# Remuneration Report

# INTRODUCTION BY THE CHAIR OF THE NOMINATION AND COMPENSATION COMMITTEE

Dear Shareholders

On behalf of the Board of Directors (the "Board") and the Nomination and Compensation Committee (the "NCC"), I am pleased to present the Remuneration Report for 2019.

The Valora Group performed strongly in 2019 and successfully concluded the first transition year after the award of the SBB tender in which the foodvenience provider secured 262 attractive locations until 2030.

The Remuneration Report outlines how this performance impacted the variable incentive payments made to the members of Group Executive Management under the different remuneration plans.

Last year, the NCC engaged with shareholders and analysed remuneration best practices. Based on these insights, the NCC conducted a thorough review of the remuneration programs applicable to the Board and Group Executive Management, on the basis of which several changes have been implemented in the reporting year, as already communicated in last year's Remuneration Report:

- **Remuneration reporting:** The disclosure in the Remuneration Report was substantially improved last year. In this report, we continue to enhance the information provided on the remuneration plans, including the key performance indicators, their weightings and the payout mechanism. Further, the level of performance achievement is disclosed retrospectively at the end of the relevant performance period for both the short- and long-term incentives.

- **Board remuneration:** The 20 % discount of the share price used for the share-based remuneration has been discontinued, this further aligns the board remuneration system with market practice and reduces the overall value of the share-based remuneration relative to previous year.

- **Group Executive Management remuneration:**
  - **Short-term variable remuneration (STB):** The STB key performance indicators are entirely quantitative. In addition to Earnings Before Interest and Tax (EBIT), Net Working Capital (NWC) has been introduced as a key performance indicator to reward the efficient utilisation of the company's capital.
  - **Long-term variable remuneration (LTIP):** The former Share Participation Programme (SPP) has been replaced by a three-year performance-based Long-Term Incentive Plan (LTIP). Under the LTIP, performance share units (PSUs) are granted and are subject to a three-year vesting period based on the performance achievement of two group level indicators:
    Return On Capital Employed (ROCE) and Earnings Per Share (EPS) both weighted equally (50 %). Those indicators have been chosen as they balance the capital management and profitability of the company. The vested shares are subject to a subsequent blocking period of two years. The new LTIP rewards the executive for long-term company performance and therefore reinforces their interests with those of the company and those of the shareholders.
  - **Share ownership guidelines:** A share ownership guideline was introduced for members of Group Executive Management, who must hold shares in value of at least one annual fixed salary after five years following their appointment.

In the reporting year, the NCC also performed its regular duties, such as the succession planning for the positions on the Board and Group Executive Management, the performance goal setting at the beginning of the year and the performance assessment of Group Executive Management at year end, the determination of the remuneration of the members of Group Executive Management and of the Board, as well as the preparation of the Remuneration Report and of the say-on-pay vote at the Ordinary General Meeting.

The Board is confident that the revised remuneration system implemented in 2019 meets the relevant international best practice. The increase in performance-based remuneration and the introduction of the LTIP ensures a strong alignment of the interests of the management and the company, respectively its shareholders.

Looking ahead to 2020, the Board of Directors has decided to reduce Board remuneration amounts in order to accommodate a new composition of the Board while maintaining the current level of aggregate remuneration from the prior period. All other elements of the Board and Group Executive Management remuneration programs remain unchanged. In the future, we will continue to assess our remuneration system to ensure that it is appropriate in the evolving context in which the company operates. We will also continue to intensively engage in an open dialogue with our shareholders and their representatives.

As in previous years, shareholders can express their views on the remuneration system by participating in the consultative vote on the 2019 Remuneration Report at the forthcoming Ordinary General Meeting. At that meeting, your approval will also be sought for the proposed maximum overall remuneration for the Board during the period from the 2020 Ordinary General Meeting to the 2021 Ordinary General Meeting and for Group Executive Management for 2020 („Say-on-Pay“).

Yours sincerely

Markus Fiechter
Chair of the NCC

# REMUNERATION AT A GLANCE

**Summary of the current remuneration structure for the Board of Directors (AGM 2019 – AGM 2020)**
In order to ensure the independence in exercising their supervisory function, Board members receive a fixed remuneration in the form of cash and shares blocked for a period of three years. The remuneration system for the Board does not contain any performance-related components.

| Annual remuneration | in CHF | Form of payment |
|---|---|---|
| Chairman | 500 000 | 80 % in cash and 20 % in blocked shares |
| Vice-Chairman | 200 000 | |
| Board member | 140 000 | |
| Chairman of NCC / Audit Committee | 30 000 | |
| NCC / Audit Committee | 15 000 | |

**Summary of the current remuneration structure for the Group Executive Management in 2019**

The remuneration of Group Executive Management consists of fixed and variable elements.
– Base salary and benefits form the fixed remuneration.
– Variable remuneration drives and rewards best-in-class performance based on ambitious and stretched targets. It consists of a short-term and a long-term incentive:

| | |
|---|---|
| **Base salary** | To attract and retain highly qualified talents |
| **Benefits** | To provide for the risks of old age, death and invalidity, to attract and retain |
| **STB** | To reward for the annual financial performance of the business |
| **LTIP** | To align with shareholder interests and to promote sustainable company performance |

**Remuneration in 2019**
**Board of Directors**
The remuneration awarded to the Board in financial year 2019 is within the limits approved by the shareholders at the Ordinary General Meetings:

| Remuneration period | Authorised amount (CHF) | Effective amount (CHF) |
|---|---|---|
| AGM 2018 – AGM 2019 | CHF 1.4 million | CHF 1.3 million |
| AGM 2019 – AGM 2020 | CHF 1.7 million | CHF 1.6 million* |

* The remuneration level 2020 is not expected to exceed CHF 1.6 million. The effective amount will be disclosed in the Remuneration Report for financial year 2020

**Remuneration in 2019**
**Group Executive Management ***

The remuneration awarded to Group Executive Management in fiscal year 2019 is within the limits approved by the shareholders at the Ordinary General Meeting:

| Remuneration period | Authorised amount (CHF) | Effective amount (CHF) |
|---|---|---|
| Financial year 2019 | CHF 6.9 million | CHF 6.2 million |

**Performance in 2019**
EBIT amounted to CHF 91.5 million in 2019, and was above guidance expectations; the EBIT margin came to at 4.5 %. The payout level for the Short Term Bonus (Group) is at 100 % achievement. Considering that the performance-based LTIP has been introduced in 2019, the first performance-based vesting will take place at the beginning of 2022 and will be disclosed in the Remuneration Report 2022.

* Version corrected on 21 February 2020 from previous version published on 19 February 2020: adjustment of the payment factor for the CEO from 116 % to 104.8 % and adjustment of the average payment factor for the other members of Group Executive Management from 97 % to 99.0 %. Sums and figures updated accordingly.

**Remuneration policy and principles**
The philosophy behind the remuneration programme is based on corporate governance best-practice and three main principles which have the interests of the company and our shareholders at the forefront:
- **Fair and Transparent** – The company aims to ensure an internal and external balance with regard to remuneration. Disclosure of remuneration follows governance good practice and rules.
- **Performance Driven** – The variable remuneration is based on the achievement of business goals and the value of the LTIP realised depends on the share price performance during the three-year vesting period and the two-year holding period. Caps and thresholds are applied to the variable remuneration.
- **Competitive** – The remuneration system allows the company to attract and retain the talent needed to support its strategy.

