

# Corporate Governance and Remuneration Report: committed to a transparent management structure

Panalpina is committed to a transparent management structure that is governed by international corporate governance principles. This Corporate Governance Report complies with the revised Directive of the SIX Swiss Exchange and therefore serves to provide investors with key information regarding corporate governance in an accessible format. Section 5 of this report also serves as a Compensation Report as recommended by *economiesuisse* in its Swiss Code of Best Practice for Corporate Governance guidelines.

## 1 Group structure and shareholders

### 1.1 Group structure

#### 1.1.1 Operational group structure

Panalpina's business activities are primarily regionally oriented. The operating structure is divided into the following four regional units:

- Europe/Middle East/Africa and CIS
- Asia Pacific
- North America (USA and Canada)
- Central and South America

In 2009, Panalpina integrated the regional management layer into its Head Office structure.

Secondary, the business activities are subdivided into the following business segments:

- Air Freight
- Ocean Freight
- Logistics (road and rail, warehousing and distribution)

Supplementary information can be taken from the segmental reporting section of the Consolidated Financial Statements (pages 97–99).

#### 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 3,0 billion (25,000,000 registered shares at CHF 120.50 per share).

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

#### 1.1.3 Non-listed companies within the scope of consolidation

The main subsidiaries and associated companies are disclosed in the Consolidated Financial Statements (pages 133–135) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

### 1.2 Significant shareholders

The Ernst Göhner Foundation, Zug, Switzerland, is the main shareholder of PWT, with an equity participation of 43.58%.

Panalpina World Transport (Holding) Ltd., Basel, Switzerland, held a share capital of 5.5% on closing date. The respective treasury shares were purchased as a result of PWT's share buyback program (referenced in section 2.3) and its share and option programs (referenced in section 5.1).

With regard to other significant shareholders, during the reporting year various disclosures were made on the SIX online publication platform. The various notifications (listed by shareholder and transaction date) are summarized as follows:

Cevian Capital II Master Fund L.P.

- 27. 01. 2010 increase of share capital to 3.77%
- 23. 02. 2010 increase of share capital to 5.19%
- 07. 07. 2010 increase of share capital to 10.31%

FIL Ltd. (Fidelity International) Hamilton, Bermuda

- 28. 01. 2010 decrease of share capital to less than 3%

### 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 50,000,000 and is divided into 25,000,000 registered shares, with a nominal value of CHF 2.00 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 15, 2007 and subsequently at the meeting of May 5, 2009 the authorized share capital was renewed at the same value until May 2011.

The Board of Directors is authorized to exclude the pre-emptive 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

With the exception of the share split introduced at the IPO, there has been no change in the share capital structure during the years 2005 through 2009.

In August 2007, the Board of Directors initiated a share buyback program. Under this program, shares amounting to 5% of the share capital (1,250,000 shares) have been repurchased. The buyback program was concluded on September 2, 2008. The proposal of the Board of Directors to the Annual General Meeting to reduce the share capital and cancel the repurchased shares has been postponed with the explicit consent of the Swiss Takeover Board.

### 2.4 Shares and participation certificates

On the closing date, 25,000,000 fully paid-in PWT registered shares with a nominal value of CHF 2.00 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 pre-emptive 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 and warrants/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) for 470 senior managers of Panalpina. As of 2009, the Executive Board has been excluded from participation in this program. For further details please refer to section 5.1.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

At the Annual General Meeting of May 4, 2010, Chris E. Muntwyler, Hans-Peter Strodel and Beat Walti were elected and Rudolf W. Hug, Günther Casjens, Guenter Rohrmann and Roger Schmid were re-elected to the Board of Directors for a one-year term whereas Wilfried Rutz, Yuichi Ishimaru and Glen R. Pringle stepped down from the Board. In December 2010, Günther Casjens tendered his resignation due to other commitments.

On the closing date, the Board was composed of six 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.

The biographies of the members are as follows:

**Rudolf W. Hug**, Chairman. Swiss citizen. Born in 1944. Re-elected in 2010 (until 2011).

Rudolf W. Hug holds a PhD in law from the University of Zurich and a 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.

**Guenter Rohrmann**, Vice Chairman of the Board of Directors. German citizen. Born in 1939. Re-elected in 2010 (until 2011).

