

## Corporate Governance and Compensation Report –

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

### 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 three regional segments:

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

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

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

Supplementary information can be taken from the segmental reporting section of the Consolidated Financial Statements (pages 89–91).

##### 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 2.2 billion (23,750,000 registered shares at CHF 92.85 per share).

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

##### 1.1.3 Nonlisted companies within the scope of consolidation

The main subsidiaries and associated companies are disclosed in the Consolidated Financial Statements (pages 128–130) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

#### 1.2 Significant shareholders

Major percentage increases/changes are related to the capital reduction as explained under 2.1.

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 11.97% on closing date. Other significant shareholders according to their most recent disclosure notices are Artisan Partners Limited Partnership (5.28%) and Bestinver Gestión, S.G. SGIIC (5.32%). With regard to other significant shareholders, during the reporting year no disclosures were made on the SIX online publication platform.

#### 1.3 Cross-shareholdings

No cross-shareholdings exist between PWT and any other company.

### 2 Capital structure

#### 2.1 Capital

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

## 2.2 Authorized and conditional share capital

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

The Board of Directors is authorized to exclude the preemptive rights of shareholders and to convey them to third parties, provided that such new shares are to be used for the takeover of entire enterprises, divisions or assets of enterprises or participations or for the financing of such transactions. The Board of Directors has not yet made use of this authorization. No decision has been made regarding the creation of conditional capital.

## 2.3 Change in capital over the past three years

In August 2007, the Board of Directors initiated a share buyback program. Under this program, shares amounting to 5% of the share capital (1,250,000 shares) have been repurchased. The buyback program was concluded on September 2, 2008. At the Annual General Meeting of May 8, 2012, the share capital was reduced from CHF 50,000,000 to CHF 2,375,000 by way of cancellation of the repurchased 1,250,000 shares and further reduction of the nominal value per share from CHF 2.00 to CHF 0.10 each.

## 2.4 Shares and participation certificates

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

## 2.5 Dividend-right certificates

On the closing date, no dividend-right certificates had been issued.

## 2.6 Limitations on transferability and nominee registrations

### 2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

Acquirers of PWT shares are entered into the share register as shareholders with voting rights upon provision of proof of the acquisition of the shares and provided that they expressly declare that they hold the shares in their own name and for their own account.

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

The Articles make provision for group clauses.

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

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

No exceptions were granted during the reporting year.

### 2.6.3 Admissibility of nominee registrations; indication of any percent clauses and registration conditions

The Articles of PWT specify that the Board of Directors may register nominees with voting rights in the share register up to a maximum of 2% of the share capital recorded in the commercial register. Nominees are persons who do not expressly declare in their application that they hold the shares for their own account and with whom the Company has entered into an agreement to this effect.

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

The Articles make provision for group clauses.

#### 2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

A resolution of the General Shareholders Meeting of PWT on which at least two-thirds of the voting shares represented agree is required for any abolition or change of the provisions relating to transfer limitations.

#### 2.7 Convertible bonds, warrants and options

There were no convertible bonds outstanding on the closing date.

The only issued options relate to the share and option participation program (Management Incentive Plan, MIP) are for currently 511 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. For further details please refer to section 5.1.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

At the Annual General Meeting of May 8, 2012, Rudolf W. Hug, Beat Walti, Lars Förberg, Chris E. Muntwyler, Roger Schmid, Hans-Peter Strodel and Knud Elmholdt Stubkjær were reelected to the Board of Directors for a one-year term.

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

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

Lars Förberg is a member of the Board of Directors of Cevian Capital, the second-largest PWT shareholder.

The biographies of the members are as follows:

**Rudolf W. Hug**, Chairman. Swiss citizen. Born in 1944. Reelected in 2012 (until 2013).

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

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

**Beat Walti**, Member of the Board of Directors since 2010. Swiss citizen. Born in 1968. Reelected in 2012 (until 2013).

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

**Lars Förberg**, Member of the Board of Directors since 2011. Swedish citizen. Born in 1965. Reelected 2012 (until 2013).

