



# Creating end-to-end solutions

INTEGRATED MANAGEMENT REPORT 2017

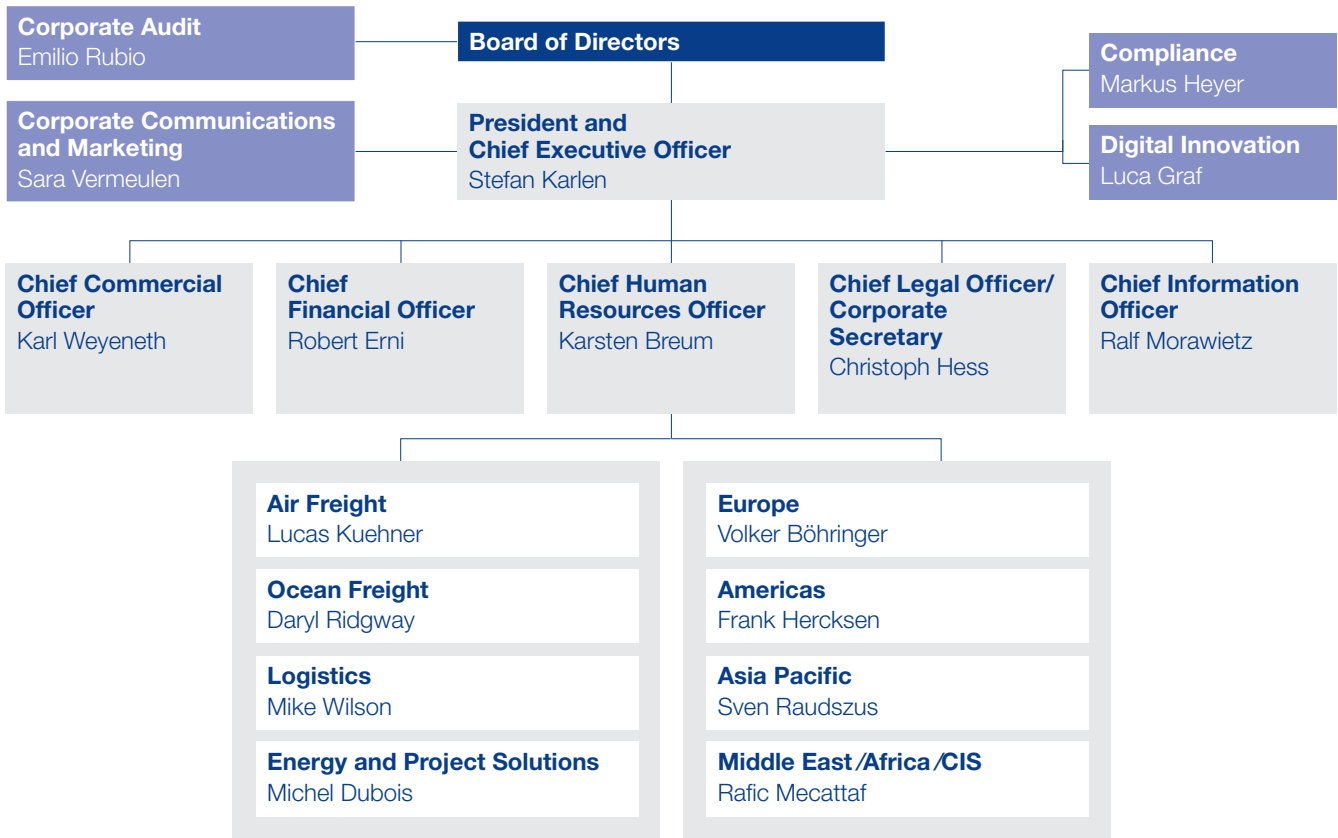


# Corporate governance report

Panalpina is committed to a transparent management structure that is governed by international principles. This Corporate Governance Report complies with the Corporate Governance directive of the SIX Swiss Exchange dated December 13, 2016 and provides investors with the corresponding key information.

## Group management structure

- Executive Board (EB)
- + Executive Committee (ExCom)



Andy Weber, Chief Operating Officer until December 31, 2017.  
 Peter Triebel, Regional CEO Middle East/Africa/CIS until December 31, 2017.  
 Rafic Mecattaf, Corporate Head of Strategic Development until December 31, 2017; Regional CEO Middle East/Africa/CIS as of January 1, 2018.  
 Luca Graf, Corporate Head of Digital Innovation as of November 1, 2017.  
 Sara Vermeulen, Corporate Head of Communications and Marketing, reporting to CEO as of January 1, 2018.  
 Daniel Trefzer, Corporate Audit Officer until February 18, 2018.  
 Emilio Rubio, Corporate Audit Officer as of February 19, 2018.

