of the statutory and group auditors and monitor their work.
- e) To appoint, commission and supervise the internal auditors and establish the annual auditing plan.
- f) To conduct an annual discussion of the annual financial statements with the statutory and group auditors and with the internal auditors.
- g) To assess the half-yearly and the annual financial statements of the Company and the Valora Group and the reports of the statutory and group auditors on behalf of the Board of Directors.
- h) To assess the appropriateness of financial reporting on behalf of the Board of Directors.
- i) To conduct a preliminary appraisal of the professional qualifications of specialised auditors on behalf of the Board of Directors.
- k) To assess major modifications to the tax structure of the Valora Group on behalf of the Board of Directors.

For the duties specified in a), b), g), h), i) and k) above, the Audit Committee exercises a preparatory function. For the duties specified in c), d), e) and f) above, the Audit Committee exercises a decision-making function.

The duties of the Nomination and Compensation Committee are as follows:

- a) To propose candidate new Board members to the Board of Directors.
- b) To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
- c) To prepare the appointment and dismissal of the individuals charged with conducting the business of Valora Holding AG, the Valora Group and its divisions (i.e. the CEO, the CFO and the other members of Group Executive Management) for submission to the Board of Directors.
- d) To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
- e) To prepare general salary increases (wage rounds) for submission to the Board of Directors.
- f) To prepare management and employee share and option plans and results related bonus plans for submission to the Board of Directors.

For the duties specified in a), b), c), e) and f) above, the Nomination and Compensation Committee exercises a preparatory function. For the duties specified in d) above, the Nomination and Compensation Committee exercises a decision-making function.

In 2007, the Board of Directors held 14 meetings, of which seven were full-day and seven half-day sessions. A number of conference calls were also held. The Audit Committee held four half-day meetings, while the Nomination and Compensation Committee convened for eight half-day sessions. The Board and its committees may also invite further persons, particularly the CEO, the CFO and representatives of the internal and external auditors, to attend their meetings. Internal and external auditors were represented at all Audit Committee meetings.

**3.5 Definition of areas of responsibility.** The Board of Directors is responsible for approving corporate strategy and specifying the organisational structure, and bears overall responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 10 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 2 million.

The CEO is responsible for the overall management of the Group. He coordinates the activities of the various divisions, chairs Group Executive Management and is the immediate superior of each Group Executive Management member. Group Executive Management is responsible for preparing all the Group's business activities which lie within the remit of the CEO or the Board of Directors. The heads of the divisions are responsible for managing their division with the aim of ensuring its profitable and sustainable development. They are also responsible for establishing the management tools required for their division in addition to those specified in the relevant Group-level guidelines.



**3.6 Information and control tools of the Board of Directors.** The Board of Directors is regularly provided, through the Valora Group's management information system, with monthly short-term income statements for the divisions and the Group, details of significant business events, information on the shareholder structure and details of current progress towards the implementation of decisions made by the General Meeting or itself. The Chairman of the Board is provided with a copy of the minutes of all Group Executive Management meetings. Any member of the Board of Directors may demand information from management on the overall course of business and operations and, with the approval of the Chairman of the Board, on specific business transactions. Any Board member may also demand that company books and files be made available for their inspection.

#### 4 Group Executive Management

**4.1 Members of Group Executive Management** Name, year of birth, nationality, education and professional background



**Peter Wüst**, 1953, Swiss, graduate in business administration, has held senior management positions with Diethelm & Co. (international trading) and Jakob Rohner AG (textile trading), and as head of sales and marketing of the Nuance Group. From 1 March, 2003, Head of the Valora Sourcing & Marketing Division. CEO of the Valora Group since 11 June, 2003. Interim head of the Valora Retail division since August 27, 2007.



**Markus Voegeli**, 1961, Swiss, economics graduate, has held senior management positions in finance and controlling for Swissair in Switzerland, as CFO of the Nuance Group in Australia and Swissôtel Group in the US. CFO and then CEO of MediService AG, Zuchwil. CFO of the Valora Group since 15 August, 2004.



**Christian Schock**, 1954, Luxembourg, graduate in mechanical engineering, INSEAD MBA, has held various management positions at Reuters in Luxembourg and Germany, as Managing Director SES-Astra's multimedia subsidiary and as CEO of Messageries Paul Kraus, Luxembourg. Head of Valora Media division since 1 July, 2006



**Alex Minder**, 1957, Swiss, graduate in business administration, Executive MBA, has held senior management positions at Bally International Ltd and Impuls Saatchi & Saatchi, as Managing Director Cadbury Switzerland, and as a board member Cadbury Western Europe. Head of Valora Trade division since 1 May, 2004.



