



# Corporate Governance and Compensation Report

Panalpina is committed to a transparent management structure which is governed by international Corporate Governance principles. This Corporate Governance Report complies with the revised Directive of the SWX 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/Africa/Middle East/CIS
- Asia/Pacific
- North America (USA and Canada)
- Central and South America

For strategic and organizational reasons the region Europe/Africa/Middle East/CIS has been divided into two sub-regions with Europe on the one side and Africa/Middle East/CIS on the other side. A similar regional split also exists in Asia/Pacific as China/Taiwan forms an independent sub-region. Each of the aforementioned regions is managed by its own Regional CEO.

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

- Air Freight
- Ocean Freight
- Supply Chain Management (logistics and overland transportation activities)

Supplementary information can be extracted from the segmental reporting section of the Consolidated Financial Statements (page 92).

#### 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 SWX Swiss Exchange. The market capitalization on the closing date amounted to CHF 4,907 million (25,000,000 registered shares at CHF 196.30 per share).

On the closing date

- The free float consisted of 14,355,000 registered shares (= 57.42% of the share capital) and thereof
- PWT held treasury stock consisting of 540,341 registered shares (= 2.16% of the share capital). These shares were purchased as a result of PWT's share buyback program (referenced in section 2.3) respectively its share and option program (referenced in section 5.1).

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 (page 121) 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 42.58%.

During the reporting year two disclosure notifications were made in the Swiss Commercial Gazette and in media releases in accordance with statutory regulations: On 15 October 2007 it was announced that the funds Viking Global Equities LP, Viking Global Equities II LP and VGE III Portfolio Ltd. (Greenwich, Connecticut, USA) jointly hold 1,302,000 shares, equivalent to 5.2% of the share capital, of PWT. On 10 December 2007 it was announced that Lone Cypress Ltd., Lone Spruce L.P., Lone Balsam L.P., Lone Sequoia L.P., Lone Kauri Ltd., Lone Cascade L.P., Lone Monterey Master Fund Ltd. and Lone Sierra L.P. (Greenwich, Connecticut, USA) jointly hold 1,276,076 nominal shares, equivalent to 5.1% of the share capital of PWT.

In November 2007 Panalpina notified all PWT investors with major shareholdings of the revised disclosure obligations effective 1 December 2007 and has posted the respective disclosure rules on its website.

Between the closing and the publication date both the shareholdings of the Bank of New York, Mellon Corporation; Wilmington, Delaware, USA (respectively Newton Investment Management Ltd and The Bank of New York Mellon Asset Management) representing 882,649 shares equivalent to 3.53% of the share capital and The Children's Investment Master Fund, Grand Cayman, Cayman Islands (respectively The Children's Investment Fund Management (UK) LLP, UK) representing 1,137,173 shares equivalent to 4.55% of the share capital were published.

## 1.3 Cross-shareholdings

Cross-shareholding between PWT and any other company does not exist.

# 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 23 August 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 15 May 2007 the authorized share capital was renewed at the same value until 15 May 2009.

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

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 to 2007.

In August 2007 the Board of Directors initiated a share buyback program. Under this program shares of up to a maximum of 5% of the share capital (maximum 1,250,000 shares) shall be repurchased. The Board of Directors intends to submit an application to the Shareholders' Meeting in 2009 to reduce the share capital accordingly.

## 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 providing proof of the acquisition of the shares and on provision that they expressly declare to 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 which are acquired through the exercising of preemptive rights, warrants and conversion rights. The Board of Directors is empowered to allow exemptions from the limitation for registration in the share register in particular cases.

The Articles make provision for group clauses.

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

#### 2.6.2 Reasons for granting exceptions in the year under review

No exceptions were granted during the reporting year.

#### 2.6.3 Permissibility 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 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 warrants/options

There were no convertible bonds outstanding on the closing date. The only issued options relate to the share and option participation program for members of the Board of Directors, the Executive Board and further 137 senior managers of Panalpina. For further particulars please refer to section 5.1.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

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

Three members of the Board of Directors (Rudolf Hug, Wilfried Rutz and Roger Schmid) 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. Elected 2005 (until 2008).