**Remuneration governance**
- The authority for decisions related to remuneration is governed by the Articles of Incorporation of Valora Holding AG.
- The maximum aggregate amounts of remuneration of the members of the Board and of Group Executive Management are subject to a binding shareholders' vote at the Ordinary General Meeting.
- The Remuneration Report for the preceding financial year is subject to a consultative vote at the Ordinary General Meeting.
- The Board is supported by the NCC in preparing all remuneration-related decisions regarding the Board and Group Executive Management.

# CONTENTS

The Remuneration Report provides information about the Remuneration policy, the Remuneration programs and the process of determination of Remuneration applicable to the Board and to the Group Executive Management of Valora. It also includes details on the Remuneration payments related to the 2019 financial year.

The Valora Holding AG Remuneration Report has been prepared in accordance with the Ordinance against Excessive Compensation in stock exchange listed companies (OaEC), the SIX Directive on Corporate Governance (DCG) as well as the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse.

The Remuneration Report is structured as follows:

# REMUNERATION GOVERNANCE

## 1 RULES RELATING TO REMUNERATION IN THE ARTICLES OF INCORPORATION

The Articles of Incorporation of Valora contain provisions regarding the remuneration principles applicable to the Board and to Group Executive Management. Those provisions can be found on Valora's website (https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf) and include:

| | Article |
|---|---|
| **EXTERNAL MANDATES:** provisions regarding the maximum permissible number of external mandates for members of the Board (maximum 10 mandates, out of which four in a listed company) and for members of Group Executive Management (maximum four mandates, out of which one in a listed company). | 18 |
| **EMPLOYMENT AND AGENCY AGREEMENTS:** provisions governing agreements with Board members and employment contracts of members of Group Executive Management. | 19 |
| **REMUNERATION COMMITTEE:** definition and responsibilities. | 20 |
| **PRINCIPLES OF REMUNERATION APPLICABLE TO THE BOARD OF DIRECTORS:** Board members receive a fixed remuneration in cash and/or in blocked shares. | 24 |
| **PRINCIPLES OF REMUNERATION APPLICABLE TO GROUP EXECUTIVE MANAGEMENT:** Group Executive Management members receive a fixed annual base and variable remuneration. The variable remuneration is based on performance and generally includes a short-term and a long-term component. The variable remuneration at grant may not exceed 200 % of the fixed annual base remuneration. The Board of Directors may determine that the variable remuneration is to be paid in full or in part in cash, in the form of restricted shares or of reversionary subscription rights to shares. | 25 |
| **GENERAL PRINCIPLES OF REMUNERATION:** provisions on the valuation of equity-based remuneration, payments to Board members or members of Group Executive Management in exchange for services provided to legal entities of Valora, and the indemnification of Board and Group Executive Management. | 26 |
| **BINDING VOTE BY THE ORDINARY GENERAL MEETING:** The Ordinary General Meeting annually approves the maximum amount of fixed remuneration for the Board for the period until the next Ordinary General Meeting and the maximum amount of total fixed and variable remuneration for members of Group Executive Management for the following financial year. The additional amount for each new member of Group Executive Management appointed subsequently to the Ordinary General Meeting's approval amounts to 120 % of the highest remuneration paid to a member of Group Executive Management in the financial year preceding the last Ordinary General Meeting. Further, the Remuneration Report is presented to the Ordinary General Meeting for a consultative vote. | 27 |

## 2 NOMINATION AND COMPENSATION COMMITTEE

### 2.1 RESPONSIBILITIES

The NCC is a permanent committee of the Board of Valora Holding AG. It deals with those matters relating to the remuneration of members of the Board, the CEO and Group Executive Management and to personnel planning at the Board and Group Executive Management level which have been assigned to it by law, the Articles of Incorporation and the current regulations.

The NCC comprises at least three members of the Board who have no management duties in the company and have no material conflicts of interest which would prevent them from exercising their duties with the requisite independence. The members of the NCC are elected by the Ordinary General Meeting for a one-year term of office, ending at the next Ordinary General Meeting. Members of the NCC may be re-elected by the General Meeting. The Board appoints one of the members of the NCC as its Chair. In 2019, the NCC comprised Markus Fiechter (Chair), Michael Kliger and Insa Klasing.

The NCC primarily assists in preparing the decision-making process by the Board and the decisions it ultimately makes. In accordance with the requirements imposed on them by law and the Articles of Incorporation, the NCC and the Board carry out the following duties concerning remuneration issues:

| | Proposal | Recommen-dation | Approval |
|---|---|---|---|
| Determining and assessing the remuneration strategy and guidelines | | NCC | Board |
| Determining and assessing the qualitative and quantitative criteria applied to remuneration | | NCC | Board |
| Maximum remuneration for Group Executive Management | NCC | Board | AGM |
| Remuneration of the CEO and the other members of Group Executive Management | | NCC | Board |
| Assessing the extent to which the quantitative performance criteria for determining the variable remuneration of Group Executive Management have been met | | | NCC |
| Performance appraisals of the CEO and the other members of Group Executive Management | | NCC | Board |
| Maximum remuneration for the Board of Directors | NCC | Board | AGM |
| Remuneration of the Board Chairman and the other Board members | | NCC | Board |
| Remuneration Report | | NCC | Board |
| Remuneration recommendations of the Board of Directors and Group Executive Management to the General Meeting | | NCC | Board |

The NCC meets as often as business requires, but at least three times a year. Meetings are convened by the NCC Chair or at the request of an NCC member. In exceptional cases, they may also be convened by Board resolution. NCC meetings are generally attended, in an advisory capacity and without voting rights, by the CEO and the CFO and by the Board Secretary, who also takes minutes of the meetings. The CEO and CFO are not present when their own performance is being assessed and their remuneration is being discussed. During the meetings, each Board member refrains from voting on decisions on his own remuneration.

Minutes of the meetings are taken. At Board meetings, the NCC Chair reports on the activities of the NCC and informs the Board of the NCC's views and recommendations on substantive matters requiring a Board decision. Every Board member receives a copy of the minutes of NCC meetings.

The NCC held six meetings in 2019. Two members attended all meetings, while one member was excused for one meeting. This corresponds to an attendance rate of 94%.

## 2.2 BENCHMARKS AND EXTERNAL ADVISORS

The NCC may call-in external remuneration specialists to obtain independent advice and/or to get benchmarking remuneration data. In the year under review, external remuneration specialists provided advice on executive remuneration matters. These companies have no other mandates with Valora.

While the remuneration structure and levels of the Board and Group Executive Management are reviewed annually, the benchmark analyses are conducted periodically (e.g. every two to three years) and are tailored to the relevant sectors and labour markets in which Valora competes for talents. For the purpose of comparison, the NCC relies on remuneration surveys published by independent consulting firms and on publicly available information such as the remuneration disclosures of comparable companies. Comparable companies are defined as companies with a comparable size and structure, a comparable mix of business activities, business model and geographical structure or companies of a comparable business complexity and similar size with regard to market capitalisation, sales revenue, or number of employees.

The last review of the remuneration packages of the members of Group Executive Management took place in 2017 based on an executive study carried out in cooperation with an external consulting firm, Mercer. The study showed that the total target and maximum remuneration is competitive, and that Group Executive Management receives remuneration that is in line with the market median if performance objectives are met (100% performance achievement). For the benchmark analysis two sets of data were used:

a) Data for relevant positions of comparable size from selected companies [1] in the retail and consumer goods sector in Western Europe that are relevant/comparable to Valora, and
b) Data for relevant positions of comparable size from Swiss companies (excluding financial services) in Mercer's general industry executive remuneration survey.

