# CORPORATE GOVERNANCE/ COMPENSATION REPORT

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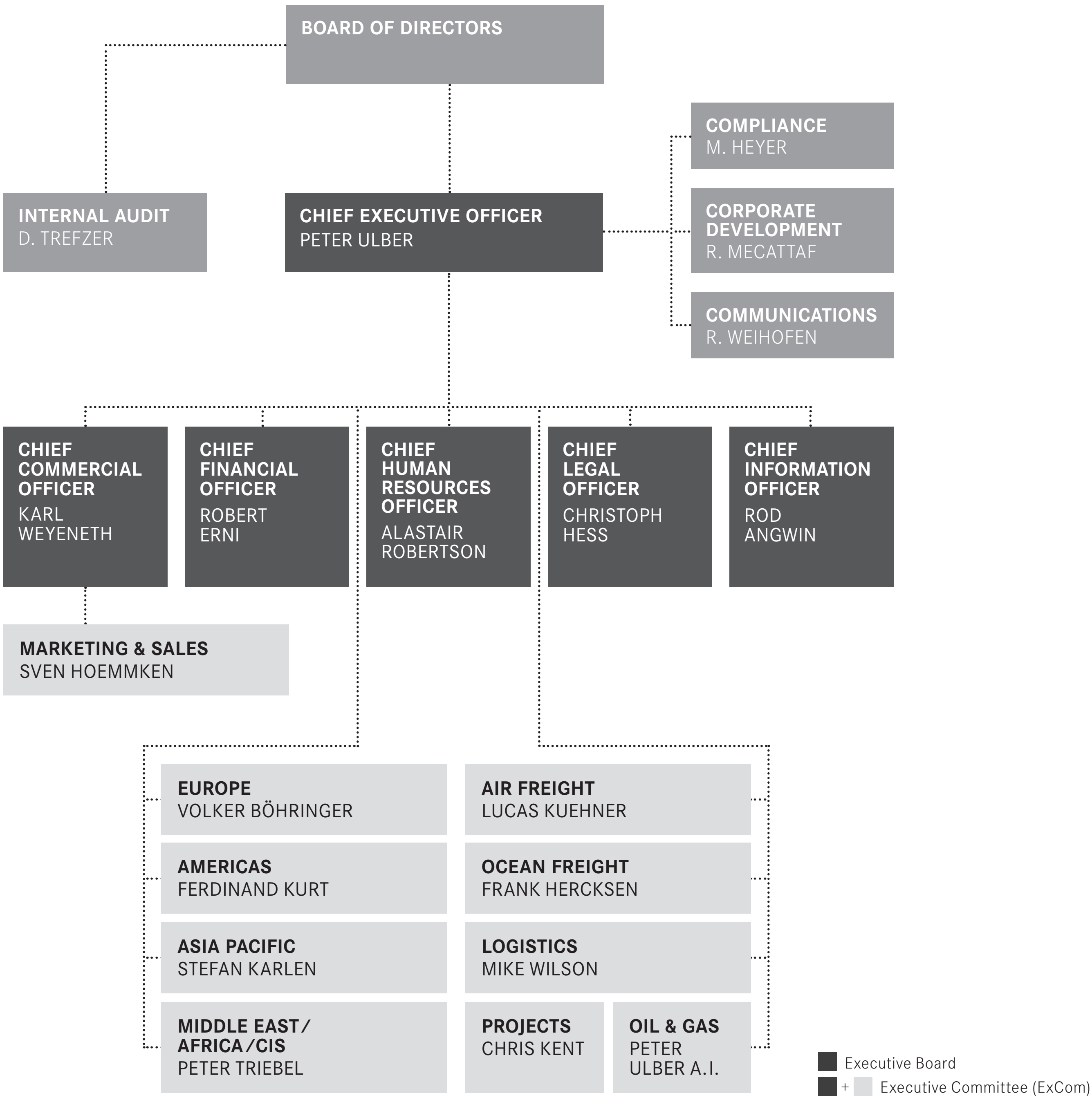
# CORPORATE GOVERNANCE

Panalpina is committed to a transparent management structure that is governed by international principles. This Corporate Governance Report complies with the Directive of the SIX Swiss Exchange and therefore provides investors with the corresponding key information.

## GROUP MANAGEMENT STRUCTURE



# 1 GROUP STRUCTURE AND SHAREHOLDERS

## 1.1 GROUP STRUCTURE

### 1.1.1 Operational group structure

Panalpina's business activities are primarily regionally oriented. As per Q4 2013 the operating structure is divided into the following four regional segments:
- Americas (North, Central and South America)
- Asia Pacific
- Europe
- MEAC (Middle East, Africa and CIS)

Secondary, the business activities are subdivided into the following business segments:
- Air Freight
- Ocean Freight
- Logistics (value-added services, distribution solutions)

Supplementary information can be taken from the segmental reporting section of the Consolidated Financial Statements (pages 63–140).

### 1.1.2 Listed companies within the scope of consolidation

Panalpina World Transport (Holding) Ltd. (PWT), the ultimate holding company of the Panalpina Group, is the only listed company within the scope of consolidation. PWT has its registered office in Basel, Switzerland. The PWT shares are exclusively listed on the SIX Swiss Exchange. The market capitalization on the closing date amounted to CHF 3.55 billion (23,750,000 registered shares at CHF 149.50 per share).

The PWT shares are traded under Valor no. 216808, ISIN CH0002168083, symbol PWTN.

### 1.1.3 Nonlisted companies within the scope of consolidation

The main subsidiaries and associated companies are disclosed in the Consolidated Financial Statements (pages 63–140) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

## 1.2 SIGNIFICANT SHAREHOLDERS

On December 31, 2013, the Ernst Göhner Foundation, Zug, Switzerland, is the main shareholder of PWT, with an equity participation of 45.9%.

Cevian Capital II Master Fund LP held a share capital of 12.3% on closing date. Other significant shareholders according to their most recent disclosure notices are Artisan Partners Limited Partnership (≥5%%) and Janus Capital Group (≥3%). During the reporting year the following disclosure notices (listed by shareholders and transaction date) were filed on the SIX online publication platform:

**Artisan Partners**

| | |
|---|---|
| 4 Mar 2013 | increase of share ownership to 10.00 % |
| 5 Mar 2013 | decrease of share ownership to 9.99 % |
| 12 Mar 2013 | increase of share ownership to 10.05% |
| 8 Aug 2013 | decrease of share ownership to 9.99% |
| 10 Sep 2013 | increase of share ownership to 10.08% |
| 20 Sep 2013 | decrease of share ownership to 9.93% |

**Bestinver Gestion, S.A. SGIIC**

| | |
|---|---|
| 8 Aug 2013 | decrease of share ownership to 4.90% |
| 1 Nov 2013 | decrease of share ownership to below 3% |

**Janus Capital Group**

| | |
|---|---|
| 1 Nov 2013 | increase of share ownership to 3.01% |

### 1.3 CROSS-SHAREHOLDINGS
No cross-shareholdings exist between PWT and any other company.

## 2 CAPITAL STRUCTURE

### 2.1 CAPITAL
On the closing date, the ordinary share capital of PWT amounted to CHF 2,375,000 and is divided into 23,750,000 registered shares, with a nominal value of CHF 0.10 each.

### 2.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL
The extraordinary Shareholders' Meeting of PWT held on August 23, 2005 agreed with the Board of Directors' proposal to create an authorized share capital up to a maximum aggregate amount of CHF 6,000,000 by issuing a maximum of 3,000,000 registered shares with a nominal value of CHF 2.00 each. At the Shareholders' Meeting of May 10, 2011 the authorized share capital was renewed at the same value until May 2013. At the Shareholders' Meeting of May 8, 2012, the authorized share capital was reduced in conjunction with the reduction of the share capital (see section 2.3 below) to a maximum aggregate amount of CHF 300,000 by issuing a maximum of 3,000,000 registered shares with a nominal value of CHF 0.10 each. At the Shareholders' Meeting of May 15, 2013, the authorized share capital was renewed at the same value until May 12, 2015.

