

# Corporate Governance Report



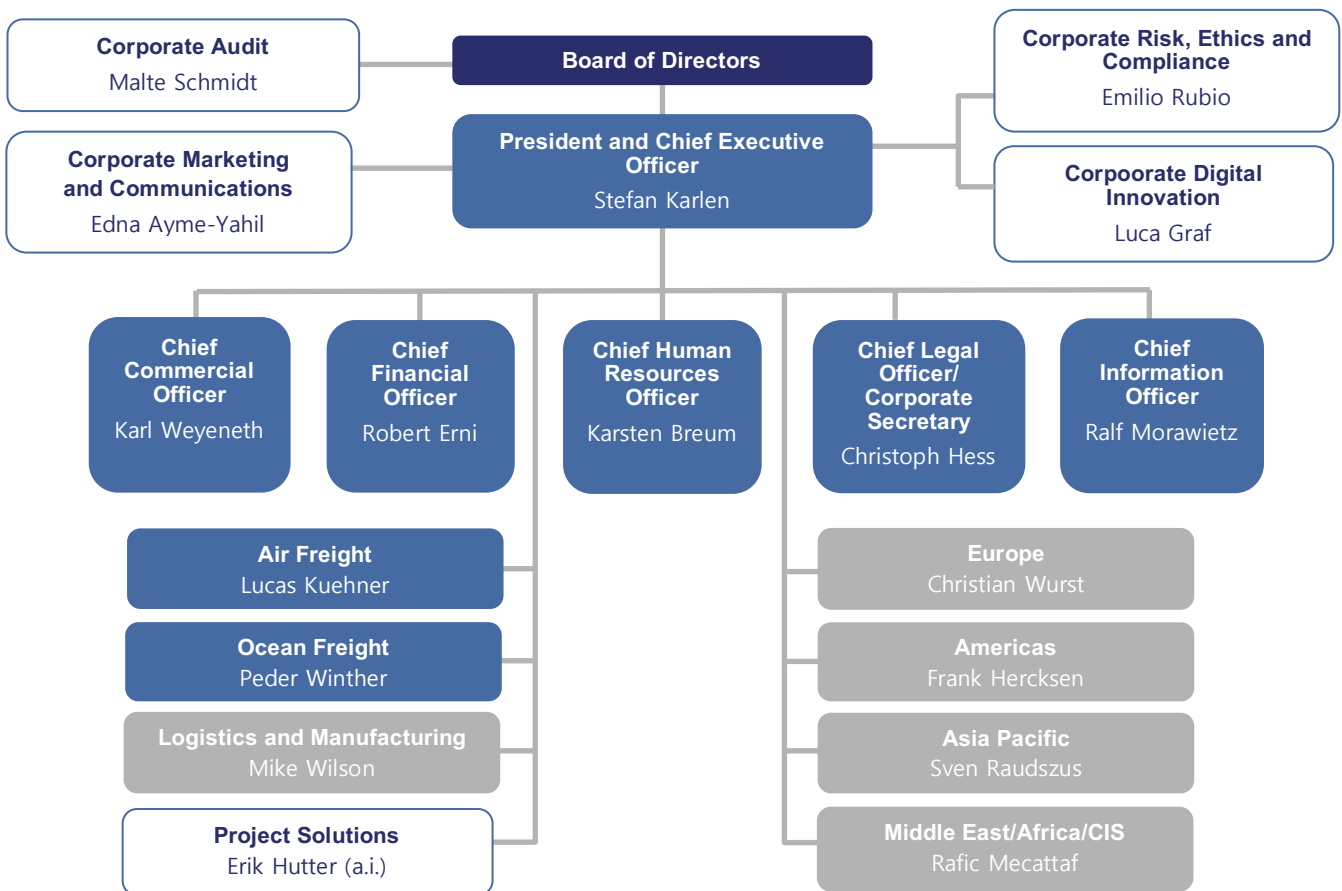
Panalpina is committed to a transparent management structure that is governed by international principles. This Corporate Governance Report complies with the Corporate Governance directive of the SIX Swiss Exchange dated December 13, 2016 and provides investors with the corresponding key information.



