

# Corporate Governance

## COLTENE Holding AG

**The following chapter describes the principles of corporate governance applied at Group and senior management level within the COLTENE Group. The main elements are contained in the Articles of Incorporation and organizational regulations, and are based on the “Guidelines concerning information on corporate governance” published by SIX Swiss Exchange as well as on the guidelines and recommendations set out in the “Swiss Code of Best Practice for Corporate Governance” published by *économie-suisse*. The compensation report is published separately in this Annual Report on page 44 to page 50. All information is valid as at December 31, 2017, unless otherwise stated. Significant changes that have occurred between that date and the publication date of this report have also been indicated as appropriate.**

Whenever a reference is made in this Corporate Governance report to the Articles of Incorporation, they are available in German as well as in an unofficial translation in English on the website at: <https://docs.coltene.com/statuten> (German version) and <https://docs.coltene.com/aoi> (English version).

### Group Structure and Shareholders

#### Group Structure

##### *Operative Group Structure*

COLTENE Group is targeting the markets for dental consumables. The Company evolved from the Health Care Division of the former Gurit-Heberlein AG and was incorporated as per December 15, 2005, under the formerly name Medisize Holding AG and listed as an independent company on June 23, 2006, on SIX Swiss Exchange. Medisize was operating with two segments in the dental and medical consumables markets. Effective as at April 30, 2008, the medical segment was sold to the Finnish Medifiq Group and the Company name was changed to COLTENE Holding AG. Since then, COLTENE Group is active in the dental consumables market only and operates one segment in line with its management structure, the organizational setup, the reporting and the allocation of resources.

##### *Legal Structure of Subsidiaries*

Of all the companies consolidated, COLTENE Holding AG (the COLTENE Group's holding company) is the only one listed. It is headquartered in Altstaetten/SG;

COLTENE Holding AG's registered shares (security no. 2.534.325, ISIN CH0025343259, symbol CLTN) are quoted on SIX Swiss Exchange. On December 31, 2017, the market capitalization amounted to CHF 400.4 million (prior year CHF 312.4 million). All Group companies are ultimately owned at 100 % by the Group's holding company.

April 1, 2017, the Group acquired the business and the assets of Diatech LLC, domiciled in Mount Pleasant (South Carolina, USA). COLTENE integrated the business into the newly established Diatech Inc., a subsidiary of Coltene/Whaledent Inc., Cuyahoga Falls (Ohio, USA). Diatech Inc. is a tele sales and online vendor, specializing in diamond and carbide burs as well as orthodontic products. The new business will increase annual consolidated sales of the COLTENE Group by approximately CHF 2.0 million.

Information on the companies belonging to the COLTENE Group, which are not listed, is shown on page 82 of the Financial Report.

#### Major Shareholders

On December 31, 2017, there were 1743 shareholders (previous year: 1684) entered in the share register and the following shareholders held stakes equaling or exceeding the legal disclosure threshold of 3 % of the voting stock of COLTENE Holding AG:

*Huwa Finanz- und Beteiligungs AG*, Heerbrugg/SG, Switzerland, Bahnhofstrasse 2, 9435 Heerbrugg, held 1 110 964 registered shares. This equals voting rights of 26.33 %. *Huwa Finanz- und Beteiligungs AG* is representing the families of Ruedi Huber, Balgach/SG, Helene Huber, Heerbrugg (Au/SG) and Nick Huber, Balgach/SG. Further details are available on the disclosure of shareholdings website of SIX Swiss Exchange.

*Rätikon Privatstiftung*, Fohlenburgstrasse 5, 6700 Bludenz, Austria, held 482 994 registered shares. This equals voting rights of 11.45 %. *Rätikon Privatstiftung* is under control of the family of Franz Rauch, Laterns, Austria. Direct shareholder is *ESOLA Beteiligungsverwaltungs GmbH*, Ringstrasse 11, 6830 Rankweil, Austria.