The structure and level of the Board remuneration was reviewed in 2019 based on a study completed in cooperation with an external consultant, Agnès Blust Consulting. The benchmarking analysis was based on a peer group of Swiss listed companies of similar size (market capitalisation, revenue, headcount), excluding financial services:

| | | |
|---|---|---|
| Arbonia | DKSH | Implenia |
| Aryzta | Dufry | Metall Zug |
| Autoneum | Galenica | ORIOR |
| Barry Callebaut | Geberit | Rieter |
| Bell | Georg Fischer | Sonova |
| Bossard | Givaudan | Zur Rose |

The benchmarking analysis showed that both the remuneration system and the remuneration levels are aligned with the market.

[1] ADEO, Amplifon, Autogrill, Axfood, Booker, Bugaboo International, Bunzl, CIE Financiere Richemont, Circle K, Compass, Coop, Debenhams, Deckers Outdoor Corporation, Diploma, Dixons Carphone, Dufry, Fossil, Greggs, Groupe Casino, ICA Gruppen, IKEA Services, J Sainsbury, Kingfisher, Koninklijke Ahold Delhaize, LVMH, Marks & Spencer, Next, Ocado, Pandora, Pendragon, QVC, Scotch & Soda, Sligro Food Group, Starbucks Corporation, Swatch, Tesco, Travis Perkins, WBA-Global Brands, WM Morrison, and Wolseley

# REMUNERATION SYSTEM

## 3 REMUNERATION PRINCIPLES

**Board remuneration:** in order to strengthen their independence in exercising their supervisory duties toward Group Executive Management, Board members receive a fixed remuneration only, which is delivered in cash and in shares subject to a three-year blocking period.
**Group Executive Management remuneration:** the remuneration system is designed to ensure alignment with the corporate strategy, the long-term interests of the shareholders and the sustainable success of the company. It is based on the three following main principles:

| | |
|---|---|
| **Fair and Transparent** | The company aims to ensure internal and external balance with regard to remuneration. Disclosure of remuneration follows governance good practice and rules. |
| **Performance Driven** | Variable remuneration is based on the achievement of business goals and the value of the LTIP realised depends on the share price performance during the three-year vesting period and the two-year holding period. Caps and thresholds are applied to the variable remuneration. |
| **Competitive** | The remuneration system allows the company to attract and retain the talent needed to support its strategy. |

The remuneration system includes key features that align the interests of executives with those of the company and its shareholders and are in line with good practice in corporate governance:

| | WHAT WE DO | | WHAT WE DON'T DO |
|---|---|---|---|
| ✓ | Conduct annual reviews of the remuneration strategy and programs | X | Provide guaranteed or discretionary remuneration payments |
| ✓ | Maintain remuneration plans designed to align executive remuneration with long-term company and shareholder interests | X | Reward inappropriate or excessive risk taking or short-term profit maximisation at the expense of the long-term health of the company («pay for failure») |
| ✓ | Maintain remuneration plans with a strong link between pay and performance (short-term performance and long-term success). The remuneration system allows the company to attract and retain the talent needed to support its strategy | X | Duplicate performance indicators in the short-term bonus and the long-term incentive plans |
| ✓ | Conduct a rigorous performance management based on clearly defined, measurable and challenging performance metrics | X | Have prearranged individual severance agreements or special change-in-control remuneration agreements |
| ✓ | Apply an upper limit on the variable remuneration | | |
| ✓ | Require that the CEO and the other members of Group Management own a minimum number of Valora shares in percentage of their annual base salary | | |

## 4 REMUNERATION SYSTEM OF THE BOARD OF DIRECTORS

The Board remuneration is reviewed every two to three years based on competitive market practice. The last benchmarking analysis was conducted in 2019 (as mentioned under paragraph 2.2). The result of this analysis showed that the structure and level of the Board remuneration are aligned with market practice. Notwithstanding, for the period from the 2020 Ordinary General Meeting to the 2021 Ordinary General Meeting, the Board of Directors has decided to reduce overall annual remuneration amounts to offset expected changes to the composition of the Board and to maintain the same level of aggregate compensation as in the prior period.

### 4.1 OVERVIEW OF THE REMUNERATION SYSTEM FOR THE BOARD OF DIRECTORS

In order to guarantee the independence of the Board members in executing their supervisory duties, their remuneration is fixed and does not contain any performance-related component. The annual remuneration for each Board member depends on the responsibilities carried out in the year under review and consists of a fixed director fee and additional committee fees paid in cash (80%) and in shares blocked three years (20%).

For the period from the 2019 Ordinary General Meeting to the 2020 Ordinary General Meeting the structure of the annual remuneration paid to Board members remained unchanged compared to the previous term of office:

| Annual remuneration in CHF | AGM 2019 – 2020 | AGM 2020 – 2021 | Form of payment |
|---|---|---|---|
| Chairman | 500 000 | 490 000 | 80 % in cash and 20 % in blocked shares |
| Vice-Chairman | 200 000 | 160 000 | |
| Board member | 140 000 | 140 000 | |
| Chairman of NCC/Audit Committee | 30 000 | 25 000 | |
| Member of NCC/Audit Committee | 15 000 | 12 500 | |

While fees are paid quarterly, the share portion of remuneration is fully paid in the quarter following the Ordinary General Meeting. The Board remuneration is subject to regular statutory social security contributions; Board members may ask to be granted access in the collective occupational pension plan in order to be insured against risks however, the company does not pay any contributions for them. Concretely, this means that the Board members pay for the totality of the contributions (employee and employer portion). In 2019, two Board members asked for receiving access to the collective occupational pension plan.

### 4.2 REGULATIONS GOVERNING THE REMUNERATION PORTION PAID IN SHARES

20% of the total remuneration of the Board members is paid out in blocked registered shares. In justified cases, the Board may decide to pay a higher or lower percentage of the total remuneration in shares. The shares are subject to a blocking period of three years. Regardless of any subsequent transfer of shares, the blocking period commences on the date of the Ordinary General Meeting which marks the beginning of the term of office for which the remuneration is awarded. The shares remain in a Valora custody account during the blocking period. Board members are prohibited from selling, pledging or otherwise transferring the shares. After the end of the blocking period, members may dispose of the shares freely.

The number of shares paid to each Board member is determined by dividing 20% of the Board member's overall remuneration for the relevant term of office by the volume-weighted average price (VWAP) of Valora registered shares during a period of 20 trading days beginning on the trading day following the Ordinary General Meeting.

$$\text{Number of shares} = \frac{\text{Overall remuneration (CHF)} * 20\%}{\text{VWAP (CHF)}}$$

Based on the requirements of the law, the Articles of Incorporation and the organisational regulations of Valora Holding AG, the Board decides how and on what terms the required shares will be acquired.

If a Board member resigns, does not stand for re-election or is not re-elected despite having stood for re-election, any pending blocking periods of more than one year's duration are generally reduced to one year. This remaining one-year period begins on the last day of the Board member's term of office. If a Board member leaves the Board because of death, invalidity or comparable circumstances, any blocking periods still in force lapse immediately. In the event of a change of control, a delisting of Valora registered shares or any similar such occurrence, any blocking periods still in force lapse immediately.

In 2019, all Board members received 20% of their total remuneration in shares in the quarter following the Ordinary General Meeting.