# Corporate Governance Report

## GROUP MANAGEMENT STRUCTURE (Valid as of January 1, 2019)

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



Malte Schmidt, Head of Corporate Audit as of October 1, 2018.

Edna Ayme-Yahil, Corporate Head of Marketing and Communications as of July 1, 2018.

Emilio Rubio, Corporate Risk, Ethics and Compliance Officer as of September 1, 2018.

Erik Hutter, Global Head of Project Solutions, a.i., as of July 1, 2018.

# Corporate Governance Report

## 1 GROUP STRUCTURE AND SHAREHOLDERS

### 1.1 Group structure

#### 1.1.1 Operational Group structure

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

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

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

- Air Freight
- Ocean Freight
- Logistics (value-added services, distribution solutions)

Supplementary information can be taken from the segmental reporting section (note 3, page 12) of the Consolidated Financial Statements ([http://www.panalpina.com/www/global/en/home/investors/financial\\_presentations/interim\\_reports.html](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html)).

#### 1.1.2 Listed companies within the scope of consolidation

Panalpina World Transport (Holding) Ltd. (PWT), the ultimate holding company of the Panalpina Group, is the only listed company within the scope of consolidation. PWT has its registered office in Basel, Switzerland. The PWT shares are exclusively listed on the SIX Swiss Exchange. The market capitalization on the closing date amounted to CHF 3.11 billion (23,750,000 registered shares at CHF 131.10 per share).

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

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

The main subsidiaries and associated companies are disclosed in the Consolidated Financial Statements ([http://www.panalpina.com/www/global/en/home/](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html)

[investors/financial\\_presentations/interim\\_reports.html](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html) /note 31, page 56) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

### 1.2 Significant shareholders

As of December 31, 2018 the Ernst Göhner Foundation, Zug, Switzerland, is the main shareholder of PWT, with an equity participation of 45.9%.

Cevian Capital II Master Fund LP held a share capital of 12.3% on closing date. The other significant shareholder according to the most recent disclosure notice is Artisan Partners Limited Partnership (≥10%). During the reporting year the following disclosure notices (listed by shareholder and transaction date) were filed on the SIX online publication platform.

Artisan Partner Fund Inc.  
January 19, 2018: decrease of share capital to 9.99%

Franklin Resources Inc.  
September 5, 2018: decrease of share capital to 2.87%

### 1.3 Cross-shareholdings

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

## 2 CAPITAL STRUCTURE

### 2.1 Capital

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

### 2.2 Authorized and conditional capital in particular

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

# Corporate Governance Report

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

No decision has been made regarding the creation of conditional capital.

## 2.3 Change in capital over the past three years

No changes were made over the last three years.

## 2.4 Shares and participation certificates

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

## 2.5 Dividend-right certificates

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

## 2.6 Limitations on transferability and nominee registrations

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

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

The Articles of PWT specify ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Art. 5, page 3) that any shareholder may exercise voting rights to a maximum of 5% of the total number of shares recorded in the commercial register. This limitation for registration in the share register shall also apply to persons who hold shares fully or in part through nominees within the meaning of the Articles. Furthermore, this limitation for registration in the share register also applies to registered shares that are acquired through the

exercising of preemptive rights, warrants and conversion rights. The Board of Directors is empowered to allow exemptions from the limitation for registration in the share register in particular cases.

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

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

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

No exceptions were granted during the reporting year.

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

The Articles of PWT specify ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) / Art. 5, page 3) that the Board of Directors may register nominees with voting rights in the share register up to a maximum of 2% of the share capital recorded in the commercial register. Nominees are persons who do not expressly declare in their application that they hold the shares for their own account and with whom the company has entered into an agreement to this effect.

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

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

# Corporate Governance Report

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

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

## 2.7 Convertible bonds and options

There were no convertible bonds outstanding on the closing date.

