

# Corporate Governance

## REPORT ON CORPORATE GOVERNANCE

Valora is fully committed to meeting all its corporate governance obligations. Our objective is to attain the highest levels of transparency commensurate with best practice standards for all stakeholders. We believe that this applies particularly to the structure of our organisation and of the control and management infrastructure we have in place. This transparency should protect shareholder interests and create value for all other stakeholders.

The principles and rules relating to Valora's corporate governance are most notably promulgated in the company's articles of incorporation, its bylaws and the regulations governing the Board committees, all of which are subject to regular review and updated where appropriate. Furthermore, the Board of Directors has approved the Valora Code of Conduct. The scope of this Code, which sets out the types of conduct Valora expects from its employees, goes beyond the simple adherence to applicable laws and directives.

The corporate governance report follows the structure set out in the applicable SIX Swiss Exchange guidelines:

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### 1 GROUP STRUCTURE AND SHAREHOLDERS

#### 1.1 GROUP STRUCTURE

Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 24 significant unlisted companies, all of which are fully consolidated. The Group's operational structure is set out on page 29.

##### 1.1.1 LISTED COMPANIES

The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Muttenz. The company is listed in the main segment of SIX Swiss Exchange (Swiss securities number 208897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 1.2% of the total of 3 990 000 issued shares. At 31 December 2019, the market capitalisation of Valora Holding AG amounted to CHF 1.077 million. The company's market capitalisation over the last five years is shown on page 196.

##### 1.1.2 CONSOLIDATED COMPANIES

The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 175 to 176, which list the name, domicile, total share capital, listing and percentage of share capital held by Valora Holding AG.

#### 1.2 SIGNIFICANT SHAREHOLDERS

The following shareholders or groups of shareholders have reported holdings of Valora Holding AG shares in excess of the reporting thresholds defined by law:

Significant shareholders	Receipt of report	Holding
Ditsch Ernst Peter <sup>1</sup>	24.11.2018	15.93 %
Credit Suisse Funds AG	25.04.2019	5.08 %
Norges Bank (the Central Bank of Norway), Oslo, Norway	04.01.2018	4.62 %

<sup>1</sup> On 29 November 2017, Valora Holding AG reported, that it held preferential purchasing rights on the shares of Ernst Peter Ditsch covering 15.93% or 635,599 of own registered shares. On 24 November 2018 it was reported that Ernst Peter Ditsch holds his shares indirectly through DV Beta GmbH & Co. KGaA.

The shareholdings were disclosed in accordance with Article 20 of the Swiss Federal Stock Exchange Act (in German "Börsengesetz" or "BEHG"). Further details are available on the web page of SIX Exchange:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

### 1.3 CROSS SHAREHOLDINGS

There are no reportable cross shareholdings between Valora Holding AG or its subsidiaries and other companies.

## 2 CAPITAL STRUCTURE

### 2.1 CAPITAL STRUCTURE AT 31 DECEMBER 2019

The ordinary share capital of Valora Holding AG as of 31 December 2019 amounted to CHF 3 990 000, comprising 3 990 000 single-class registered shares with a nominal value of CHF 1.00 each, each entitled to dividends and votes. All ordinary registered shares of Valora Holding AG are fully paid up and listed in the main segment of the SIX Swiss Exchange.

### 2.2 CONDITIONAL AND AUTHORISED CAPITAL

At their Ordinary General Meeting held on 13 April 2018, Valora Holding AG shareholders approved the creation of a maximum of CHF 400 000 of share capital through the issue of a maximum of 400 000 registered shares with a nominal value of CHF 1.00 by 13 April 2020 at the latest. The Board of Directors is authorised to determine the amount of share capital to be issued, the form of payment required for subscription, the date of issue, the conditions governing the exercise of subscription rights and the commencement of dividend entitlement. The Board is also authorised to restrict or prohibit the trading of subscription rights.

The Board of Directors can issue new shares by means of a firm underwriting by a bank or another third party and a subsequent offer to the current shareholders.

The details and conditions are set out in Article 3b of the company's Articles of Incorporation. No shares were issued prior to 31 December 2019.

Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares with a nominal value of CHF 1.00 each, was approved by the Annual General Meeting of 11 May 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 at 31 December 2019. The conditional capital of CHF 84 000 remains unchanged.

### 2.3 CHANGES IN SHARE CAPITAL

At the Extraordinary General Meeting held on 8 November 2017, Valora Holding AG shareholders approved a capital increase of CHF 554 401 through the issue of 554 401 registered shares with a nominal value of CHF 1.00. The capital increase was carried out by means of a subscription rights issue at market price.

### 2.4 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND RIGHT CERTIFICATES

All 3 990 000 single-class registered shares each have a nominal value of CHF 1.00 and are fully paid up. Each share entitles its holder to a dividend, except the shares held in treasury by Valora Holding AG. There are no preferential shares. Valora Holding AG has not issued any participation certificates or dividend right certificates.

## 2.5 CONVERTIBLE BONDS AND OPTIONS

On December 31, 2019 Valora Holding AG had issued neither convertible bonds nor options.

## 2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

Details of limitations on transferability and nominee registrations are shown in section 6.1 of this corporate governance report.

### 3 BOARD OF DIRECTORS

#### 3.1 MEMBERS OF THE BOARD OF DIRECTORS

At 31 December 2019, the Board of Directors of Valora Holding AG consists of the following seven members:



*Franz Julen, 1958, Swiss citizen, Chairman*

**Other main activities in 2019:** Member of the Advisory Board of the ALDI Süd Group of Companies, President of the Board of Directors of Zermatt Bergbahnen AG.

