

# Corporate Governance Report

## Corporate Governance

The corporate governance report describes the main principles and regulations regarding the management and control of the Mikron Group and how these principles and regulations were established in detail by the company's senior management. The report is in compliance with the SIX Swiss Exchange guidelines last revised as of 1 January 2016 regarding information on corporate governance. Aspects of the SIX guidelines not covered in this report are either not applicable or irrelevant to the Mikron Group.

### Corporate structure

Based in Biel, Mikron Holding AG is organized as a holding company under Swiss law and directly or indirectly holds all Mikron companies worldwide. Mikron Holding AG is listed on SIX Swiss Exchange in Zurich (Security Symbol MIKN/ISIN CH0003390066) and on 31 December 2018 had a market capitalization of CHF 113.0 million. The Mikron Group is organized by business segments. For the purposes of reporting, two business segments and the Corporate Service organization have been identified.

The business segments are structured according to product and service type and encompass all the functions required by an independent company, such as sales, development, production, logistics and administration. The centralized special departments, such as Accounting and Controlling, Treasury, Corporate Communications and Corporate IT Services, are part of the Corporate Service, which supports the individual companies as well as the Board of Directors and Group Management in their management and control functions. Among other things, the Corporate Service reports the income and expenditure related to an industrial property that is not required for operations and is rented out to third parties.

The Mikron Group consists of 11 active companies worldwide. The corporate structure and the companies are listed on page 129 of the Annual Report. The Mikron Group's management structure is independent of its legal structure.

## Significant shareholders

The following table illustrates the shareholder structure of Mikron Holding AG. It also lists and names those shareholders who, as at 31 December 2018, hold 3% or more of the voting rights of Mikron Holding AG.

Shareholders	31.12.2018		31.12.2017	
	Number of shares of CHF 0.10 par value each		Number of shares of CHF 0.10 par value each	
Ammann Group Holding AG	6,958,335	41.6%	6,958,335	41.6%
Rudolf Maag	2,348,588	14.1%	2,348,588	14.1%
Veraison SICAV	1,199,048	7.2%	1,674,897	10.0%
Public shareholders	6,052,228	36.2%	5,605,169	33.5%
Board of Directors and Group Management	154,545	0.9%	125,755	0.8%
<b>Total</b>	<b>16,712,744</b>	<b>100.0%</b>	<b>16,712,744</b>	<b>100.0%</b>

Further information on the corporate structure is given on page 129. Changes in significant shareholdings since 1 January 2018 have been communicated to SIX Stock Exchange in accordance with regulations and published on the following website:

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

## Cross-shareholdings

There are no cross-shareholdings consisting of either capital or voting rights.

## Capital structure

### The Mikron Group's capital as at 31 December 2018

	Registered shares	Par value in CHF	Total in CHF
Ordinary capital	16,712,744	0.10	1,671,274.40

### Changes in capital over the last three years

		Number of shares	Par value in CHF	Ordinary capital in CHF
2016	As at 1 January	16,712,744	0.10	1,671,274.40
	Change	0	0.10	0.00
	As at 31 December	16,712,744	0.10	1,671,274.40
2017	As at 1 January	16,712,744	0.10	1,671,274.40
	Change	0	0.10	0.00
	As at 31 December	16,712,744	0.10	1,671,274.40
2018	As at 1 January	16,712,744	0.10	1,671,274.40
	Change	0	0.10	0.00
	As at 31 December	16,712,744	0.10	1,671,274.40

## **Shares**

The issued registered shares are fully paid in. Each registered share carries one vote at Mikron Holding AG's Annual General Meetings. Voting rights may be exercised only after the shareholder has been entered as a shareholder with voting rights in Mikron Holding AG's share register. All shares have equal dividend rights.

## **Participation and dividend right certificates**

Mikron Holding AG has issued neither participation certificates nor dividend right certificates.

## **Limits on transferability and nominee registrations**

Persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the said shares in their own name and for their own account.

Nominees shall be entered in the share register with voting rights without further inquiry up to a maximum of 3% of the outstanding share capital available at the time. Above this limit, registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question at the application for registration or thereafter upon request by the Company makes known the names, addresses and shareholdings of the persons for whose account he or she is holding 0.3% or more of the outstanding share capital available at the time. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with intent to evade the entry restriction are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the regulations in the Articles of Association. After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were made on the basis of false information or if the respective person does not provide the requested information.