The only issued options relate to the share purchase program (Management Incentive Plan (MIP)) and are for currently 881 senior managers of Panalpina. As of 2009, the Board of Directors and the Executive Board have been excluded from participation in this program. As of 2011, the options under the MIP program have been replaced by a free share ratio scheme. Please refer to page 70 of the Compensation Report of the Annual Report ([http://www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html))

## 3 BOARD OF DIRECTORS

### 3.1 Members of the Board of Directors

At the Annual General Meeting of May 8, 2018, Sandra Emme was elected and Peter Ulber, Beat Walti, Thomas E. Kern, Pamela Knapp, Ilias Läber, Dirk Reich and Knud Elmholdt Stubkjær were re-elected to the Board of Directors. Chris E. Muntwyler stepped down from the Board.

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

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

Two members of the Board of Directors (Peter Ulber and Beat Walti) are also members of the Board of Trustees (Stiftungsrat) of PWT's main shareholder, the Ernst Göhner Foundation.

Ilias Läber is a Partner at Cevian Capital Ltd. in Switzerland and represents one of PWT's largest minority shareholders.

The biographies of the members are as follows:

**Peter Ulber**, Chairman of the Board of Directors, since 2016. German and US citizen. Born in 1960. Re-elected in 2018.

Following his studies at the International School of Logistics in Hamburg, Ulber held various management positions from 1985 to 2011 at Kuehne + Nagel in Europe, as well as North and South America. During his tenure, Ulber was responsible for both seafreight and airfreight, had overall responsibility for the global sales organization and joined the management board in 2008. As a result of a series of strategic acquisitions by Kuehne + Nagel, Ulber was also heavily involved in the company's expansion in Europe, Asia and America.

At the end of 2011, he founded Charleston Enterprise Group LLC, a strategic management consultancy that offered consulting, management and investment strategies for international logistics companies as well as private equity firms with a primary focus on mergers and acquisitions as well as growth strategies. As of May 2013, the company changed its focus to concentrate solely on the real estate industry.

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

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

Peter Ulber will not stand for re-election as Chairman of the Board at the next Annual General Meeting on May 9, 2019.

**Beat Walti**, Member of the Board of Directors since 2010. Swiss citizen. Born in 1968. Re-elected in 2018.

# Corporate Governance Report

Beat Walti holds a PhD in law from the University of Zurich. From 1998 to 2001 he worked as a consultant and engagement manager with McKinsey & Company in Zurich. In 2001, he was a co-founder and project manager of a start-up company in the healthcare sector. Since 2002, Beat Walti has worked as a lawyer with Wenger & Vieli in Zurich specializing in corporate, commercial, contract, competition and antitrust law. He became a partner with Wenger & Vieli in 2007 and was the firm's managing partner from 2012 to 2014.

**Ilias Läber**, Member of the Board of Directors since 2013. Swiss citizen. Born in 1974. Re-elected in 2018.

Ilias Läber holds a Master of Science from ETH Zurich and a PhD in Finance from the University of Zurich. From 2001 to 2008, Ilias Läber worked at McKinsey & Company, ultimately as an Associate Principal. In 2008, he joined Cevian Capital AG, being responsible for Cevian's Swiss office and investments in Switzerland and England. Since 2009 he has been a Partner at Cevian Capital in Switzerland.

**Knud Elmholdt Stubkjær**, Member of the Board of Directors since 2011. Danish citizen. Born in 1956. Re-elected in 2018.

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

**Thomas E. Kern**, Member of the Board of Directors since 2015. Swiss citizen. Born in 1953. Re-elected in 2018.

Thomas E. Kern holds a Master of Law from the University of Zurich and an MBA from INSEAD, Fontainebleau (France).