Rudolf W. Hug holds a PhD in law from the University of Zurich and an MBA from INSEAD, Fontainebleau (France). In 1985, he participated in the Executive Program of the Graduate School of Business at Stanford University. From 1977 to 1997, he worked in several positions for Schweizerische Kreditanstalt (today Credit Suisse). During the period from 1987 until 1997, he ran the international division and served as 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 was appointed Chairman of the Board of Directors on May 15, 2007 following the retirement of his predecessor.

**Wilfried Rutz**, Vice Chairman. Swiss citizen. Born in 1939. Elected 2007 (until 2010).

Wilfried Rutz holds a university degree in economics as well as a PhD from the University of St. Gall. From 1992 until 2004 he acted as CEO of the Debrunner Koenig Group where he still is a member of its Board of Directors. He has been a member of the board of several Swiss companies in the private and the public sector. Since 2003, he has been a member of the Board of Directors of PWT and in 2005 he was elected Vice Chairman.

**Günther Casjens**, member of the Board of Directors. German citizen. Born in 1950. Elected 2005 (until 2008).

Günther Casjens is a trained forwarding and shipping merchant. From 1974 until 2004 he held several positions at Hapag-Lloyd, in 1983 as deputy director of Europe/Far East Services, in 1987 as managing director North America Services and in 1988 as managing director North and South America Services. In 1990, Günther Casjens became deputy member of the executive board of Hapag-Lloyd and from 1991 until 2004 he was member of the executive board of Hapag-Lloyd. In 2004, Günther Casjens became managing partner and chief executive officer of Nord-capital Holding GmbH & Cie KG.

**Yuichi Ishimaru**, member of the Board of Directors. Japanese citizen. Born in 1939. Elected 2005 (until 2008).

Yuichi Ishimaru holds a bachelor degree in economics from Keio University. He has worked for the Marubeni Corporation since 1963. From 1995 until 1998, Yuichi Ishimaru has been member of the board of directors of Marubeni Corporation and served as COO for Marubeni America Corporation, New York. From 1998 until 2000, Yuichi Ishimaru served as CEO for Europe and Africa for Marubeni Europe PLC, London. Since 2001, he has also held a position as executive vice president of Marubeni Corporation and since 2003 he has been acting as special advisor to Marubeni Corporation.

**Glen R. Pringle**, member of the board of Directors. American citizen. Born in 1947. Elected 2005 (until 2008).

Glen R. Pringle holds a Bachelor of Arts degree from the University of Alabama (College of Arts and Sciences). After his studies Glen R. Pringle worked as state director of sales for CENCO Instrument Company. Thereafter he worked at WVM/ WBIL Radio Station as a manager of sales. As from 1986, Glen R. Pringle held the position of development director for the Alabama Development Office until 1995, when he became the development director of Retirement Systems of Alabama.

**Roger Schmid**, member of the Board of Directors. Swiss citizen. Born in 1959. Elected 2007 (until 2010).

Roger Schmid holds a university degree in law as well as a PhD in law from the University of Zurich. From 1991 until 1995, he was legal counsel and director at Bank Leu, a subsidiary of Credit Suisse. Since 2003, he has been a member of the Board of Directors. Roger Schmid works as an executive director of the Ernst Göhner Foundation.

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. They have also not 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: Swiss Post, Berne; Orell Füssli Holding AG, Zurich; Micronas Semiconductor Holding AG, Zurich; Deutsche Bank (Schweiz) AG, Geneva; Allreal Holding AG, Baar.

**Wilfried Rutz**, Chairman of the board of trustees (*Stiftungsrat*) of the Ernst Göhner Foundation, Zug, member of the board of directors of Debrunner Koenig Holding AG, St. Gall, and Alba Management AG, Olten.

**Günther Casjens**, member of the advisory board at Deutsche Bank AG, Frankfurt, member of the advisory board at Deutsche Schiffsbank, Bremen, corporate adviser of Temasek Group, Singapore, member of the supervisory board at Equitrust AG, Hamburg.

**Roger Schmid**, member of the board of trustees and executive director of the Ernst Göhner Foundation, Zug, member of the board of directors of Verwaltungs- und Privatbank (Schweiz) AG, Zurich and AIG Private Equity Ltd., Zug.