## 5 REMUNERATION SYSTEM OF GROUP EXECUTIVE MANAGEMENT

### 5.1 NEW REMUNERATION SYSTEM IN 2019 – OVERVIEW OF THE CHANGES

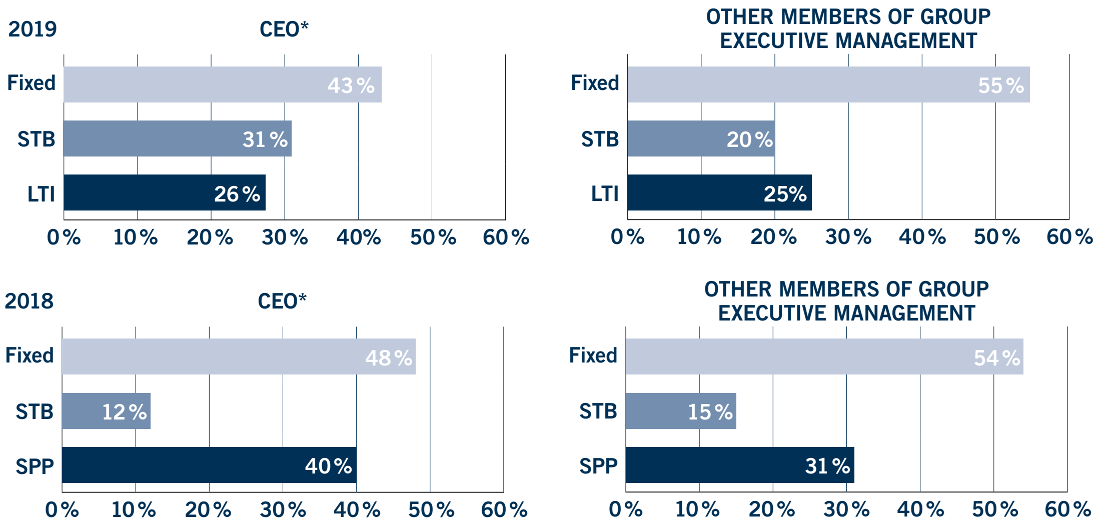
A new remuneration system for the Group Executive Management was implemented in 2019. The remuneration of Group Executive Management comprises a fixed component, a performance-based Short-Term Bonus (STB) and a performance-based Long-Term Incentive Plan (LTIP). The variable short and long-term remuneration is based entirely on quantitative targets and takes equal account of performance-based and capital-based components. The revisions to the variable remuneration structure are as follows:

**Short-term bonus (STB)**
The STB key performance indicators are fully financial. Consistent with the 2018 STB, EBIT (earnings before taxes and interest) continues to be an important key performance indicator as it reflects short-term profitability. For 2019, NWC (net working capital) has been introduced as a capital-based component that takes account of operational capital efficiency. The other features of the STB remained unchanged, as described further below.

**Long-term variable remuneration (LTIP)**
The former SPP has been replaced by a three-year performance based LTIP. The LTIP consists of a PSU plan. Plan participants are awarded PSUs at the beginning of a three-year vesting period. This is a prospective share award. PSUs entitle the holder to receive shares at the end of the vesting period, provided that the required performance objectives have been reached. The performance objectives are set by the Board at the beginning of the vesting period and comprise two indicators weighted equally: ROCE and EPS. The PSUs are converted into shares at the end of the three-year vesting period after the annual results and performance achievement have been determined. The shares are subject to a subsequent blocking period of two years. No discount is granted to compensate for the blocking period.

**Share ownership guidelines**
The members of Group Executive Management are now required to hold at least the amount of one fixed annual salary in Valora shares within five years of their appointment.

**Overall effect on remuneration levels**
The following charts show the new remuneration mix for the CEO and the other members of Group Executive Management for the 2019 financial year compared to the mix in the previous year, assuming 100% performance achievement. Overall, the realignment of the remuneration system does not introduce any changes to the total remuneration paid to the same number of members of Group Executive Management.




* The CEO took a two-month unpaid sabbatical in 2019. However the graphs above reflect his target remuneration on a full-year basis for comparability.

Total individual target remuneration, assuming 100% performance achievement, remained the same compared to previous year. The fixed portion of total remuneration was reduced by 5% to the benefit of the variable remuneration, resulting in a modest upside opportunity of 18% and a downside risk of 44%. Overall, the restructuring of the remuneration system did not affect the target total remuneration that could be potentially paid to the same number of members of Group Executive Management. The following table shows the remuneration structure for Group Executive Management for target, maximum and minimum level for the 2019 financial year compared to the structure for the 2018 financial year (not including newly appointed members of the GEM in 2019). It represents an average for all members of Group Executive management including CEO.

| | 2018 in TCHF | | | | 2019 in TCHF | | | | % Variance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fixed:** | 2 389 | | | | 2 259 | | | | – 5 % | | | |
| **Variable:** | Target | Maximum | Thres-hold | Minimum | Target | Maximum | Thres-hold [1] | Minimum | Target | Maximum | Thres-hold | Minimum |
| **STB** | 622 | 933 | 311 | – | 1 207 | 1 811 | 604 | – | + 94 % | + 94 % | + 94 % | + 0 % |
| **LTPI** | 1 662 | 1 662 | 1 662 | 1 662 | 1 207 | 1 811 | 604 | – | – 27 % | + 9 % | – 64 % | – 100 % |
| **Total pay [2]** | **4 673** | **4 984** | **4 362** | **4 051** | **4 673** | **5 881** | **3 467** | **2 259** | **+ 0 %** | **+ 18 %** | **– 21 %** | **– 44 %** |

[1] For comparability, figures do not include remuneration for a member of the Group Executive Management who was appointed in January 2019
[2] The CEO took a two-month unpaid sabbatical in 2019. However, the graphs above reflect his target remuneration on a full-year basis for comparability.
[3] Threshold means key performance indicators reach at least 85 % target achievement.
[4] Not including other fixed remuneration such as payments the employer is required to make by law, a contractually agreed car allowance and other individual contractually agreed benefits.

The reason for the increase in maximum potential pay-out in 2019 compared to 2018 is that a higher share of the total remuneration is performance-based. While slightly increasing the maximum that can be earned, this stronger performance orientation clearly puts a larger portion of total remuneration at risk and hence it is not guaranteed.

Both the variable short-term and the long-term remuneration components have a defined upper limit for challenging and measurable performance criteria. In addition, the total variable remuneration may still not exceed 200 % of the fixed basic annual salary at the time it is granted.

## 5.2 OVERVIEW OF CURRENT REMUNERATION SYSTEM FOR GROUP EXECUTIVE MANAGEMENT

The table below shows the percentages of the overall remuneration paid to Group Executive Management attributable to its individual component elements assuming 100 % performance achievement:

| Component | Plan | Percentage | | Purpose | Form of payment | Performance measures |
|---|---|---|---|---|---|---|
| | | CEO | Other GEM | | | |
| Fixed remuneration | Annual salary | 43 % | 50 – 60 % | To attract and retain highly qualified staff | Monthly cash payment | |
| Short-term bonus | STB | 31 % | 16 – 24 % | Reward the annual financial performance of the business | Annual choice between cash or shares | EBIT (75 %)<br>NWC (25 %) |
| Long-term variable remuneration | LTIP | 26 % | 24 – 27 % | Alignment with share-holder interests, rewards the sustainable company performance | PSU award with three-year vesting period | ROCE (50 %)<br>EPS (50 %) |
| Retirement provision | Pension fund | | | To provide for the risks of old age, survivorship and invalidity | Contributions as per pension fund regulations, statutory social security contributions | |
| Additional benefits | Company car, expense allowance | | | Reimbursement of expenses | Defined in company-car regulations and expense guidelines | |

### 5.3 FIXED REMUNERATION

The fixed remuneration comprises a fixed salary, a car allowance or company car (which can also be used privately) and the employer's social security and pension fund contributions required by law. The individual fixed salary is established on the basis of the following factors:

- Scope, size, and responsibilities of the role, skills required to perform the role;
- External market value of the role;
- Skills, experience, and performance of the individual in the role.