Guenter Rohrmann is a trained forwarding and shipping merchant. He started his forwarding career at Seaboard World Airline in 1961. From 1962 to 1982, he held several positions at Air Express International (AEI) and in 1982, he became the Vice President Operations USA. From 1985 to 1989, he was COO and the following year he became the CEO of the AEI Group. From 2000 to 2002, he was the Vice Chairman of Danzas AEI Inc. Guenter Rohrmann became COO DHL GCS Global Customer Solutions from 2002 to 2005. In 2005, he was appointed as CEO DHL Emerging Markets and in 2007, he became a consultant for DHL Emerging Markets. Since the beginning of 2008, he has been an independent management consultant working on a variety of industry projects.

Guenter Rohrmann has been a member of the Board of Directors since 2008.

**Chris E. Muntwyler**, Member of the Board of Directors. Swiss citizen. Born in 1952. Elected in 2010 (until 2011).

Chris E. Muntwyler attended the School of Commerce in Zürich and completed various executive programs at Harvard University, IMD 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. Swiss citizen. Born in 1959. Re-elected in 2010 (until 2011).

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, a subsidiary of Credit Suisse. Roger Schmid works as an Executive Director of the Ernst Göhner Foundation.

Roger Schmid has been a member of the Board of Directors since 2003.

**Hans-Peter Strodel**, Member of the Board of Directors. Swiss citizen. Born in 1943. Elected in 2010 (until 2011).

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/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.

**Beat Walti**, Member of the Board of Directors. Swiss citizen. Born in 1968. Elected in 2010 (until 2011).

Beat Walti holds a PhD in law from the University of Zurich. In 1998, he became a consultant with McKinsey & Co. in Zurich. In 2001, he was a project manager, shareholder and board member for the start-up ETOILE Medical. Since 2002, Beat Walti has been a lawyer with Wenger & Vieli in Zurich specializing in corporate, commercial, contract, competition/antitrust law. He became partner with Wenger & Vieli in 2007.

All the members of the Board are non-executive 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, and Member of the Board of Directors of the following companies: Orell Füssli Holding AG, Zurich; Deutsche Bank (Schweiz) AG, Geneva; Allreal Holding AG, Baar.

**Chris Muntwyler**, Senior Associate of Nyra Capital Group in London and member of the Board of Directors at Austrian Post in Vienna.

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

**Hans-Peter Strodel**, Member of the Board of Directors of Skyguide, Meyrin (Switzerland) since 2007.

**Beat Walti**, Member of the Board of Trustees of the Ernst Göhner Foundation, Zug.

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.

### 3.4 Elections and terms of office

#### 3.4.1 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 re-elected at any time. The Organizational Regulations of PWT specify an age limit of 72 years for the members of the Board of Directors.

#### 3.4.2 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.

### 3.5 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.

### 3.5.1 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.

### 3.5.2 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), Günther Casjens (until December 2010) 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 (ICS) 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/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, selected country 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 of the Audit Committee as of August 2010) attended four 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, Guenter Rohrmann and Beat Walti. 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 remunerations ranges for highly compensated employees. Regarding the compensation of the members of the Executive Board (overall remuneration including target bonus), the Committee makes a decision subject to the final approval of the Board of Directors; applications for the compensation of the Board members is decided by the Committee and shared with the Board of Directors. The Committee each year 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 share and option program (MIP) 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 *Legal 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 handling of major legal matters, in particular, the governmental investigations against the company (which have largely been completed in the reporting year) and related proceedings as well as the development of the company's compliance policies and procedures. In particular, the Committee oversees the compliance undertakings to which the Company has agreed with the US Department of Justice under a Deferred Prosecution Agreement in November 2010. During the reporting year, the Committee has held four meetings and seven telephone conferences with the participation of outside counsel. The Executive Board was represented at these conferences 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.

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

During the reporting year, the Board of Directors held four full-day meetings and one two-day meeting as well as one one-hour meeting and three telephone conferences. The Executive Board was represented by all its members at these meetings. In urgent cases, telephone conferences or decisions by circular may be 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 development. On a quarterly basis, detailed consolidated financial statements on the group and regional and business segment levels are reported to the Board of Directors in accordance with IFRS standards. The Board of Directors is furnished in time with an agenda, detailed meeting documentation related to topics on the agenda and minutes.

## 3.6 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. It contains 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 the proposals of 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 investments budgets, the approval of any extraordinary additional investment applications as well as financial planning. Further responsibilities include decisions regarding mergers and acquisitions and major human resources and remuneration decisions following recommendations and preparatory work of its Compensation and Nomination Committee.