## **Convertible bonds and options**

There are no convertible bonds or options outstanding.

## **Board of Directors**

### **Members of the Board of Directors**

The company's Board of Directors consists of five members. None of them maintains a significant business relationship with the Group.

The following table provides information on each of the members of the Board of Directors as at 31 December 2018:



**Heinrich Spoerry**  
lic. oec., MBA.  
Swiss, born in 1951.  
Chairman, non-executive.  
First elected 2001,  
elected until 2019.

From 1987 to 1995 Heinrich Spoerry was a member of the Executive Board of Staefa Control Systems AG. From 1996 to 1998, he held a seat on the Executive Board at Cerberus AG, a subsidiary company of Staefa Control. Heinrich Spoerry then became Chairman of the Board of Directors and CEO (until 31 December 2015) of the SFS Group in Heerbrugg. He currently serves as chairman. He is a member of the Board of Directors of Bucher Industries AG and of Frutiger AG. Heinrich Spoerry has been a member of Mikron's Board of Directors since 2001 and its Chairman since 2010.



**Eduard Rikli**  
Dipl. Ing. ETH,  
Dr. sc. tech. ETH.  
Swiss, born in 1951.  
Vice-Chairman,  
non-executive.  
First elected 2010,  
elected until 2019.

After many years in various managerial positions at the Sulzer Group, Eduard Rikli – as a member of the Executive Board – headed the Sulzer Services and Equipment division from 2000 to 2001 and the Sulzer Metco division from 2001 to 2003. He was CEO of Mikron from 2004 to 2009. In 2010, Eduard Rikli was appointed to the Board of Directors and was elected Vice-Chairman. He is Chairman of the Board of Directors of Brüttsch/Ruegger and is also a member of the Board of Directors of a number of SMEs. Eduard Rikli also sits on the Board of Trustees of Technopark Zurich and Technorama.



**Patrick Kilchmann**  
Dipl. phys. ETH,  
lic. oec. HSG.  
Swiss, born in 1958.  
Member, non-executive.  
First elected 2011,  
elected until 2019.

Patrick Kilchmann was a member of the Executive Board of Sulzer AG, Winterthur from 1999 to 2002. Since 2002 Patrick Kilchmann has held several management positions, most recently Head of Group Services and member of the Executive Board of the Ammann Group, Langenthal. He chairs the Board of Directors of Ammobilien AG, Langenthal and is a member of the Board of Directors of Transmission Technology Holding AG, Zug, selfrag AG, Kerzers and Landert Motoren AG, Bülach.



**Andreas Casutt**  
Dr. iur., LL.M.  
Swiss, born in 1963.  
Member, non-executive.  
First elected 2013,  
elected until 2019.

Andreas Casutt joined the law firm Niederer Kraft Frey AG in Zurich in 1993 and was made a partner in 2002. He served as the firm's managing partner from 2006 to 2014. His practice focuses on corporate law, contract law, mergers & acquisitions and stock exchange law. Andreas Casutt studied law and received his Ph.D. from the University of Zurich (Switzerland) and completed an LL.M. program at the University of Michigan, Ann Arbor (USA). He is Chairman of the Board of Directors of Siegfried Holding AG as well as various privately held companies including maxon motor ag and Bendura Bank AG.



**Hans-Michael Hauser**  
MSc Physics, MSc Mathematics, Engineer, MBA.  
German, born in 1970.  
Member, non-executive.  
First elected 2016,  
elected until 2019.

Hans-Michael Hauser worked for the Boston Consulting Group (BCG) as Partner and Managing Director in Munich and Zurich from 1995 to 2015. In this function he was responsible for establishing and expanding BCG's consultancy business in the industrial and technology segment amongst other tasks. Since 2015, he has been helping companies to develop and launch digital business models through ML Insights AG, the company he founded himself. Furthermore, he is a member of the Board of Directors of Meyer Burger Technology AG, Chairman of the Board of privately held Q Point AG, Langenthal and Member of the Board of a number of SMEs.



**Paul Zumbühl**  
Dipl. Ing., MBA, AMP.  
Swiss, born in 1957.  
Member, non-executive.  
First elected 2018,  
elected until 2019.

From 1988 to 1994 Paul Zumbühl held several management positions and was Managing Director of Sarna Group, Switzerland. From 1994 until end of 1999 he was Head of the Mikron Plastics Technology division and a member of Group Management of the Mikron Group. He has been CEO of the Interroll Worldwide Group since January 2000. Paul Zumbühl is also Chairman of the Board of Directors of Schlatter Industries AG, Schlieren/Zurich.