**Career highlights:** Since 2017, Franz Julen has been the Chairman of Valora's Board of Directors which he joined in 2007. Furthermore, he has been the President of the Board of Directors of Zermatt Bergbahnen AG since 2018 and member of the Advisory Board of the ALDI Süd Group of Companies since 2016. Between 2000 and 2016, he was the CEO of INTERSPORT International Corporation. Under his leadership, INTERSPORT became the world's number 1 and largest sports retailer with activities in 65 countries on all 5 continents and retail sales of EUR 11.5 billion. During his CEO time, retail sales more than doubled and country presence quadrupled. Previously, from 1998 – 2000 he was COO of INTERSPORT International Corporation and from 1993 – 1998 CEO of Völkl International AG. In 1987 and until 1992 he joined Marc Biver Development, a sports marketing company that marketed athletes and sporting events worldwide, as Deputy Managing Director.

**Qualifications:** Diploma in hotel and restaurant management from the Swiss Hotel Management School, Lucerne.

**Key attributes for the Board:** Franz Julen has extensive expertise in the retail sector, in franchising systems, private label business and in international POS network expansion. He also contributes his broad experience gained over more than two decades as a CEO of internationally active companies.



*Markus Fiechter, 1956, Swiss citizen, Vice-Chairman*

**Other main activities in 2019:** President of the Board of Directors of Fresh & Frozen Food AG, member of the Board of Directors of Porterhouse Group AG, member of the Board of Directors of Minibar AG.

**Career highlights:** Markus Fiechter has been acting as President of the Board of Directors of Fresh & Frozen Food AG, Wohlen, for the last two years. Between 2004 and 2012, he was CEO of Jacobs Foundation's investment firm Jacobs Holding AG. Previously, Markus Fiechter was CEO of the Minibar Group for 10 years. He also worked as a consultant for the Boston Consulting Group between 1991 and 1999, a role in which he led restructuring projects at an Austrian food retail company and a Swiss shoemaking group. Before this position, he was SBU manager at Mettler Toledo AG from 1984. Besides his operative activities, he was a member of the Board of Directors of Barry Callebaut AG and a member of the Board of Directors of W. Schmid AG.

**Qualifications:** Master's degrees in Chemical Engineering from the Swiss Federal Institute of Technology Zurich and in Economics from the University of St. Gallen.

**Key attributes for the Board:** In addition to his wide-ranging international experience in business consultancy, industry and the food sector, Markus Fiechter contributes in-depth know-how in the fields of strategy, process management and IT management.



*Ernst Peter Ditsch, 1956, German citizen*

**Other main activities in 2019:** Partner and Managing Director of DV Verwaltungs GmbH.

**Career highlights:** Ernst Peter Ditsch has been Partner and Managing Director of DV Verwaltungs GmbH, Mainz, since 2014. In 1978, he took over the Brezelbäckerei Ditsch GmbH from his parents. Running the company founded in 1919 in the third generation, he developed it to become Germany's largest pretzel bakery. With around 200 outlets, Ditsch has established comprehensive geographical coverage of the German market. It has also become the largest supplier of lye-bread products to the wholesale sector. In 2000, Ernst Peter Ditsch acquired the Swiss company Brezelkönig. After four decades of professional activity, and having successfully developed his family business, Ernst Peter Ditsch sold the company to Valora Group in 2012. Besides his activities at Brezelbäckerei Ditsch, Ernst Peter Ditsch acted as member of the Supervisory Board of Mainzer Volksbank eG between 2010 and 2014.

**Qualifications:** Qualified German insurance agent.

**Key attributes for the Board:** Ernst Peter Ditsch brings in profound knowledge and experience in pretzel production as well as in the retail and B2B business and contributes with his knowhow in the integrated value chain.



*Cornelia Ritz Bossicard, 1972, Swiss citizen*

**Other main activities in 2019:** Managing Partner and member of the Board of Directors of 2bridge AG, member of the Board of Directors of Ferguson Finance (Switzerland) AG, member of the Board of Directors of Confiseur Läderach Holding AG and of Läderach (Switzerland) AG.

**Career highlights:** Cornelia Ritz Bossicard is Managing Partner as well as member of the Board of Directors of 2bridge AG, Uster, which she founded in 2016. The company supports medium to large listed and family-owned companies to tailor their organisations' corporate governance to the changing environment. Previously, Cornelia Ritz Bossicard was Audit Director and looks on a career of over 18 years with PricewaterhouseCoopers in Zurich, San José, USA, and Lausanne. Her primary responsibilities included auditing and serving as a trusted advisor to companies and their Boards of Directors.

**Qualifications:** Swiss Certified Accountant; Certified Public Accountant (CPA); Master of Science in Business Administration, HEC Lausanne.

**Key attributes for the Board:** Cornelia Ritz Bossicard shares her expertise in accounting, tax, internal controls, capital market transactions, compliance, risk management and corporate governance in the sectors of retail sales and consumer goods, technology as well as industrial products.



*Michael Kliger, 1967, German citizen*

**Other main activities in 2019:** President and CEO of Mytheresa.

**Career highlights:** Since 2015, Michael Kliger has been President and CEO of the luxury online women's fashion retailer Mytheresa with its flagship store in Munich. Previously, he was Vice President Europe and APAC at eBay Enterprise (formerly called GSI Commerce) where he managed all commercial and marketing activities in Europe & APAC since 2013. Between 2010 and 2012 he was Executive Director at Accenture specialising in the areas of consulting, systems integration and outsourcing. In 2005 he joined Real Holding AG as Chief Operating Officer and managed the company's hypermarket store operations across Europe. Between 1992 and 2004 he worked at McKinsey where he became a Partner and acted as the leader of the German retail sector.