Lars Förberg studied economics in Stockholm and Michigan and holds a M.Sc. in Economics and Business Administration from the Stockholm School of Economics. He started his career as an investment manager and partner at the private equity company Nordic Capital in Sweden. At the end of 1997 he moved to the former AB Custos, one of Sweden's largest public limited investment companies, where he worked until September 2001, most recently as Chief Investment Officer. Since October 2001, Lars Förberg has been managing partner in Cevian Capital, an investment company specializing in public limited companies, which he cofounded.

**Chris E. Muntwyler**, Member of the Board of Directors since 2010. Swiss citizen. Born in 1952. Reelected in 2012 (until 2013).

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

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

**Roger Schmid**, Member of the Board of Directors since 2003. Swiss citizen. Born in 1959. Reelected in 2012 (until 2013).

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

**Hans-Peter Strodel**, Member of the Board of Directors since 2010. Swiss citizen. Born in 1943. Reelected in 2012 (until 2013).

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

**Knud Elmholt Stubbkjær**, Member of the Board of Directors since 2011. Danish citizen. Born in 1956. Reelected in 2012 (until 2013).

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

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

### 3.2 Other activities and vested interests

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

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

**Lars Förberg**, Chairman of the Board of Directors of Cevian Capital AG, Pfäffikon (Switzerland), member of the Board of Directors of Cevian Capital Ltd., Jersey (Channel Islands) and Alent plc., Woking (UK), and member of the Nomination Committees of Metso, Helsinki (Finland), Tieto, Helsinki (Finland), Volvo, Gothenburg (Sweden).

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

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

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

**Knud Elmholt Stubbjær**, Member of the Board of Directors of Unifeeder A/S, Aarhus (Denmark).

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

### 3.3 Elections and terms of office

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

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

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

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

### 3.4 Internal organizational structure

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

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

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

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

Three committees exist under the Board of Directors.

The Audit Committee consists of the following members of the Board of Directors: Hans-Peter Strodel (Chairman), Lars Förberg and Roger Schmid. The Au-

dit Committee supports the Board of Directors with the review of the Company's financial statements, the supervision of the financial accounting standards and reporting, the review of the effectiveness of the Internal Control System and with the efficiency of external and internal audit procedures, including risk management. The Audit Committee reviews the consolidated annual financial statements as well as the published interim financial statements and submits an application to the Board of Directors for approval. It regularly maintains contact with the Group Auditors and the Corporate Auditor. On this basis, it adopts the detailed reports of the Group Auditors and semi-annual reports of Corporate Audit. It is therefore in the position to audit the quality, effectiveness and interaction between the control systems, to determine the audit priorities, to introduce proposed measures and to monitor their implementation. The Audit Committee determines the organization of Corporate Audit, adopts the internal audit charter and approves the annual planning and scope of internal audit.

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

During the reporting year the Audit Committee held five half day meetings. During Audit Committee meetings, direct discussions took place with repre-

sentatives of the Group Auditors and Corporate Audit. Representatives from the Group Auditors were present at three of these meetings and the Corporate Auditor (being a permanent participant at the Audit Committee Meeting since August 2010) attended all of the above-mentioned meetings. At these meetings, the Executive Board was regularly represented by the CEO, the CFO/interim CFO and the Corporate Secretary.

The Compensation and Nomination Committee consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Chris E. Muntwyler and Knud Elmholt Stubbjær. 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 (overall remuneration, including target bonus), the Committee makes a decision subject to the final approval of the Board of Directors; applications for the compensation of the Board members are decided by the Committee and shared with the Board of Directors. Each year the Committee decides on the bonus compensation for the CEO and the other members of the Executive Board for the previous year, based on recommendations of the Chairman (for the CEO) and the CEO (for other Executive Board members). Furthermore, the Committee regularly reviews the Board Stock Award Plan, the Executive Board Mid-Term and Long-Term Incentive plans and the Group's Management Incentive Plan and submits proposals for final approval to the Board of Directors. Moreover, it approves concepts and policies for the Group's management performance assessment, succession planning and expat programs.