### **Elections and terms of office**

Pursuant to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members. The term of office shall correspond to the legally permitted maximum term of one year and shall last until the end of the next ordinary General Meeting. Re-election is possible provided the relevant member has not reached the age of 70.

If the office of the Chairman of the Board of Directors is vacant, the Remuneration Committee is not complete, or the Company does not have an Independent Proxy, the Board of Directors shall appoint a substitute for the period until the conclusion of the next ordinary General Meeting who – with the exception of the Independent Proxy – must be a member of the Board of Directors.

### **Duties**

The duties of Mikron Holding AG's Board of Directors are defined in the Swiss Code of Obligations, the Articles of Association ([www.mikron.com/aoa](http://www.mikron.com/aoa)) and the Organizational Rules. The procedures of the committees are also set out in the Organizational Rules. The Organizational Rules are reviewed annually after the Annual General Meeting.

The Board of Directors is entrusted with the ultimate direction of the Company as well as the supervision of the Management. It represents the Company towards third parties and attends to all matters which are not delegated to or reserved for another corporate body of the Company under the law, the Articles of Association or the regulations. It issues guidelines on corporate policy and keeps itself informed about the course of business.

The Board of Directors has the following non-transferable and irrevocable duties:

- To ultimately direct the Group and issue the necessary directives; namely, to develop the Group's strategic objectives and determine the means of achieving these objectives, to set out the business policy, establishment, acquisition, disposal and liquidation of subsidiaries, mergers and de-mergers
- To determine the Group's organizational structure and to approve the Code of Business Conduct
- To organize the accounting, the internal control system (ICS), the financial control and the financial planning as well as to perform a risk assessment
- To appoint and recall persons entrusted with the management and representation of the Company and to grant signatory powers
- To ultimately supervise the persons entrusted with the management of the Group, in particular with respect to compliance with the law, the Articles of Association, and other regulations and directives
- To prepare the business report as well as the General Meeting and to implement the latter's resolutions
- To prepare the compensation report
- To inform the judge in the event of over-indebtedness
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares
- To pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby
- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the auditors
- To execute agreements pursuant to Art. 12, 36 and 70 of the Merger Act.

In addition, the Board of Directors is assigned the following significant duties and competencies under the Organizational Rules:

- Decisions on the annual budget and the mid-term planning
- Decisions concerning the purchase and sale of land and real estate for sums in excess of CHF 3 million, as well as rental agreements involving an obligation of CHF 3 million until the first opportunity to terminate
- Decisions on sureties and pledges of more than CHF 5 million
- Decisions on restructuring of subsidiaries with expected costs, subordination or write-off of loans exceeding CHF 1 million
- Decisions on investments/disposals of production and IT equipment of more than CHF 2 million if budgeted and CHF 1 million if not budgeted
- Decisions on internal developments of more than CHF 2 million
- Granting of loans to corporate bodies, employees and third parties of more than CHF 0.25 million in any individual instance

The duties of the three committees of the Board of Directors are described in more detail in the appropriate sections below.

The Board of Directors delegates all management duties to Group Management to the extent permitted by law and by the Articles of Association. The Organizational Rules contain details related to the delegation of competencies.

### **Procedures**

The Board of Directors convenes as often as business requires but at least once every quarter. During the 2018 business year, the Board held six meetings as well as one teleconference. The physical meetings lasted between three and nine hours, and the teleconference about one hour. The meetings of the Board of Directors in the year under review were attended by all members.

Approval of the annual financial statements and preparation for the Annual General Meeting normally take place at the first meeting of the year, while the budget and – if applicable – the updated mid-term planning are approved at the final meeting of the year.

The members of Group Management attended all physical meetings.

The members of the Board of Directors generally receive documentation five working days prior to meetings, allowing them to be properly prepared to discuss the items on the agenda.

The Board of Directors is deemed quorate when an absolute majority of its members is present. Participation via tele/videoconference is regarded as being present. For resolutions concerning confirmation of the successful completion of a capital increase and any ensuing amendment to the Articles of Association, the Board of Directors is deemed quorate when only one member is present.