**Qualifications:** Degree in business administration from TU Berlin, MBA from Northwestern University (Kellogg School of Management).

**Key attributes for the Board:** Thanks to a broad range of professional activities, Michael Kliger brings substantial expertise in digitalisation and the retail industry to the Board.



*Sascha Zahnd, 1975, Swiss citizen*

**Other main activities in 2019:** Vice President Tesla EMEA.

**Career highlights:** Sascha Zahnd has been Vice President Tesla EMEA since 2019. In 2016, he joined Tesla's senior management team in Palo Alto, California, as Vice President Global Supply Chain. He is actively involved in helping to develop future global topics such as mobility, energy, artificial intelligence and Industry 4.0. Previously, Sascha Zahnd worked for six years at ETA SA/Swatch Group, where as a member of the Executive Board he was responsible for the global supply chain and the component production plants. In this role, he completely repositioned the entire purchasing and logistics organisation and significantly increased production flexibility. Between 2001 and 2010, he worked for IKEA, initially in Switzerland and then in Sweden, Mexico, the US and China. He started his career at the retail company as Regional Logistics Manager and went on to hold various roles including Sales Manager and Deputy to the General Manager of IKEA Retail in New York and finally Head Supply Division Asia Pacific in Shanghai.

**Key attributes for the Board:** Sascha Zahnd boasts a strong track record in the fields of retail, production and supply chain at globally leading companies. He also embodies the digital pioneer, innovation and transformation spirit that is synonymous with Silicon Valley.



*Insa Klasing, 1979, German citizen*

**Other main activities in 2019:** Co-Founder and CEO of TheNextWe (Uniq Coaching GmbH), member of the Board of Directors of SV Group AG, member of the Supervisory Board of Sausalitos, member of the Senior Advisory Committee of Ergon Capital, author at Campus Verlag.  
**Career highlights:** Since 2017, Insa Klasing has served as CEO of the Berlin-based start-up TheNextWe, a company that she co-founded and which provides support in changing digital mindsets within companies. She is an expert on the future of leadership and her book on the subject, "The two-hour boss", was published in 2019. In 2017, the World Economic Forum named her a Young Global Leader. Insa Klasing held the position of CEO of Kentucky Fried Chicken (KFC) in the DACH region and Denmark for five years after having worked as Supply Chain and Equipment Director and Company Operations Director for KFC UK. Between 2006 and 2009, she was responsible in her role as Country Manager for the launch of the British brand "innocent smoothies" in Germany, which developed into the market leader. She started her career in 2004 as a strategy consultant at Bain & Company in London. Prior to this, she took on a role for the NGO Action Aid! in New Delhi immediately after completing her studies in 2003.

**Qualifications:** B.A. in Politics, Philosophy and Economics (PPE) from University of Oxford, M.A. in South Asian Area Studies from University of London.

**Key attributes for the Board:** Insa Klasing contributes her far-reaching international retail experience in the strategically important food, franchising and digital areas.

No members of the Board of Directors have any operational management duties within the Valora Group.

#### *Board Changes*

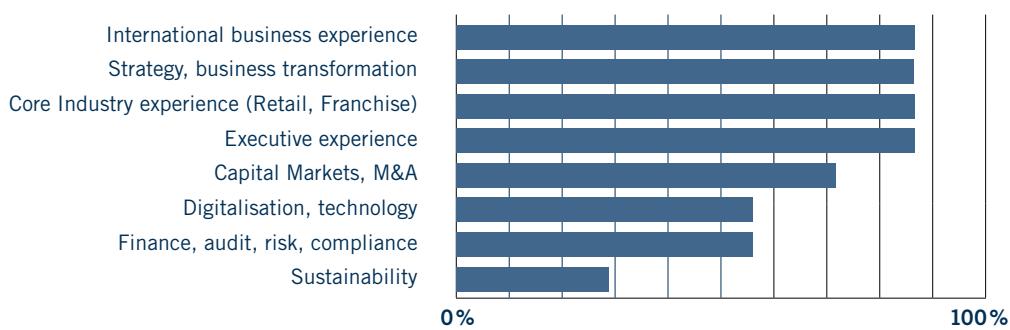
At the 2020 Annual General Meeting Peter Ditsch, Markus Fiechter and Cornelia Ritz Bossicard will not stand for a further term. Mobilezone CEO Markus Bernhard, eBay executive and e-commerce specialist Karin Schwab and BKW CEO Suzanne Thoma will be proposed for election as new members to the Board of Directors.

#### *Board composition and succession planning*

The Nomination and Compensation Committee (NCC) regularly considers the composition of the Board as a whole and in light of staffing requirements for the committees. The NCC recruits and evaluates candidates for Board membership. The NCC may retain outside consultants with respect to the identification and recruitment of potential new Board members. In assessing candidates, the NCC considers the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. Among other considerations, the NCC takes into account skills, management experience, independence and diversity in the context of the needs of the Board to fulfil its responsibilities. The NCC also considers other activities and commitments of an individual in order to be satisfied that a proposed member of the Board can devote enough time to a Board position at the Group.