The Board of Directors is authorized to exclude the preemptive rights of shareholders and to convey them to third parties, provided that such new shares are to be used for the takeover of entire enterprises, divisions or assets of enterprises or participations or for the financing of such transactions. The Board of Directors has not yet made use of this authorization.

No decision has been made regarding the creation of conditional capital.

### 2.3 CHANGE IN CAPITAL OVER THE PAST THREE YEARS
At the Annual General Meeting of May 8, 2012, the share capital was reduced from CHF 50,000,000 to CHF 2,375,000 by way of cancellation of the repurchased 1,250,000 shares and further reduction of the nominal value per share from CHF 2.00 to CHF 0.10 each. No changes were made during the reporting year.

### 2.4 SHARES AND PARTICIPATION CERTIFICATES
On the closing date, 23,750,000 fully paid-in PWT registered shares with a nominal value of CHF 0.10 each were issued. On this date, no participation certificates were issued.

### 2.5 DIVIDEND-RIGHT CERTIFICATES
On the closing date, no dividend-right certificates had been issued.

### 2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

#### 2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions
Acquirers of PWT shares are entered into the share register as shareholders with voting rights upon provision of proof of the acquisition of the shares and provided that they expressly declare that they hold the shares in their own name and for their own account.

The Articles of PWT specify that any shareholder may exercise voting rights to a maximum of 5% of the total number of shares recorded in the commercial register. This limitation for registration in the share register shall also apply to persons who hold shares fully or in part through nominees within the meaning of the Articles. Furthermore, this limitation for registration in the share register also applies to registered shares that are acquired through the exercising of preemptive rights, warrants and conversion rights. The Board of Directors is empowered to allow exemptions from the limitation for registration in the share register in particular cases.

The Articles make provision for group clauses.

The limitations on transferability do not apply to the shares held by the Ernst Göhner Foundation because it held PWT shares prior to the implementation of the limitations (so-called grandfathering).

### 2.6.2 Reasons for granting exceptions in the year under review
No exceptions were granted during the reporting year.

### 2.6.3 Admissibility of nominee registrations; indication of any percent clauses and registration conditions
The Articles of PWT specify that the Board of Directors may register nominees with voting rights in the share register up to a maximum of 2% of the share capital recorded in the commercial register. Nominees are persons who do not expressly declare in their application that they hold the shares for their own account and with whom the company has entered into an agreement to this effect.

The Board of Directors is empowered to register nominees with voting rights exceeding 2% of the share capital recorded in the commercial register as long as the respective nominees inform PWT of the names, addresses, nationalities (registered office in the case of legal entities) and the shareholdings of those persons for whose account they hold 2% or more of the share capital recorded in the commercial register.

The Articles make provision for group clauses.

### 2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability
A resolution of the General Shareholders Meeting of PWT on which at least two-thirds of the voting shares represented agree is required for any abolition or change of the provisions relating to transfer limitations.

## 2.7 CONVERTIBLE BONDS, WARRANTS AND OPTIONS
There were no convertible bonds outstanding on the closing date.

The only issued options relate to the share and option participation program (Management Incentive Plan, MIP) are for currently 470 senior managers of Panalpina. As of 2009, the Board of Directors and the Executive Board have been excluded from participation in this program. As of 2011, the options under the MIP program have been replaced by a free share ratio scheme. Please refer to page 59 in the Annual Report.

# 3 BOARD OF DIRECTORS

## 3.1 MEMBERS OF THE BOARD OF DIRECTORS
At the Annual General Meeting of May 15, 2013, Ilias Läber was elected and Rudolf W. Hug, Beat Walti, Chris E. Muntwyler, Roger Schmid, Hans-Peter Strodel and Knud Elmholdt Stubkjær were reelected to the Board of Directors for a one-year term, whereas Lars Förberg stepped down from the Board.

On the closing date, the Board was composed of seven persons.

Three members of the Board of Directors (Rudolf W. Hug, Roger Schmid and Beat Walti) are also members of the Board of Trustees (Stiftungsrat) of PWT's main shareholder, the Ernst Göhner Foundation.

Ilias Läber is a member of the Board of Directors of Cevian Capital AG, the Swiss office of PWT's second-largest shareholder.

The biographies of the members are as follows:

**Rudolf W. Hug,** Chairman. Swiss citizen. Born in 1944. Reelected in 2013 (until 2014).

Rudolf W. Hug holds a PhD in law from the University of Zurich and an MBA from INSEAD, Fontainebleau (France). In 1985, he participated in the Executive Program of the Graduate School of Business at Stanford University. From 1977 to 1997, he worked in several positions for Schweizerische Kreditanstalt (today Credit Suisse). During the period from 1987 to 1997, he ran the international division and served as a member of the Executive Board of Credit Suisse and Credit Suisse First Boston. Since 1998, Rudolf W. Hug has been active as an independent management consultant.

Rudolf W. Hug has been a member of the Board of Directors since 2005 and was appointed Chairman of the Board of Directors on May 15, 2007, following the retirement of his predecessor.

**Beat Walti,** Member of the Board of Directors since 2010. Swiss citizen. Born in 1968. Reelected in 2013 (until 2014).

Beat Walti holds a PhD in law from the University of Zurich. From 1998 to 2001 he was working as a consultant and engagement manager with McKinsey & company in Zurich. In 2001, he was a co-founder and project manager of a start-up company in the healthcare sector. Since 2002, Beat Walti is a lawyer with Wenger & Vieli in Zurich specializing in corporate, commercial, contract, competition and antitrust law. He became partner with Wenger & Vieli in 2007 and is the firm's managing partner since 2012.

**Ilias Läber,** Member of the Board of Directors since May 2013 (until 2014). Swiss citizen. Born in 1974.

Ilias Läber holds a Master of Science from ETH Zurich and a PhD in Finance from the University of Zurich. From 2001 to 2008, Ilias Läber worked at McKinsey & company, ultimately as an Associate Principal. During this time he was responsible for projects in the area of operational improvement and corporate finance for midsized and multinational companies in Europe, the US and South America. In 2008 he joined Cevian Capital AG. In his role as Partner and Managing Director he is responsible for Cevian's Swiss office and investments in Switzerland and England.

**Chris E. Muntwyler,** Member of the Board of Directors since 2010. Swiss citizen. Born in 1952. Reelected in 2013 (until 2014).

Chris E. Muntwyler attended the School of Commerce in Zurich and completed various executive programs at Harvard University, IMD in Lausanne and at the Wharton University. From 1972 to 1999 he held several positions at Swissair, until 1981 in various leadership functions in the Marketing Division, in 1982 as General Manager Marketing and Sales Scandinavia and from 1986 for North America. In 1990, he took over the responsibility for the global Price and Distribution Policy and was then leading the development and introduction of the new Group IT strategy. Before leaving Swissair at the beginning of 1999, he was Vice President Global Distribution. From 1999 to 2008, Chris E. Muntwyler held several executive positions at DHL Express, in 1999 as Managing Director Switzerland, in 2002 as Managing Director Germany, in 2003 as Chief Executive Central Europe, and in 2005 as Chief Executive United Kingdom.

Today Chris E. Muntwyler is President and CEO of the management consulting company Conlogic AG.

**Roger Schmid,** Member of the Board of Directors since 2003. Swiss citizen. Born in 1959. Reelected in 2013 (until 2014).

Roger Schmid holds a university degree in law as well as a PhD in law from the University of Zurich. From 1991 to 1995, he was Legal Counsel and Director at Bank Leu (today Credit Suisse). Roger Schmid works as an Executive Director of the Ernst Göhner Foundation.

**Hans-Peter Strodel,** Member of the Board of Directors since 2010. Swiss citizen. Born in 1943. Reelected in 2013 (until 2014).

Hans-Peter Strodel holds a PhD in economics from the University of St. Gallen. From 1969 until 1974 he was an executive assistant at Maschinenfabrik Benninger und Heberlein AG. From 1975 until 1994, he held several positions at the Oerlikon-Bührle Group, in 1975 as Head of Planning and Marketing in Italy, and from 1980 as Head of Finance at Werkzeugmaschinenfabrik Oerlikon-Bührle AG and Oerlikon-Contraves. From 1995 until 2008, Hans-Peter Strodel was CFO at Schweizerische Post.