Tweedy, Browne Company LLC, 350 Park Avenue, New York, NY 10022/USA, held 286 947 registered shares representing 6.80 % of the voting rights.

Credit Suisse Funds AG, Giesshübelstrasse 30, 8045 Zurich/ZH, Switzerland, held 235 902 shares or 5.59 % of the voting rights.

Robert Heberlein, Zumikon/ZH, Switzerland, held directly and indirectly through Burix Holding AG, Zurich/ZH, which he controls, 167 551 registered shares, representing 3.97 % of the voting rights.

UBS Fund Management (Switzerland) AG, P.O. Box, 8098 Zurich/ZH, held 166 823 shares or 3.95 % of the voting rights.

All other shareholders held a stake of 41.90 % of the voting rights of COLTENE Holding AG.

The Company held treasury shares amounting to 0.00 % (0.09 %) at the balance sheet date. Shares pending registration of transfer amounted to 14.00 % (16.3 %) of the total as at December 31, 2017.

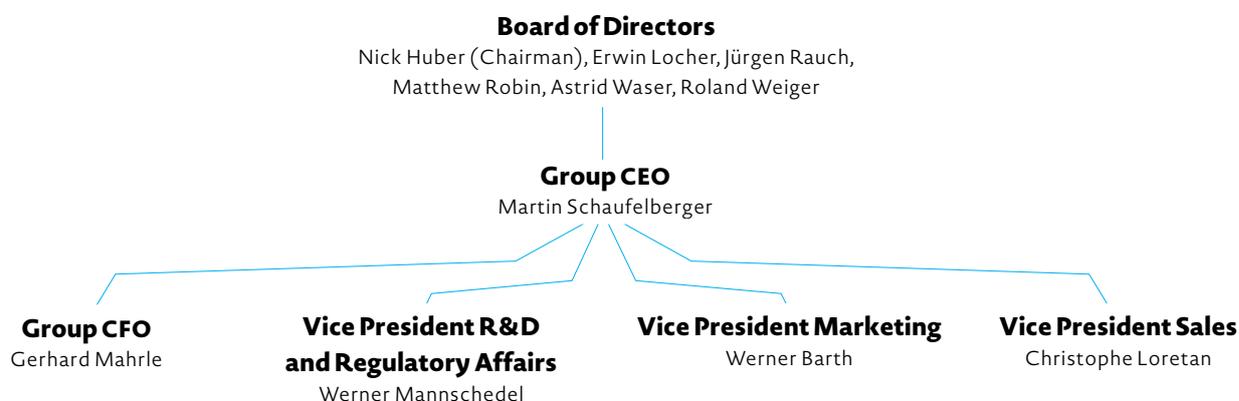
### Cross-Shareholding

COLTENE Holding AG has no cross-shareholding arrangements with other companies.

### Structure of Group Operations

The COLTENE Group is operationally headed by the Group Management. On October 1, 2015, the Group increased the number of seats on its Group Management Board to five to better support its global setup. This decision established a broader base for top-level executive leadership and will help it to guide and grow the internationalized organization. The COLTENE Group Management, chaired by Martin Schaufelberger as CEO, consists of Gerhard Mahrle, CFO, who acts also as deputy CEO, Werner Mannschedel, Vice President R&D and Regulatory Affairs, Werner Barth, Vice President Marketing, and Christophe Loretan, Vice President Sales. The Group Management is responsible for the operational management of the holding company and the COLTENE Group. The Group is managed by the Board of Directors through the Group Management. The Board of Directors and the Group Management are assisted in their work by central Group functions. The separation of responsibilities between the Board of Directors and the Group Management is explained on pages 31.

The management organization of the COLTENE Group as per January 1, 2018, appears as follows:



## Capital Structure

Information about the capital structure can be found in COLTENE Holding AG's Articles of Incorporation, in the Financial Statements of COLTENE Holding AG as well as in the Investor Relations section on page 2 of this report.

## Capital

Details on the capital are included in the COLTENE Holding AG's financial statements on pages 86 and 87.