Other than these, the members of the Board of Directors do not hold other material offices or do not 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 period of office shall be individually determined for each member at the time of his election. The members of the Board of Directors are elected at the General Meeting of Shareholders with a 3-year period of office. They may be reelected at any time. The Organizational Regulations of PWT specify an age limit of 72 years for the members of the Board of Directors.

### 3.4.2 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 respectively the Articles. In line with the Articles, the Board of Directors has established Organizational Regulations which 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 Internal Auditor as well as the Corporate Secretary, in his capacity as secretary to the Board of Directors, is 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.

The *Audit Committee* consists of the following members of the Board of Directors: Wilfried Rutz (Chairman), Günther Casjens and Roger Schmid. The Audit Committee supports the Board of Directors with the supervision of the financial accounting, financial reporting and 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 Auditor and the Internal Auditor. Based on this, it adopts the detailed reports of the Group Auditors and semi-annual reports of Internal 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 the internal 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 and adopts the necessary measures for risk control and risk mitigation and reports the respective outcome to the Board of Directors. During the reporting year the Audit Committee held seven half-day meetings. During the Audit Committee meetings direct discussions took place with representatives of the Group Auditors and Internal Audit. Representatives from the Group Auditors were present at five of these meetings and at two of these meetings the Internal Auditor attended. At these meetings the Executive Board was regularly represented by the CEO, the CFO and the Corporate Secretary.

The *Compensation & Nomination Committee* consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Wilfried Rutz and Yuichi Ishimaru. It monitors the selection process for members of the Board of Directors and the Executive Board and determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as for highly compensated employees. Regarding the compensation of the members of the Executive Board (overall remuneration including target bonus), the Committee takes a decision subject to the final approval of the Board of Directors, whereas the application for the compensation of the Board members is prepared and submitted to the Board of Directors. Furthermore, the Committee regularly reviews the proposed management share and option programs of the Group and submits proposals to the Board of Directors. During the reporting year, the Compensation & Nomination Committee held four meetings of approximately two hours each. The Executive Board

was regularly represented at these meetings by the CEO, and the Corporate Secretary.

As a rule, both Committees 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 taken 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.

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

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

During the reporting year, the Board of Directors held five half-day meetings and two telephone conferences. The Executive Board was represented by the CEO, the CFO and the Corporate Secretary at these meetings. In urgent cases, telephone conferences or decisions by circular may be organized for decisions to be taken.

At every meeting, the Executive Board updates the Board of Directors on business and key financial developments, as well as information on debtor management. On a quarterly basis, detailed consolidated financial statements on group, regional and business segment level 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 in which the Board of Directors and the Executive Board can efficiently execute their daily business. The Organizational Regulations also outline the reporting duties of the Executive Board on Group and Holding level.

Main responsibilities of the Board of Directors on Group level are 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. Furthermore, 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 given 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 and 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, analyst-, investor- and competitors activities 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.

The Chairman of the Board of Directors occasionally attends 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. Further 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 a 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 Internal Auditor as well as his cooperation with the Group Auditor.

The Audit Committee receives the Internal 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 detail please refer to section 3.5.2.

## 4 Executive Board

### 4.1 Members of the Executive Board

The biographies of the Executive Board members are as follows:

**Monika Ribar**, CEO, Swiss citizen. Born in 1959. Member of the Executive Board since 2000 and CEO since October 2006.

Monika Ribar joined the Group in 1991. She held several positions within the Group's controlling, IT and global project management departments. From 2000 until 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 in June 2006 her appointment as CEO was announced. She officially took over the CEO function in October 2006. Apart from individual Executive Board members, the Heads of Human Resources, Corporate Development and Corporate Compliance are also directly reporting to her. She holds a university degree in Finance and Controlling from the University of St. Gall. She participated in the Executive Program of the Graduate School of Business at Stanford University, Palo Alto, California, in 1999.

**Jörg Eggenberger**, Chief Operations Officer, Swiss citizen. Born in 1961. Member of the Executive Board since 2000. Responsible for Air & Ocean Operations (including Agent Relations, Security and Panprojects), Air & Ocean Procurement, Information Technology and Business Processes & Quality.