### *Board Member experience and expertise*

The background, skills and experience of our Board members are diverse and broad and include holding or having held top management positions at retailers and other companies in Switzerland and abroad, as well as leading positions in international organizations. The Board is composed of individuals with wide-ranging professional expertise in key areas including strategy and business information, capital markets, M&A, and retail and franchising, finance and risk management, audit and compliance, innovation, technology and digitalisation, and sustainability. The collective experience and expertise of our Board members as of the end of 2019 across those key areas considered particularly relevant for the Group is illustrated in the following chart.



### 3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Some Board members engage in other business activities with companies.

#### 3.2.1 SUPERVISORY BOARD ACTIVITIES

Board member	Commercial Companies	Other entities/Charities	Location	Function
Franz Julen	Zermatt Bergbahnen AG		Zermatt	Chairman
	ALDI Süd Group of Companies		Germany	Advisory Board Member
Markus Fiechter	Fresh & Frozen Food AG		Wohlen	Chairman
	Porterhouse Group AG		Luzern	Board Member
	Minibar AG		Baar	Board Member
		Swiss Federal Foundation for Promotion of the National Economy through Scientific Research	Zurich	Board Member
		Manres AG	Zollikon	Advisory Board Member
Cornelia Ritz Bossicard	Ferguson Finance (Switzerland) AG		Zug	Board Member
	Confiseur Läderach Holding AG		Ennenda	Board Member
	Läderach (Switzerland) AG		Ennenda	Board Member
	2bridge AG		Uster	Board Member
		swissVR	Rotkreuz	President of the Supervisory Board
		Swiss-American Society	Zurich	President of the Supervisory Board
		Cäsar Ritz Foundation Niederwald	Goms	President of the Foundation Board
Insa Klasing	SV Group AG		Dübendorf	Board Member
	Sausalitos Holding GmbH		München	Supervisory Board Member
	Ergon Capital		Brussels	Senior Advisory Committee Member

### 3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES

- Ernst Peter Ditsch: Partner and Managing Director of DV Verwaltungs GmbH.
- Cornelia Ritz Bossicard: Managing Partner of 2bridge AG, Uster.
- Michael Kliger: President and CEO of Mytheresa, Munich.
- Insa Klasing, CEO of TheNextWe

### 3.3 ARTICLES OF INCORPORATION PROVISIONS ON THE NUMBER OF PERMISSIBLE ACTIVITIES

As required by Article 12, paragraph 1, section 1 of the Ordinance against Excessive Remuneration, the Articles of Incorporation of Valora Holding AG state that members of the Board of Directors may not simultaneously hold more than ten mandates on the highest management or supervisory bodies of legal entities outside the Valora Group which are required to be registered in the Swiss commercial register or a similar register in another country. No more than four such mandates may be exercised for listed legal entities.

### 3.4 ELECTION AND TERM OF OFFICE

The Board of Directors consists of at least three members. The Chairman and the other Board members are each elected individually by the General Meeting for a term of office of one year until the next Ordinary General Meeting. Re-election is permissible.

Subject to the requirements placed upon it by law and the Articles of Incorporation, the Board of Directors is self-constituting. The Board elects from among its members a Vice-Chairman and appoints a Secretary who need not be a Board member. Should the office of Chairman become vacant, the Board shall appoint one of its members for the remaining duration of the Chairman's term of office as Interim Chairman.

### 3.5 INTERNAL ORGANISATIONAL STRUCTURE AND COMMITTEES

The Board of Directors assumes the responsibilities required of it by law (Article 716a of the Swiss Code of Obligations). It has supreme managerial responsibility for the company and the supervision of its business administration activities. It is charged with the outward representation of the company and attends to all matters which the law, the company's Articles of Incorporation or the company's bylaws have not assigned to another executive body of the company. The Board of Directors may delegate powers and the management of the company or individual parts thereof to one or more persons, members of the Board or third parties who need not be shareholders, provided such affairs are not inalienably assigned to it by law or the Articles of Incorporation. The Board issues the company's bylaws and regulates the contractual relationships relating to them.

An overview of the Board and the committee membership is shown in the following table.

Board member	Year of first election	Nomination and Compensation Committee	Audit Committee
Franz Julen	2007		
Markus Fiechter	2008	Chair	
Ernst Peter Ditsch	2013		Member
Cornelia Ritz Bossicard	2014		Chair
Michael Kliger	2017	Member	
Sascha Zahnd	2019		Member
Insa Klasing	2019	Member	

The Board of Directors held 8 meetings in 2019 and conducted 4 conference calls. Of the 8 meetings, 5 lasted an entire day and 3 half a day. The Audit Committee convened for 3 half-day meetings and the Nomination and Compensation Committee for 3 half-day meetings and conducted 3 conference calls.

Board and Committee attendance	Board	Nomination and Compensation Committee	Audit Committee	Total 2019
Franz Julen	12/12	6/6	3/3	21/21
Markus Fiechter	11/12	6/6		17/18
Ernst Peter Ditsch	11/12		3/3	14/15
Cornelia Ritz Bossicard	12/12		3/3	15/15
Michael Kliger	10/12	6/6		16/18
Sascha Zahnd <sup>1)</sup>	9/10		2/2	11/12
Insa Klasing <sup>1)</sup>	8/10	3/4		11/14

<sup>1)</sup> Board members as of the 2019 AGM.

The Board of Directors and its committees may invite other persons, in particular members of management and representatives of the internal and external auditors, to attend their meetings. The CEO and (former) CFO attended all meetings of the Board of Directors and its committees. The external auditors attended all Audit Committee meetings.