## Authorized or Contingent Capital in Particular

COLTENE Holding AG has no authorized or contingent capital.

## Changes in Capital

The following changes in equity of COLTENE Holding AG have occurred during the last three financial years. Due to the first application of the new Swiss accounting law with the financial statements of 2015, the balance sheet and equity table are newly structured. Treasury shares are recognized at weighted average cost and deducted from shareholders' equity at the time of acquisition and no longer shown as assets. The former reserves for treasury shares is now contained in the net income brought forward. For improvement of the legibility, the prior years' figures were adapted accordingly.

### Changes in equity

In CHF 1 000	31.12.2017	31.12.2016	31.12.2015
Share capital	422	422	422
Statutory reserves	84	84	84
Capital contribution reserve	0	0	0
Reserves for treasury shares	0	-259	-307
Net income brought forward	33 785	38 037	38 325
<b>Total</b>	<b>34 291</b>	<b>38 284</b>	<b>38 524</b>

Based on the AGM's decision on March 29, 2017, the Company distributed a dividend of CHF 2.70 per share to its shareholders on April 4, 2017. The total amount paid was TCHF 11 381.

## Shares and Participation Certificates

The Company's share capital consists of 4 219 000 registered shares with a par value of CHF 0.10 each. All shares are fully paid up and entitled to dividends. They entitle the holder to one vote at the General Meeting. The right to apply the special rules concerning treasury shares held by the Company is reserved, particularly in relation to the exemption from the entitlement to dividends.

The shares are traded in the International Reporting Standard of SIX Swiss Exchange (security no. 2.534.325, ISIN CH0025343259, symbol CLTN). COLTENE Holding AG has not issued any participation certificates.

## Profit-Sharing Certificates

COLTENE Holding AG has not issued any profit-sharing certificates

## Restrictions on Transferability of Shares and Nominee Registrations

According to §4 of the Articles of Incorporation, only individuals who are registered in the share register may be recognized as the owners or beneficiaries of traded shares. Registration of ownership may be refused only in cases where the purchaser does not expressly declare that he has acquired the shares for his or her own account. The Board of Directors may cancel a registration of a shareholder or nominee in the share register, after hearing the respective parties, if the entry was made based on false declarations. The relevant party is to be immediately informed of this cancellation. The Board of Directors may define principles for the registration of fiduciaries or nominees and stipulate the necessary rules to guarantee compliance with the aforementioned principles.

## Convertible Bonds and Warrants/Options

COLTENE Holding AG has no outstanding convertible bonds or options.

## Board of Directors

### Members of the Board of Directors

On December 31, 2017, the Board of Directors of COLTENE Holding AG consisted of six members. The Articles of Incorporation stipulate a minimum of three.

The General Meeting of Shareholders elected at the meeting of March 29, 2017, Astrid Waser as an additional member of the Board for the first time. As of the 2017 General Meeting, Robert Heberlein stepped down as member of the Board and Vice Chairman of the Board of Directors of COLTENE Holding AG for reasons of age. All Board members are non-executive and have no material business interest with the COLTENE Group. They are independent in the sense of the Swiss Code of Best Practice for Corporate Governance, and have not served on either the management of COLTENE Holding AG (holding company) or the management board of any subsidiary during the past three years. In the year under review, the law firm Lenz & Staehelin, Zurich, where Robert Heberlein serves as a Counsel and Astrid Waser is partner, received CHF 66 000 for legal advice.

The personal details together with the other activities and vested interests of individual members of the actual Board of Directors are listed on pages 32 to 35.

### **Election and Term of Office**

The members of the Board of Directors are elected by the shareholders for a period of one year. At the end of their term of office, members may be re-elected. There is no limit to the period of office or age of members of the Board of Directors. The members of the Board of Directors are elected person by person. The Chairman of the Board of Directors is elected by the shareholders for a period of one year. In the event of incapacity of the Chairman, the Chairman of the Audit and Corporate Governance Committee will temporarily assume the role of the Vice Chairman of the Board of Directors.