Jörg Eggenberger joined Panalpina in 1977 and has held several positions. From 1981 until 1982, he held a management position at Panalpina London, after which he returned to the marketing and sales department at the Swiss company. From 1985 until 1988, he held another management position with Panalpina in Melbourne. In 1989, he was assigned for a management position in Taipei and in 1990 he held the position of a branch manager at Panalpina Melbourne. From 1990 until 1991 he worked as manager Far East with Air Sea Broker (today Panalpina Air and Ocean). In 1991, he became director of the Ocean Freight division at the corporate head office. In 1998, Jörg Eggenberger became managing director of the West Africa Division of Air Sea Broker. In 2000, Jörg Eggenberger became a member of the Executive Board as Chief Operating Officer Eastern Hemisphere. In 2002, he was appointed Regional CEO of the Africa/Middle East/Central Asia/CIS division and later assumed responsibility for the entire EMEA region. In 2005, he was appointed COO of the Group, and held this position until October 2006, when he was appointed Chief Operations Officer and John Klompers was announced the Chief Marketing & Sales Officer. Jörg Eggenberger is a trained forwarding merchant. In 2004, he participated in a senior management course at Columbia University, New York.

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

Christoph Hess joined the Group's head office in 1994 as General Counsel and Secretary of the Board of Directors and the Executive Board. In his capacity he also manages both the Group's Legal/Insurance and Communications departments. Christoph Hess holds a degree in law from the University of Basel and has been admitted to the bar in Switzerland.

**Jürg Honegger**, Chief Financial Officer (CFO), Swiss citizen. Born in 1964. Member of the Executive Board since October 2006. Responsible for Corporate Finance (Credit Control, Treasury, Financial Reporting and Tax Management, Head Office Accounts), Group Controlling and as well as Investor Relations.

Jürg Honegger started his career as Controller and Auditor for companies in Mexico and Switzerland. From 1994 to 2004, he was employed by the Volcafe Group, initially as Assistant to the Group CFO at their Headquarters, thereafter as Head of Finance in Colombia and later as Managing Director for its subsidiary in Uganda. In 1999, he was promoted to Group CFO and member of the Executive Board. He held this position until 2004. Subsequent to the acquisition of the Volcafe Group in 2004 by the new owner ED&F MAN Holdings Ltd., he held the position of Group Treasurer and Divisional Finance Director, based in London, until 2006. Jürg Honegger has a degree in Business Administration (lic. oec. HSG) from the University of St. Gall.

Jürg Honegger resigned in November 2007.

**John Klompers**, Chief Marketing & Sales Officer, Dutch citizen. Born in 1964. Member of the Executive Board since October 2006. Responsible for Sales and Key Account Management (including industry competence centers and global logistics), Supply Chain Management, Global Oil and Gas, Tender Management as well as Marketing and Customer Relations Management.

John Klompers joined ChartAir Europe in 1995 (a company acquired by Panalpina in 1996) as Marketing & Sales Executive. In 1997, he was appointed as Branch Manager of Panalpina Eindhoven and Global Account Manager for a leading electronics company. In 1999, he became Managing Director of Panalpina Netherlands and in 2003 Managing Director of the Benelux area, which includes Panalpina country organizations in the Netherlands, Belgium and Luxembourg. In 2005, he was nominated as Regional Chief Executive Officer for Europe. John Klompers holds bachelor degrees in Economics, Supply Chain Management and Marketing from universities in Eindhoven and Utrecht.

John Klompers resigned in January 2008.

#### 4.2 Other activities and vested interests

**Monika Ribar**, member of the board of directors of Bank Julius Bär Ltd., Zurich. Member of the board of directors of Logitech International SA, Romanel/Morges.

**John Klompers**, member of the board of directors of Luxair SA, Luxembourg

#### 4.3 Management contracts

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

## 5 Compensation, shareholdings and loans

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

Both the compensation and principles governing the share and option programs for Board of Directors and the Executive Board are determined and approved by the Board of Directors based on the proposal of the Compensation and Nomination Committee. The Committee is regularly updating 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. The members of the Executive Board are not attending respective discussions about decisions related to their own remuneration. The Committee has not engaged any external experts regarding remuneration topics except for the share and option program. These advisors also have other company mandates.