To ensure market competitiveness, base salaries of the members of Group Executive Management are reviewed every year, taking into consideration market benchmark information, market movement, economic environment and individual performance.

Members of Group Executive Management also participate in benefit programs that are generally available to all Valora employees. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the executives and their dependents in respect to the risk of retirement, disability, death, and illness. All members of Group Executive Management have a Swiss employment contract and participate in the Valora Pension Fund offered to employees in Switzerland, in which base salaries and short-term bonuses are insured up to the maximum amount allowed by law.

### 5.4 SHORT-TERM BONUS (STB)

The STB is designed to reward the annual financial performance of the company and its businesses.

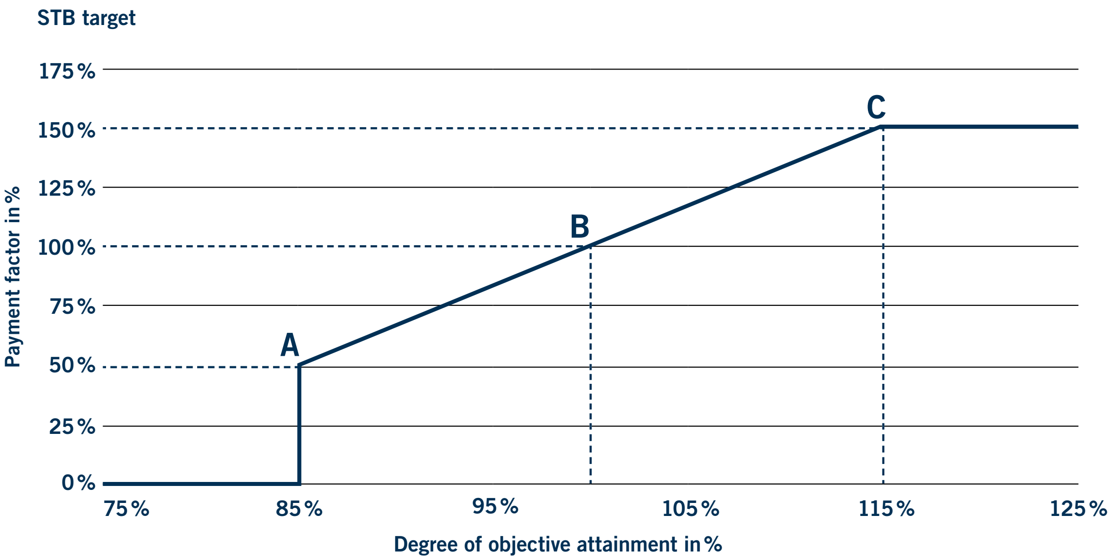
The target STB (i.e. bonus at 100% performance achievement) is expressed as a percentage of base salary and applies to the CEO and members of Group Executive Management as follows:

| 2019 short-term bonus as % of fixed annual salary | **Target** | **Maximum** |
|---|---|---|
| CEO* | 70% | 105% |
| Other Group Executive Management | 27% – 47% | 41 – 71% |

*Full-time basis

The performance indicators for the STB consists of EBIT with a 75% weight and NWC with a 25% weight. For Valora, EBIT is the most important key performance indicator as it reflects short-term profitability. NWC introduces a capital-based component which takes account of operational capital efficiency. For the CEO and the CFO, the relevant performance is that of Valora Group. For the other Group Executive Management members, it is that of the unit they are responsible for. The targets for the two performance indicators are determined by the Board upon recommendation of the NCC at the beginning of the relevant year and are based on the budget for that year. The actual degree of performance achievement for each indicator is calculated at the end of the year by Corporate Group Controlling and submitted to the NCC for approval. The effective payment factor ranges from 0% to a maximum of 150% of the target STB. For each indicator, if the performance achievement is below 85% of the target, the payment factor is 0%, if performance reaches the 85% threshold, the payment factor is 50%, and if performance exceeds the target by at least 15%, the payment factor is 150%. The amount that is paid out is interpolated on a straight-line basis between 85 and 115%.

The weighted average of the payment factor of both performance indicators provide for the overall payment factor:




**A**
**Entry threshold**

**B**
**Expected figure (100 % objective attainment)**

**C**
**CAP (maximun possible objective attainment)**

| EBIT | | Weighting | | NWC | | Weighting | | Payment Factor |
|---|---|---|---|---|---|---|---|---|
| Achieved / Target | X | .75 | + | Achieved / Target | X | .25 | = | Payment |

The members of Group Executive Management are free to choose the form of payment of the STB – fully or partially as blocked or freely tradable shares or in cash – every year. If the right to choose is not or cannot be exercised (e.g. because the participant qualifies as an insider), the STB is paid out in cash latest in March of the year following the bonus year (i.e. the year to which the bonus relates).

Shares are allocated latest in March of the year following the bonus year and placed in a custody portfolio which is maintained in the Valora share register in the name and for the executive concerned. The number of shares allocated is determined based on the arithmetic average of the daily volume-weighted average prices of the Shares during the ten trading days ending on the grant date, without discount.

For members of Group Executive Management who join or leave the company during a calendar year, the STB is paid out in cash and pro rata based on the period of employment in the relevant financial year.

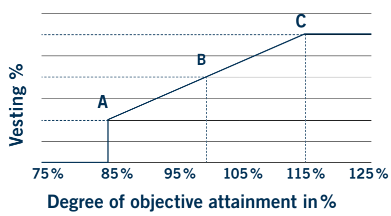
### 5.5 LONG-TERM VARIABLE REMUNERATION

The LTIP was introduced in 2019 and replaced the former SPP that was in effect from 2015 through 2018 (for further details on the SPP, please refer to the 2018 Remuneration Report. https://www.valora.com/media/investors/publications/en/reports/2018/2018_valora_gb_ remuneration_en.pdf

The purpose of the LTIP is to reward for the long-term performance of the company and to align the interests of Group Executive Management to those of the shareholders.

The LTIP is a PSU plan. At the beginning of the vesting period, members of Group Executive Management receive a PSU grant. A PSU is a contingent right to receive Valora shares in the future, subject to employment and performance conditions throughout a three-year vesting period.

The LTIP target amount is pre-determined in individual contractual agreements. For the CEO, it amounts to 60% of annual fixed salary and for other members of Group Executive Management, it ranges from 40% to 48% of annual fixed salary. The number of PSUs awarded every year equals the LTIP target amount divided by the fair value of the PSU on the grant date. The fair value on the grant date is the volume weighted average trading price of the Valora registered shares during a period of 10 consecutive trading days up to and including the grant date. The PSUs are subject to a vesting period of three years, after which they are converted into shares subject to a subsequent blocking period of two years. The vesting multiple (ratio of conversion of PSU into shares) depends on the achievement of two performance conditions, ROCE and EPS, each equally weighted. The maximum vesting multiple is 150%, i.e. no more than 1.5 shares per PSU may be delivered. At the beginning of the vesting period, the NCC determines the targets for ROCE and EPS based on the mid-term plan. Targets will be disclosed retrospectively at the end of the vesting period.

| **Performance measures (2019–2021)** | **ROCE** | **EPS** |
|---|---|---|
| **Weighting** | 50% of the PSU grant | 50% of the PSU grant |
| **Calculation** | Average of ROCE in year 1, 2 and 3 | Average of EPS in year 1, 2 and 3 |
| **Rationale** | Measures the company's ability to generate returns from the capital employed. Both the threshold and target level for ROCE are challenging to achieve, depend on value creation and are therefore usually above the weighted average cost of capital | Measures the company's profitability to investors |
| **Maximum vesting multiple** | 150% | 150% |
| **Vesting schedule (applies to both measures independently)** | – Below threshold = 0% vesting<br>– A. Threshold: 85% of target = 50% vesting<br>– B. Target: 100% of target = 100% vesting<br>– C. Cap: 115% of target = 150% vesting<br>– Linear interpolation between those points |  |

After the end of the vesting period, the Board determines whether, and to which extent, the pre-set ROCE and EPS targets were achieved. Given the ambitious targets set by Valora, the expected objective attainment of 100% can only be reached if significant progress is made and can only be exceeded with extraordinary performance. The NCC decides at its discretion to what extent non-budgeted acquisitions, divestments or other unplanned, extraordinary or unforeseen events will be considered when determining the actual degree of attainment of the performance targets.