## Corporate governance report continued

### 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 segments:

- Americas (North, Central and South America)
- Asia Pacific
- Europe
- MEAC (Middle East, Africa and CIS)

Secondly, 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 (note 5, page 21) of the Consolidated Financial Statements ([www.panalpina.com/www/global/en/home/investors/financial\\_presentations/interim\\_reports.html](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html)).

##### 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 3.59 billion (23,750,000 registered shares at CHF 151.10 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 ([www.panalpina.com/www/global/en/home/investors/financial\\_presentations/interim\\_reports.html](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html) / note 29, page 57) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

#### 1.2 Significant shareholders

On December 31, 2017 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 ( $\geq 10\%$ ) and Franklin Resources, Inc. ( $\geq 3\%$ ). During the reporting year the following disclosure notices (listed by shareholders and transaction date) were filed on the SIX online publication platform.

Artisan Partners Limited Partnership\*  
March 23, 2017: Revision of Article 10 paragraph 2 FMIO-FINMA / 13.50% Artisan Partners Fund, Inc.\*

March 23, 2017: Clarification of parallel reporting schemes; reported previously by Artisan Partners Limited Partnership / 9.63%

Artisan Partners Fund, Inc.\*  
July 28, 2017: increase of share ownership to 10.01%

\* Parallel reporting according to Art. 120 para. 3 FMIA and Art. 10 para. 2 FMIO-FINMA: the shareholding reported by Artisan Partners Limited Partnership include the shareholding of Artisan Partners Fund, Inc.

#### 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 capital in particular

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 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 12, 2015, the authorized share capital was renewed at the same value until May 12, 2017.

At the Shareholders' Meeting of May 3, 2017, the authorized share capital was renewed at the same value until May 2, 2019.

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

No changes were made over the last three years.

#### 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 5, page 3) 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



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to allow exemptions from the limitation for registration in the share register in particular cases.

The Articles make provision ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 5, page 3) 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 5, page 3) 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 5, page 3) for group clauses.

### *2.6.4 Procedure and conditions for canceling 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 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)) and are for currently 1,019 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 71 of the Compensation Report of the Annual Report ([www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html))

## 3 Board of Directors

### 3.1 Members of the Board of Directors

At the Annual General Meeting of May 3, 2017, Dirk Reich was elected and Peter Ulber, Beat Walti, Thomas E. Kern, Pamela Knapp, Ilias Läber, Chris E. Muntwyler and Knud Elmholdt Stubkjær were re-elected to the Board of Directors. Roger Schmid stepped down from the Board.

All members of the Board of Directors are elected for a one-year term until the next ordinary General Meeting.

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

Two members of the Board of Directors (Peter Ulber 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 one of PWT's largest shareholder.

The biographies of the members are as follows:

**Peter Ulber**, Chairman of the Board of Directors, since 2016. German and US citizen. Born in 1960. Re-elected in 2017.

Following his studies at the International School of Logistics in Hamburg, Ulber held various management positions from 1985 to 2011 at Kuehne + Nagel in Europe, as well as North and South America. During his tenure, Ulber was responsible for both seafreight and airfreight, 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, Ulber was also heavily involved in the company's expansion in Europe, Asia and America.

At the end of 2011, he founded Charleston Enterprise Group LLC, a strategic management consultancy that offered 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. As of May 2013, the company changed its focus to concentrate solely on the real estate industry.

Peter Ulber joined Panalpina in June 2013 as President and CEO and was elected as Chairman on May 10, 2016.

In his capacity as Chairman, Peter Ulber assumes an extended role covering the assessment of opportunities for mergers and acquisitions to support the Group's long-term growth. Moreover, the Chairman is closely involved in the activities of the Group's Innovation Board to enable the exploitation of new market developments and new solutions, which anticipate customers' requirements.

**Beat Walti**, member of the Board of Directors since 2010. Swiss citizen. Born in 1968. Re-elected in 2017.

Beat Walti holds a PhD in law from the University of Zurich. From 1998 to 2001 he worked 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 has worked as a lawyer with Wenger & Vieli in Zurich specializing in corporate, commercial, contract, competition and antitrust law. He became a partner with Wenger & Vieli in 2007 and was the firm's managing partner from 2012 to 2014.