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

**Pamela Knapp**, Member of the Board of Directors since 2015. German citizen. Born in 1958. Re-elected in 2018.

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

She began her career at Deutsche Bank AG, then worked as an M&A consultant before taking on various management roles at Siemens AG including Chief Financial Officer of the Power Transmission & Distribution division from 2004 to 2008. From 2009 until October 2014, she was Chief Financial Officer and member of the Management Board, responsible for Finance, Controlling and Accounting, Personnel, M&A, Purchasing and Administration at GfK SE. Today, Pamela Knapp serves as a nonexecutive board director in the following companies: PSA Groupe S.A., Rueil-Malmaison (France), Compagnie de Saint-Gobain S.A., Courbevoie (France), hkp group AG, Zurich, (Switzerland), NV Bekaert SA, Zwevegem, Belgium and Lanxess AG, Köln (Germany).

**Dirk Reich**, Member of the Board of Directors since 2017. German and Swiss citizen. Born in 1963. Re-elected in 2018.

Dirk Reich completed his apprenticeship as an air transport commercial at Lufthansa German Airlines AG, Cologne (Germany) in 1983 and roles followed at German Cargo Services GmbH, Frankfurt (Germany)

# Corporate Governance Report

and VIAG AG, Bonn (Germany) until joining Kuehne + Nagel as head of Corporate Development in 1994.

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

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

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

Today, Dirk Reich serves as a non-executive board director at Skycell AG, Zurich (Switzerland), at Loghub AG, Zug (Switzerland), at IPT – Innovation Process Technology AG, Zug (Switzerland) and as a non-executive Chairman of InstaFreight GmbH, Berlin (Germany).

**Sandra Emme**, Member of the Board of Directors since 2018. German citizen. Born in 1972.

Sandra Emme holds a Master of Arts degree in Business and International Management from the University of Applied Sciences Bremen, Germany and completed part of her studies at the Ecole Supérieure de Commerce in Marseilles (France). In 2015, she graduated in Leading Digital Business Transformation at the IMD Business School in Lausanne (Switzerland) and Singapore and thereafter served as CEO and Co-Founder of companies in the business areas of Online Marketing and IT. Since 2011 she has

held various management positions at Google Switzerland GmbH, Zurich (Switzerland) and is since 2014 the Industry Head Luxury and Finance in Global Business Development and member of the Google management board.

Sandra Emme is also a lecturer in Leading Digital Business Transformation at IMD Business School and a member of the Board of Directors at Belimo Holding AG, Hinwil (Switzerland).

All members of the Board are non-executive members and do not actively perform any managerial functions at PWT or any of the Group companies. Peter Ulber served as Chief Executive Officer from June 2013 until August 2016 (from May to August 2016 on an interim basis in a dual role as Chairman and CEO). No other Board members have held any executive positions within the past three years prior to this reporting year. None of the members of the Board of Directors has a substantial business relationship with PWT or any of its Group companies.

## 3.2 Other activities and vested interests

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

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

**Ilias Läber**, Partner with Cevian Capital Limited. St. Helier, (Jersey).

**Knud Elmholt Stubbjær**, Member of the Board of Directors of various Carrix, Inc. related entities.

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

# Corporate Governance Report

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

**Dirk Reich**, a Member of the Board of Directors of Log-hub AG, Zug (Switzerland), member of the Board of Directors at SkyCell AG, Zurich (Switzerland), member of the Board of Directors at Feronia Holding SA, Neuchâtel (Switzerland), non-executive board director at IPT – Innovation Process Technology AG, Zug (Switzerland) and is a non executive Chairman of InstaFreight GmbH, Berlin (Germany).

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

## 3.3 Mandates

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

## 3.4 Elections and terms of office

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

The Articles of PWT ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html)) do not make provision for the general renewal of office for the Board of Directors. The members of the Board of Directors are elected at each General Meeting of Shareholders with a one-year period of office. They may be re-elected at any time. The Organizational Regulations of PWT specify ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Clause 4.3, page 34) an age limit of 72 years for the members of the Board of Directors.

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

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

## 3.5 Internal organizational structure

The Board of Directors is responsible for the ultimate management of the company and monitoring of the Executive Board. It represents the company externally and is responsible for all matters which have not been transferred to another executive body of the company by the Swiss Code of Obligations or the Articles ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Art. 15, pages 6 and 7). In line with the Articles, the Board of Directors has established Organizational Regulations that transfer certain management responsibilities to the Executive Board ([http://www/global/en/home/investors/corporate\\_governance.html](http://www/global/en/home/investors/corporate_governance.html) /Clause 2.5, pages 14 – 27).