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



The Ethics and Compliance Committee (former Legal and Compliance Committee) consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Roger Schmid and Beat Walti. It oversees the Company's Business Ethics Program and monitors Panalpina's adherence to both, the Deferred Prosecution Agreement (DPA) with the US Department of Justice and the Administrative Agreement with the US Department of the Air Force. It further monitors the handling of major legal matters, including the pending anti-trust investigations and related proceedings as well as the development of the Company's compliance policies and procedures. During the reporting year, the Committee has held four meetings and two telephone conferences. The Executive Board was represented at these meetings by the CEO and the Corporate Secretary.

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

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

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

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

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

At every meeting, the Executive Board updates the Board of Directors on business and key financial developments and main regional and segment developments. On a quarterly basis, detailed consolidated financial statements on the Group, regional and busi-

ness segment levels are reported to the Board of Directors in accordance with International Financial Reporting Standards (IFRS). The Board of Directors is furnished in time with an agenda, detailed meeting documentation related to topics on the agenda and minutes.

#### 3.5 Definition of areas of responsibility

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

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

The main responsibilities of the Board of Directors on Group level include the determination of the business strategy on the basis of 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 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 human resources and remuneration decisions following recommendations and preparatory work of its Compensation and Nomination Committee.

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

The Executive Board informs the Board of Directors of business developments in a written format on a monthly basis and a detailed update is provided at each Board of Directors meeting. Elements of this

reporting include monthly financial reports, consolidated quarterly regional and business segment results according to IFRS (with actual figures, previous years' figures, quarter results and budget figures as well as a comparison with the financial guidance), the reporting of business development in all regions and business segments (including focus on problematic organizations), the development of shipments, volumes and tonnages, the debtors' and creditors' reports (including DSO and DPO) as well as the net working capital.

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

During the reporting year, the Chairman of the Board of Directors partly attended four Executive Board meetings and 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 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 strategy according to predefined schedule. For further details please refer to sections 3.4.2 and 3.4.3.

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

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

## 4 Executive Board

### 4.1 Members of the Executive Board

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

**Monika Ribar**, Chief Executive Officer, ad interim CFO (August 1 until December 31, 2012), Swiss citizen. Born in 1959. Member of the Executive Board since 2000 and CEO since October 2006. Apart from her CEO function, Monika Ribar has special responsibilities for Corporate and Regional Development, Agent Relations, Corporate Ethics and Compliance, Corporate Information Technology (as of August 1, 2012), Corporate Communications and Panprojects.

Monika Ribar joined the Group in 1991. She held several positions within the Group's controlling, IT and global project management departments. From 2000 to 2005, she held the position of the CIO (Chief Information Officer) of the Group and was member of the Executive Board. In 2005, Monika Ribar was appointed as CFO of the Group and her appointment as CEO was announced in June 2006. She officially took office as CEO in October 2006. She holds a university degree in Finance and Controlling from the University of St. Gallen. She participated in the Executive Program of the Graduate School of Business at Stanford University, Palo Alto, California in 1999.

**Marco Gadola**, Chief Financial Officer until July 31, 2012, Swiss citizen. Born in 1963. Joined Panalpina as a member of the Executive Board in September 2008. Responsible for Corporate Finance, Controlling, Investor Relations, Strategic Finance and Projects, Indirect Purchasing and Information Technology. As of August 1, 2012 Marco Gadola has taken over the role of Regional CEO Asia Pacific.

Marco Gadola is a finance and economics expert with many years' experience in international companies. Before joining Panalpina he was Group CFO and Executive Vice President Operations of Straumann Holding, a world-leading Swiss-based dental and oral technology company; prior to that he was Group CFO of the Swiss-based international con-



sumer foods company Hero. He also held leading management positions at the Hilti Group, which manufactures and sells products for the construction and building industries. Furthermore, both at Straumann and at Hero Marco Gadola oversaw production, logistics, investor relations and information technology worldwide, and played a leading part in the acquisition and integration of companies. Marco Gadola has a Masters Degree in Business Administration and Economics from the University of Basel (Switzerland). He also completed the Accelerated Management Development Program at the London School of Economics.