**Ilias Läber**, member of the Board of Directors since 2013. Swiss citizen. Born in 1974. Re-elected in 2017.

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.

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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. Re-elected in 2017.

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 responsibility for the global Price and Distribution Policy and then led 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.

**Knud Elmholdt Stubkjær**, member of the Board of Directors since 2011. Danish citizen. Born in 1956. Re-elected in 2017.

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's 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 a partner in the E.R. Capital Holding Group in Hamburg, serving as CEO of one of its subsidiaries, E.R. Schifffahrt 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.

**Thomas E. Kern**, member of the Board of Directors since 2015. Swiss citizen. Born in 1953. Re-elected in 2017.

Thomas E. Kern holds a university degree in law from the University of Zurich and an MBA from INSEAD, Fontainebleau (France).

Thomas E. Kern held various management positions in established organizations. From 2002 to 2006, Thomas E. Kern was Chief Executive Officer of Globus-Gruppe, Spreitenbach (Switzerland) and from 2008 to 2014 Chief Executive Officer of Zurich Airport AG, Zurich (Switzerland).

**Pamela Knapp**, member of the Board of Directors since 2015. German citizen. Born in 1958. Re-elected in 2017.

Pamela Knapp holds a diploma degree in economy from the Freie Universität Berlin/ Free University Berlin (Germany) and completed the Advanced Management Program (AMP) at Harvard University, Boston (US).

She began her career at Deutsche Bank AG, then worked as an M&A consultant before taking on various management roles at Siemens AG including Chief Financial Officer of the Power Transmission & Distribution division from 2004 to 2008. From 2009 until October 2014, she was Chief Financial Officer and member of the Management Board, responsible for Finance, Financial Controlling and Accounting, Personnel and Administration at GfK SE.

Today, Pamela Knapp serves as a nonexecutive board director in the following companies: PSA Groupe S.A., Reuil-Malmaisons (France), Compagnie de Saint-Gobain S.A., Courbevoie (France), hkp group AG, Zurich, (Switzerland), NV Bekaert SA, Zvevegem, Belgium.

**Dirk Reich**, member of the Board of Directors since 2017. German and Swiss citizen. Born in 1963.

Dirk Reich completed his apprenticeship as an air transport commercial at Lufthansa German Airlines AG, Cologne (Germany) in 1983 and roles followed at German Cargo Services GmbH, Frankfurt (Germany) and VIAG AG, Bonn (Germany) until joining Kuehne + Nagel as head of Corporate Development in 1994.

During his 20 years at Kuehne + Nagel International AG, Feusisberg (Switzerland) Dirk was responsible for merger and acquisition projects as well as the strategic development of the group. In 2000, he was appointed Director Corporate Development, e-commerce and Marketing for the company's global logistics network. In 2001, Dirk Reich joined the Management Board of Kuehne + Nagel, responsible for the business unit Contract Logistics. He also headed the Group's Rail and Road Logistics business unit and served as Secretary of the Board of Directors of Kuehne + Nagel in 2008 and 2009.

In 2014, Dirk Reich was appointed President and CEO of Cargolux Airlines International S.A., Luxembourg (Luxembourg) until 2016. During his tenure he was also Chairman of Cargolux Italia, Vizzola Ticino (Italy) and served on the Board of CHAMP Cargosystems S.A., Contern (Luxembourg) and on the Board of the China-Luxembourg Chamber of Commerce A.S.B.L. (ChinaLux), Luxembourg (Luxembourg).

Dirk Reich attended the Otto Beisheim School of Management (WHU) in Koblenz, Germany with studies in France and the US and received a degree in Business Administration.

All members of the Board are non-executive members and do not actively perform any managerial functions at PWT or any of the Group companies. Peter Ulber served as Chief Executive Officer from June 2013 until August 2016 (from May to August 2016 on an interim basis in a dual role as Chairman and CEO). No other Board members have 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

**Peter Ulber**, member of the Board of Trustees (Stiftungsrat) of the Ernst Göhner Foundation, Zug (Switzerland), founder and owner of Charleston Enterprise Group LLC, Charleston, US and Partner and owner of Charleston Boatyard LLC, Charleston, US.