### **Restrictions on Activities outside of COLTENE Group**

Restrictions on activities outside of the COLTENE Group of the members of the Board of Directors are governed in §18 of the Articles of Incorporation.

### **Internal Organization**

#### *Allocation of Tasks within the Board of Directors*

The Board of Directors is ultimately responsible for the management of the Company and the supervision of the persons in charge of the management. The Board of Directors represents the Company and takes care of

all matters which are not delegated by law, the Articles of Incorporation, or the organizational regulations to another body.

The Board of Directors' main duties can be summarized as follows:

- determination and formulation of the business strategy
- purchase and sale of participations or establishment and liquidation of Group companies
- approval of investments in and divestments of fixed assets exceeding CHF 200 000 in value
- approval of intercompany loans in excess of CHF 400 000 per fiscal year per group company
- definition of COLTENE Group's finance strategy
- determination of financial accounting and reporting, financial control, and financial planning
- definition of COLTENE Group's organizational structure
- appointment of the persons in charge of the management and their supervision
- approval of the Auditor's report and Annual Report as well as preparation of the General Meeting of Shareholders and the execution of its resolutions

#### *Membership of the Committees of the Board of Directors, their Duties and Responsibilities*

The Board of Directors has delegated the operational management to the Group Management headed by the Chief Executive Officer (CEO). The Chairman of the Board of Directors organizes and manages the work of the Board of Directors.

The permanent committees of the Board of Directors are composed as follows:

#### *Audit and Corporate Governance Committee*

Until the Annual General Meeting 2016, the Audit and Corporate Governance Committee was headed by Robert Heberlein and all other Board members were members of the Audit and Corporate Governance Committee. Since then, the Audit and Corporate Governance Committee has been set up by the Board as follows:

Chairman: Erwin Locher

Members: Jürgen Rauch and Astrid Waser

All members of the Board of Directors normally attend the Audit and Corporate Governance Committee Meetings. The Board Members that are not members of the Audit and Corporate Governance Committee attend the meetings as guests with no voting rights.

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory duties and has to perform the following main tasks and duties:

- approval of the auditing program and audit fees and form a judgment of the effectiveness of the external audits
- review, amendment and approval of the risk management assessment and system as well as control of the fulfillment of defined measures
- review and assessment of the functioning of the internal control system and control of the fulfillment of corrective actions
- review of the consolidated financial statements as well as interim statements intended for publication
- regular review of the principles concerning Corporate Governance
- proposals to the Board of Directors of amendments to the Articles of Incorporation or internal regulations if necessary

#### *Nomination and Compensation Committee*

The Nomination and Compensation Committee is elected every year by the Annual General Meeting. Until the Annual General Meeting 2016, the Nomination and Compensation Committee was headed by Matthew Robin and all other Board members were also members of the Nomination and Compensation Committee. Since then, the Nomination and Compensation Committee has been composed as follows:

Chairman: Matthew Robin

Members: Nick Huber, Roland Weiger

All members of the Board of Directors normally attend the Nomination and Compensation Committee Meetings. The Board Members that are not members of the Nomination and Compensation Committee attend the meetings as guests with no voting rights.

The Nomination and Compensation Committee carries out the following duties:

- recommendation of the remuneration of the members of the Board of Directors
- definition of the principles for the remuneration of the members of the Group Management and submission of these to the Board of Directors for approval
- definition of principles for the selection of candidates for election or re-election to the Board of Directors
- preparation of the selection and assessment of the candidates for the position of the CEO
- approval of appointments of members of the senior management
- approval of the remuneration to be paid to the senior management
- approval of the general guidelines for the Human Resources management of the Group
- yearly elaboration of the compensation report to be presented to the AGM

#### *Working Methods of the Board of Directors and its Committees*

The Board of Directors meets annually for at least four ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board of Directors is entitled to request an immediate meeting, provided that he names its purpose. In 2017, the Board of Directors met eight times. These meetings lasted in average four to eight hours. In one meeting, the Board of Directors discussed the Group Strategy together with the entire Group management during a two-day workshop. The Audit and Corporate Governance Committee met three times for a two hours' meeting. The Nomination and Compensation Committee met three times for a two hours' meeting.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants normally seven days in advance of the date set for the meeting.