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

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

**Alastair Robertson**, Chief Human Resources Officer, British citizen. Born in 1960. Member of the Executive Board since April 2008. Responsible for Human Resources.

Alastair Robertson joined the Group in 2007 as Head of Global Human Resources. Before joining Panalpina, he had been a Vice President at Tetra Pak since 1996, where he held various positions in the field of Human Resources: between 1999 and 2001 as Vice President Human Resources Americas and from 2002 to 2004 as Vice President Human Resources Europe and Africa. From 1992 to 1996, he worked for W.H. Smith in the field of Personnel, Development and Training and between 1989 and 1992 he was with Graham Builders Merchants as Manager Human Resources Management, Training and Development. He previously served in the military, where he attained the rank of major and served in numerous countries. Alastair Robertson holds an MBA in Strat-

egy and Marketing from the University of Huddersfield, Bradford (United Kingdom). He also attended the Royal School of Military Engineering and the Royal Military Academy in the United Kingdom.

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

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

#### 4.2 Other activities and vested interests

**Monika Ribar**: Member of the Board of Directors of Logitech International SA, Romanel/Morges (Switzerland), Sika AG, Baar (Switzerland) and Swiss International Air Lines AG, Basel (Switzerland).

**Marco Gadola**: Member of the Board of Directors of Calida Holding AG, Sursee (Switzerland).

#### 4.3 Management contracts

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

## 5 Compensation, shareholdings and loans

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

The compensation and principles governing the Board of Directors Stock Award Plan, the Executive Board and Executive Committee mid- and long-term

incentive plans and the Management Incentive Plan for other senior management (excluding the Executive Board and Executive Committee) are determined and approved by the Board of Directors based on the proposal of the Compensation and Nomination Committee. Further, the Committee regularly updates the Board of Directors during the Board of Directors meetings, applies for changes in the remuneration system as required and annually reports the bonus allocation of individual Executive Board members. Members of the Executive Board do not attend respective discussions regarding decisions related to their own remuneration.

Remuneration of Executive Board members is benchmarked against regular market data surveys compiled through leading Executive Compensation consultants. The benchmark custom peer group is consisting of some of Panalpina's main competitors completed with some Swiss multinational companies with comparable size and geographical network reach in order to make the sample substantial enough.

The members of the Board of Directors receive a fixed annual compensation. Moreover and introduced in 2009, part of each Board member's remuneration is in free shares of the Company to the value of CHF 50,000. The corresponding number of shares is based on the share's closing price on April 30, and has a one-year restriction period.

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

of the annual basic salary, whereas maximum target bonuses of other Executive Board members equal between 67% and 80% of their respective annual basic salaries depending on their function. Bonus payments are cut if the respective Group or individual performance targets have not been reached.

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

In 2009, the bonus scheme for Executive Board members was adjusted to focus on the Company's sustainable mid- and long-term success. Only 60% of the bonuses – which continue to be set by the achievement of annually reviewed Group KPIs and individual performance targets as outlined above – are paid out in cash, whereas the remainder is converted into PWTN shares with a one-year restriction period. The applicable share price for such deferred bonus shares is the PWTN closing price on April 30, in the first year of a three-year cycle (2012 to 2014) which was CHF 88.50. The deferred bonus share price will thus be redefined on April 30, 2015. In addition, the number of such allocated deferred bonus shares is matched by the Company after twelve months (qualifying period during which the Executive Board member must remain with the Company) with a free PWTN share award which also has a one-year restriction period.

Furthermore, each Executive Board member is participating in a Long-Term Incentive Plan Pool which rewards long-term value creation measured by economic profit. Under this plan, each year (as of 2009) 5% of the year on year change in economic profit is added to the pool, whereas negative economic profit is deducted from the pool. At the end of a five-year plan cycle (2013) each Executive Board member is entitled to be paid out in cash an equal share of such pool. Vesting of this plan occurs after three years at 25%, after four years at 50% and 100% after five years.