**Beat Walti**, Chairman of the Board of Trustees of the Ernst Göhner Foundation, Zug (Switzerland) and a member of the National Council (Swiss Federal Parliament).

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**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).

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

**Thomas E. Kern**, member of the Board of Directors of Berne Airport, Berne (Switzerland); Chairman of the Board of Trustees of the Zoo Zurich Foundation, Zurich (Switzerland); member of the Board of Directors of PKZ Burger Kehl & Co AG, Urdorf (Switzerland) and member of the Board of Directors of The Swiss Finance & Property Group, Zurich (Switzerland).

**Pamela Knapp** serves as a board director at the French-German Chamber of Commerce, Paris (France) and is a consultant at Bernotat & Cie. – The Mentoring Company, Essen (Germany).

**Dirk Reich** is a representative of the BVL (Bundesvereinigung Logistics) in Bremen (Germany), is on the Advisory Board of the Institute of Logistics Management at the University of St. Gallen (Switzerland), a member of the Board of Directors of Log-hub AG, Zug (Switzerland), member of the Board of Directors at SkyCell AG, Zurich (Switzerland) and member of the Board of Directors at Feronia Holding SA, Neuchâtel (Switzerland).

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 Mandates

The number of mandates of each member of the Board of Directors fully comply with the provisions as outlined in the Articles of Association ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 23, pages 8 and 9).

### 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html)) 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Clause 4.3, page 34) 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 15, page 6 and 7). In line with the Articles, the Board of Directors has established Organizational Regulations that transfer certain management responsibilities to the Executive Board ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Clause 2.5, pages 14–27).

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

The Chairman of the Board of Directors is elected at each General Meeting of Shareholders with a one-year period of office. The Vice Chairman is appointed by the Board of Directors. 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

Two committees exist under the Board of Directors.

In the reporting year the former Audit Committee (AC) and Ethics and Compliance Committee (ECC) have been merged to form the Audit, Risk and Compliance Committee (ARCC).

The Audit, Risk & Compliance Committee (ARCC), consists of the following members of the Board of Directors: Ilias Läber (Chairman), Beat Walti, Pamela Knapp and Dirk Reich. The Audit, Risk and Compliance 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. It also reviews the effectiveness of the company's compliance policies and procedures, monitoring the handling of major legal matters, which, in view of their materiality, may have a significant impact on the company's financial statements. In addition it also overviews the company's Ethics & Compliance Program. The Audit, Risk & Compliance Committee reviews the consolidated annual financial statements as well as the consolidated interim financial statements including the related information to analysts and the media. The ARCC also reviews communication and matters related to Corporate Governance and it audits the company's Compensation Report based on an initial review by the CNC.

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, Risk & Compliance 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, Risk and Compliance 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 bi-annual 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

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allocated. The risk map, which is compiled by the Chief Legal Officer, for review by the Executive Board and subsequent approval by the Audit, Risk & Compliance Committee, contains risks identified and assessed by the Executive Committee members, Regional Management, Corporate Audit and the Group Auditors.

During the reporting year the Audit, Risk & Compliance Committee held five half-day meetings, four thereof immediately prior to the publication of the group results and one in mid-November. During Audit, Risk & Compliance Committee meetings, direct discussions took place with representatives of the Group Auditors, Corporate Audit and the Corporate Compliance Officer. Representatives from the Group Auditors were present at three of these meetings, the Corporate Compliance Officer participated in three of these meetings and the Corporate Auditor 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: Peter Ulber (Chairman), Thomas E. Kern, Chris E. Muntwyler and Knud Elmholt Stubkjær. The members of the Committee are elected at each General Meeting of Shareholders with a one-year period of office. 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 Equity Plans and 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 one conference call and three meetings prior to the regular Board of Directors meetings of approximately two hours each. The Executive Board was regularly represented at these meetings by the CEO, the Chief Human Resources Officer 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 decisions that fall within the scope of the Board of Directors.

Objectives, organization, duties and 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 one two-day meeting, three full-day meetings and one ad hoc conference call. The Executive Board was represented by all its members at these meetings.

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 on 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 15, pages 6 and 7), 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 ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Clause 2.1, pages 5 and 6, and Clause 2.5, pages 14–27). 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 are accessible on Panalpina's website [www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html).

The main responsibilities of the Board of Directors at 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 the recommendations and preparatory work of its Compensation and Nomination Committee.

### **3.7 Information and control instruments vis-à-vis the Executive Board**

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 from 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.