The Board of Directors adopts resolutions and conducts elections based upon a majority of the votes cast, irrespective of abstentions. In the event of a tie, the Chairman has the casting vote. At the Chairman's request or, in his absence, that of the Vice-Chairman, resolutions of the Board of Directors may also be adopted by circular in the form of a letter, fax or e-mail, unless any member requests that the matter be discussed at a meeting.

## **Committees**

Three committees were set up to support the Board of Directors: the Audit Committee, the Remuneration Committee and the Innovation Committee. The committees meet regularly and are required to prepare minutes of their meetings and recommendations for perusal at the regular meetings of the Board of Directors. The committees notify the full Board of Directors of urgent matters immediately.

### **Audit Committee**

The Audit Committee assists the Board of Directors in its overall supervisory role, specifically with regard to the completeness of financial statements, compliance with statutory provisions, evaluating the qualifications of the external auditors and the performance of internal and external auditors.

In particular, the Audit Committee shall conduct the following activities:

- To maintain a comprehensive and efficient audit concept and internal control system (ICS) for Mikron Holding AG and the Mikron Group
- To rate the external and internal auditors in terms of their independence, qualifications and (mandate-related) experience of their employees and to make a proposal to the Board of Directors regarding the election of external and internal auditors
- To assess the systems and scope of the audit approach, as well as the content, clarity and timely completion of reports
- To approve the key audit areas, to review the audit results, to supervise the rectification of any weaknesses identified
- To approve the budget for the external and internal audit activities and non-audit related services of the external auditor exceeding CHF 0.1 million annually
- To monitor compliance with the accounting principles and financial control mechanisms and to regularly examine the Group's risk matrix; to implement measures decided in relation to key risks
- To evaluate and submit proposals to the Board of Directors regarding the approval of the annual and semi-annual reports of Mikron Holding AG and the Mikron Group.

The Audit Committee's decisions are subject to approval by the full Board of Directors.

The members of the Audit Committee in the year under review were the Board members Andreas Casutt (Chairman) and Eduard Rikli. The Audit Committee meets two to five times each year. Three meetings were held in the 2018 business year, each lasting one to five hours. All members attended the meetings. The Chairman as well as the CFO and CEO (if needed) on behalf of Group Management attended the meetings in a consultative capacity. Representatives of the internal auditors and of the external auditors were invited to the meetings as required. The external auditors were partially present at two meetings.

At its first meeting of the year, the Audit Committee normally assesses the annual financial statements in the presence of the external auditors. The summer meeting usually approves the external auditors' audit plan and assesses internal audit reports. At its autumn meeting, if not postponed to the next meeting, the Committee is above all informed of the status of the internal control system (ICS) and the internal audit plan for the following year. The December meeting focuses on discussing the interim reports of the external auditors as well as the risk matrix and the upcoming year-end close.

### **Remuneration Committee**

The General Meeting elects individually at least two but no more than four members of the Board of Directors as members of the Remuneration Committee. The term of office of the members of the Remuneration Committee shall be one year and shall end at the next ordinary General Meeting. Re-election is possible.

Subject to and within the scope of the overall compensation approved by the General Meeting, the Remuneration Committee proposes to the Board of Directors the remuneration of its members and proposes or determines the remuneration of the members of Group Management, both as set out below.

The Remuneration Committee has the following duties:

- To submit proposals to the Board of Directors regarding the compensation scheme of the Mikron Group and to issue corresponding regulations (details are given on pages 74 to 77)
- To propose to the full Board of Directors targets for Group Management
- To submit proposals to the full Board of Directors regarding the approval of the individual compensation of the Chairman of the Board of Directors, the other members of the Board of Directors as well as the maximum individual aggregate compensation of the CEO
- To determine, subject to and within the scope of the overall compensation approved by the General Meeting, the individual compensation (fixed, variable and long-term compensation) of the other members of the Executive Management as well as their further terms of employment and titles
- To propose to the full Board of Directors amendments to the Articles of Association with respect to the compensation scheme for members of Group Management.

The members of the Remuneration Committee in the year under review were the Board members Patrick Kilchmann (Chairman) and Andreas Casutt. The Remuneration Committee meets one to five times each year, usually in December and after the results for the financial year have been prepared. Three meetings were held in the 2018 business year and were attended by both members. The meetings lasted about two hours. The members of Group Management may be invited but have no right of participation or co-determination on this Committee.

