



ddm



DDM HOLDING AG

2016

Compensation
report

Compensation Report 2016

DDM Holding AG

Table of Contents

- 1. Introduction..... 3
- 2. Guiding principles on remuneration 3
- 3. Organization and competencies..... 3
 - Remuneration Committee..... 3
 - Information process between the Board and the Remuneration Committee 4
 - Competencies regarding the determination of the remuneration 4
 - Say on pay vote at the AGM 4
- 4. Remuneration elements..... 5
 - Board of Directors 5
 - Executive Management Committee 5
- 5. Remuneration for financial year 2016 6

1. Introduction

The Compensation Report outlines the principles behind, and the elements of, the remuneration paid to the Board of Directors (“Board”) and the Executive Management Committee (“EMC”) of DDM Holding AG (“DDM”). It details the remuneration paid to the Board and EMC in accordance with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies (“OaEC/VegüV”). This Compensation Report will be submitted to the annual general meeting of DDM to be held on 31 May 2017 (“AGM”) for a consultative vote.

2. Guiding principles on remuneration

The Board has overall responsibility for defining the remuneration principles of DDM and the proposed remuneration of the Board and EMC. The Board has delegated the preparatory work involved to the Remuneration Committee, which submits its proposal to the Board for review and approval.

The purpose and aim of the Remuneration Committee is to ensure that DDM has access to the competence required at an appropriate cost, and that the existing remuneration scheme has the intended effects for DDM’s operations.

DDM is committed to offer and maintain competitive remuneration which is designed to attract, retain, and motivate talented individuals, along the following principles:

Fair and transparent

Remuneration is clearly structured, transparent and based on the respective responsibilities and competencies.

Competitive and market-aligned

Remuneration levels are competitive and in line with relevant market practice.

Pay for performance

A proportion of the remuneration is directly linked to the achievement of DDM and individual performance goals.

As a general rule, members of the Board receive a fixed remuneration in cash whereas the remuneration for all members of the EMC consists of fixed remuneration and a success-dependent variable remuneration (both in cash).

All members of the Board as well as the members of the EMC have a notice period of up to 12 months. In addition, the employment contracts do not include any severance payments and there are no change-of-control clauses in place.

3. Organization and competencies

Remuneration Committee

In general, the Board is responsible for determining the remuneration for the members of the Board and the EMC, based on the recommendations from the Remuneration Committee. As per the Articles of Association proposed to be revised at the AGM, the Remuneration Committee consists of at least two members of the Board to be individually elected by the AGM for a term of office until completion of the next annual general shareholder’ meeting. The determination of such remuneration is subject to final shareholder approval at the AGM.

Within the scope of the Board’s duties, the Remuneration Committee assists the Board by preparing proposals on remuneration, monitoring and evaluating on a regular basis the structures and levels of remuneration for the Board, the CEO and other members of the EMC. The main tasks of the Remuneration Committee, based on a charter to be issued by the Board, are:

- Prepare the Board’s decisions on issues concerning principles for remuneration and other terms of employment for the Board and the EMC;
- Monitor and evaluate programs for variable remuneration, both ongoing and those that have ended during the year, for the EMC;
- Prepare the Board’s proposals to the shareholders’ meetings with regard to remuneration of the Board and the EMC;
- Monitor and evaluate the application of guidelines for remuneration, as well as the current remuneration structures and levels in DDM.

Information process between the Board and the Remuneration Committee

The Remuneration Committee holds at least one meeting during the period between two consecutive AGM’s. The Remuneration Committee held seven meetings during 2016.

Furthermore, the Remuneration Committee gives oral reports to the Board in relation to its work, makes proposals on matters that require the Board’s approval as well as provides the Chairman of the Board with minutes from the meetings for further distribution to all members of the Board.

Competencies regarding the determination of the remuneration

	Remuneration Committee	Board	Shareholders (AGM)
Chairman remuneration	<i>Proposal</i>	<i>Decision</i>	<i>Approval</i>
Board remuneration	<i>Proposal</i>	<i>Decision</i>	<i>Approval</i>
CEO remuneration (incl. performance goals for the short term incentive)	<i>Proposal</i>	<i>Decision</i>	<i>Approval</i>
Other Executives remuneration (incl. performance goals for the short term incentive)	<i>Proposal</i>	<i>Decision</i>	<i>Approval</i>

Say on pay vote at the AGM

At the AGM, the Board submits to the shareholders the maximum aggregate amount of remuneration of the Board and the EMC for binding approval. The voting mechanism set forth by the Articles of Association proposed to be revised at AGM provides for approval of the following items by the AGM:

- a) the maximum aggregate amount of the fixed compensation of the Board for the following term of office;
- b) the maximum aggregate amount of fixed compensation of the EMC for the financial year following the AGM;

- c) the aggregate amount of variable compensation of the EMC for the current financial year.

Since shareholders' approval on remuneration is sought for the first time at the AGM, the following agenda items will be submitted to the shareholders for approval:

- a. Aggregate amount of fixed compensation for the Board for the financial year 2016;
- b. Aggregate amount of fixed compensation for the EMC for the financial year 2016;
- c. Aggregate amount of variable compensation for the EMC for the financial year 2016;
- d. Aggregate amount of fixed compensation for the Board for the period from 1 January 2017 until the AGM;
- e. Maximum aggregate amount of fixed compensation for the EMC for the financial year 2017;
- f. Maximum aggregate amount of variable compensation for the EMC for the financial year 2017;
- g. Maximum aggregate amount of fixed compensation for the Board for the period from the end of the AGM until the end of the 2018 annual general meeting;
- h. Maximum aggregate amount of fixed compensation for the EMC for the financial year 2018.