As a rule, the Chief Executive Officer and the Chief Financial Officer attend meetings of the Board of Directors as well as meetings of the committees. In order to ensure that the Board of Directors has sufficient information to make decisions, other members of the Group Management team or other members of staff or third parties may also be invited to attend.

The Board of Directors is quorate if all members have been duly invited and the majority of its members take part in the decision-making process. Members may participate in deliberations and the passing of resolutions by telephone, by video conference, or other suitable electronic media if all participants are in agreement. The decisions of the Board of Directors are taken on the basis of the votes submitted. In the event of a tie, the Chairman has the casting vote. Decisions may also be made in writing.

Proposals may also be sent to all members and they are regarded as passed if the majority of members agree unconditionally and no member insists on discussion of the issues in question in a formal meeting. Members of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of persons close to them.

All proposals and decisions are entered in the minutes to the meeting of the Board of Directors and its committees. The minutes also contain a summary of important requests to speak and any deliberations.

### Definition of Areas of Responsibility

The areas of responsibility between the Board of Directors and the Group Management are defined in COLTENE Holding AG's organizational regulations and can be summarized as follows: with the exception of decisions which according to article 716a of the Swiss Code of Obligations are part of its indefeasible and non-transferable duties, and those additional duties listed on pages 29 to 31, the Board of Directors has delegated the executive control of COLTENE Group and, with it, operational management of the entire COLTENE Group, to the Group Management.

### Information and Control Instruments vis-à-vis Group Management

As a rule, the Group Management updates the Board of Directors on operations and COLTENE Group's financial position every month. In addition, the CEO and CFO report on business and all matters of relevance to the Board of Directors at each meeting of the Board of Directors. Every member of the Board of Directors has the right to ask any member of the Group Management for information about matters within his remit, even outside meetings. The Chairman of the Board of Directors is also informed by the CEO about all businesses and issues of a fundamental nature or of special importance.

Based on an approved Risk Management policy by the Board of Directors, an extensive system for monitoring and controlling the risks linked to the business activities is in place. The Group Management is responsible for the risk identification, analysis, controlling, reporting and monitoring the implementation. The Board of Directors reviews once a year the risk management and the results of implemented corrective actions.

Based on an approved Internal Control System policy by the Board of Directors, the internal control mechanisms are reviewed and documented based on defined requirements. At least once a year a member of the audit committee reviews in detail the assessments made and corrective actions implemented. These findings are reviewed regularly by the Board of Directors.

Regarding the management of financial risks, see the notes to Group Financial Statements on pages 67 and 68.

### Membership of the Board of Directors as of December 31, 2017

Members	Function	Born in	Year of first election	Term of office until AGM of	Audit and Compliance Committee	Nomination and Compensation Committee
Nick Huber	Chairman	1964	2005	2018		Member
Erwin Locher	Member	1953	2009	2018	Chairman	
Jürgen Rauch	Member	1967	2016	2018	Member	
Matthew Robin	Member	1965	2006	2018		Chairman
Astrid Waser	Member	1971	2017	2018	Member	
Roland Weiger	Member	1961	2013	2018		Member

# Board of Directors

**The Board of Directors of COLTENE has committed itself to maintaining the highest standards of integrity and transparency in its governance of the Company.**



Matthew Robin

Jürgen Rauch

Astrid Waser

Nick Huber

Roland Weiger

Erwin Locher

### Nick Huber

- Chairman of the Board of Directors (year of first election: 2005)
- Non-executive member
- Businessman, Stanford Executive Program
- Swiss citizen, born in 1964