## Corporate governance report continued

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, investor relations presentations and media releases.

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 regularly receives the minutes of the Executive Board meetings.

The members of the Executive Board regularly join 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 are dedicated to a detailed review of major markets, business segments and the Group's strategy according to a predefined schedule.

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

The Audit, Risk & Compliance Committee receives the Corporate Auditor's half-year reports and also adopts the comprehensive risk map of the Executive Board. The Audit, Risk & Compliance 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. In addition, the Audit, Risk and Compliance Committee reviews the company's procedures for preventing and detecting fraud, bribery and other non-compliance; adopts the annual compliance program, reviews the compliance reports and assesses the appropriateness of proposed corrective actions. For further details please refer to section 3.5.2.

### 4 Executive Board

#### 4.1 Members of the Executive Board

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

**Stefan Karlen**, President and Chief Executive Officer since September 2016, Swiss citizen. Born in 1973. Member of the Executive Board since 2016.

Stefan Karlen started his logistics career in 1991 with a commercial apprenticeship, followed with roles at Danzas and Nedlloyd Lines in Switzerland, before joining Panalpina in 1997. Since his first appointment at Air Sea Broker (Panalpina Group, West Africa Division) he has held various senior management positions across Europe, Africa, CIS countries and Asia Pacific. In 2012, he was appointed Managing Director for Southeast Asia before assuming the position of Regional CEO for Asia Pacific and becoming a member of the Executive Committee in 2013.

Stefan Karlen holds an Executive MBA from IE Business School in Madrid, Spain and a Bachelor Degree in international trade and freight forwarding from EIAB in Basel, Switzerland.

**Robert Erni**, Chief Financial Officer since January 2013, Swiss citizen. Born in 1966. Member of the Executive Board since 2013.

Robert Erni worked in various finance positions at Kuehne + Nagel for more than 19 years. Prior to the head office functions such as Head of Corporate Controlling (2009 to 2012) and Head of Accounting and Treasury (2004 to 2009), 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 US.

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 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 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.

**Karl Weyeneth**, Chief Commercial Officer, Swiss citizen. Born in 1964. Member of the Executive Board since 2008. Responsible for Sales, Marketing and Communications, and QHSE.

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 the US and Canada. From 2008 to 2013, he was COO and member of the Executive Board for all product, sales and operational matters globally and was appointed in 2014 as CCO. 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. (US) and prior to this he was Executive Vice President and CFO of Danzas Management Latin America (US), where he attained extensive experience in all finance matters.

He holds a Bachelor in Economics and Business Administration from the University of Berne, Switzerland.

**Karsten Breum**, Chief Human Resources Officer, Danish citizen. Born in 1972. Member of the Executive Board since 2014. Responsible for Human Resources and Global Business Services.

Karsten Breum, a Danish citizen, joined Panalpina's Executive Board in 2014 as the company's Chief Human Resources Officer. After receiving a Masters in economics and business administration from Aarhus School of Business, Denmark in 1998, Karsten Breum spent a decade working in various human resources positions at A.P. Møller-Mærsk in Copenhagen, Antwerp and Singapore. In 2008, he was appointed Vice President Global Head of Human Resources for Damco; during his time at the company he was a member of the Global Executive Leadership Team and, in addition, completed his MBA at the University of Chicago's Booth School of Business. He was appointed Vice President Regional CEO of Damco in 2013, responsible and accountable for operational, as well as commercial activities in Asia Pacific.



## Corporate governance report continued

Karsten Bream brings a wealth of expertise and knowledge to his role at Panalpina, gained from spending more than 14 years working internationally in all areas of human resources.

**Andy Weber**, Chief Operating Officer, Swiss Citizen. Born in 1959. Member of the Executive Board as of 2015 until December 31, 2017.

Andy Weber started his freight forwarding career in 1976 with a commercial apprenticeship at Panalpina Basel. In 1982 he then moved to Kuehne + Nagel where he held a variety of management positions in South Africa, Iraq, the Ivory Coast, Japan, Taiwan, Hong Kong, Singapore and Dubai/UAE. From 1999 to 2013 Andy Weber was Kuehne + Nagel's regional CEO for Asia Pacific. Before rejoining Panalpina on January 1, 2015, he was Kuehne + Nagel's regional CEO for the Middle East, Africa and Central Asia.

**Ralf Morawietz**, Chief Information Officer, German citizen. Born in 1967. Member of the Executive Board as of 2015. Responsible for Information Technology.