**Knud Elmholdt Stubkjær,** Member of the Board of Directors since 2011. Danish citizen. Born in 1956. Reelected in 2013 (until 2014).

Knud Elmholdt Stubkjær holds a shipping degree from the Mærsk International Shipping Academy, supplemented with various executive programs, e.g., from IMD and INSEAD. From 1977 through 2007, he held various positions within the A.P. Møller-Mærsk Group, including a number of postings in Asian and European countries. This included positions as Head of Mærsk Line United Kingdom, President of Mærsk K.K. Japan, CEO A.P. Møller-Mærsk Singapore and Regional Manager A.P. Møller Group Asia/Oceania/Middle East. In 1999, he became Head of Mærsk container business worldwide, based in Copenhagen, and the same year became one of five partners in the A.P. Møller-Mærsk Group. In 2008, he became partner in the E.R. Capital Holding Group in Hamburg, serving as CEO of one of its subsidiaries, E.R. Schiffahrt GmbH, a leading maritime service provider within container, bulk and offshore shipping. Since July 30, 2012, Knud Elmholdt Stubkjær is acting as CEO and CSO of Carrix Inc., Seattle, Washington.

All the members of the Board are nonexecutive members and do not actively perform any managerial functions at PWT or any of the Group companies. Nor have they held any executive positions within the past three years prior to this reporting year. None of the members of the Board of Directors has a substantial business relationship with PWT or any of its group companies.

## 3.2 OTHER ACTIVITIES AND VESTED INTERESTS

**Rudolf W. Hug,** Member of the Board of Trustees (Stiftungsrat) of the Ernst Göhner Foundation, Zug (Switzerland), Vice Chairman of the Board of Directors of Deutsche Bank (Schweiz) AG, Geneva (Switzerland) and Member of the Board of Trustees of the Ernst von Siemens Musikstiftung, Zug (Switzerland).

**Beat Walti,** Chairman of the Board of Trustees of the Ernst Göhner Foundation, Zug (Switzerland).

**Ilias Läber,** Managing Director of Cevian Capital AG, Pfäffikon (Switzerland).

**Chris E. Muntwyler,** Member of the Board of Directors of Austrian Post in Vienna (Austria) and of National Express Group PLC, London (United Kingdom).

**Roger Schmid,** Member of the Board of Trustees and Executive Director of the Ernst Göhner Foundation, Zug (Switzerland).

**Hans-Peter Strodel,** Member of the Board of Directors of Skyguide, Meyrin (Switzerland).

**Knud Elmholdt Stubkjær,** Member of the Board of Directors of various Carrix, Inc.-related entities.

Other than these, the members of the Board of Directors do not hold other material offices, nor do they carry out any other principal activities that affect the Group.

## 3.3 ELECTIONS AND TERMS OF OFFICE

### 3.3.1 Principles of the election procedure and limitations on the terms of office

The Articles of PWT do not make provision for the general renewal of office for the Board of Directors. The members of the Board of Directors are elected at each General Meeting of Shareholders with a one-year period of office. They may be reelected at any time. The Organizational Regulations of PWT specify an age limit of 72 years for the members of the Board of Directors.

### 3.3.2 The first election and remaining term of office for each member of the Board of Directors

The timing of the first election and the remaining term of office for each member of the Board of Directors is specified under section 3.1.

## 3.4 INTERNAL ORGANIZATIONAL STRUCTURE

The Board of Directors is responsible for the ultimate management of the company and monitoring of the Executive Board. It represents the company externally and is responsible for all matters which have not been transferred to another executive body of the company by the Swiss Code of Obligations or the Articles. In line with the Articles, the Board of Directors has established Organizational Regulations that transfer certain management responsibilities to the Executive Board.

### 3.4.1 Allocation of tasks within the Board of Directors

The Board of Directors self-constitutes and appoints its Chairman and Vice Chairman. The Chairman (in his absence the Vice Chairman) directly supervises the business affairs and activities of the Executive Board and is entitled to regularly attend Executive Board meetings. The Corporate Auditor as well as the Corporate Secretary, in his capacity as secretary to the Board of Directors, are directly subordinated to the Chairman of the Board of Directors.

### 3.4.2 Member list, tasks and areas of responsibility for each committee of the Board of Directors

Three committees exist under the Board of Directors.

The Audit Committee consists of the following members of the Board of Directors: Hans-Peter Strodel (Chairman), Ilias Läber and Roger Schmid. The Audit Committee supports the Board of Directors with the review of the company's financial statements, the supervision of the financial accounting standards and reporting, the review of the effectiveness of the Internal Control System and with the efficiency of external and internal audit procedures, including risk management. The Audit Committee reviews the consolidated annual financial statements as well as the published interim financial statements and submits an application to the

Board of Directors for approval. It regularly maintains contact with the Group Auditors and the Corporate Auditor. On this basis, it adopts the detailed reports of the Group Auditors and semi-annual reports of Corporate Audit. It is therefore in the position to audit the quality, effectiveness and interaction between the control systems, to determine the audit priorities, to introduce proposed measures and to monitor their implementation. The Audit Committee determines the organization of Corporate Audit, adopts the internal audit charter and approves the annual planning and scope of internal audit.

In the field of risk management, the Audit Committee approves the detailed and weighted risk map of the Executive Board, adopts the necessary measures for risk control and risk mitigation and reports the respective outcome to the Board of Directors on a yearly basis. The risk map itself covers any strategic, financial, operational, legal and compliance risks that could significantly impact the company's ability to achieve its business goals and financial targets. Identified risks are weighted and prioritized by the Executive Board according to their significance and likelihood of occurrence. For each risk, specific risk mitigation measures – including their current status – are defined and responsibilities are allocated. The risk map, which is compiled by the Risk Review Committee, chaired by the Corporate Secretary, for review by the Executive Board and subsequent approval by the Audit Committee, contains risks identified and assessed by the respective corporate functions, regional management, Corporate Audit and the Group Auditors. The Group's key risks are annually reported to the Board of Directors.

During the reporting year the Audit Committee held five half-day meetings. During Audit Committee meetings, direct discussions took place with representatives of the Group Auditors and Corporate Audit. Representatives from the Group Auditors were present at three of these meetings and the Corporate Auditor (being a permanent participant at the Audit Committee Meeting since August 2010) attended all of the above-mentioned meetings. At these meetings, the Executive Board was regularly represented by the CEO, the CFO and the Corporate Secretary.

The Compensation and Nomination Committee consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Chris E. Muntwyler and Knud Elmholdt Stubkjær. It monitors the selection process for members of the Board of Directors, the Executive Board and other selected senior management positions, determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as remuneration bands for highly compensated employees. Regarding the compensation of the members of the Executive Board, the Committee makes a decision subject to the final approval of the Board of Directors; applications for the compensation of the Board members are decided by the Committee and shared with the Board of Directors. Each year the Committee decides on the bonus compensation for the CEO and the other members of the Executive Board for the previous year, based on recommendations of the Chairman (for the CEO) and the CEO (for other Executive Board members). Furthermore, the Committee regularly reviews the Board Stock Award Plan, the Executive Board Mid-Term and Long-Term Incentive plans and the Group's Management Incentive Plan and submits proposals for final approval to the Board of Directors. Moreover, it approves concepts and policies for the Group's management performance assessment, succession planning and expat programs.

During the reporting year, the Compensation and Nomination Committee held four meetings of approximately two hours each. The Executive Board was regularly represented at these meetings by the CEO, the Chief HR Officer and the Corporate Secretary.

The Ethics and Compliance Committee consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Roger Schmid and Beat Walti. It oversees the company's Business Ethics Program and monitors Panalpina's adherence to both, the Deferred Prosecution Agreement (DPA) with the US Department of Justice (until its termination in December 2013) and the Administrative Agreement with the US Department of the Air Force. It further monitors the handling of major legal matters, including the pending anti-trust investigations and related proceedings as well as the development of the company's compliance policies and procedures.