**Ruedi Keller**, 1951, Swiss, SIB diploma in financial controlling, IFKS higher business diploma, held various management positions at Swissair in and outside Switzerland, as head of business administration at the Swissair Training Center, and head of strategic business development at the Nuance Group. Head of the Valora Management Services division since 19 January, 2004.

Manfred Zipp, head of the Valora Retail division, left the company by mutual agreement on August 27, 2007. Ruedi Keller, head of the Valora Management Services division, left the company when the division was dissolved in March 2008.

Prior to his appointment to the Group Executive Committee, Christian Schock had been CEO of Messageries Paul Kraus (MPK) for 3 years and was thus responsible for Valora's press and book wholesale and kiosk activities in Luxembourg. None of the other members of the Group Executive Committee had previously worked for Valora.

**4.2 Other major activities and vested interests in listed companies.** None of the members of the Group Executive Committee engages in any further activities in any management or supervisory body of any listed Swiss or foreign company, has any permanent management or consultancy function for any company outside the Valora Group, has any public function or holds any political office.

The Valora Group is a founding member of the Swiss Retail Industry Group [Interessengemeinschaft Detailhandel Schweiz] where it is represented by Peter Wüst. Ruedi Keller is Chairman of the supervisory boards of the Valora pension fund, the Valora executive pension fund and the Valora employer's pension foundation, all of which have their registered offices in Berne.

**4.3 Management contracts.** There are no management contracts between Valora Holding AG and any companies or individuals outside the Valora Group.

## 5 Compensation, shareholdings and loans

### 5.1 Components of compensation and shareholding programmes and their determination

**5.1.1 Board of Directors.** A fixed director's fee is paid to each member of the Board of Directors. Additional emoluments are paid to the Chairman and the members of the Board Committees. A share scheme also exists which allocates shares on the basis of earnings per share growth versus the previous year. Only those Board members who were in office for one entire year, from AGM to AGM, are entitled to receive shares. Shares are allocated on a linear scale rising from zero to a fixed maximum amount, corresponding to a 10% year-on-year increase in earnings per share. The value of the shares allocated - based on their market value on the day of allocation - can reach a maximum of 100% of the basic Director's fee paid in cash. The shares may not be sold during the 5 years following their initial allocation, and a cash payment in lieu is not possible. No attendance fees are paid for meetings, though travel expenses are reimbursed. The full Board of Directors determines the level of directors' emoluments and reviews them on a regular basis.

**5.1.2 Group Executive Management.** Members of Group Executive Management receive an annual salary which comprises both a fixed and a variable portion, the latter constituting their ordinary bonus. The fixed and variable portions each represent 50% of target annual compensation. The compensation paid to members of the Group Executive Committee is reviewed periodically. The current compensation system was established in 2006. An independent external consultant carried out benchmark comparisons based on data for analogous economic sectors and job descriptions collected throughout Western Europe.

The variable compensation component is based on the following key figures (comparing final Group financial statements with budget targets): Group net income (40% weighting), EBITA of the market division managed by the member of Group Executive Management concerned, or return on invested capital for non-market divisions (30% weighting) and the extent to which specific personal objectives were reached (30% weighting). 40% of the variable portion of total compensation is paid in the form of Valora shares. Payment in shares is made on the basis of a share price of CHF 237. The shares may not be sold during the five years immediately following their initial allocation. In addition, provided an agreed target earnings per share growth of 3% is achieved in a given year, the next year a further 30% of the total number of shares granted under the scheme in prior years is allocated to members of Group Executive Management. A cash payment in lieu is not possible. Members of Group Executive Management are also eligible to buy shares on preferential terms as part of the employee share scheme. The number of shares which they can purchase under this scheme each year depends on the Valora Group's consolidated net income and is fixed at 1.8 shares per CHF 1 million of net income.

The Board of Directors' Nomination and Compensation Committee determines the level of total compensation paid and decides on the award of results-based bonuses. The Committee informs the Board of Directors of its decision at the next Board meeting. The Nomination and Compensation Committee has decided to pay a special cash bonus in respect of 2007.

Details of compensation paid to the Board of Directors and the Group Executive Committee and of the Valora shares held by their members can be found in note 5 to the financial statements of Valora Holding AG on page 101.

## **6 Shareholders' participation rights**

**6.1 Voting-right and representation restrictions.** Each share entitles its holder to one vote at the General Meeting. Voting is limited to those individuals who are entered as shareholders with voting rights in the Share Register. The Board of Directors may refuse to acknowledge a holder of Valora shares as a shareholder with voting rights if the holder's new holding, together with the voting shares which they are already shown as holding in the Share Register, would exceed 5% of all Valora registered shares entered in the Commercial Register. This limitation does not apply, however, in the case of the exercising of subscription rights. In such an event, the holder will be entered in the Share Register as a shareholder without voting rights for the portion of shares held in excess of this 5% threshold. For the determination of this limit, a group clause shall apply. The Board of Directors may exception-

ally acknowledge a shareholder as holding more than 5% of all registered shares with voting rights, in particular:

- if the shares are acquired following a merger or business combination;
- if the shares are acquired through a non-cash payment or a share exchange;
- if the shares are intended to underpin a long-term collaboration or strategic alliance.