Minutes are kept of Board and Board committees meetings.

### 3.5.1 AUDIT COMMITTEE DUTIES

- a) To assess accounting practices and principles, financial reporting and other financial information and to report on these to the Board of Directors.
- b) To assess the financial reporting for the annual and half-yearly reports and make appropriate recommendations to the Board of Directors.
- c) To assess other financial information which is published or submitted to third parties.
- d) To monitor and discuss possible financial risks.
- e) To assess risk management principles and activities with regard to financial risk.
- f) To formulate and, where appropriate, modify the strategy and concept for ICS (internal control system) processes within the company and to assess their functional viability.
- g) To assess and finalise the internal audit function's audit plan, advisory activities and budget.
- h) To assess the performance and independence of the internal audit function.
- i) To appoint and dismiss the internal auditors.
- j) To assess the audit plan, performance and independence of the external auditors and the fees paid to them.
- k) To propose nominations for the external audit function (for the financial statements of Valora Holding AG and the Valora Group) to the Board of Directors.
- l) To assess audit findings in the internal and external auditors' reports and to monitor the implementation of measures recommended therein.
- m) To assess the collaboration between the internal and external auditors.
- n) To commission additional and follow-up audits with regard to specific issues or problems as needed.
- o) To assess financing and treasury policy.
- p) To assess the legal department's annual report on major, potential, pending and resolved legal issues, the financial consequences of which are significant, and to assess the Group's compliance with required standards.
- q) To assess tax planning, tax management and tax audits and their outcomes.
- r) To assess the evolution of corporate governance and to formulate appropriate recommendations to the Board of Directors.
- s) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), b), c), d), e), f), h), k), l), m), o), p), q) r) and s) above, the Audit Committee exercises a preparatory function. For the duties specified in g), i), j) and n), it exercises a decision-making function.

### 3.5.2 NOMINATION AND COMPENSATION COMMITTEE DUTIES

In accordance with the requirements placed on it by the law and the Articles of Incorporation, the Nomination and Compensation Committee primarily carries out the following duties to prepare the decision-making process by the Board of Directors and the decisions it ultimately makes:

- (a) To support the Board in determining and assessing the remuneration strategy and guidelines.
- (b) To support the Board in determining and assessing the qualitative and quantitative criteria applied to remuneration.
- (c) To support the Board in the preparation of recommendations to the General Meeting regarding the remuneration of the Board and of Group Executive Management.
- (d) To formulate and submit recommendations to the Board regarding the remuneration of the Board Chairman and the other Board members.
- (e) To submit proposals to the Board regarding the remuneration and other terms of employment (employment contracts) of the CEO and the other members of Group Executive Management.
- (f) To assess and determine the extent to which the qualitative and quantitative performance criteria set by the Board for determining the variable (short-term and long-term) remuneration paid to Group Executive Management have been met.
- (g) To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
- (h) To assess share, share option and profit-sharing programmes for the Board, Group Executive Management, managers and employees and to make recommendations on these to the Board.
- (i) To monitor compliance with the remuneration principles set out in the law, the Articles of Incorporation and company regulations and with the resolutions on remuneration approved by the General Meeting.
- (j) To submit an appraisal of the remuneration report to the Board and to submit recommendations regarding the report to the Board.
- (k) To prepare proposals for new Board member candidates for submission to the Board.
- (l) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and all other Group-level executives (CFO, members of Group Executive Management).
- (m) To remain informed of and monitor succession planning for the top two tiers of management.
- (n) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
- (o) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
- (p) To carry out other tasks and projects as instructed by the Board of Directors.

The duties carried out by the Nomination and Compensation Committee regarding the Board of Directors' remuneration guidelines and the financial remuneration paid to the Board are of a preparatory nature.

### 3.6 DEFINITION OF AREAS OF RESPONSIBILITY

The Board of Directors meets as frequently as business demands but at least four times per year. Board meetings are convened by the Chairman or, in his absence, by the Vice-Chairman or another Board member. The Chairman is also required to call a Board meeting within 30 days of receiving a written request to do so from any of the Board's members. The Board is quorate if a majority of its members are present. No quorum is required for the Board to approve reports on capital increases or on the subsequent paying in of shares not fully paid up, or for any resolutions which require notarisation. Board resolutions are passed and elections decided by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting and elections are normally conducted

by a show of hands, unless a Board member requests a secret ballot. Board resolutions on proposals submitted to the Board can also be passed by video or telephone conference or in writing by circular letter, provided that a majority of Board members vote in favour of the proposal, all members had the opportunity of casting their votes and no member requested that a meeting be held to discuss the proposal. All Board resolutions must be recorded in a set of minutes which the Chairman and Secretary must sign. Each Board member is entitled to information and access to documents within the overall provisions of the law.

The Board of Directors has ultimate responsibility for the management of the Group, in particular determining the key attributes of the company's activities, maintaining an appropriate balance between entrepreneurial objectives and financial resources, and promulgating such directives as this requires. The Board is also responsible for approving corporate strategy and specifying organisational structure, as well as defining the strategy and concept governing the internal control system and for risk assessment and risk management activities. The Board also bears ultimate responsibility for personnel matters and determines the fundamental principles of the company's HR and salary policies. It is responsible for the appointment, dismissal and supervision of those persons charged with the management of the company, the Group and the individual divisions – in particular the CEO, CFO and divisional heads – and for defining their deputising arrangements and signatory powers. The Board also establishes the guidelines for financial and investment policy and approves medium-term planning, annual budgets and investment schedules.