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

The Chairman of the Board of Directors is elected at each General Meeting of Shareholders with a one-year period of office. The Vice Chairman is appointed by the Board of Directors. The Chairman (in his absence the Vice Chairman) directly supervises the business affairs and activities of the Executive Board and is entitled to regularly attend Executive Board meetings. The Corporate Secretary, in his capacity as secretary to the Board of Directors, is subordinated to the Chairman of the Board of Directors; the Head of Corporate Audit is subordinated to the Chairman of the Audit, Risk and Compliance Committee. The Corporate Risk, Ethics and Compliance Officer has a dotted line to the Chairman of the Audit, Risk and Compliance Committee.

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

Two committees exist under the Board of Directors.

In 2017 the former Audit Committee (AC) and Ethics and Compliance Committee (ECC) were merged to form the Audit, Risk and Compliance Committee (ARCC).



# Corporate Governance Report

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

It regularly maintains contact with the Group Auditors and the Head of Corporate Audit. On this basis, it adopts the detailed reports of the Group Auditors and semi-annual reports of Corporate Audit. It is therefore in the position to audit the quality, effectiveness and interaction between the control systems, to determine the audit priorities, to introduce proposed measures and to monitor their implementation.

The Audit, Risk and Compliance Committee determines the organization of Corporate Audit, adopts the corporate audit charter and approves the annual planning and scope of corporate audit.

In the field of risk management, the Audit, Risk and Compliance Committee approves the detailed and weighted risk map of the Executive Board, adopts the necessary measures for risk control and risk mitigation and reports the respective outcome to the Board of Directors on a bi-annual basis. The risk map itself covers any strategic, financial, operational, legal and compliance risks that could significantly impact the company's ability to achieve its business goals and financial targets. Identified risks are weighted and

prioritized by the Executive Board according to their significance and likelihood of occurrence. For each risk, specific risk mitigation measures – including their current status – are defined and responsibilities are allocated. The risk map, which is compiled by the Corporate Risk, Ethics and Compliance Officer, reviewed by the Executive Board and subsequently approved by the Audit, Risk and Compliance Committee, contains risks identified and assessed by the Executive Committee members, Regional Management, Corporate Audit and the Group Auditors.

During the reporting year, the Audit, Risk and Compliance Committee held one telephone conference and five half-day meetings, four thereof immediately prior to the publication of the Group results and one in mid-November. During Audit, Risk and Compliance Committee meetings, direct discussions took place with representatives of the Group Auditors, Corporate Audit and the Corporate Risk, Ethics and Compliance Officer. Representatives from the Group Auditors were present at three of these meetings. Meanwhile the Corporate Risk, Ethics and Compliance Officer participated in three of these meetings and the Head of Corporate Audit attended all of the above-mentioned meetings. At these meetings, the Executive Board was represented by the CEO, the CFO and the Corporate Secretary. All BoD members attended the aforementioned meetings.

The Compensation and Nomination Committee consists of the following members of the Board of Directors: Thomas E. Kern (Chairman), succeeding Peter Ulber following the election at the AGM 2018, Peter Ulber and Knud Elmholdt Stubkjær. The members of the Committee are elected at each General Meeting of Shareholders with a one-year period of office. It monitors the selection process for members of the Board of Directors, the Executive Board and other selected senior management positions, determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as remuneration bands for highly compensated employees. Regarding the compensation of the members of the Executive Board, the Committee makes a decision subject to the final approval of the Board of Directors; applications for the compensation

# Corporate Governance Report

of the Board members are decided by the Committee and shared with the Board of Directors. Each year the Committee decides on the bonus compensation for the CEO and the other members of the Executive Board for the previous year, based on recommendations of the Chairman (for the CEO) and the CEO (for other executive board members). Furthermore, the Committee regularly reviews the Board Stock Award Plan, the Executive Equity Plans and Group's Management Incentive Plan and submits proposals for final approval to the Board of Directors. Moreover, it approves concepts and policies for the Group's management performance assessment, succession planning and expat programs.