During the reporting year, the Committee has held four meetings and three telephone conferences. The Executive Board was represented at these meetings by the CEO and the Corporate Secretary.

The Committees generally meet prior to Board of Directors meetings. The chairmen of the committees inform and update the Board of Directors on the topics discussed and decisions made during such meetings. They submit proposals for approval related to decisions that fall within the scope of the Board of Directors.

Objectives, organization, duties and the cooperation with the Board of Directors are defined in the Terms of Reference of the respective committees which are reviewed and adopted by the Board of Directors.

The overall responsibility of the Board of Directors is not affected by these committees.

### 3.4.3 Working methods of the Board of Directors and its committees

During the reporting year, the Board of Directors held six full-day meetings and two telephone conferences. The Executive Board was represented by all its members at these meetings. In urgent cases, telephone conferences are organized in order for decisions to be taken.

At every meeting, the Executive Board updates the Board of Directors on business and key financial developments and main regional and segment developments. On a quarterly basis, detailed consolidated financial statements on the Group, regional and business segment levels are reported to the Board of Directors in accordance with International Financial Reporting Standards (IFRS). The Board of Directors is furnished in time with an agenda, detailed meeting documentation related to topics on the agenda and minutes.

## 3.5 DEFINITION OF AREAS OF RESPONSIBILITY

In line with the law and the Articles, the Board of Directors has transferred the responsibility to develop and implement the Group strategy, as well as the responsibility to supervise business and financial development of the Group's subsidiaries, to the Executive Board.

The Organizational Regulations adopted by the Board of Directors govern the cooperation between the Board of Directors, the Chairman and the Executive Board. They contain a detailed catalogue of duties and competencies which determine the financial thresholds within which the Board of Directors and the Executive Board can efficiently execute their daily business. The Organizational Regulations, which are accessible on Panalpina's website, also outline the reporting duties of the Executive Board on Group and Holding level.

The main responsibilities of the Board of Directors on Group level include the determination of the business strategy on the basis of applications filed by the Executive Board, the approval of major Group policies and organizational structures, including topics related to Corporate Governance and Compliance, the approval of the annual operational and investment budgets, the approval of any extraordinary additional investment applications as well as financial planning. Further responsibilities include decisions regarding mergers and acquisitions and major management staff and remuneration decisions following recommendations and preparatory work of its Compensation and Nomination Committee.

## 3.6 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE SENIOR MANAGEMENT

The Executive Board informs the Board of Directors in a written format on a monthly basis on the current course of business, covering the Group's consolidated monthly and year-to-date income statements, including deviation to budget and preceding year, regional and product income statements, functional costs/FTE development, financial position, statements on cash flows and net working capital development.

A detailed update is provided at each Board of Directors meeting.

On a quarterly basis, the reporting covers the condensed consolidated interim financial statements including key developments, income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and explanatory notes, IR presentations and media release.

Further information regarding personnel and organizational changes, extraordinary events and the activities of analysts, investors and competitors form part of the regular reporting. Moreover, the Board of Directors annually reviews and approves the Group's targets for the individual regions and business segments and adopts the respective report of the Executive Board.

During the reporting year, the Chairman of the Board of Directors partly attended two Executive Board meetings and regularly received the minutes of the Executive Board meetings. The members of the Executive Board regularly joined meetings of the Board of Directors. In addition, individual senior executives attended specific topic discussions pertaining to their particular field of expertise. Furthermore, specific meetings of the Board of Directors were dedicated to a detailed review of major markets, business segments and the Group's strategy according to predefined schedule. For further details please refer to sections 3.4.2 and 3.4.3.

The Audit Committee of the Board of Directors monitors and assesses the activities of the Corporate Auditor as well as his cooperation with the Group Auditors.

The Audit Committee receives the Corporate Auditor's half-year reports and also adopts the comprehensive annual risk map of the Executive Board. The Audit Committee approves the proposed risk control and risk mitigation measures as well as the annual planning and scope of the internal audit, which is also based on the risk map. For further details please refer to section 3.4.2.

# 4 EXECUTIVE BOARD

## 4.1 MEMBERS OF THE EXECUTIVE BOARD

On the closing date, the Executive Board was composed of five persons.

**Peter Ulber,** President and Chief Executive Officer since June 2013, German citizen. Born in 1960.

Following his studies at the International School of Logistics in Hamburg, Peter Ulber held various management positions from 1985 to 2011 at Kuehne + Nagel in Europe, as well as North and South America. During his tenure, Peter Ulber was responsible for both ocean freight and air freight, had overall responsibility for the global sales organization and joined the management board in 2008. As a result of a series of strategic acquisitions by Kuehne + Nagel, Peter Ulber was also heavily involved in the company's expansion in Europe, Asia and America.

At the end of 2011 he cofounded Charleston Enterprise Group LLC, a strategic management consultancy that offers consulting, management and investment strategies for international logistics companies as well as private equity firms with a primary focus on mergers and acquisitions as well as growth strategies.

**Robert Erni,** Chief Financial Officer since January 2013, Swiss citizen. Born in 1966.

Robert Erni has worked in various finance positions at Kuehne + Nagel for more than 19 years. Most recently he was Head of Corporate Controlling (2009 to 2012) and Head of Corporate Accounting and Treasury (2004 to 2009), in both functions reporting to the Group CFO. Prior to the head office functions, he gained profound finance and managerial expertise through several senior postings in Asia Pacific (Hong Kong and India), in South America (Argentina) and in the USA. Robert Erni holds a degree in Economics and Business Administration of the University of Economics and Business Administration, Lucerne (Switzerland).

**Christoph Hess,** Chief Legal Officer and Corporate Secretary, Swiss citizen. Born in 1955. Member of the Executive Board since October 2006. Responsible for Corporate Legal Services and Insurance.

Christoph Hess joined the Group's head office in 1994 as Secretary of the Board of Directors and the Executive Board. In this capacity he also manages both the Group's Legal and Insurance departments. He also managed Corporate Communications until August 2008. Christoph Hess holds a degree in law from the University of Basel and has been admitted to the bar in Switzerland.

**Alastair Robertson,** Chief Human Resources Officer, British citizen. Born in 1960. Member of the Executive Board since April 2008. Responsible for Human Resources.
Alastair Robertson joined the Group in 2007 as Head of Global Human Resources. Before joining Panalpina, he had been a Vice President at Tetra Pak since 1996, where he held various positions in the field of human resources: between 1999 and 2001 as Vice President Human Resources Americas and from 2002 to 2004 as Vice President Human Resources Europe and Africa. From 1992 to 1996, he worked for W.H. Smith in the field of personnel, development and training and between 1989 and 1992 he was with Graham Builders Merchants as Manager Human Resources Management, Training and Development. He previously served in the military, where he attained the rank of acting major and served in numerous countries. Alastair Robertson is a Fellow of the Chartered Institute of Personnel and Development, holds an MBA in Strategy and Marketing from the University of Huddersfield, Bradford (United Kingdom). He also attended the Royal School of Military Engineering and the Royal Military Academy in the United Kingdom.

**Karl Weyeneth,** Chief Operating Officer, Swiss citizen. Born in 1964. Member of the Executive Board since April 2008. Responsible for Air Freight, Ocean Freight, Logistics, Marketing and Sales, Quality and Operations Transformation.

Effective January 1, 2014, Karl Weyeneth has been appointed Chief Commercial Officer.

Karl Weyeneth joined the Group in 2007 as Regional CEO for North America, where he was responsible for the development and results of the subsidiaries in USA and Canada. He is a professional with profound leadership and management experience in logistics, including freight management, 3PL and contract logistics. Before joining Panalpina, he was President and CEO Americas of Hellmann Worldwide Logistics, Inc. (USA) and prior to this he was Executive Vice President and CFO of Danzas Management Latin America (USA), where he attained profound experience in all finance matters. He holds a Bachelor in Economics and Business Administration from the University of Berne, Switzerland.