#### *Professional background (main stages)*

- 1990–1995 Account Manager, IBM (Switzerland) AG, Zurich/ZH
- 1995–2005 Divisional Head, SFS Unimarket AG, Heerbrugg/SG
- 2005–2016 Member of the Executive Management of SFS Services AG, Heerbrugg/SG

#### *Other important activities and vested interests*

- Member of the Board of Directors of Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- Member of the Board of Directors of SFS Group AG, Heerbrugg/SG
- Member of the Board of Directors of Gurit Holding AG, Wattwil/SG

#### *Key knowledge and experience*

- International and strategic management – many years of operational leadership experience in management positions in the SFS group and longtime experience as member of the board of international companies.
- Human resources – longtime operational responsibility of the human resources department of the SFS group.
- Marketing and sales – operational management experience as divisional head of direct and indirect consumables business.

### Matthew Robin

- Member of the Board of Directors (year of first election: 2006)
- Non-executive member
- M. Eng. in Chemical Engineering, Imperial College, University of London/UK
- British and Swiss citizen, born in 1965

#### *Professional background (main stages)*

- 1987–1998 Various functions in the USA and in Switzerland (last function: Business Director US Custom Manufacturing), Lonza Fine Chemicals
- 1998–2003 Various senior management functions (last function: Head Disetronic Injection Systems), Disetronic, Burgdorf/BE
- 2003–2006 CEO, Ypsomed Holding AG, Burgdorf/BE
- 2007–2011 Divisional Head Liquid Handling & Robotics, Tecan Holding AG, Männedorf/ZH
- Since 2011 CEO, ELSA/Mifroma, Estavayer-le-Lac/FR

#### *Other important activities and vested interests*

- President of the Qids Future Foundation

#### *Key knowledge and experience*

- International and strategic management – longtime operational and strategic leadership and experience in the medical device and other regulated international businesses.
- Manufacturing, innovation and human resources – many years of experience as business director and CEO of large producing companies.

### Erwin Locher

- Member of the Board of Directors (year of first election: 2009)
- Non-executive member
- Economist, University of Basel, MBA, University of Toronto (Rotman)/University of St. Gallen/SG
- Swiss citizen, born in 1953

#### Professional background (main stages)

- 1979–1982 Internal Auditor, Sandoz AG, Basel/BS
- 1982–1986 Head Logistics, Mibelle AG, Buchs/AG (subsidiary of Migros)
- 1986–1987 Treasurer, Zellweger AG, Uster/ZH
- 1987–1991 Vice President Finance, Mibelle AG, Buchs/AG (subsidiary of Migros)
- 1991–1996 Vice President Finance, and then President, Allo Pro AG, Baar/ZG (subsidiary of Sulzer Medica)
- 1996–2004 CEO and President Synthes Division, Mathys Medical AG, Bettlach/SO

#### Other important activities and vested interests

- Chairman of the Board of Directors of Thommen Medical AG, Grenchen/SO
- Member of the Board of Directors of Mathys AG, Bettlach/SO
- Management and consultancy function for Ziemer Ophthalmic Systems AG, Port/BE

#### Key knowledge and experience

- International and strategic management, marketing and sales – experience as former CEO of a global medical device company.
- Financial management, audit and compliance – many years of experience as Vice President of finance in a national and international company.
- Dental industry – operational responsibility for the COLTENE Group as CEO ad interim in 2011/2012.

### Roland Weiger

- Member of the Board of Directors (year of first election: 2013)
- Non-executive member
- Prof. Dr. med. dent., University of Tübingen, Germany
- German citizen, born in 1961

#### Professional background (main stages)

- 2000–2002 Professor of Endodontology, University of Tübingen, Germany
- 2002–2011 Chairman of the Research Committee, European Society of Endodontology (ESE)
- Since 2002 Professor and Director, Clinic of Periodontology, Endodontology and Cariology at the University of Basel/BS
- 2012–2015 Director of the Department of Dental Medicine, University of Basel/BS
- Since 2016 Director of the University Dental Clinics and member of the Executive Board of the University Center of Dentistry (UZB), Basel/BS