## 3.7 Information and control instruments vis-à-vis the senior management

The Executive Board informs the Board of Directors of business developments in a written format on a monthly basis and a detailed update is provided at each Board of Directors meeting. Elements of this reporting include monthly financial reports, consolidated quarterly regional and business segment results according to IFRS (with actual figures, previous years' figures, quarter results and budget figures as well as a comparison with the financial guidance), the reporting of business development in all regions and business segments (including focus on problematic organizations), the development of shipments, volumes and tonnages, the debtors' and creditors' reports (including DSO/DPO) as well as the net working capital.

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 three Executive Board meetings and regularly receives the minutes of the Executive Board meetings. The CEO and individual members of the Executive Board regularly join meetings of the Board of Directors as well as meetings of its committees. In addition, individual Executive Board members and other senior executives attend specific topic discussions pertaining to their particular field of expertise when required. Furthermore, specific meetings of the Board of Directors are dedicated to a detailed review of major markets, business segments and the Group's development according to predefined schedule. For further details please refer to sections 3.5.2 and 3.5.3. 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/scope of the internal audit, which is also based on the Risk Map. For further details please refer to section 3.5.2.

## 4 Executive Board

### 4.1 Members of the Executive Board

Further to a restructuring of its organization by combining the sales, procurement and operations functions under the leadership of the Chief Operating Officer, both Dominik Tichelkamp (former Chief Product and Procurement Officer) and Sandro Knecht (former Chief Marketing and Sales and Supply Chain Management Officer) retired from their Executive Board positions in March 2010.

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

**Monika Ribar**, Chief Executive Officer, Swiss citizen. Born in 1959. Member of the Executive Board since 2000 and CEO since October 2006. Apart from her CEO function, Monika Ribar has special responsibilities for Corporate and Regional Development, Corporate Compliance, Corporate Communications, Panprojects and Agent Relations.

Monika Ribar joined the Group in 1991. She held several positions within the Group's controlling, IT and global project management departments. From 2000 to 2005,

she held the position of the CIO (Chief Information Officer) of the Group and was member of the Executive Board. In 2005, Monika Ribar was appointed as CFO of the Group and her appointment as CEO was announced in June 2006. She officially took office as CEO in October 2006. She holds a university degree in Finance and Controlling from the University of St. Gallen. She participated in the Executive Program of the Graduate School of Business at Stanford University, Palo Alto, California in 1999.

**Marco Gadola**, Chief Financial Officer, Swiss citizen. Born in 1963. Joined Panalpina as a member of the Executive Board in September 2008. Responsible for Corporate Finance, Controlling, Investor Relations, Strategic Finance and Projects, Indirect Purchasing and Information Technology.

Marco Gadola is a finance and economics expert with many years' experience in international companies. Before joining Panalpina he was Group CFO and Executive Vice President Operations of Straumann Holding, a world-leading Swiss-based dental and oral technology company; prior to that he was Group CFO of the Swiss-based international consumer foods company Hero. He also held leading management positions at the Hilti Group, which manufactures and sells products for the construction and building industries. Furthermore, both at Straumann and at Hero Marco Gadola oversaw production, logistics, investor relations and information technology worldwide, and played a leading part in the acquisition and integration of companies. Marco Gadola has a Masters Degree in Business Administration and Economics from the University of Basel (Switzerland). He also completed the Accelerated Management Development Programme at the London School of Economics.

**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 Major and served in numerous countries. Alastair Robertson holds an MBA in Strategy and Marketing from the University of Huddersfield, Bradford (UK). He also attended the Royal School of Military Engineering, UK and the Royal Military Academy, UK.

**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, Supply Chain Solutions, Industry Verticals, Sales and Marketing and Business Processes and Quality.

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 15 years' 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.

#### 4.2 Other activities and vested interests

Monika Ribar: Member of the Board of Directors of Logitech International SA, Romanel/Morges.

#### 4.3 Management contracts

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

## 5 Compensation, shareholdings and loans

### 5.1 Content and method of determining the compensation and the share-ownership programs

The compensation and principles governing the Board of Directors Stock Award Plan, the Executive Board mid- and long-term incentive plans and the share and option program for other senior management (excluding the Executive Board) are determined and approved by the Board of Directors based on the proposal of the Compensation and Nomination Committee. Further, the Committee regularly updates the Board of Directors during the Board of Directors meetings, applies for changes in the remuneration system as required and annually reports the bonus allocation of individual Executive Board members. Members of the Executive Board do not attend respective discussions regarding decisions related to their own remuneration.

Remuneration of the Executive Board members and other 500 executive positions is based on a job and salary banding which is itself the result of multiple market data surveys compiled through four leading global HR consultants from a normative group of companies comparable by size and geographical reach. The identities of these companies are not disclosed to Panalpina.