### **Innovation Committee**

The Innovation Committee reviews planned and ongoing strategic projects at divisional or group level that aim at modifications or extension of the product offering. In this regard, the committee supports the Board of Directors in its task to focus in a timely manner on the decisive entrepreneurial and technical aspects. The Innovation Committee acts as a review board and provides the Management of Mikron Group with specific advice.

The members of the Innovation Committee in the year under review were the Board Members Heinrich Spoerry, Hans-Michael Hauser and Eduard Rikli (Chairman). The Innovation Committee meets at least twice each year. Two meetings were held in the 2018 business year, each lasting three to five hours. All members attended the meetings. The CEO was present at all the meetings, supported by selected members of his and the divisional staff teams.

### **Information and control instruments vis-à-vis Group Management**

The following measures ensure that the Board of Directors has sufficient information for an adequate decision-making process:

- Income statement and financial key performance indicators are reported on a monthly basis, while full financial statements (income statement, balance sheet and cash flow statement) are prepared quarterly. These figures are consolidated at Group, business segment and legal entity level. They are compared against the prior-year figures, the monthly budget and the forecast, which is revised on a quarterly basis, then sent to the Board of Directors following discussion within Group Management.
- Within the same structure, a mid-term plan spanning three years is prepared every two to three years in addition to the budget and both are presented to the Board of Directors for approval.
- Each month, the heads of the three divisions report to the CEO and CFO at the business review meeting on the operating performance, the status of sales activities and the progress on plans to increase profits and implement strategy. These reports are presented in summary form at meetings of the Board of Directors.
- By request, other managers from outside Group Management and external consultants will attend meetings of the Board of Directors and Group Management to report on their areas of responsibility or special projects.
- Between the meetings of the Board of Directors, internal and external reports are submitted in advance to the Board of Directors.
- A risk matrix is drawn up in the divisions based on a Group template and updated at least once a year. It quantifies risks based on their likelihood of occurrence and the potential impact on the Group's EBIT. A consolidated matrix is reported to the Board of Directors once a year. It notes the report and approves control measures in relation to the key risks. The operational risks are normally discussed once a month at Group Management meetings. Group Management reports major emerging risks to the Chairman of the Board of Directors immediately.
- The Audit Committee meets regularly with the CFO, the external auditors and the internal auditors. It coordinates the work of the auditors and receives their reports as well as those of the CFO. Ernst & Young has been given a mandate to perform the internal audit function and is supported in executing the audits by Group Finance & Controlling.
- Group Management attends the meetings of the Board of Directors.
- The Chairman of the Board of Directors periodically attends Group Management meetings and holds discussions with the individual members of Group Management.

Group Management must notify the Chairman of the Board of Directors immediately when significant unanticipated developments occur. The members of the Board of Directors may request additional information from members of Group Management.

Once a year, the Board of Directors assesses the performance of its own members, its committees, its Chairman and Group Management, and approves the targets for the next year.

## Group Management

### Management philosophy

The Mikron Group delegates entrepreneurial responsibility to the lowest possible level. The management structure is based on decentralized responsibility and rapid decision-making channels close to each of the local markets.

### Management structure

The Board of Directors delegates the task of operational management to the members of Group Management. Group Management comprises the CEO, the CFO and the segment head Automation.

The Group's Organizational Rules set out the rights and duties of the Board of Directors and Group Management and describe in detail how these cooperate.

### Group Management

Group Management is responsible for the management of the Group insofar as this task has not been assigned under the law, the Articles of Association or the Organizational Rules to any other corporate body.

It prepares the strategy, the long-term and mid-term targets and the management guidelines for the Mikron Group before submitting them to the Board of Directors for discussion and approval.

Group Management regularly reports to the Board of Directors on current business developments, anticipated opportunities and risks, as well as changes at lower management levels. (See "Information and control instruments vis-à-vis Group Management.")

### Chief Executive Officer (CEO)

The CEO is the Chairman of Group Management and responsible for the executive management of the Mikron Group.

Furthermore, the CEO submits proposals to the Board of Directors for its decision on the annual budget (consolidated and for the holding company), individual key matters that exceed a certain financial scale (see "Duties of the Board of Directors") as well as separate and consolidated financial statements.

The CEO assists the Chairman of the Board of Directors to prepare the meetings of the Board of Directors. He is responsible for ensuring that meetings are minuted.

The CEO establishes and monitors profitability targets and submits to the Remuneration Committee proposals concerning the compensation of the members of Group Management.