**Rod Angwin,** Chief Information Officer, British Citizen. Born in 1959. Member of the Executive Board as of January 1, 2014. Responsible for Information Technology.

Rod Angwin joined Panalpina in 2012 as Chief Information Officer. He has extensive experience gained across a number of sectors and a broad range of international companies. His previous roles include five years as Group CIO for Wolseley plc, the international building materials distributor, and as IT Director on the Board of B&Q, part of the Kingfisher retail group. Other roles include ten years in various positions with Mars Inc., and as Group IT Director for Meyer plc, subsequently part of Saint-Gobain. Rod Angwin holds a degree in Marine and Freshwater Biology from Stirling University (Scotland).

### 4.2 OTHER ACTIVITIES AND VESTED INTERESTS

**Peter Ulber:** Managing partner and cofounder of Charleston Enterprise Group LLC, Charleston, USA.

### 4.3 MANAGEMENT CONTRACTS

No management contracts exist with any third party outside the Group.

## 5 COMPENSATION, SHAREHOLDINGS AND LOANS

For content and method of determining the compensation and the share-ownership programs, please refer to the Compensation Report on page 51-61.

## 6 SHAREHOLDERS' PARTICIPATION

### 6.1 VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

Each share carries one vote at the General Meeting of Shareholders. The Articles state that when exercising voting rights, no shareholder may directly or indirectly represent more than 5% of the total shares issued by the company for own and represented shares.

The Articles provide for group clauses.

The voting right restrictions are not applicable to representatives of the corporate body (Organvertreter) as well as the independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter). In order to facilitate the exercise of voting rights of deposited shares, the Board of Directors is entitled to enter into agreements with banks which deviate from the voting restrictions. The voting restrictions do not apply to the shares held by the Ernst Göhner Foundation, because it held PWT shares prior to the introduction of the voting restrictions (grandfathering).
Any abolition or change of the provisions relating to the restrictions on voting rights requires a resolution of the General Meeting of Shareholders on which at least two-thirds of the voting shares represented agree.

A written proxy entitles a shareholder to be represented at the General Meeting of Shareholders by his or her legal representative, or by another shareholder with the right to vote, or by the representative of the corporate body (Organvertreter), or by the independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter) or by the proxy holder of deposited shares (Depotvertreter).

### 6.2 STATUTORY QUORUMS

In principle, the legal rules on quorums apply. Supplementary to the quorums legally listed, a two-thirds majority of the shares represented at the General Meeting of Shareholders is required for the following resolutions:
- any abolition or change of the provisions relating to transfer restrictions;
- any abolition or change of the provisions relating to the restriction of voting rights;
- the transformation of registered shares into bearer shares;
- the dissolution of the company by way of liquidation;
- the removal of two or more members of the Board of Directors;
- the abolition of the respective provision in the Articles as well as the repeal or relief of the stated quorum. A resolution to increase the quorum as set forth in the Articles must be based on the consent of the increased quorum.

### 6.3 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS

There are no provisions deviating from the law.

### 6.4 AGENDA

Shareholders who individually or together with other shareholders represent shares in the nominal value of CHF 1 million may request that an item be placed on the agenda. Such a request must be made in writing to PWT at least 60 days prior to the General Meeting of Shareholders.

### 6.5 INSCRIPTIONS INTO THE SHARE REGISTER

Registered shares can only be represented by shareholders (or nominees) who have been entered into the PWT share register. Shareholders (or registered nominees) who cannot personally attend the General Meeting of Shareholders are entitled to nominate a representative according to the provisions in the Articles, who represents them by written proxy.

For the purpose of determining voting rights, the share register is closed for registration from the date upon which the General Meeting of Shareholders has been called (date of invitation) until the day after the General Meeting of Shareholders has taken place.

## 7 CHANGES OF CONTROL AND DEFENSE MEASURES

### 7.1 DUTY TO MAKE AN OFFER

No opting-out or opting-up provisions exist.

### 7.2 CLAUSES ON CHANGES OF CONTROL

Neither the contracts of the members of the Board of Directors nor of the Executive Board have a change-of-control clause.

## 8 AUDITORS

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

The mandate to act as statutory and Group Auditors is assumed by KPMG, Zurich, on a yearly basis. The lead auditor, Regula Wallimann, took up office on May 6, 2008 for a seven-year term.

### 8.2 AUDITING FEES

According to financial accounting, invoices for auditing fees for the financial year amounted to CHF 2.9 million.

### 8.3 ADDITIONAL FEES

The KPMG auditors were compensated with an additional amount of CHF 0.5 million for further services rendered in the financial year.

### 8.4 INFORMATIONAL INSTRUMENTS PERTAINING TO THE EXTERNAL AUDIT

The Group Auditors are supervised and controlled by the Audit Committee. The Group Auditors report to the Audit Committee and periodically the lead auditor participates in the meetings. During these meetings, the Group Auditors present a detailed audit plan for the current year including risk-based audit priorities, the audit scope, proposals regarding audit fees, organization and timing as well as updates and status of the results of the Internal Control System. In subsequent meetings they present interim audit findings with respective statements and recommendations later followed by a detailed audit report. Presentations also contain references to upcoming changes in legislation and IFRS. The main criteria for the selection of Group Auditors include independence, network capabilities, industry and IT experience of the audit team, a risk-based audit approach, a central process management as well as the integration of Corporate Audit and risk management functions. The Audit Committee annually assesses the performance of the Group Auditors and determines the audit fees (refer to section 3.5).

## 9 INFORMATION POLICY

Panalpina regularly updates its website at www.panalpina.com, informing the public of any major events, organizational changes and (quarterly) financial results. Press releases are accessible to all visitors to the website; alternatively, subscriptions can be made so that the latest press releases are automatically forwarded via e-mail. Furthermore, all publications such as the Annual Report (including the Corporate Governance and Compensation Report), customer magazine and sales brochures are available online. The dates of the General Meeting of Shareholders as well as dates of publication of the quarterly financial results are published in the Annual Report and appear in the Financial Calendar on the website (under Investors). The minutes of shareholder meetings are available online.

# COMPENSATION REPORT

The compensation report describes the remuneration philosophy and principles, as well as the governance framework related to the compensation of the Board of Directors and the Executive Board of Panalpina. The report also provides details around the different compensation programs and the remuneration related to the 2013 performance year.
The compensation report is written in accordance with the Articles 663b bis and 663c of the Swiss Code of Obligations, the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance of economiesuisse. It also takes into consideration the provisions of the Ordinance against excessive pay in listed companies (VegüV).

## COMPENSATION GOVERNANCE

### Compensation and Nomination Committee

The Compensation and Nomination Committee consists of three members of the Board of Directors who are independent, insofar as they do not hold any executive position, nor act as consultant for the company and its subsidiaries. For 2013, the following members of the Board of Directors were members of the Compensation and Nomination Committee: Rudolf W. Hug (Chairman), Chris E. Muntwyler and Knud Elmholdt Stubkjær.

The Compensation and Nomination Committee monitors the selection process for members of the Board of Directors, the Executive Board and other selected senior management positions. The Committee also determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as remuneration bands for highly compensated employees, and submits the relevant proposals to the Board of Directors for final approval. Furthermore, the Committee regularly reviews the compensation policy, including the incentive plans such as the Board Stock Award Plan, the Executive Board Mid-Term and Long-Term Incentive plans and the Group's Management Incentive Plan and submits proposals for final approval to the Board of Directors.