During the reporting year, the Compensation and Nomination Committee held two conference calls and four meetings prior to the regular Board of Directors meetings of approximately two hours each. The Executive Board was represented at these meetings by the CEO, the Chief Human Resources Officer and the Corporate Secretary. Thomas E. Kern as well as Knud Stubkjaer attended all meetings. Chris Muntwyler was excused from two meetings and one conference call prior to the AGM.

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

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

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

During the reporting year, the Board of Directors held five full-day meetings and one ad-hoc conference call. The Executive Board was represented by all its members at these meetings. In one meeting, Chris Muntwyler was excused. All other BoD members were present at all meetings.

During the reporting year, the Board of Directors also held 4 half-day meetings and 3 conference calls where only BoD members participated. In one conference call, Peter Ulber and Pamela Knapp were excused, and in another conference call, Thomas E. Kern could not take part. All other BoD members were present at all meetings and conference calls.

At every meeting, the Executive Board updates the Board of Directors on business and key financial developments and main regional and segment developments. On a quarterly basis, detailed consolidated financial statements on the Group, regional and business segment levels are reported to the Board of Directors in accordance with International Financial Reporting Standards (IFRS). The Board of Directors is furnished on time with an agenda, detailed meeting documentation related to topics on the agenda and minutes.

### **3.6 Definition of areas of responsibility**

In line with the law and the Articles ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Art. 15, pages 6 and 7), the Board of Directors has transferred the responsibility to develop and implement the Group strategy, as well as the responsibility to supervise business and financial development of the Group's subsidiaries, to the Executive Board.

The Organizational Regulations adopted by the Board of Directors govern the cooperation between the Board of Directors, the Chairman and the Executive Board ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Clause 2.1, pages 5 and 6, and Clause 2.5, pages 14 - 27). They contain a detailed catalog of duties and competencies which determine the financial thresholds within which the Board of Directors and the Executive Board can efficiently execute their daily business. The Organizational Regulations are accessible on Panalpina's website [http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html).

The main responsibilities of the Board of Directors at Group level include the determination of the business strategy on the basis of applications filed by the Executive Board, the approval of major Group policies

# Corporate Governance Report

and organizational structures, including topics related to corporate governance and compliance, the approval of the annual operational and investment budgets, the approval of any extraordinary additional investment applications as well as financial planning. Further responsibilities include decisions regarding mergers and acquisitions and major management staff and remuneration decisions following the recommendations and preparatory work of its Compensation and Nomination Committee.

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

The Executive Board informs the Board of Directors in a written format on a monthly basis on the current course of business, covering the Group's consolidated monthly and year-to-date income statements, including deviation from budget and preceding year, regional and product income statements, functional costs/FTE development, financial position, statements on cash flows and net working capital development.

A detailed update is provided at each Board of Directors' meeting.

On a quarterly basis, the reporting covers the condensed consolidated interim financial statements including key developments, income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and explanatory notes, investor relations presentations and media releases.

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

During the reporting year, the Chairman of the Board of Directors regularly receives the minutes of the Executive Board meetings. The members of the Executive Board regularly join meetings of the Board of Directors. In addition, individual senior executives attend specific topic discussions pertaining to their particular field of expertise. Furthermore, specific

meetings of the Board of Directors are dedicated to a detailed review of major markets, business segments and the Group's strategy according to a predefined schedule. The Audit, Risk and Compliance Committee of the Board of Directors monitors and assesses the activities of the Corporate Risk, Ethics and Compliance Officer, Corporate Auditor as well as the activities of the Group Auditors.

The Audit, Risk and Compliance Committee receives the Corporate Auditor's half-year reports and also adopts the comprehensive risk map of the Executive Board. The Audit, Risk and Compliance Committee approves the proposed risk control and risk mitigation measures as well as the annual planning and scope of the corporate audit, which is also based on the risk map. In addition, the Audit, Risk and Compliance Committee reviews the company's procedures for preventing and detecting fraud, bribery and other non-compliance; adopts the annual compliance program; reviews the compliance reports and assesses the appropriateness of proposed corrective actions. For further details please refer to section 3.5.2.