### Chief Financial Officer (CFO)

The CFO reviews compliance with the Articles of Association, the Organizational Rules and the signatory authority rules and proposes amendments to the CEO or the Board of Directors should they become necessary.

The CFO manages the Group's strategic planning process, as well as its mid-term planning, budgeting and forecasting process, and is responsible for internal and external financial reporting.

He heads Group Treasury and Corporate Communication and leads M&A activities, corporate finance projects and the Group's risk management.

The Group's IT function reports to the CFO.

### Business segment heads

The business segment heads manage their respective business in accordance with the Organizational Rules, as well as the budget and strategy approved by the Board of Directors. They are responsible for ensuring that their business segment achieves its operational and strategic targets. Purchasing, Production and Sales are organized along segmental lines and report to the business segment heads.

The following table provides information on each of the members of Group Management as at 31 December 2018:



**Bruno Cathomen**  
Dipl. Ing. ETH  
Swiss, born in 1967  
CEO, Head of Mikron  
Machining Solutions  
Joined 2009

Bruno Cathomen assumed the office of the CEO of Mikron Group with effect from 1 October 2011, in addition to heading the business segment Mikron Machining Solutions since October 2009. He spent the eight years before he joined Mikron with Elcoteq Network Corporation, most recently as Vice-President of Communications Networks. Prior to this he held a number of posts at ABB. Bruno Cathomen is a member of the Swissmem specialist group "Machine tools and manufacturing technology" and a delegate of Swissmem at the European association CECIMO. He also sits on the Board of Trustees of the sfb Bildungszentrum für Technologie und Management.



**Rolf Rihs**  
Dipl. Ing. ETH  
Swiss, born in 1963  
Head of Mikron Automation  
Joined 2002

Rolf Rihs took over as head of the Mikron Automation business segment in mid-2002, prior to which he worked for the Sulzer Group for eight years in various regions and functions. He was previously a consultant at Helbling Management Consulting working on numerous projects for well-known Swiss companies. Rolf Rihs is a member of the Swissmem specialist group "Assembly and factory automation".



**Javier Perez Freije**  
Dr. oec., dipl. Wirt. Ing.  
Spanish, born in 1975  
Joined 2018

Javier Perez Freije joined the Mikron Group as its Chief Financial Officer in mid-2018. His previous positions include Head of Controlling for a division of the Swiss industrial group Rieter, CFO of the American business unit of the Swiss automotive supplier Autoneum, and most recently CFO of Netstal-Maschinen AG.

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### Management contracts

There are no management contracts.

## Compensations

### Basic principles

The basic principles of the compensation policy are stated in the Articles of Association.

The members of the Board of Directors receive a fixed basic fee and a lump sum compensation for expenses that are determined by the full Board of Directors based on the proposal of the Remuneration Committee and subject to and within the limits of the aggregate amounts approved by the General Meeting.

The members of the Board of Directors providing consulting services to the Company or other group companies in a function other than as members of the Board of Directors may be compensated in cash at standard market rates, subject to approval by the General Meeting.

The members of Group Management receive a fixed compensation, a lump sum for expenses as well as a short-term incentive bonus in cash, which amounts for the CEO to a maximum of 100% and for the remaining members of Group Management to a maximum of 75% of the fixed compensation dependent on the achievement of qualitative or quantitative targets. The financial targets are based on order intake, net sales, EBIT and cash flow of the business segments or the Group (CEO and CFO). The targets are defined by the Board of Directors at the beginning of the performance period on an annual basis. In extraordinary circumstances, the targets may be modified within the period at the discretion of the Board of Directors or the Remuneration Committee.

An additional variable compensation in the form of shares in the Company may be provided to the members of Group Management in the context of the long-term incentive plan. The number of shares is determined based on the achievement level of the targets set out in the mid-term plan. The shares are transferred to the member after approval by the General Meeting and are blocked for a period of at least three years.

Expenses that are not covered by the lump sum compensation for expenses pursuant to the expense regulations of the Company are reimbursed against presentation of the relevant receipts. This additional compensation for expenses actually incurred does not need to be approved by the General Meeting. Furthermore, members of Group Management are provided with company vehicles which may also be used for private travel.

No additional compensation shall be awarded for activities in companies that are directly or indirectly controlled by Mikron Holding AG.

No loans may be granted to members of governing bodies.

Individuals have no right to say when the Remuneration Committee and/or the Board of Directors are to address the matter of their compensation.