### Approval framework

| ITEM | RECOMMENDATION FROM | FINAL APPROVAL FROM |
|---|---|---|
| Compensation principles including incentive and share-based programs and pension provisions | Compensation and Nomination Committee | Board of Directors |
| Remuneration of the Board of Directors | Compensation and Nomination Committee | Board of Directors |
| Remuneration (at target) for the CEO | Chairman of the Board | Board of Directors |
| Remuneration (at target) for the members of the Executive Board | CEO | Board of Directors |
| Incentive payouts for the CEO | Chairman of the Board | Compensation and Nomination Committee |
| Incentive payouts for the members of the Executive Board | CEO | Compensation and Nomination Committee |
| Nomination process for Executive Board and Board of Directors | Compensation and Nomination Committee | Board of Directors |
| External Board of Directors mandates for Executive Board and Board of Directors | | Compensation and Nomination Committee |

The Compensation and Nomination Committee holds its ordinary meetings normally one day before the meetings of the Board of Directors, typically four times a year:
- Typically in the December meeting, the individual objectives for the CEO and the other members of the Executive Board are defined for the following business year and their remuneration (at target) is reviewed. The Committee also reviews the compensation for the Board of Directors.
- Typically in the February meeting, the Committee determines the achievement levels of the previous years' objectives and the incentive payout for the CEO and the members of the Executive Board.
- In the May and September meetings, the overall remuneration strategy and the individual compensation programs are reviewed.

The Chairman of the Committee may call for further meetings as necessary.

The Chairman of the Compensation and Nomination Committee regularly updates the Board of Directors on the activities and decisions made during the Compensation and Nomination Committee meetings.

During the reporting year, the Compensation and Nomination Committee held four meetings. The Executive Board was regularly represented at these meetings by the CEO, the Chief HR Officer and the Corporate Secretary. Members of the Executive Board do not attend discussions related to their own remuneration.

**Method of determination of compensation**
The remuneration of the Executive Board members is reviewed yearly in order to ensure market competitiveness, internal equity and pay-for-performance. The remuneration of the Executive Board members is benchmarked using the Switzerland Executive Compensation Survey published by Mercer. This survey includes compensation data of multinational companies in the general industry sector in Switzerland. No specific peer group is created, however each Panalpina role is evaluated using the Mercer job evaluation methodology, in order to compare with the relevant benchmark, e.g. roles of comparable size, scope and level of responsibilities. The median of the benchmark data is considered relevant for measuring compensation competitiveness.

On the basis of the external benchmark information, combined with internal peer comparisons, the Compensation and Nomination Committee defines the level of remuneration (at target) and the mix between fixed and variable compensation (at target) for the CEO and for the other members of the Executive Board, and submits its proposal to the Board of Directors for final approval.

The compensation effectively paid out for a given business year depends on the effective company and individual performance. The performance is assessed through the annual performance management process, where individual objectives are determined and agreed upon at the beginning of the reporting year, and performance is assessed by February of the following year. The performance assessment includes the achievement of individual objectives as well as an evaluation of the individual's behaviors, which are combined into an overall performance rating. The performance management process, including the determination of individual objectives at the beginning of the year, and the performance assessment at year-end, is conducted by the Chairman of the Board of Directors for the CEO and by the CEO for the other members of the Executive Board. Individual objectives and performance assessment for the CEO and the other members or the Executive Board are subject to the approval of the Compensation and Nomination Committee.

## COMPENSATION AND BENEFITS PRINCIPLES AND POLICY

In the volatile economy and the challenging business context in which Panalpina operates, it is critical to recruit, retain and develop a dedicated and capable team of employees with excellent skills, integrity and high ethical standards.

The remuneration model at Panalpina supports this fundamental objective. It also ensures that employees are rewarded for achieving results in line with the business objectives and are encouraged to demonstrate behaviors that are consistent with Panalpina's values.

**Remuneration principles**
- To provide a competitive remuneration package compared to the relevant talent market
- To create alignment to shareholders' interests, especially in terms of long-term value creation for the company and its stake holders
- To drive a performance-oriented culture aligned with the achievement of the company's strategic objectives
- To encourage behaviors that are consistent with Panalpina's values and high ethical standards
- To be fair and transparent, and applied consistently throughout the company

The remuneration programs are designed to seek an appropriate balance between fixed and variable pay, as well as between short-term, mid-term and long-term rewards. They also provide a fair link between pay and performance from an operational perspective, from a shareholders' value creation perspective and from an external and relative peer performance perspective.

In order to achieve the above, the remuneration system has been reviewed and redesigned in 2013. The first changes to the compensation programs will be implemented as of 1 January 2014 and further enhancements are being considered for future years. The nature of those changes is described further below and more detailed information will be provided in the 2014 Compensation Report.

## PRINCIPLES OF REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed annual compensation, which consists of a Board membership fee of CHF 150,000 – which already includes Committee membership – , an attendance fee of CHF 500 per meeting and a potential grant of free shares of the company in the amount of CHF 50,000 based on a decision within the discretion of the Compensation and Nomination Committee evaluating the Group's annual overall situation.

The Chairman of the Board of Directors receives a Board chairmanship fee of CHF 450,000, an attendance fee of CHF 500 per meeting and a grant of shares of CHF 50,000 under the same conditions as the other Board members as defined above.

The Board membership/chairmanship fee and the attendance fee are paid out in cash in June and December for the compensation period from AGM to AGM. The shares are granted for the previous business year based on the share's closing price on the SIX Swiss Exchange on April 30. The shares are blocked from trading during a restriction period of one year, except in case of change of control or liquidation, death or disability, where the shares are unblocked immediately. The shares remain blocked in all other instances.

The members of the Board of Directors do not participate in Panalpina's employee benefit or incentive plans, except for social security where applicable.

### Remuneration model for the Board of Directors

| IN CHF | CHAIRMAN | BOARD MEMBER |
|---|---|---|
| Annual board membership fee (cash) | 450,000 | 150,000 |
| Annual grant of shares | 50,000 | 50,000 |
| Meeting fee (per meeting) | 500 | 500 |

## PRINCIPLES OF REMUNERATION FOR THE EXECUTIVE BOARD

The remuneration of the members of the Executive Board consists of the following elements:
- Fix compensation: annual base salary
- Variable compensation: annual bonus, mid-term incentive and long-term incentive
- Benefits: pension, insurances and benefits in kind

### Remuneration model for the Executive Board

| | | PURPOSE | INSTRUMENT |
|---|---|---|---|
| Fix compensation | Annual base salary | Recognize market value of role and individual skills, experience and performance | Monthly cash payments |
| Variable compensation | Annual bonus | Drive and reward short-term performance over 1 year | Annual cash incentive |
| | Mid-term incentive (MTIP) | Align short-term and long-term rewards through co-investment | Compulsory deferral of 40% of annual bonus into blocked shares, with free matching shares (1:1) after a one-year period |
| | Long-term incentive (LTIP) | Drive and reward long-term performance over 5 years | Deferred cash incentive |
| Benefits | Pension benefits | Provide competitive retirement benefits and reward seniority and loyalty | Pension fund and insurances |
| | Perquisites | Provide competitive and cost-effective benefits by leveraging company's size | Perquisites and benefits in kind |

Every year, the remuneration of the Executive Board members is benchmarked against the market, with the objective to provide a level of remuneration that is approximately in line with the median of the relevant benchmark and to allow for above-median compensation for sustained superior performance.

### Annual base salary

The annual base salary takes into consideration the scope and responsibilities of the role, its market value and the skills, experience and performance of the individual in the role. The compensation policy is to pay annual base salaries that are in line with the median of the benchmark for a comparable role. The annual base salaries of the members of the Executive Board are reviewed every year, taking into consideration the company's financial situation, the economic environment, the benchmark information and the individual performance.

### Annual bonus

The annual bonus rewards company and individual performance over a period of one year. The company performance weights for 60% of the annual bonus and is measured by the group earnings before interest and tax (EBIT), weighted at 90%, the days of sales outstanding (DSO), weighted at 5%, and the days of payable outstanding (DPO), weighted at 5%. For each of those objectives, a minimum and a maximum level of performance are defined: the threshold, below which no bonus is paid out, and the ceiling, above which the bonus payout is capped at 150%. For the EBIT target, the threshold is set at 50% achievement and the ceiling at 150%. For the DSO and DPO objectives, the threshold is set at 90% achievement and the ceiling at 110% achievement. The payout curve is linear between the threshold and the target, and between the target and the ceiling.