The Board of Directors delegates the entire management of ongoing operations and representation of the company to Group Executive Management under the leadership of the CEO to the extent that the law or the company's Articles of Incorporation or bylaws do not stipulate otherwise. Group Executive Management has the authority to decide on matters relating to the business entrusted to it. Decisions on matters which are beyond the scope of regular business operations or which exceed the thresholds specified in the company's terms of reference (ToR) require approval by the Board of Directors.

In essence, this applies to:

- the commencement of new business activities or the cessation of existing ones.
- the execution of significant contracts relating to areas outside the scope of the Valora Group's normal business activities and the execution of consultancy contracts the costs of which (either aggregate or annual) exceed CHF 2 million.
- the issuance of marketable debt securities or the contracting of long-term borrowing in amounts in excess of CHF 30 million.
- the granting of loans to third parties in excess of CHF 10 million.
- carrying out investments covered by the investment plan for amounts of more than CHF 5 million or carrying out non-budgeted investments for amounts of more than CHF 2 million.
- the granting of sureties or guarantees for amounts in excess of CHF 10 million.
- the acquisition or disposal of equity participations.
- the purchase or sale of real estate properties for amounts in excess of CHF 5 million.
- the initiation or termination of legal disputes, including the agreement to court-ordered or out-of-court settlements for amounts in excess of CHF 2 million.

### 3.7 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS

The CEO keeps the Chairman of the Board informed about the business performance of the company and the Group. At Board meetings, the CEO informs the Board about the business performance of the company, the Group and the individual divisions and also reports on all major business events. The CEO notifies the Board immediately of any extraordinary events with substantial implications. In addition, the Management Information System provides the Board of Directors with the following information a regular basis: monthly sales figures and monthly divisional and Group reporting based on the budget approved by the Board compared with the current and prior-year figures, information regarding major business events, information on the shareholder structure and the extent to which resolutions approved by the General Meeting or the Board of Directors have been implemented.

The Chairman of the Board of Directors is provided with copies of the minutes of all Group Executive Management meetings.

Each member of the Board of Directors can request information from the management about the course of business and operations and, with the authorisation of the Chairman of the Board, on specific business transactions. Each member may also request that company books and files be made available for said member's inspection.

### 3.7.1 RISK MANAGEMENT

The Board of Directors and Group Executive Management carry out a risk assessment once a year. The objective is to make the principal risks to which Valora is exposed more transparent, to improve the quality of risk dialogue and to define practical measures for addressing Valora's key risks. The results are reviewed at a joint meeting held with the Board of Directors at which a plan for implementing appropriate measures is approved.

The risk assessment is initiated by the Head of Internal Audit and carried out in collaboration with Group Executive Management and the Chairman of the Board. The process comprises three phases. In phase 1, the catalogue of risks and the methodological parameters are defined and structured interviews are conducted with the individual members of Group Executive Management. Some key Valora employees are also questioned by Internal Audit about their assessment of the risk situation. In phase 2, the results of these interviews are discussed with Group Executive Management, the key risks are identified and measures for addressing them are defined, with responsibility for their execution assigned to specific members of Group Executive Management. The implementation status of measures defined in the previous year is also reviewed. The final phase involves documenting the key findings and potential consequences for each of the key risks identified as well as the measures adopted to address them in a risk report which is submitted to the Board of Directors for approval.

### 3.7.2 INTERNAL AUDIT

Internal Audit supports the Board of Directors, the Audit Committee and Group Executive Management in carrying out their oversight and controlling duties. The internal audit function's activities encompass the entire Valora Group and all its subsidiaries in Switzerland and abroad. Internal Audit provides independent and objective audit and advisory services which are designed to generate added value and improve business processes. It supports the Valora Group in achieving its objectives by applying a systematic and targeted approach to evaluating the effectiveness and efficiency of risk management, internal controls, management and monitoring processes and helping to improve them. Internal Audit is independent. It assumes no managerial responsibilities and makes no management decisions. It reports functionally to the Audit Committee and administratively to the Chief Financial Officer of the Valora Group.

Every year, Internal Audit draws up a risk-based annual plan which it submits to the Audit Committee as the basis for determining the key areas of audit examination. The annual audit plan is coordinated with the external auditors. It is adopted by the Audit Committee and communicated to Group Executive Management. In addition, the Chairman of the Board, the Audit Committee or its Chairman can instruct Internal Audit to carry out special assignments. Internal Audit reports its planned audit activities to the Audit Committee and also prepares an annual report documenting its activities during the year.

Internal Audit prepares a written report at the end of each audit and assignment. In addition to its own audit findings and recommendations, this also contains a statement from the management setting out the measures planned and the time required for their implementation. Implementation of these measures is then verified by Internal Audit in a timely fashion. The Chairman of the Board, the members of the Audit Committee, the CEO, the CFO and the external auditors each receive a copy of these reports.

Internal Audit carried out 6 audits in 2019.

## 4 GROUP EXECUTIVE MANAGEMENT

### 4.1 MEMBERS OF GROUP EXECUTIVE MANAGEMENT

The CEO is responsible for managing the Group. He coordinates the activities of the individual divisions and chairs the Group Executive Management Committee. The other members of Group Executive Management report to the CEO. The division heads manage their divisions with a view to achieving sustainably profitable performance. They define the specific management tools their divisions require in addition to the Group-wide guidelines in place.