Further information on the compensation paid to members of the Board of Directors and Group Management can be found in the Compensation Report on pages 74 to 77.

### **Additional amount of compensation for new members of Group Management**

With respect to any member joining Group Management or being promoted within Group Management during the period for which the General Meeting has already approved the overall compensation of Group Management, the Company and its subsidiaries are entitled to pay an additional amount of compensation for that period provided that the approved aggregate compensation does not prove sufficient. The General Meeting does not vote on this additional amount.

The additional amount of compensation may not surpass CHF 1,000,000 for all new members during each compensation period.

Within this additional amount of compensation, the Company can award a joining bonus to compensate a new member of the Executive Management for disadvantages in connection with the change of employment. If the additional amount of compensation is not sufficient to compensate for the disadvantages, the exceeding portion of the joining bonus must be approved by the next ordinary General Meeting.

### **Resolutions**

Each year, the General Meeting votes separately on the proposals of the Board of Directors regarding the aggregate amounts of:

1. the compensation of the Board of Directors for the term of office until the next ordinary General Meeting;
2. an additional compensation of the Board of Directors for the preceding business year;
3. the maximum overall compensation of Group Management (fixed and performance-based components) that may be paid in the subsequent business year;
4. the allocation of a number of shares to the members of Group Management for the subsequent business year as per the long-term incentive plan;
5. possible additional compensation payable to the members of Group Management for the preceding business year.

The Board of Directors may submit proposals to be approved by the General Meeting regarding (i) compensation or compensation components for other periods and/or (ii) additional amounts for certain compensation components.

If the General Meeting does not approve the proposed aggregate amount, the Board of Directors may make a new proposal at the same General Meeting. If the Board of Directors does not make a new proposal, it may either convene a new General Meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next ordinary General Meeting.

The General Meeting may cast an advisory vote on the compensation report issued by the Board of Directors.

## Permitted additional activities

The members of the Board of Directors may perform the following additional functions in the superior management or administrative bodies of legal units obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof and which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Mikron Group:

1. up to 5 mandates as member of the Board of Directors or of any other superior management or administrative body of publicly traded companies pursuant to Art. 727 para. 1 section 1 CO; and, in addition,
2. up to 10 mandates as member of the Board of Directors or any other superior management or administrative body of companies pursuant to Art. 727 para. 1 number 2 CO; and, in addition,
3. up to 20 mandates as member of the Board of Directors or any other superior management or administrative body of legal entities that do not meet the above-mentioned criteria.

Subject to the approval of the Chairman of the Board of Directors, the members of Group Management may perform the following additional functions in the superior management or administrative bodies of legal entities which are required to be entered in a Swiss commercial register or a foreign equivalent thereof and which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Mikron Group:

1. up to 2 mandates as member of the Board of Directors or any other superior management or administrative body of publicly traded companies pursuant to Art. 727 para. 1 section 1 CO; and
2. up to 3 mandates as member of the Board of Directors or any other superior management or administrative body of companies pursuant to Art. 727 para. 1 number 2 CO; and
3. up to 5 mandates as member of the Board of Directors or any other superior management or administrative body of other legal entities that do not meet the above-mentioned criteria.

With respect to the additional activities of both the members of the Board of Directors and of Group Management, mandates in legal entities that are under uniform control or have the same beneficial owner(s) are deemed one mandate.

## Shareholders' participation rights

### Shareholder legitimacy

Those persons entered in Mikron Holding AG's share register may exercise the voting rights attached to their registered shares.

The Board of Directors keeps a record of the entries in a share register containing the names and addresses of the shareholders and beneficiaries.

The Board of Directors is entitled to refuse or reverse entry in the share register if the applicant supplies false information regarding his or her person or his or her entitlement to the shares or if, when acting in a fiduciary capacity, he or she supplies no information or false information regarding the person of the trustor.

### Shareholders' rights

Each registered share carries one vote at the Annual General Meeting. There are no shares affording preferential voting rights.

### **Voting-right restrictions and representation**

Mikron does not impose any voting-right restrictions, except for nominees (see page 56).

Shareholders who are unable to attend the Annual General Meeting in person may appoint the independent proxy or someone else as their proxy by giving him/her written authorization to represent them. Shareholders have the option of appointing the independent proxy online until two days before the General Meeting. The Board of Directors determines the requirements regarding proxies and voting instructions.