The individual performance weights for 40% of the annual bonus and is assessed through the formal performance management process, whereas individual objectives are determined and agreed upon at the beginning of the reporting year, and individual performance is assessed after year-end. For 2013, the individual objectives include key performance indicators (KPIs) related to the operational business. The performance assessment includes the achievement of the individual objectives as well as an evaluation of the individual's behaviors that are consistent with Panalpina's values, which are combined into an overall performance rating, the PEAR (performance evaluation assessment review) rating. The PEAR rating translates into a payout percentage for the individual portion of the annual incentive, which can range from 0% to 120% of target.

**Overview of performance objectives, their weighting and levels of performance**

| | | WEIGHT | THRESHOLD PERFORMANCE | MAX PERFORMANCE | MAX PAYOUT |
|---|---|---|---|---|---|
| Group objectives | Group EBIT | 54% | 50% | 150% | 150% |
| | Days of sales outstanding | 3% | 90% | 110% | 150% |
| | Days of payables outstanding | 3% | 90% | 110% | 150% |
| Individual objectives | Individual key performance indicators | 40% | rating | rating | 120% |

The annual bonus target is expressed as a percentage of annual base salary and amounts to 100% for the CEO, and between 67% and 80% for the other members of the Executive Board depending on their function. The actual bonus payout may range from 0% to 138% for the members of the Executive Board, depending on the effective performance achievement. The annual bonus payout is subject to the approval of the Compensation and Nomination Committee.

**Mid-term incentive (MTIP)**
The mid-term incentive plan (MTIP) was created in 2009 in order to encourage contributions to the long-term success and prosperity of the company through co-investment into the company. In addition, the MTIP creates a strong alignment with shareholders interest and facilitates the retention of the executives. Under the MTIP, a portion of the Annual Bonus is converted into Panalpina (PWTN) shares with a one-year restriction period. At the end of the restriction period and subject to continuous employment with the company, the deferred bonus shares are matched with additional free shares of the company. The free matching shares are subject to a vesting period of one-year.

The applicable share price for determining the number of deferred bonus shares is defined for a three-year cycle (from 2012 to 2014) as the PWTN closing price on April 30, 2012, which amounted to CHF 88.50. The intention of fixing the purchase price of the shares for a three-year cycle was to reward the participants for a positive share price development, while a negative share price evolution reduces the value of the award.

For the members of the Executive Board, 60% of the annual bonus is payable in cash and 40% is converted into PWTN shares that are matched with one free matching share each at the end of the one-year restriction period. The free matching shares are subject to a vesting period of one year. In case of voluntary resignation or termination for cause, the free matching shares will forfeit. The vesting may be accelerated in case of termination without cause, retirement, death and disability. In case of change of control or liquidation, the Compensation and Nomination Committee reserves the right to determine any appropriate measure with regard to the unvested free matching shares.

**Timeline of the MTIP**

| | | | |
|---|---|---|---|
| ANNUAL BONUS | | ANNUAL BONUS 40% IN SHARES | MTIP MATCH IN SHARES |
| | ANNUAL BONUS 60% IN CASH | | |
| **2013** | **2014** | **2015** | **2016** |

**Long-term incentive (LTIP)**
The members of the Executive Board participate in a long-term incentive plan, which rewards long-term value creation to the company, measured by the realized economic profit. Economic profit for the purpose of the LTIP is defined as the earnings before income tax minus tax, minus the capital employed multiplied by the weighted average cost of capital.

The purpose of the LTIP is to motivate executives to contribute to the long-term success and prosperity of the company, and at the same time to facilitate the retention of the executives.

The performance period of the LTIP started on 1 January 2009 and ended on 31 December 2013. During the five-year performance period, a collective pool was created where each year, 5% of the year on year change in economic profit was added to the pool. When the economic profit change was negative, it was deducted from the pool.

At the end of the five-year performance period, each Executive Board member is entitled to be paid out an equal share of the pool in cash, pro-rated based on the period of employment, e.g. new entrants have an entitlement for their period of employment under the plan. The vesting of the plan is staggered from three to five years as follows: 25% after three years, a further 25% after four years and the remaining 50% after five years. The payout, however, is always after the five-year performance period and is based on the economic performance over the entire five-year period.

In the circumstances of retirement, disability and death, pro-rated vesting applies at the end of the plan performance period. The Compensation and Nomination Committee has the discretion to decide whether pro-rated vesting may apply in the event of termination without cause and to determine any appropriate measure with regard to the LTIP pool in the event of change of control or liquidation.

The above LTIP stopped as per 31/12/2013 and there was no payout as the accumulated value was negative.

In 2012, a second LTIP was created for Executive Board members who joined the company or became eligible to the LTIP during the year 2012 or after. The rules of the 2012 LTIP plan are similar to the 2009 LTIP, however the pool is individual, consists of annually 1% of the year on year change in economic profit, starts when the participant becomes eligible and ends five years later. In case of termination with early vesting rights, as defined above (retirement, death, disability, and, at the discretion of the Compensation and Nomination Committee, in case of termination without cause, change of control or liquidation), the individual LTIP pool is frozen at the end of the employment relationship and is paid out after the five-year plan period.

The second LTIP plan where performance periods are still running will be phased out and the values frozen at the end of 2013, while keeping the payout date at the end of the running 5-year cycle. For the members who joined the plan for the period 1/1/2012 to 31/12/2013 the value was negative so there will be no payout. For the members who joined the plan for the period 1/1/2013 until 31/12/2013 there is a value created at 31/12/2013 which will be frozen and paid out at the end of the 5-year cycle upon approval of the CNC.

Executive Board members only participate in one LTIP at the time, there is no cumulative participation in both plans.

**Overview of compensation schedule for the CEO and Executive Board members:**

| 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| LONG-TERM INCENTIVE (LTIP) | LTIP 2009–2013 | | | LTIP 2012 |
| ANNUAL BONUS | ANNUAL BONUS 60% IN CASH | ANNUAL BONUS 40% IN SHARES | MTIP MATCH IN SHARES | |
| ANNUAL BASE SALARY | | | | |

## Benefits

Executive Board members participate in the regular employee pension plans of the country where they have their employment contract. For Executive Board members employed in Switzerland, the company pension fund covers their annual base salary and the actual bonus up to an overall amount of CHF 842,400. Pension fund contributions are equally split between employer and employee for insured income up to CHF 400,000. In the supplemental scheme covering income between CHF 400,000 and CHF 842,400 (current maximum under Swiss law), contributions are paid by the company.  The benefits provided under the pension fund exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are in line with typical market practice of other multinational companies in Switzerland.

Certain Executive Board members participate in a non-Swiss pension fund scheme whose benefits and contributions are equivalent to these of the Swiss pension plan.

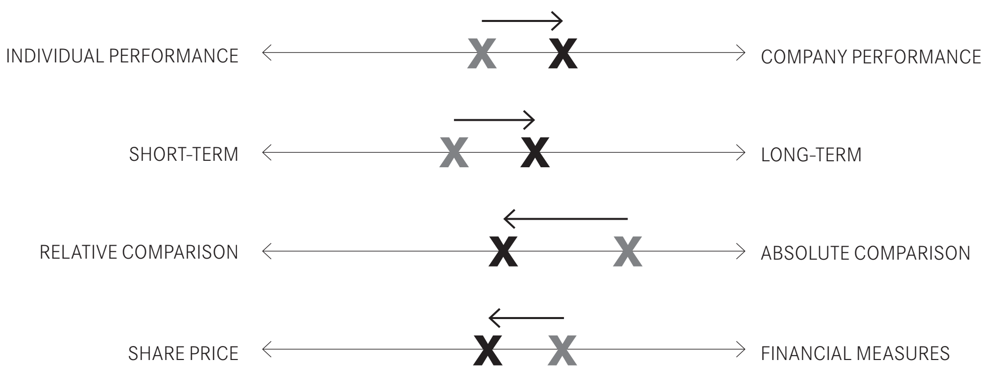
Members of the Executive Board do not receive any executive benefits. They are entitled to a company car allowance and a general expense allowance, in accordance to the expense rules applicable to all employees at management levels in Switzerland.

## Employment contracts

Employment agreements with Executive Board members stipulate a notice period of twelve months. They do not contain any “golden parachutes” in case of a change of control, nor any severance provisions in case of termination of employment.