Ralf Morawietz joined Panalpina as Chief Information Officer in 2015. He brings with him more than 15 years of leadership experience as well as IT development and operations expertise in various positions within the logistics industry. He spent five years (2010 to 2015) on the global IT management team at Kuehne + Nagel. Prior to that, Ralf Morawietz served in different IT leadership positions for Deutsche Post DHL Group (DPDHL) between 2002 and 2009.

Ralf Morawietz holds an Executive MBA from European Business School in Germany and Durham Business School in the UK.

### 4.2 Other activities and vested interests

No other activities and vested interests.

### 4.3 Permitted activities

The number of permitted activities of Executive Board members are outlined in the Articles of PWT ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Article 23, pages 8 and 9).

### 4.4 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 shareholding programs

Details regarding compensation for members of the Board of Directors and the Executive Board including shareholding programs can be found in the Compensation Report (pages 67 – 72) of the annual report ([www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)).

### 5.2 Compensations for members appointed after vote on pay

Statutory rules governing the additional amount for payments to members of the Executive Board, appointed after the vote on pay at the general meeting of shareholders, are outlined in the Articles of Association ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Article 22 / page 8) and the Compensation Report (pages 67 – 72 of the annual report / [www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)).

## 6 Shareholders' participation rights

### 6.1 Voting rights and restrictions and representation

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. ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art 5, page 3).

The Articles provide for group clauses.

The voting right restrictions are not applicable to shares represented by the independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter).

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 independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter).

Statutory regulations in regards to instructions given to the independent proxy holder of voting rights can be found in the Articles of Association ([www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art 11, page 5).

### 6.2 Quorums required by the Articles of Association

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 Inclusion of items on the 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 Entries in 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.

## Corporate governance report continued

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 Deloitte, Basel, which have been appointed at the AGM on 3 May, 2017. Fabien Lussu, the lead auditor, took up office on May 3, 2017 for a seven-year term, as permitted by the Swiss Code of Obligations.

#### 8.2 Auditing fees

Deloitte fees for audit services related to the 12-month period ending December 31, 2017 amounted to CHF 2.2 million.

#### 8.3 Additional fees

The Group Auditors Deloitte were compensated with an amount of CHF 0.1 million for audit related fees and CHF 0.6 million for other services (including tax related services) rendered in the financial year 2017.

#### 8.4 Informational instruments pertaining to the external audit

The Group Auditors are supervised and controlled by the Audit, Risk and Compliance Committee. The Group Auditors report to the Audit, Risk and Compliance 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 function. The Audit, Risk and Compliance Committee annually assesses the performance of the Group Auditors and determines the audit fees.

The Group Auditors are appointed annually by the Annual General Meeting following the recommendation of the Audit, Risk and Compliance Committee to the Board of Directors. Re-election is permitted. The lead auditor is to rotate after the seven-year term, as permitted by the Swiss Code of Obligations.

### 9 Information policy

Panalpina regularly updates its website at [www.panalpina.com](http://www.panalpina.com), informing the public of any major events, organizational changes and (quarterly) financial results ([www.panalpina.com/www/global/en/home/investors/financial\\_presentations/interim\\_reports.html](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html)). Media releases are accessible to all visitors to the website ([www.panalpina.com/www/global/en/home/newsroom.html](http://www.panalpina.com/www/global/en/home/newsroom.html)); alternatively, subscriptions can be made ([www.panalpina.com/www/global/en/home/investors/subscription.html](http://www.panalpina.com/www/global/en/home/investors/subscription.html)) so that the latest media releases are automatically forwarded via e-mail. Furthermore, all publications such as the annual report (including the Corporate Governance and Compensation Report) ([www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)), and sales brochures ([www.panalpina.com/www/global/en/home/industry\\_verticals.html](http://www.panalpina.com/www/global/en/home/industry_verticals.html)) 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 ([www.panalpina.com/www/global/en/home/investors/financial\\_calendar/financial\\_calendar\\_2018.html](http://www.panalpina.com/www/global/en/home/investors/financial_calendar/financial_calendar_2018.html)). The minutes of shareholder meetings are available online ([www.panalpina.com/www/global/en/home/investors/agm/Archiv.html](http://www.panalpina.com/www/global/en/home/investors/agm/Archiv.html)). Panalpina's contact address can be found on the back cover of the annual report ([www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)).