The average of the ROCE vesting multiple and the EPS vesting multiple provides for the overall vesting multiple, which in turn determines the number of Valora shares delivered to participants:

**Number of PSUs originally granted** X **Overall vesting multiple** = **Number of Valora shares delivered upon vesting**

Dividend equivalents will be accumulated over the vesting period and paid out at vesting, subject to the applicable vesting multiple (dividend equivalents are paid out for vested shares only). Shares delivered to participants upon vesting are subject to an additional blocking period of two years. During this post-vesting restriction period, participants have all shareholder rights, but may not sell or otherwise dispose of the shares. After the two-year blocking period, the shares are free of any restriction.

Members who leave or join Group Executive Management during a calendar year receive PSU on a pro rata basis according to the duration of their employment in the year in question. All PSUs are usually cancelled in full for bad leavers, the leaver provisions are summarised as follows: Members who leave or join Group Executive Management during a calendar year receive PSUs on a pro rata basis according to the duration of their employment in the year in question. All PSUs are usually cancelled in full for bad leavers. The NCC may at its discretion deviate from the rule in specific cases.

The vesting of PSUs may be accelerated in the following cases:

- Termination due to death or disability: PSUs vest at the termination date based on a performance assessment by the NCC. Shares are delivered immediately and no further blocking period will apply. Existing blocking periods on shares delivered from earlier vestings will be lifted early.
- Change of control: PSUs granted in the year of the change of control vest immediately on a pro rata basis, whereas all PSUs granted in earlier years vest fully and immediately. The vesting multiple for the oldest PSU tranche shall be calculated based on actual ROCE and EPS figures to the extent available for any part of the vesting period already lapsed, and the vesting multiple so calculated shall also apply for all other PSU tranches. Shares will be delivered immediately, and no further blocking period will apply. Existing blocking periods on shares delivered from earlier vestings will be lifted early.

## 5.6 SHARE OWNERSHIP GUIDELINES

A shareholding ownership guideline was implemented in 2019. The members of Group Executive Management are required to hold at least the amount of one fixed annual salary in Valora shares within five years of their appointment to Group Executive Management or within five years of the implementation of the guidelines.

In the event of a substantial increase or decrease in the share price, the Board may amend that time period accordingly. To calculate whether the minimum holding requirement is met, all vested shares are considered regardless of whether they are blocked or not. However, unvested PSUs are excluded. The NCC reviews compliance with the share ownership guideline on an annual basis.

## 5.7 EMPLOYMENT CONTRACTS OF GROUP EXECUTIVE MANAGEMENT

Employment contracts of Group Executive Management comply with the provisions of the OaEC and can be for a fixed or indefinite term. The maximum duration of a fixed-term contract is one year. The employment contracts for Group Executive Management stipulate a 12-month notice period and a non-competition provision which applies throughout the notice period.
No severance pay may be awarded.

# REMUNERATION IN 2019

## 6 REMUNERATION FOR THE BOARD OF DIRECTORS

This section is audited according to Article 17 of the OaEC.

The remuneration paid to the Board of Directors for the year 2019 amounts to TCHF 1 476 (previous year TCHF 1 330), of which TCHF 1 022 were paid in cash (previous year TCHF 903), TCHF 274 in shares (previous year TCHF 272) and TCHF 180 in form of social security contributions (previous year TCHF 155). Board remuneration was higher than previous year. The increase is due to the fact that two additional Board members were elected at the AGM 2019. As of the Ordinary General Meeting 2019, the discount on the share price has been discontinued to further align the system with market practice. Otherwise, the remuneration system for the Board of Directors remained unchanged since 2014.

At the 2018 Ordinary General Meeting, shareholders approved a maximum overall remuneration amount of TCHF 1 400 for the Board for the remuneration period from the 2018 Ordinary General Meeting until the 2019 Ordinary General Meeting. For this period, the effective remuneration amounted to CHF 1.3 million and is thus within the approved limits.

At the 2019 Ordinary General Meeting, shareholders approved a maximum aggregate remuneration amount of TCHF 1 700 for the Board for the remuneration period from the 2019 Ordinary General Meeting until the 2020 Ordinary General Meeting. This remuneration period is not yet completed but aggregate remuneration is not yet expected to exceed CHF 1.6 million, a conclusive assessment will be provided in the 2020 Remuneration Report. In the reporting year, no further remuneration was paid to members of the Board of Directors and no remuneration was paid to parties closely related to members of the Board.

*Table 1*
*Board of Directors 2019*

| in CHF thousand | **Fixed fee (cash)** | **Committee fee** | **Portion paid in blocked shares [1)]** | **Other remuneration [2)]** | **Total 2019** |
|---|---|---|---|---|---|
| Franz Julen<br>Chairman | 400.0 | 3.8 | 107.4 | 68.1 | 579.3 |
| Markus Fiechter<br>Vice-Chairman and Chairman of Nomination and Compensation Committee | 146.5 | 41.3 | 50.0 | 32.6 | 270.4 |
| Ernst Peter Ditsch [3)]<br>Member | – | – | – | – | – |
| Cornelia Ritz Bossicard<br>Chair of Audit Committee | 106.0 | 30.0 | 36.2 | 24.3 | 196.5 |
| Michael Kliger<br>Member | 109.0 | 15.0 | 33.1 | 22.3 | 179.4 |
| Sascha Zahnd<br>Member | 74.0 | 11.3 | 23.4 | 16.6 | 125.3 |
| Insa Klasing<br>Member | 74.0 | 11.3 | 23.4 | 16.6 | 125.3 |
| **Total remuneration paid to Board of Directors** | **909.5** | **112.7** | **273.5** | **180.5** | **1 476.2** |

[1)] In 2019, Board members received 20 % of their overall remuneration in blocked shares, subject to a three-year blocking period. These have been valued at the VWAP applicable when the shares were allocated.
[2)] These amounts include employer contributions required by law.
[3)] Ernst Peter Ditsch waived his Board Director's fee in 2019.