## 4 EXECUTIVE BOARD

### 4.1 Members of the Executive Board

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

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

Responsible for Corporate Risk, Ethics and Compliance, Corporate Marketing and Communications, Digital Innovation as well as all products and regions.

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

# Corporate Governance Report

Asia Pacific and becoming a member of the Executive Committee in 2013.

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

**Robert Erni**, Chief Financial Officer since January 2013, Swiss citizen. Born in 1966. Member of the Executive Board since 2013. Responsible for Corporate Finance, Tax, Real Estate and M&A.

Robert Erni worked in various finance positions at Kuehne + Nagel for more than 19 years. Prior to the head office functions such as Head of Corporate Controlling (2009 to 2012) and Head of Accounting and Treasury (2004 to 2009), he gained profound finance and managerial expertise through several senior postings in Asia Pacific (Hong Kong and India), in South America (Argentina) and in the US.

Robert Erni holds a degree in Economics and Business Administration from the University of Economics and Business Administration, Lucerne (Switzerland).

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

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

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

Karl Weyeneth joined the Group in 2007 as Regional CEO for North America, where he was responsible for the development and results of the subsidiaries in the US and Canada. From 2008 to 2013, he was COO and member of the Executive Board for all product, sales and operational matters globally and was

appointed in 2014 as CCO. He is a professional with profound leadership and management experience in logistics, including freight management, 3PL and contract logistics. Before joining Panalpina, he was President and CEO Americas of Hellmann Worldwide Logistics, Inc. (US) and prior to this he was Executive Vice President and CFO of Danzas Management Latin America (US), where he attained extensive experience in all finance matters.

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

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

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

Karsten Breum spent more than 14 years working internationally in all areas of human resources.

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

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

# Corporate Governance Report

served in different IT leadership positions for Deutsche Post DHL Group (DPDHL) between 2002 and 2009.

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

As of January 1, 2019 the following two Executive Board members have been appointed to the Executive Board:

**Lucas Kuehner**, Global Head of Air Freight, Swiss citizen. Born in 1971. Member of the Executive Board as of January 1, 2019. Responsible for Air Freight.

Lucas Kuehner started his career as a management consultant at Price Waterhouse Coopers before joining Panalpina in 2000. Since then, he has held numerous executive level positions in the US including Regional Head of Operations, VP Business Process & Quality, Regional Chief Information Officer as well as Managing Director USA. In 2012 he was appointed as Global Head of Air Freight and relocated back to Basel (Switzerland).

A seasoned logistics professional with extensive knowledge in international supply chain management, he was appointed as Global Head of Air Freight and member of the Executive Board as of January 1, 2019.

Lucas Kuehner earned his Master of Science in Logistics and Supply Chain Management (MSc) from Cranfield University (UK) and has a business degree from the University of Applied Science Northwestern Switzerland.

**Peder Winther**, Global Head of Ocean Freight, Danish citizen. Born in 1963. Member of the Executive Board as of January 1, 2019. Responsible for Ocean Freight.

Peder Winther studied Foreign Trade at Copenhagen Business School before starting his International Shipping Education at A.P. Moeller-Maersk in 1984. Until 2006, he held various positions and later executive roles at A.P. Møller Mærsk in Denmark, Japan, The Benelux and the UK and also worked on the global management board of Maersk Logistics (now Damco) as Regional Manager in Europe. In

2006 Peder Winther became Chief Executive Officer at Samskip Logistics and took on the role of Chief Commercial Officer at Samskip Multimodal Container Logistics in 2009. Peder Winther joined Kuehne+Nagel in 2011 as Senior Vice President with global responsibility for Business Solutions and was promoted to Head of Seafreight in Western Europe in 2013. As of 2017, he was President and Regional Manager of Western Europe for Kuehne+Nagel before joining Panalpina on January 1, 2019 as Global Head of Ocean Freight and member of the Executive Board.