No such exceptions were granted in 2007.

The Board of Directors may also refuse acknowledgement and entry in the Share Register as a shareholder with voting rights to any shareholder who fails to confirm expressly, upon request, that they have acquired the shares concerned in their own name and for their own account. The Board of Directors may also cancel – with retroactive effect to the date of original entry – the entry in the Share Register as a shareholder with voting rights of any shareholder who, upon subsequent inquiry, is found to have obtained the shares concerned by making a false declaration, and may have them entered instead as shares without voting rights. Any such cancellation must be communicated immediately to the shareholder concerned.

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights above the 5% limit for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trustees must be overseen by banking or financial market regulators, however, or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and are able to provide the names, addresses and shareholdings of the owners of the shares concerned. No exceptions for the fiduciary entry of registered shares above the 5% threshold were granted in 2007.

A shareholder may be represented at a General Meeting only by their legal representative, by another shareholder attending the General Meeting whose name is entered in the Share Register, by a proxy for deposited shares, by an executive body of the company or by the independent shareholders' representative.

**6.2 Statutory quorums.** As a rule, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast. Under Article 12 of the Articles of Incorporation (dated April 27, 2005), however, the following resolutions require a majority of two-thirds of the shares represented and an absolute majority of the nominal value represented:

- changing the object of the company
- introducing shares with privileged voting rights
- limiting or facilitating the transferability of registered shares
- increases in authorised or conditional capital
- capital increases from shareholders' equity, against non-cash payments or for acquisition purposes, and the granting of special benefits
- limiting or suspending subscription rights
- relocating the company's registered office
- dissolving the company without liquidation or by merger.

**6.3 Convocation of the General Meeting.** General Meetings are formally called at least 20 days in advance through corresponding publication in the «Schweizerisches Handelsamtsblatt» (Swiss Official Gazette of Commerce). The holders of registered shares shown in the Share Register may also be invited by letter.

**6.4 Additional agenda items.** Shareholders who represent shares with a total nominal value of CHF 100 000 or more may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 50 calendar days in advance of the General Meeting concerned.

**6.5 Registrations in the share register.** To attend the 2008 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company by April 22, 2008.

## **7 Changes of control and defence measures**

**7.1 Duty to make an offer.** The company has no «opting out» or «opting up» clauses in its Articles of Incorporation.

**7.2 Clauses on changes of control.** There are no change of control clauses in favour of any members of the Board or Directors, the Group Executive Committee or other members of management.

## **8 Auditors**

**8.1 Duration of the mandate and term of office of the lead auditor.** PricewaterhouseCoopers AG assumed the audit mandate at the 1942 Annual General Meeting. The lead auditor, Hanspeter Gerber, took over the mandate from Andreas Baur in 2006, as provided for by PricewaterhouseCoopers rotation rules. These rotation rules also stipulate that the roles of both engagement manager and lead auditor may be carried out by the same persons for no longer than seven years.

**8.2 Auditing fees.** The total costs of the auditing conducted by PricewaterhouseCoopers AG in 2007 amounted to CHF 1.4 million.

**8.3 Additional fees.** During 2007, the auditors invoiced a total of CHF 0.2 million to Group companies for additional services.

**8.4 Information instruments available to the external and internal auditors.** The Board of Directors' Audit Committee defines the audit mandates of the statutory and Group auditors and has the responsibility of ensuring appropriate controls are carried out. The internal audit mandate is carried out by Ernst & Young. Both internal and external auditors attended all Audit Committee meetings. The Audit Committee meetings at which the interim and full-year financial results are reviewed are always attended by all members of the

Board of Directors. The external auditors submit to the Audit Committee both the report on the financial statements for the year just completed as well as an audit plan for the current financial year. The internal auditors submit the audit plan for the current year to the Audit Committee and also provide it with a separate report on each audit they carry out.

## 9 Information policy

The company holds an annual results media conference every year for the media and financial analysts. All shareholders receive, together with the invitation to the Annual General Meeting, a summary of the key figures from the Annual Report.

The company publishes a consolidated report (unaudited) on the first half-year at the end of August and distributes this to all shareholders. Telephone conferences are conducted if warranted by major developments or events.

### Permanent sources of information:

- the [www.valora.com](http://www.valora.com) website
- the Valora Group annual and half-year reports
- media releases

Media Relations: Stefania Misteli

Investor Relations: Stefan Knuchel