The revised Articles of Association will be presented and proposed to be approved by the shareholders at the AGM. The revised Articles of Association have been published on the DDM webpage.

4. Remuneration elements

Board of Directors

All members of the Board receive cash remuneration for their services as members of the Board.

Furthermore, the Board may grant special remuneration to any member of the Board who performs any special or extra services to or at the request of DDM. Special remuneration may be made payable to a member of the Board who has performed any special or extra services in addition to his ordinary remuneration.

Executive Management Committee

All members of the EMC receive a fixed remuneration for their services as an EMC member. In addition to the fixed remuneration, the EMC members are entitled to variable remuneration (i.e. bonus) which is defined in terms of a percentage of their fixed remuneration. The maximum bonus is determined taking into consideration the duties and responsibility of the recipients. The Board approved a scorecard for the EMC for the financial year 2016 and the allocation of variable remuneration is based on effective results against this scorecard. The scorecard includes parameters such as portfolio performance, growth in ERC (Estimated Remaining Collections), Net Profit before tax as well as individual targets.

5. Remuneration for financial year 2016

This chapter is subject to audit according to art. 17 OaEC/VegüV.

a. Remuneration to the members of the Board

For the financial year 2016, the non-executive members of the Board received the following remuneration for their activities.

<i>(in thousands of CHF)</i>	Kent Hansson, chairman ¹⁾	Manuel Vogel, vice-chairman ¹⁾	Torgny Hellström	Fredrik Waker ¹⁾	Dovilé Burgiéné since 28-June-16 ¹⁾	Savvas Liasis until 28-June-16 ¹⁾	Total
Board fee	100	80	50	50	25	25	330
Other compensation ²⁾	312	100	-	-	-	-	412
Total	412	180	50	50	25	25	742
Employer's social fees	32	-	11	-	-	-	43
Employer's pension contribution	35	-	-	-	-	-	35
Total	66	-	11	-	-	-	77
Total	479	180	61	50	25	25	820
Loans & credits <i>(31-Dec-2016)</i>	-	-	-	-	-	-	-

¹⁾ Excludes VAT, if applicable.

²⁾ Includes compensation for consulting services provided.

For the financial year 2015, the non-executive members of the Board received the following remuneration for their activities.

<i>(in thousands of CHF)</i>	Kent Hansson, chairman ¹⁾	Manuel Vogel, vice-chairman ¹⁾	Torgny Hellström	Fredrik Waker ¹⁾	Savvas Liasis ¹⁾	Total
Board fee	100	80	50	50	50	330
Other compensation ²⁾	336	100	-	-	-	436
Total	436	180	50	50	50	766
Employer's social fees	29	-	11	-	-	40
Employer's pension contribution	31	-	-	-	-	31
Total	60	-	11	-	-	70
Total	495	180	61	50	50	836
Loans & credits <i>(31-Dec-2015)</i>	-	-	-	-	-	-

¹⁾ Excludes VAT, if applicable.

²⁾ Includes compensation for consulting services provided.

As of December 31, 2016 no loans and credits (2015: CHF 0) were granted to and are still outstanding with current and former members of the Board or people who are closely linked to the Board.

During financial year 2016, DDM paid no remuneration or severance payments to members of the Board after leaving their function. The same applies to the financial year 2015.

b. Remuneration to the members of the EMC

For the financial year 2016, the members of the EMC received the following remuneration for their activities.

<i>(in thousands of CHF)</i>	Gustav Hultgren, CEO	EMC (excl CEO)	Total
Compensation			
Fixed *	240	340	580
Variable	200	192	392
Total (excl social fees & pension)	440	532	972
Employer's social fees	41	44	84
Employer's pension contribution	14	14	28
Total	55	57	112
Total	495	589	1,084
Loans & credits (31-Dec-2016)	-	-	-

* Includes allowances

For the financial year 2015, the members of the EMC received the following remuneration for their activities.

<i>(in thousands of CHF)</i>	Gustav Hultgren, CEO	EMC (excl CEO)	Total
Fixed *	195	295	490
Variable	25	141	166
Total (excl social fees & pension)	220	436	656
Employer's social fees	20	42	61
Employer's pension contribution	14	8	22
Total	34	49	83
Total	254	485	738
Loans & credits (31-Dec-2015)	-	-	-

* Includes allowances

As of December 31, 2016 no loans and credits (2015: CHF 0) were granted to and still outstanding with current and former members of the EMC.

For the financial year 2016, DDM paid no remuneration or severance payments to members of the EMC who gave up their function. The same applies for the financial year 2015.



Report of the statutory auditor to the General Meeting of DDM Holding AG, Baar

We have audited the compensation report of DDM Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 5a. and 5b. on pages 6 to 8 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of DDM Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Norbert Kühnis
Audit expert
Auditor in charge

Valentin Studer
Audit expert

Luzern, 9 May 2017