*Michael Mueller, 1972, Swiss citizen*

**CEO and CFO ad interim of Valora**

**Career highlights:** Michael Mueller joined Valora on 1 November 2012, initially as CFO of Valora Holding AG and since 1 March 2014 he has been the CEO. In his previous roles, he was the Owner & Managing Director of Rubus Capital Management Ltd. between 2010 and 2012, CEO/Delegate and Member of the Board of Directors of Jelmoli Holding AG between 2007 and 2010 as well as CEO of GVO Asset Management Ltd. between 2007 and 2009. Before this, he was a merger & acquisitions advisor in investment banking at Goldman Sachs and he worked for Bain & Company as a strategy consultant in strategic transformation and restructuring programmes between 2001 and 2005.

**Qualifications:** Master's degree in Law (lic. iur. HSG) from the University of St. Gallen.



*Thomas Eisele, 1974, Swiss citizen*

**CEO of the Food Service division**

**Career highlights:** Thomas Eisele has been CEO of Valora's Food Service division and member of the Group Executive Management since 1 April 2014. He joined Valora in 2008 as Assistant to the Executive Chairman of Valora Holding AG and became Head M&A/Corporate Business Development in 2009. After the acquisition of Ditsch/Brezelkönig in 2012, he was Managing Director of Brezelkönig until 2014 and of Ditsch until 1 January 2019. Previously, he spent two years as the Assistant of the Executive Chairman at Manor Group. In further positions, he was the CFO/COO of itheca Group and worked for Buck Brunner Partner and MCS as a consultant.

**Qualifications:** Master's degree in Economics (lic. rer. pol.) from the University of Basel.



*Roger Vogt, 1977, Swiss citizen*

**CEO of the Retail division**

**Career highlights:** Roger Vogt joined Valora on 1 January 2018 as CEO Retail Switzerland and member of the extended Group Executive Management. Since 1 January 2019, he has been CEO of the Retail division and member of the Group Executive Management. From 2014, Roger Vogt was Head of Sales Region Northwestern Switzerland, Central Switzerland and Zurich at Coop. He previously managed the Central Switzerland and Zurich sales region for around four years. Before this, he had started out at Coop in 1996 as a butcher. He went on to manage various Coop sales outlets, before assuming the role of sales manager and ultimately heading up the sales area.

**Qualifications:** Executive MBA at the University of Applied Sciences in Zurich (HWZ).

*Changes in the Group Executive Management:*

Tobias Knechtle, CFO, has left the company at the end of November 2019.

#### 4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS

No member of Group Executive Management currently engages in any other activities on the management or supervisory boards of any listed companies in Switzerland or abroad. With the exception of the duties listed below, no member of Group Executive Management engages in any ongoing management or consultancy activities for companies outside the Valora Group, nor does any such member hold any public or political office.

#### 4.3 ARTICLES OF INCORPORATION PROVISIONS ON THE NUMBER OF PERMISSIBLE ACTIVITIES

As required by Article 12, paragraph 1, section 1 of the Ordinance against Excessive Remuneration, the Articles of Incorporation of Valora Holding AG state that members of Group Executive Management may not simultaneously hold more than four mandates on the highest management or supervisory bodies of legal entities outside the Valora Group which are required to be registered in the Swiss commercial register or a similar register in another country. No more than one such mandate may be carried out for a listed legal entity. Mandates within the same corporate group and mandates closely linked to the same group (such as pension funds, joint ventures and significant participations) are considered as one mandate. All mandates require prior approval by the Board of Directors.

#### 4.4 MANAGEMENT CONTRACTS

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

### 5 REMUNERATION, SHAREHOLDINGS AND LOANS

Full details of all remuneration, shareholdings and loans (content of remuneration and share programmes, process for determining remuneration under these programmes, general remuneration components and their weightings for members of the Board of Directors and Group Executive Management) are set out in the separate remuneration report on pages 73 to 97 and in the financial report in Note 34 "Transactions and balances outstanding with related parties" to the consolidated financial statements of the Valora Group (pages 171 and 172) and in Note 3.4 "Participations" to the financial statements of Valora Holding AG (page 188).

## 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 entered as shareholders with voting rights in the share register.

The Board of Directors may refuse acknowledgement and entry in the share register as a shareholder with voting rights to shareholders who fail to confirm expressly on request that they have acquired the shares in their own name and for their account. The Board of Directors may also delete – with retroactive effect to the date of original entry – the entry in the share register as a shareholder with voting rights of shareholders who, on subsequent inquiry, are found to have had the voting rights concerned registered by making a false declaration, and have them entered instead as shareholders without voting rights. Any such deletion 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 permit the fiduciary entry of registered shares with voting rights over and above the limits set out in this article for trustees who disclose the nature of their trusteeship (nominees, ADR banks). However, such trustees must be overseen by banking or financial market regulators or 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 must be able to provide the names, addresses and shareholdings of the beneficial owners of the shares concerned.

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 or by the independent shareholders' representative. The Board of Directors will ensure that shareholders can also grant powers of attorney and issue instructions electronically to the independent shareholders' representative, who can determine the specific arrangements required for this.

Recognition of powers of attorney will be at the discretion of the Board members attending the General Meeting.

### 6.2 STATUTORY QUORUMS

Unless the law or the Articles of Incorporation stipulate otherwise, the General Meeting passes its resolutions and conducts its elections by a simple majority of the share votes cast, irrespective of the number of shareholders attending or the number of shares represented. Voting abstentions and invalid votes are considered as not submitted. In the event of a tied vote, the Chairman of the Board of Directors has the casting vote.