*Table 2*
*Board of Directors 2018*

| in CHF thousand | Fixed fee (cash) | Committee fee | Portion paid in blocked shares [1] | Other remuneration [2] | Total 2018 |
|---|---|---|---|---|---|
| Franz Julen<br>Chairman | 397.0 | 15.0 | 128.9 | 71.9 | 612.8 |
| Markus Fiechter<br>Vice-Chairman and Chairman of Nomination and Compensation Committee | 151.0 | 41.3 | 61.4 | 34.7 | 288.4 |
| Bernhard Heusler<br>Member (until March 2018) | 35.0 | 3.8 | – | – | 38.8 |
| Ernst Peter Ditsch [3]<br>Member | – | – | – | – | – |
| Cornelia Ritz Bossicard<br>Chair of Audit Committee | 106.0 | 30.0 | 42.8 | 25.0 | 203.8 |
| Michael Kliger<br>Member | 109.0 | 15.0 | 38.8 | 23.0 | 185.8 |
| **Total remuneration paid to Board of Directors** | **798.0** | **105.1** | **271.9** | **154.6** | **1 329.6** |

[1] In 2018, Board members received 20 % of their overall remuneration in blocked shares, subject to a three-year blocking period. These have been valued at the VWAP applicable when the shares were allocated.
[2] These amounts include employer contributions required by law.
[3] Ernst Peter Ditsch waived his Board Director's fee in 2018.

## 7 REMUNERATION FOR GROUP EXECUTIVE MANAGEMENT*

This section is audited according to Article 17 of the OaEC.

The remuneration paid to Group Executive Management for the year 2019 amounts to TCHF 6 167 (previous year TCHF 5 476), of which TCHF 2 578 were paid as fixed salary (previous year TCHF 2 389), TCHF 1 257 as STB (previous year TCHF 641), TCHF 1 407 as share-based remuneration (previous year TCHF 1 663) and TCHF 925 in form of other remuneration (previous year TCHF 783). The maximum overall remuneration for members of Group Executive Management in financial year 2019 approved by shareholders at the 2018 Ordinary General Meeting was CHF 6.9 million. The overall remuneration effectively paid to members of Group Executive Management in 2019 amounted to TCHF 6 167 and is therefore within the approved limits.

* Version corrected on 21 February 2020 from previous version published on 19 February 2020: adjustment of the payment factor for the CEO from 116 % to 104.8 % and adjustment of the average payment factor for the other members of Group Executive Management from 97 % to 99.0 %. Sums and figures updated accordingly.

*Table 3*
*Group Executive Management 2019*

| in CHF thousand | Fixed basic salary | Short Term Bonus (STB) [1] | Long-term variable remuneration (LTIP) [2] | Other fixed remuneration [3] | Total 2019 |
|---|---|---|---|---|---|
| Michael Mueller<br>CEO and highest-paid member | 867.2 | 640.2 | 633.0 | 317.4 | 2457.8 |
| Other members [4) 5) 6)] | 1711.3 | 616.4 | 774.0 | 607.3 | 3709.0 |
| **Total Group Executive Management remuneration** | **2578.5** | **1256.6** | **1407.0** | **924.7** | **6166.8** |

1) These figures relate to the effective cost of the bonuses granted in respect of financial year 2019, which will be paid out in 2020.
2) The performance vesting period for the PSUs allocated under the LTIP plan in 2019 is three years. Their valuation complies with IFRS rules.
3) Other fixed remuneration comprises payments the employer is required to make by law, a contractually agreed car allowance or company car and other individual contractually agreed benefits.
4) Thomas Eisele had two employment contracts until the end of January 2019. The first, with Valora Management AG, relates to his function as a member of Group Executive Management and as Managing Director of Brezelkönig AG, Emmen. The second employment contract related to his function as Operating Managing Director of Brezelbäckerei Ditsch GmbH, Mainz (BBD) and has been concluded directly between BBD and Thomas Eisele. This contract was terminated as of end of January 2019. Thomas Eisele remains fully covered by the Valora Pension Fund, where his insured salary comprised his remuneration from his employment contracts with BBD and Valora Management AG
5) Includes 2019 compensation paid to Tobias Knechtle, who was no longer a member of Group Executive Management as of 30 November 2019 but continues to receive compensation during his notice period.
6) Figures include 2019 compensation paid to Roger Vogt, who joined Group Executive Management as of 01 January 2019

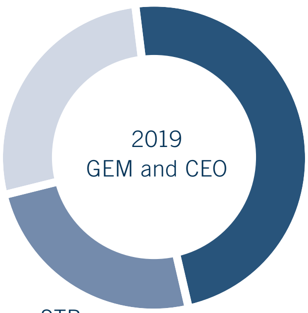
*Table 4*
*Group Executive Management 2018*

| in CHF thousand | Fixed basic salary | Short Term Bonus (STB) [1] | Share Participation Program (SPP) [2] | Other fixed remuneration [3] | Total 2018 |
|---|---|---|---|---|---|
| Michael Mueller<br>CEO and highest-paid member | 1180.0 | 311.0 | 956.5 | 305.1 | 2752.6 |
| Other members [4] | 1209.3 | 329.8 | 706.6 | 477.4 | 2723.1 |
| **Total Group Executive Management remuneration** | **2389.3** | **640.8** | **1663.1** | **782.5** | **5475.7** |

1) These figures relate to the effective cost of the bonuses granted in respect of financial year 2018, which will be paid out in 2019. The STB bonuses for the CEO and CFO with an aggregate value of TCHF 490 are converted into shares at the VWAP of CHF 332.47 applying on 31 March 2018 in accordance with the formula described above.
2) The blocking period for the shares allocated in 2018 is three years. Their valuation complies with IFRS rules.
3) Other fixed remuneration comprises payments the employer is required to make by law, a contractually agreed car allowance or company car and other individual contractually agreed benefits.
4) Thomas Eisele has two employment contracts. The first, with Valora Management AG, relates to his function as a member of Group Executive Management and as Managing Director of Brezelkönig AG, Emmen. The second employment contract relates to his function as Operating Managing Director of Brezelbäckerei Ditsch GmbH, Mainz (BBD) and has been concluded directly between BBD and Thomas Eisele. Thomas Eisele remains fully covered by the Valora Pension Fund, where his insured salary comprises his remuneration from his employment contracts with BBD and Valora Management AG.

**Explanatory comments to the remuneration table:**

- The fixed base salaries have increased by 8 % compared to the previous year. This is mainly due to the fact that there is an additional member of Group Executive Management in 2019 compared to 2018. For the CEO, the fixed base salary has decreased by 27 % compared to the previous year. This is due to the redesign of the remuneration system with a stronger focus on the variable remuneration and a decrease in the fixed base salary, as described in section 5.1., as well as to an unpaid sabbatical during 2019.
- The “other” fixed remuneration payments have increased by 18 % compared to the previous year. This is mainly due to the social security contributions on a higher STB payout and an additional member in the Group Executive Management in 2019 (see below).
- The performance achievement under the STB was lower in 2019 than in 2018. Further details are provided below.
- The grant value of the LTIP has decreased by 15 % compared to the grant of SPP shares in previous year. This is because of the change in the remuneration system of Group Management described in section 5.1. and to the additional member of Group Executive Management in 2019.
- The ratio of the fixed versus variable remuneration amounts to 40 % (fixed) versus 60 % (variable) for the CEO and to 55 % (fixed) versus 45 % (variable) for the other members of Group Executive Management on average.





## 7.1 PERFORMANCE IN 2019

The Valora Group performed strongly in 2019. EBIT amounted to CHF 91.5 million versus CHF 96.3 million in 2018 but was above guidance expectations of around CHF 90 million. The Group’s EBIT margin came to 4.5 % (2018: 4.7 %).

Overall, external sales of CHF 2,680.6 million (–0.0 %) and net revenues of CHF 2,029.7 million (–0.8 %) remained stable, while the foodvenience categories (Group sales excluding press, books and tobacco) grew by +2.2 % and +2.7 % respectively, mainly driven by higher food sales. These improvements in the product mix were the main contributor to the increase in gross profit of +1.3 % to CHF 917.2 million and the gross profit margin of +1.0 percentage points to 45.2 %.