The members of the Board of Directors receive a fixed annual compensation. Moreover and introduced in 2009 (reflecting fiscal 2008), part of each Board member's remuneration is in free shares of the company to the value of CHF 50,000. The corresponding number of shares is based on the share's closing price on April 30, and has a one-year restriction period. This Stock Award Plan has replaced the former share and option program for Board members.

The salary package for the members of the Executive Board consists of a fixed basic salary, lump sum vehicle and general expense allowances, additional pension contributions and a target bonus. 50% of the target bonus depends on budgeted Group EBITDA and the achievement of the external financial guidance for the respective business year, whereas 50% depends on the achievement of measurable individual performance targets. Individual performance targets are defined for the CEO by the Chairman and for other Executive Board members by the CEO. Each Executive Board member is subject to a formal performance appraisal process. For each reporting year, performance targets are jointly determined and a year-end performance assessment is carried out. The maximum target bonus of the CEO equals 100% of the annual basic salary, whereas maximum target bonuses of other Executive Board members equal between 50% and 67% of their respective annual

basic salaries depending on their function. All bonus payments are cut if the respective group or individual performance targets have not been reached.

The Compensation and Nomination Committee annually reports to the Board of Directors on bonus payments to the members of the Executive Board.

In 2009, the bonus scheme for Executive Board members was adjusted to focus on the Company's sustainable mid- and long-term success. Only 60% of the bonuses – which continue to be set by the achievement of annually reviewed Group KPIs and individual performance targets as outlined above – are paid out in cash, whereas the remainder is converted into PWTN shares. The applicable share price for such deferred bonus shares is the PWTN closing price on April 30, in the first year of a three-year cycle (2009 to 2011) which was CHF 62.50. The deferred bonus share price will thus be redefined on April 30, 2012. In addition, the number of such allocated deferred bonus shares is matched by the Company after 12 months (qualifying period during which the Executive Board member must remain with the company) with a free PWTN share award which also has a one-year restriction period.

Furthermore, each Executive Board member is participating in a Long-Term Incentive Plan Pool which rewards long-term value creation measured by economic profit. Under this plan, each year (as of 2009) 5% of the year-on-year change in economic profit is added to the pool, whereas negative economic profit is deducted from the pool. At the end of a five-year plan cycle (2013) each Executive Board member is entitled to be paid out in cash an equal share of such pool.

Due to the introduction of a new share program for the members of the Board of Directors and the Executive Board in 2009, neither the members of the Board of Directors nor the members of the Executive Board are eligible to participate in the company's share and option program (MIP).

Employment agreements with Executive Board members stipulate a notice period of 12 months. They do not contain "golden parachutes" in case of a change of control nor severance payments after termination of employment.

Further information related to both overall and individual remuneration of the Board of Directors and Executive Board members as well as shares and options held by these persons at the closing date including a comparison with the previous year are reflected in the audited Notes to the Consolidated Financial Statements (pages 128 – 130) according to article 663 bbis CO.

Compared to the previous year, the annual compensation of the Board of Directors remained unchanged. The Board Stock Award Plan, which was introduced in 2009, has been applied for the business year 2010 whereas it was not applied for 2009.

Bonus payments to the members of the Executive Board were increased as the full achievement of the Group KPI's in 2010 resulted in full group bonus, whereas group bonus for the previous year was cut to zero for all Executive Board members.

As two Executive Board members have left the company during the reporting year, annual salary paid to Executive Board members decreased compared to 2009.

## 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/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 defence 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.

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 TCHF 3,464. Additionally KPMG invoiced TCHF 44 for audit-related services.

### 8.3 Additional fees

The auditors KPMG were compensated an additional amount of TCHF 265 for further services rendered in the financial year. KPMG was mandated in the reporting year in particular for tax consulting (TCHF 224) and other non audit related work (TCHF 41).

### 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 (ICS). 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 standards. 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 Web site at [www.panalpina.com](http://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 Web site; alternatively, subscriptions can be made so that the latest press releases are automatically forwarded via email. 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 printed in the Annual Report and appear in the Financial Calendar on the Web site (under *Investor Relations*). The minutes of shareholder meetings are available online.



---

[www.panalpina.com/corpgov](http://www.panalpina.com/corpgov)



## Statement GRI Application Level Check

GRI hereby states that **Panalpina World Transport (Holding) Ltd.** has presented its report "Annual Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

14 March 2011, Amsterdam

A handwritten signature in black ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 14 March 2011. GRI explicitly excludes the statement being applied to any later changes to such material.