**Change in the compensation model for the Executive Board as of business year 2014**

The compensation model for the members of the Executive Board has been reviewed in 2013 and will be adjusted starting 2014, in order to be fully aligned with Panalpina's strategy and the evolving business context in which the company operates. The changes aim to rebalance the remuneration elements as described in the graph below:




The following changes are effective as of the business year 2014:

- Introduction of performance share units (PSU) instead of the deferred cash LTIP for the Executive Board members. The new plan provides for an annual grant of PSU with a three-year cliff vesting. The vesting is conditional upon the relative total shareholder return (TSR) performance compared to a peer group of companies. As a consequence the previous LTIP will stop for the plan where the performance cycle ended in 2013. The second LTIP plan where performance periods are still running will be phased out and the values frozen at the end of 2013, while keeping the payout date at the end of the running 5-year cycle.
- Remix of company versus individual objectives in the annual bonus plan. company performance will account for 70% of the overall bonus, individual performance for 30%.
- Increase of the threshold level of performance from 50% to 60% and decrease of the maximum level of performance from 150% to 140% on EBIT under the annual bonus plan. The payout range of 0% to 150% will not change.

  Further enhancements of the remuneration programs are being contemplated for 2015 and future years. The new compensation model will be presented in more details in the 2014 Compensation Report.

## REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD FOR 2013

### Board of Directors

No changes have been made to the structure of remuneration of the Board of Directors. However, the level of remuneration increased compared to 2012, as the restricted stock award was not applied for the business year 2012 and thus the Board of Directors did not receive any shares in 2013 for the business year 2012 but in 2014 for the business year 2013 a grant was given.

### Annual base salaries

Annual base salaries of the members of the Executive Board have slightly increased/decreased between 2012 and 2013. The new CEO has been nominated during the performance year 2013, therefore no comparison can be made between 2013 and 2012 remuneration levels.

### Annual bonus and MTIP

The annual bonus payout amounts to 72% on average for the members of the Executive Board and 100% for the CEO as per separate contractual agreement for 2013 considering that he was appointed during the 2013 performance year and was not eligible to participate in the MTIP and LTIP for that year. The financial and individual objectives have been achieved as follows:

### 2013 annual bonus outcomes

| MEASURES | WEIGHT | OUTCOMES RELATIVE TO PLAN | | |
|---|---|---|---|---|
| Company performance | 60% | Threshold | Target | Maximum |
| Earnings before interest and tax | 54% | | | |
| Days sales outstanding | 3% | | | |
| Days payable outstanding | 3% | | | |
| Individual performance | 40% | Threshold | Target | Maximum |
| Key performance indicators | 40% | | | |
| **Overall outcome** | | | | |

Executive Board members received 40% of their annual bonus in company shares totaling 5150 shares with a restriction period of one year, based on the share's closing price on April 30, 2012 of CHF 88.52. This number of shares will be matched by an equal number of shares by the company after the one-year restriction period.

During the period under review, the Executive Board received matching shares totaling 5862 shares reflecting the 40% bonus paid in 2012 and related to the 2011 annual bonus. Those shares have a vesting period of 1 year.

### LTIP

The carrying amount of the liability of the LTIP for the Executive Board members at December 31, 2013 amounts to CHF 377,000, which is also the intrinsic value.

The LTIP 2009–2013 did not pay out considering that the pool accumulated during the 5-year plan period based on economic profit performance is negative. This means that the members of the Executive Board did not earn any payout under the LTIP since 2009.

## OTHER SHARE-BASED OR LONG-TERM INCENTIVE COMPENSATION PLANS FOR SENIOR MANAGEMENT

**Top Executives – MTIP, LTIP and PSU**
Some executives of the core business functions (8 executives in 2013), who are not a member of the Executive Board, do participate in a long-term incentive plan (LTIP) and the mid-term incentive plan (MTIP) as described above for the Executive Board but with the following amendments:

**MTIP:** For these executives, 80% of the annual bonus is payable in cash and 20% is converted into PWTN shares that are matched with one free matching share each at the end of the one-year restriction period. All other plan features are the same as for the Executive Board as described above.

**LTIP:** The pool is individual and consists of annually 0.5% of the year-on-year change in economic profit, starts when the participant becomes eligible and ends 5 years later. All other plan features are the same as for the Executive Board 2012 LTIP plan as described above.

**PSU:** Similar as for the Executive Board, and effective as of the business year 2014, performance share units (PSU) will be introduced replacing the deferred cash LTIP. The new plan provides for an annual grant of PSU with a 3-year cliff vesting. The vesting is conditional upon the relative total shareholder return (TSR) performance compared to a peer group of companies. As a consequence the LTIP plan where performance periods are still running will be phased out and the values frozen at the end of 2013, while keeping the payout date at the end of the running 5-year cycle.

**Senior Management – MIP (management incentive program)**
Within this plan the senior management had the option (voluntary) to invest part of their annual bonus in Panalpina shares with a discounted share price of 25% versus the moment of grant. These shares were blocked for 1 year. As a consequence Panalpina was matching these shares with stock options which had a vesting period of 3 years (1/3 after 1 year, 1/3 after 2 years and the last 1/3 after 3 years). The total duration of the options were 6 years from the date of grant. For senior management positions for the years 2008, 2009 and 2010 there are still outstanding stock options on December 31, 2013, as per the table below. All options from previous years are expired.

**Management incentive plan (option plan)**

| YEAR | NR. OF PARTI-CIPANTS | DISCOUNT | NR. OF SHARES PURCHASED | OPTIONS GRANTED | EXERCISE PRICE | EXERCISE PRICE FOR US PARTICIPANTS | OPTIONS VESTED BUT NOT EXER-CISED YET | EXPIRY DATE |
|---|---|---|---|---|---|---|---|---|
| 2008 | 81 | 25% | 38,539 | 37,125 | 129.35 | 119.90 | 13,270 | 15.06.2014 |
| 2009 | 166 | 25% | 71,053 | 71,053 | 61.25 | 81.35 | 8,414 | 14.06.2015 |
| 2010 | 51 | 25% | 13,453 | 13,453 | 95.65 | 87.75 | 1,874 | 14.06.2016 |

This plan was changed in 2011 replacing the stock options with matching free shares. Within this plan the senior management had the option (voluntary) to invest part of their annual bonus in Panalpina shares with a discounted share price of 10% versus the moment of grant. These shares are blocked for 1 year. As a consequence Panalpina is matching these shares with free share grants based on a ratio of 1 free share matched for 4 shares bought by the participant. These free shares have a vesting period of 3 years (1/3 after 1 year, 1/3 after 2 years and the last 1/3 after 3 years). For senior management positions for the years 2011, 2012 and 2013 the grants are summarized on December 31, 2013, as per the table below.

**Management incentive plan (free share plan)**

| YEAR | NR. OF PARTI-CIPANTS | DISCOUNT | NR. OF SHARES PURCHASED | FREE SHARE RATIO | MATCHING SHARES GRANTED | VESTED FREE SHARES | FORFEITED FREE SHARES | NON-VESTED FREE SHARE |
|---|---|---|---|---|---|---|---|---|
| 2011 | 87 | 10% | 28,444 | 1 to 4 | 7,124 | 5,017 | 701 | 1,406 |
| 2012 | 38 | 10% | 11,242 | 1 to 4 | 2,816 | 976 | 213 | 1,627 |
| 2013 | 30 | 10% | 6,768 | 1 to 4 | 1,698 | 0 | 0 | 1,698 |

End 2013 there were 470 people part of the senior management who were eligible to the MIP.

The members of the EB and the top executives who participate in the MTIP, LTIP or PSU plans, are not eligible for the MIP plan as described above to avoid overlaps.

**Credits, loans or other monetary allowances**
No contributions or other monetary allowances have been made to closely related parties of current or former members of the Board of Directors and Executive Board respectively.

Credits or loans in favor of members of the Board of Directors or Executive Board do not exist.

For 2013 and 2012 compensation details please refer to note 28 in the Consolidated Financial Statements.