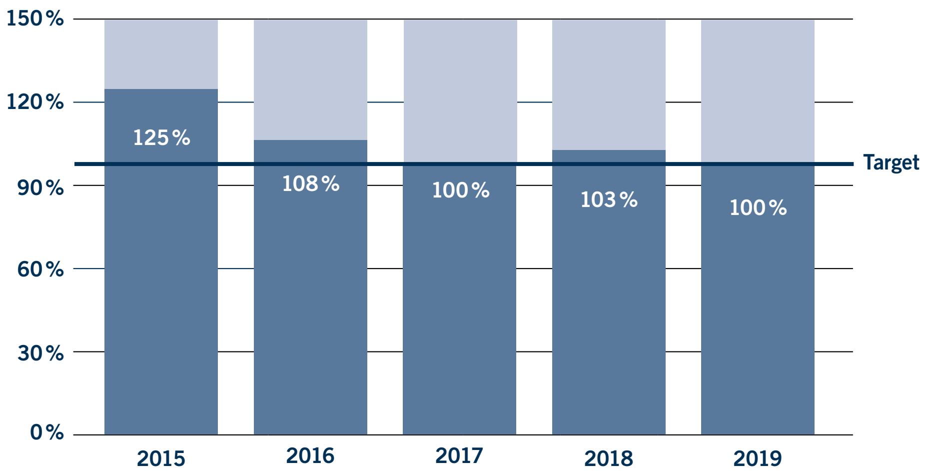
Group net profit grew by +35.0 % to CHF 73.7 million on a 2018 pro-forma adjusted basis allowing for IFRS 16 (+25.0 % vs. 2018 revised figures), supported by extraordinary tax effects and a value adjustment for discontinued operations in 2018. This corresponds to an earnings per share (EPS) increase of +45.3 % (+33.8 % vs. 2018 revised figures) to CHF 18.70 also benefitting from the hybrid bond replacement in 2018. Free cash flow rose by +55.1 % to CHF 76.0 million with improved net working capital more than compensating for increased investment activities. Return on capital employed (ROCE) amounted to 8.4 % as a result of the EBIT development (2018: 8.9 %).

**STB Plan achievement for 2019 and previous years**
Based on the company's financial performance for 2019, the actual attainment of the EBIT and NWC targets for the members of Group Executive Management in 2019 was as follows:

| Plan | Entry Threshold | Target STB in TCH | EBIT achievement | NWC achievement | Payment Factor | STB Payout in TCHF |
|---|---|---|---|---|---|---|
| **STB 2019** | | | | | | |
| CEO | 85 % | 611 | 99,4 % | 121.1 % | 104.8 % | 640 |
| Other GEM | 85 % | 612 | 104.0 % | 88.7 % | 99.0 % | 616 |
| **STB 2018** | | | | | | |
| CEO | 85 % | 280 | 102.0 % | NA | 111.1 % | 311 |
| Other GEM | 85 % | 342 | 98.6 % | NA | 96.5 % | 330 |

For the 2018 financial year, actual attainment of the profit target was 111.1 % for the CEO and 96.5 % on average for all the other members of Group Executive Management. The extent to which individual members of Group Executive Management reached their EBIT targets varied due to the differing EBIT performance of the various units concerned.

The historical actual attainment of the profit target for the members of Group Executive Management for the past five years is illustrated below:




The illustration shows that the design of the STB is structured effectively: In line with Valora's ambitious target-setting, substantial progress needs to be made to reach the target (100 %). It is also clear that the expected performance achievement of 100 % can only be exceeded with extraordinary performance.

**LTIP Plan achievement for 2019**
There was no LTIP vesting in 2019 considering that the first PSUs under the LTIP were granted in 2019 and will vest at the beginning of 2022. The vesting level of the PSU plan will be disclosed retroactively, starting with the Remuneration Report 2022.

The shares allocated under the Share Participation Program (SPP) in 2018 immediately vested in 2018 with no unvested shares from this plan outstanding.

In total as of December 31, 2019, the equity overhang, defined as the total number of share units (PSU) and blocked shares outstanding divided by the total number of outstanding shares (3 936 385 registered shares) amounts to [19 856] units, [0.50 %].

## 8 LOANS AND CREDITS

As of 31 December 2019 and 2018, there were no outstanding loans or credits to members of the Board of Directors or Group Executive Management or to related parties. Valora Holding AG does not grant any loans or credits and therefore does not have any regulations in its Articles of Incorporation on such matters.

## 9 SHAREHOLDINGS

As of 31 December 2019 and 2018, the individual members of the Board of Directors and Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

Valora carefully monitors the dilution of the share capital. As of 31 December 2019, the company's «burn rate», defined as the number of shares (657,358) and share units (4,815) granted in 2019 divided by the total number of shares outstanding was 16.80 %.

As of 31 December 2019, the members of the Board of Directors and Group Executive Management held a total of 657,358 registered shares (previous year 665,723) of Valora Holding AG, which equals 16.48 % (previous year 16.68 %) of the share capital:

*Table 5*

| | **2019 Number of shares** | **2019 Share of total voting rights in %** | **2019 of which subject to a blocking period** | 2018 Number of shares | 2018 Share of total voting rights in % | 2018 of which subject to a blocking period |
|---|---|---|---|---|---|---|
| *Board of Directors* | | | | | | |
| Franz Julen<br>Chairman | 3 462 | 0.09 | 1 172 | 3 067 | 0.08 | 958 |
| Markus Fiechter<br>Vice-Chairman and Chairman of Nomination and Compensation Committee | 2 500 | 0.06 | 541 | 3 290 | 0.08 | 587 |
| Ernst Peter Ditsch<br>Member | 635 599 | 15.93 | none | 635 599 | 15.93 | none |
| Cornelia Ritz Bossicard<br>Chair of Audit Committee | 1 090 | 0.03 | 391 | 956 | 0.02 | 438 |
| Michael Kliger<br>Member | 380 | 0.01 | 357 | 257 | 0.01 | 234 |
| Sascha Zahnd<br>Member | 123 | 0.00 | 123 | 0 | – | 0 |
| Insa Klasing<br>Member | 123 | 0.00 | 123 | 0 | – | 0 |
| **Total Board of Directors** | **643 277** | **16.12** | | **643 169** | **16.12** | |
| *Group Executive Management* | | | | | | |
| Michael Mueller<br>CEO | 11 826 | 0.30 | 8 872 | 13 028 | 0.33 | 11 930 |
| Tobias Knechtle<br>CFO until November 2019 | | | | 6 821 | 0.17 | 5 256 |
| Thomas Eisele<br>Head Food Service | 1 570 | 0.04 | 1 456 | 2 705 | 0.07 | 2 400 |
| Roger Vogt<br>Head Retail from January 2019 | 685 | 0.02 | 685 | 0 | – | 0 |
| **Total Group Executive Management** | **14 081** | **0.36** | | **22 554** | **0.57** | |
| **Total shares held by Board and GEM** | **657 358** | **16.48** | | **665 723** | **16.68** | |

# REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT OF VALORA HOLDING AG, MUTTENZ

## REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

We have audited the remuneration report of Valora Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 1 – 4 and section 8 on pages 91, 92, 93 and 96 of the remuneration report.

*Board of Directors' responsibility.* The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

*Auditor's responsibility.* Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance. An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance.The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

*Opinion.* In our opinion, the remuneration report for the year ended 31 December 2019 of Valora Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

| | |
|---|---|
| André Schaub<br>Licensed audit expert<br>(Auditor in charge) | Ina Braun<br>Licensed audit expert |

Basel, 18 February 2020