The members of the Board of Directors receive a fixed annual compensation. The salary package for the members of the Executive Board is made up of a fixed basic salary, expense allowance, additional pension contributions and a target bonus. 50% of the target bonus depends on the Group's result (normalized Ebit) and 50% on achievement of measurable individual performance targets. Performance targets are defined for the CEO by the Chairman and for other Executive Board members by the CEO. The target bonus of the individual EB member equals between 50% and 100% of the individual annual basic salary. The bonus is cut if the respective targets are not reached.

The members of the Board of Directors as well as the members of the Executive Board had the possibility to voluntarily participate in the share and option program introduced in 2005 and continued in a modified program in 2006 as well as in the reporting year. During 2005, PWT introduced a share and option program whereas members of the Board of Directors, the Executive Board and members of senior management were offered the purchase of PWT registered shares. The shares for Board of Directors and Executive Board members were limited to 3,750 registered

shares per person at the offering price of CHF 80.00. For every purchased share, the subscribers of this program have been allocated two options, each option entitling them to purchase one further share at the offering price. The options can be exercised until 16 September 2008; thereafter the options will lapse.

In June 2006, a slightly modified share and option program offered members of the Board of Directors and Executive Board members the purchase of a maximum of 1,800 registered shares at a purchase price of 75% of the average closing price of the shares at the SWX from January to May 2006 (CHF 111.30). The sale of the subscribed shares was restricted for one year. With every subscribed share one option is attained, which is allocated to the extent of  $\frac{1}{3}$  after a vesting period of one, two, respectively three years and entitles the participant to purchase a share at the price of CHF 111.30. Options may be exercised after allocation until 11 June 2012 after which they expire.

A third share and option program introduced in June of the reporting year conceptually follows in its entirety the second program of 2006. The purchase of shares was limited for Board of Directors and Executive Board members to a maximum of 1,326 shares each. The options allocated over a period of three years can be exercised until 17 June 2013 at a strike price of CHF 201.10 (average closing price of the shares from January to May 2007). For US domiciled plan participants a "US sub-plan" was established for 2006 and 2007, the terms of which are identical to the international plan except for the strike price, which equals the fair market value of the options.

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. The Board of Directors has so far not introduced a share-based compensation for Executive Board members. Further information related to both overall and individual remuneration of the Board of Directors and Executive Board members as well shares and options held by these persons at their closing date, including a comparison with the previous year, are reflected in the audited Notes to the Consolidated Financial Statements (pages 115 to 117) according to article 663 b<sup>bis</sup> CO. The overall remuneration of the Board of Directors has been reduced in 2007 compared to the previous year due to the non-executive function of the current Chairman. Further, the remuneration of the Executive Board members was increased as of October 2006 in line with market requirements.

## 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 (so-called 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 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 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 changes 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 was taken over by PricewaterhouseCoopers AG, Basel, (PwC) for the first time for the 1972 financial year by a declaration of acceptance of May 1972.

The lead auditor, Thomas Brüderlin, who was responsible for the mandate, commenced duties in 2001. Upon completion of the 2007 Group Audit he will withdraw from this mandate in line with the Group Auditors' internal policies.

### 8.2 Auditing fees

According to financial accounting, invoices for auditing fees for the financial year amounted to CHF 2,705,094.

### 8.3 Additional fees

The auditors PwC were compensated an additional amount of CHF 325,361 for further services rendered in the financial year. PwC was mandated in the reporting year in particular for the completion and submission of tax returns in various countries.

### 8.4 Supervisory and control instruments pertaining to the 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 at 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 as well as proposals regarding audit fees, organization and timing. 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. In the context of the Group Auditor tender submitted during the reporting year selection criteria for Group Auditors have been defined. Main criteria are Group Auditors 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 internal 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 Internet website [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 website; alternatively subscriptions can be made so that all latest press releases are automatically forwarded via e-mail. Furthermore, all publications, such as the Annual Report (including the Corporate Governance and Compensation Report), customer magazine and sales brochures are available online. The dates of the General Meeting of Shareholders as well as dates of publication of the quarterly financial results are printed in the Annual Report and appear in the Financial Calendar on the website (under *Investor Relations*). The minutes of Shareholder meetings are available online.



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