### **Convocation of the Annual General Meeting and agenda**

Notice of the General Meeting is given by publication in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting as well as by post or e-mail if the address of the shareholders is recorded in the share register. The notice states the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the General Meeting or that an item be included on the agenda. The notice in the Swiss Official Gazette of Commerce shall state at least the day, time and location and also where the agenda and items can be inspected.

One or more registered shareholders that individually or jointly represent ten percent of the registered share capital of the Company may request the Board of Directors to place items on the agenda. Such requests must be submitted to the Chairman of the Board of Directors at least 45 days before the date of the General Meeting and shall be in writing, specifying the items and the proposals.

### **Entries in the share register**

For three days before the Annual General Meeting, up to and including the day of the General Meeting, no entries will be made in the share register.

### **Quorums at the Annual General Meeting**

The Annual General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented unless the law or the Articles of Association ([www.mikron.com/aoa](http://www.mikron.com/aoa)) specify otherwise. Abstentions, empty votes or invalid votes will not be taken into account for the calculation of the required majority.

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

### **Duty to make an offer**

The legal provisions according to Art. 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA) apply. Therefore, any party whose voting rights exceed the 33.33% limit, directly, indirectly or as a result of an agreement with third parties, is obliged to make a public purchase offer.

### **Clauses on changes of control**

There are no clauses on changes of control in favour of the members of the Board of Directors, Group Management or other employees.

## Auditors

The auditors conduct their audit in accordance with Swiss law and Swiss auditing standards.

The Annual General Meeting elects the auditors for one year at a time.

Since 2004, PricewaterhouseCoopers AG, Berne has held the auditing mandate at Mikron Holding AG, its companies and the Mikron Group. Since the 2015 business year, Norbert Kühnis, as lead auditor, has been responsible for the mandate.

### Auditing fees and additional fees

In the 2018 business year, fees of CHF 341,000 for services rendered by PwC in connection with auditing the 2018 annual financial statements and the compensation report of Mikron Holding AG and its subsidiaries and the consolidated financial statements of the Mikron Group were expensed.

The fee budget for the external auditors is assessed by the Audit Committee and based on empirical figures from the previous year, comparisons with similar listed companies and the audit scope considered necessary by the auditors.

Additional fees of CHF 12,000 were paid to the auditors in the year under review for non-audit-related services (tax consulting).

### Supervisory and control instruments pertaining to the audit

The Audit Committee of the Board of Directors takes note of the audit plan and approves the key audit areas for the current year. The Audit Committee is notified in writing of the results of the interim audits. The external auditors inform the Audit Committee and the Board of Directors verbally and in writing of their work and the results of the audit of the annual financial statements.

Group Management informs the Audit Committee of planned "non-audit" services to be provided by the auditors. The Audit Committee approves individual "non-audit" services exceeding CHF 100,000 annually. The auditors may only provide "non-audit" services if the financial scope or content involved does not affect their independence.

To ensure independence, the lead auditor is replaced every seven years, which last occurred in 2015.

For further information regarding supervisory and control instruments, please see the chapter entitled "Audit Committee" on page 60.

## Information policy

Mikron Holding AG pursues a contemporary and transparent information policy for the public and the financial markets, with all interest groups being treated equally.

### Key dates

End of the business year	31 December 2018
Announcement of the annual results/Publication of the Annual Report	20 March 2019
Annual Media and Analyst Conference	20 March 2019
Annual General Meeting	25 April 2019
End of the first six months of the business year	30 June 2019
Announcement of the semi-annual results	25 July 2019

The dates are also published on the Mikron Group's website at [www.mikron.com/calendar](http://www.mikron.com/calendar). Corresponding notices for the Annual General Meeting are also placed in the Swiss Official Gazette of Commerce. Visitors to the website can view the current share price, the Annual Report and all press releases, and subscribe to receive news updates and press releases free of charge (push and pull links).

In addition to publishing its financial results, the Mikron Group keeps the public abreast of current changes and developments. Mikron Holding AG publishes information on events relevant to the share price in accordance with SIX Swiss Exchange regulations regarding ad hoc publicity.

At the Annual General Meeting, the Board of Directors and Group Management report on the financial statements and the business trend and answer shareholders' questions.

Should you have any questions, please contact Corporate Communications by telephone (+41 (0)91 610 62 09) or e-mail ([ir.mho@mikron.com](mailto:ir.mho@mikron.com)).