Peder Winther participated in an Advanced Development Program at London Business School and at an Advanced Management Program at INSEAD, Fontainebleau (France).

## 4.2 Other activities and vested interests

No other activities and vested interests.

## 4.3 Permitted activities

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

## 4.4 Management contracts

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

# 5 COMPENSATION, SHAREHOLDINGS AND LOANS

## 5.1 Content and method of determining the compensation and the shareholding programs

Details regarding compensation for members of the Board of Directors and the Executive Board including shareholding programs can be found in the Compensation Report (pages 63-71) of the Annual Report [http://www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html).

# Corporate Governance Report

## 5.2 Compensations for members appointed after vote on pay

Statutory rules governing the additional amount for payments to members of the Executive Board, appointed after the vote on pay at the general meeting of shareholders, are outlined in the Articles of Association ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Article 22 / page 8) and the Compensation Report (pages 63-71 of the Annual Report / [http://www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)).

## 6 SHAREHOLDERS' PARTICIPATION RIGHTS

### 6.1 Voting rights, restrictions and representation

Each share carries one vote at the General Meeting of Shareholders. The Articles state that when exercising voting rights, no shareholder may directly or indirectly represent more than 5% of the total shares issued by the company for own and represented shares. ([http://www.panalpina.com/www/global/en/home/investors/corporate\\_governance.html](http://www.panalpina.com/www/global/en/home/investors/corporate_governance.html) /Art. 5, page 3).

The Articles provide for group clauses.

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

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

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

A written proxy entitles a shareholder to be represented at the General Meeting of Shareholders by his or her legal representative, or by another shareholder with the right to vote, or by the

independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter).

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

### 6.2 Quorums required by the Articles of Association

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

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

### 6.3 Convocation of the General Meeting of Shareholders

There are no provisions deviating from the law.

### 6.4 Inclusion of items on the agenda

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

### 6.5 Entries in the share register

Registered shares can only be represented by shareholders (or nominees) who have been entered

# Corporate Governance Report

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

### 8.2 Auditing fees

Deloitte fees for audit services related to the 12-month period ending December 31, 2018 amounted to CHF 2.2 million.

### 8.3 Additional fees

The Group Auditors Deloitte were compensated with an amount of CHF 105 thousand for audit related fees and CHF 220 thousand for other services (including tax related services) rendered in the financial year 2018.

### 8.4 Informational instruments pertaining to the external audit

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

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

# Corporate Governance Report

## 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 ([http://www.panalpina.com/www/global/en/home/investors/financial\\_presentations/interim\\_reports.html](http://www.panalpina.com/www/global/en/home/investors/financial_presentations/interim_reports.html)). Media releases are accessible to all visitors to the website (<http://www.panalpina.com/www/global/en/home/newsroom.html>); alternatively, subscriptions can be made (<http://www.panalpina.com/www/global/en/home/investors/subscription.html>) so that the latest media releases are automatically forwarded via e-mail. Furthermore, all publications such as the Annual Report (including the Corporate Governance Report and the Compensation Report) ([http://www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)), and sales brochures ([http://www.panalpina.com/www/global/en/home/industry\\_verticals.html](http://www.panalpina.com/www/global/en/home/industry_verticals.html)) are available online. The dates of the General Meeting of Shareholders as well as dates of publication of the quarterly financial results appear in the Financial Calendar on the website ([http://www.panalpina.com/www/global/en/home/investors/financial\\_calendar/financial\\_calendar\\_2017.html](http://www.panalpina.com/www/global/en/home/investors/financial_calendar/financial_calendar_2017.html)). The minutes of shareholder meetings are available online (<http://www.panalpina.com/www/global/en/home/investors/agm/Archiv.html>). Panalpina's contact address can be found on the back cover of the annual report ([http://www.panalpina.com/www/global/en/home/investors/annual\\_report.html](http://www.panalpina.com/www/global/en/home/investors/annual_report.html)).