Under Article 13 of the Articles of Incorporation, the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the shares represented:

- changing the purpose 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 contributions in kind or for acquisition purposes, and the granting of special benefits;
- limiting or suspending subscription rights;
- relocating the company's registered office;
- dissolving the company.

### **6.3 CONVOCATION OF THE GENERAL MEETING**

Ordinary or Extraordinary General Meetings are formally called at least 20 days in advance by publication in the Swiss Official Gazette of Commerce.

The holders of registered shares entered in the share register may also be invited by letter. Such publication and letters of invitation must indicate the venue, date and time of the meeting, the items on the agenda and the wording of any motions proposed by the Board of Directors or by shareholders who have requested the convening of a General Meeting or the inclusion of an item on the meeting's agenda.

The notice of an Ordinary General Meeting must also indicate that the Annual Report and the Report of the Auditors will be available for inspection at the company's registered office at least 20 days in advance of the meeting, and that any shareholder will immediately be sent a copy of these documents on request.

No resolution may be passed on any matters that are not announced in the way described above, except for a motion to convene an Extraordinary General Meeting or to conduct a special audit.

The Articles of Incorporation stipulate that the convening of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the company's share capital.

### **6.4 ADDITIONAL AGENDA ITEMS**

Shareholders who together represent at least 3% of the company's share capital or shares with a total nominal value of at least CHF 1 million 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 days in advance of said General Meeting.

### **6.5 ENTRY IN THE SHARE REGISTER**

To attend the 2020 Annual General Meeting, shareholders must submit their requests for entry in the share register to the company no later than 13 March 2020.

## **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 CHANGE OF CONTROL**

There are no change of control clauses in favour of any members of the Board of Directors, Group Executive Management or other members of management.

## 8 AUDITORS

The consolidated and annual financial statements of Valora Holding AG and its subsidiaries are audited by Ernst & Young AG. The General Meeting appoints an individual or corporate body satisfying the relevant legal requirements to act as statutory auditor for a period of one year with the rights and obligations prescribed by law.

### 8.1 DURATION OF THE MANDATE AND TERM OF OFFICE

The audit mandate was first entrusted to Ernst & Young AG at the 2009 General Meeting. Ernst & Young AG were reappointed as auditors for a further year at the General Meetings from 2010 until 2019. The lead auditor, André Schaub, took on the mandate in 2016. Regulations on auditor rotation limit the terms which may be served by the same lead auditor to a maximum of seven years.

### 8.2 AUDIT FEE AND ADDITIONAL FEES

Type of Services (in CHF million)	2019	2018
Audit Services <sup>1</sup>	1.0	0.9
<b>Total audit and audit related services</b>	<b>1.0</b>	<b>0.9</b>
Other services <sup>2</sup>	0.1	0.1
<b>TOTAL</b>	<b>1.1</b>	<b>1.0</b>

<sup>1</sup> This amount includes the fees for the individual audits of Group companies carried out by Ernst & Young as well as their fees for auditing the Group financial statements.

<sup>2</sup> Other services include mainly cyber security tests and consulting.

### 8.3 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS

The Board of Directors' Audit Committee defines the audit mandates of the statutory auditors and is responsible for ensuring appropriate controls are carried out.

Internal auditing was carried out by an external audit company in the reporting year. The external and internal auditors attended all Audit Committee meetings. All members of the Board of Directors were invited to the Audit Committee meetings held during the financial year, at which the interim and full-year financial results were reviewed. The assessment of the external auditors takes account of a number of important criteria including deadline discipline, reporting quality, provision of additional information, availability of designated contacts and cost effectiveness. The external auditors submit to the Audit Committee both their report on the financial statements for the year just ended and their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and provide it with a separate report on each audit carried out.

## 9 INFORMATION POLICY

Valora Holding AG meets all legal requirements and strives to meet best practice standards. Valora Holding AG uses all appropriate communication channels to maintain close contact with the financial community and the general public. Important news items concerning the company are reported on an ad-hoc basis. In addition, the Valora website provides comprehensive information on a range of topics as well as all matters subject to statutory disclosure.

Investor Relations is responsible for managing all contacts with investors and financial analysts. Regular conferences covering important company topics are held for the media, institutional investors and analysts. Shareholders and other interested parties may dial into these events by telephone or log in via the Valora Holding AG website.

Valora Holding AG is committed to treating all interested parties equally. The Group ensures that information is not disclosed selectively by observing the relevant directives on ad-hoc publicity and on blackout periods ahead of the publication of interim and full-year results. Blackout dates commence on predefined dates prior to the official publication of results and end when the results are published. No meetings with financial analysts or investors take place during the blackout periods.

Every spring, the company holds a results press conference for the media and financial analysts. The invitation to the General Meeting sent to all shareholders includes a summary of the key figures of the annual report.

In July the company publishes an unaudited interim report for the first six months of the year on the Valora Group website.

The Investors section of the Valora website contains a variety of information including the corporate governance report, the Articles of Incorporation, a calendar of events, information on General Meetings and on the share and further key figures. Media releases, ad-hoc news and reports on potentially price-sensitive matters can be obtained in a timely manner free of charge by registering on the Valora e-mail distribution list:

<http://www.valora.com/en/investors>

- Ongoing sources of information:
- The [www.valora.com](http://www.valora.com) company website
  - Group interim and annual reports
  - Media releases

Media Relations: *Christina Wahlstrand*

Investor Relations: *Annette Martin*