Due to the introduction of a new share program for the members of the Board of Directors and the Executive Board in 2009, neither the members of the Board of Directors nor the members of the Executive

Board are eligible to participate in the Company's Management Incentive Plan.

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

Further information related to both overall and individual remuneration of the Board of Directors and Executive Board members as well as shares and options held by these persons at the closing date including a comparison with the previous year are reflected in the audited Notes to the Consolidated Financial Statements (pages 94–99 and 122–124) according to article 663b<sup>bis</sup> of the Swiss Code of Obligations.

Total remuneration of the Board of Directors decreased compared to the previous year due to the fact that the Restricted Stock Award was not applied for business year 2012.

In the reporting year overall remuneration of the CEO decreased due to the bonus cut and also compensation for the other Executive Board members significantly declined compared to the previous year due to reduced bonus/share based payments as a result of missed financial targets. Further a former Executive Board member has taken over a new position during the reporting year which also impacted annual salaries.

## 6 Shareholders' participation

### 6.1 Voting rights and representation restrictions

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

The Articles provide for group clauses.

The voting right restrictions are not applicable to representatives of the corporate body (Organvertreter) as well as the independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter). In order to facilitate the exercise of voting rights of deposited shares, the Board of Directors is entitled to enter into agreements with banks which deviate from the voting restrictions.

The voting restrictions do not apply to the shares held by the Ernst Göhner Foundation, because it held PWT shares prior to the introduction of the voting restrictions (grandfathering).

Any abolition or change of the provisions relating to the restrictions on voting rights requires a resolution of the General Meeting of Shareholders on which at least two-thirds of the voting shares represented agree.

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

### 6.2 Statutory quorums

In principle, the legal rules on quorums apply. Supplementary to the quorums legally listed, a two-thirds majority of the shares represented at the General Meeting of Shareholders is required for the following resolutions:

- any abolition or change of the provisions relating to transfer restrictions;
- any abolition or change of the provisions relating to the restriction of voting rights;
- the transformation of registered shares into bearer shares;
- the dissolution of the Company by way of liquidation;
- the removal of two or more members of the Board of Directors;
- the abolition of the respective provision in the Articles as well as the repeal or relief of the stated quorum. A resolution to increase the quorum as

set forth in the Articles must be based on the consent of the increased quorum.

### 6.3 Convocation of the General Meeting of Shareholders

There are no provisions deviating from the law.

### 6.4 Agenda

Shareholders who individually or together with other shareholders represent shares in the nominal value of CHF 1 million or at least 10% of the ordinary share capital may request that an item be placed on the agenda. Such a request must be made in writing to PWT at least 60 days prior to the General Meeting of Shareholders.

### 6.5 Inscriptions into the share register

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

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

## 7 Changes of control and defense measures

### 7.1 Duty to make an offer

No opting-out or opting-up provisions exist.

### 7.2 Clauses on changes of control

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

## 8 Auditors

### 8.1 Duration of the mandate and term of office of the lead auditor

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

### 8.2 Auditing fees

According to financial accounting, invoices for auditing fees for the financial year amounted to CHF 3,396,000. Further KPMG invoiced CHF 61,000 for audit-related services.

### 8.3 Additional fees

The auditors KPMG were compensated with an additional amount of CHF 962,000 for further services rendered in the financial year. KPMG was mandated in the reporting year in particular for tax consulting (CHF 868,000) and other non-audit related work (CHF 94,000).

### 8.4 Informational instruments pertaining to the external audit

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

## 9 Information policy

Panalpina regularly updates its website at [www.panalpina.com](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 the latest press releases are automatically forwarded via e-mail. Furthermore, all publications such as the Annual Report (including the Corporate Governance and Compensation Report), customer magazine and sales brochures are available online. The dates of the General Meeting of Shareholders as well as dates of publication of the quarterly financial results are 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.

## Group Management Structure