#### Other important activities and vested interests

- Member of the Expert Commission of the Swiss Society for Preventative, Restorative and Esthetic Dentistry (SSPRE)
- Member of the Board of the Swiss Society of Periodontology (SSP)
- Appointed expert for the Swiss federal examinations in dentistry

#### Key knowledge and experience

- Expertise in general dentistry and specialized conservative dentistry – longtime leadership experience as chairman of a dental department and higher-level clinical university institution.
- Experience in dental technology and dental market – profound expertise in research, teaching and clinical procedures as professor in conservative dentistry and professional competence as practicing dentist specialized in endodontology and restorative dentistry.

### Jürgen Rauch

- Member of the Board of Directors (year of first election: 2016)
- Non-executive member
- Business economist, University of Innsbruck/AT
- Austrian citizen, born in 1967

#### *Professional background (main stages)*

- 1993–1994 Management function at Pittra Inc, New York/USA
- 1994–2004 General Manager of Rauch Hungaria Kft, Budapest/HU
- Since 2004 CEO of Rauch Fruchtsäfte GmbH & Co OG, Rankweil/AT

#### *Other important activities and vested interests*

- Jürgen Rauch has no other important activities and vested interests.

#### *Key knowledge and experience*

- Production and distribution – long-lasting experience in building up and in general management of an international bottling company for liquid consumables.
- Marketing and branding – many years of experience in the positioning and marketing of an international renowned brand in the consumables industry.

### Astrid Waser

- Member of the Board of Directors (year of first election: 2017)
- Non-executive member
- Dr. iur., attorney-at-law, LL.M., University of Lausanne
- Swiss citizen, born in 1971

#### *Professional background (main stages)*

- 2002–2011 Associate, Lenz & Staehelin, Zurich/ZH
- 2004 Foreign Associate, Brussels
- since 2012 Partner, Lenz & Staehelin, Zurich/ZH

#### *Other important activities and vested interests*

- Astrid Waser has no other important activities and vested interests.

#### *Key knowledge and experience*

- Legal affairs – proven expert in competition and procurement law and long-standing experience in counselling firms in the field of business law
- Compliance – proven expert particularly regarding internal and regulatory investigations and compliance matters.

# Group Management

**The Group Management of COLTENE has committed itself to the highest principles of sustainability, integrity and responsibility that build the foundation of COLTENE's corporate culture.**



Werner Mannschedel

Gerhard Mahrle

Christophe Loretan

Martin Schaufelberger

Werner Barth

### **Martin Schaufelberger**

- Chief Executive Officer COLTENE Group (since 2012)
- Electrical Engineer, Fachhochschule für Technik, Rapperswil/SG
- MBA Marketing, City University of Seattle, Zurich/Seattle
- Swiss citizen, born in 1964

#### *Professional background (main stages)*

- 1988–1998 Various functions in Switzerland and Japan (last function: General Manager Strategic Marketing), Zellweger Uster AG, Uster/ZH
- 1998–2001 Head Marketing and Sales, Kunststoff Schwanden AG, Schwanden/GL
- 2001–2007 Deputy CEO Kunststoff Schwanden AG, Schwanden/GL
- 2007–2012 CEO Kunststoff Schwanden AG, Schwanden/GL

Martin Schaufelberger has no other important activities and vested interests.

### **Gerhard Mahrle**

- Chief Financial Officer COLTENE Group (since 2014)
- lic. oec. HSG, University of St. Gallen
- Swiss citizen, born in 1957

#### *Professional background (main stages)*

- 1985–1992 Various senior positions in finance at the Galenica Group and the Hilti Group
- 1992–1998 CFO Eugster/Frismag Group, Romanshorn/TG
- 1998–2000 CFO Batigroup Holding AG, Basel/BS
- 2000–2009 CFO sia Abrasives Holding AG, Frauenfeld/TG
- 2009–2013 CFO Kardex AG, Zurich/ZH

Gerhard Mahrle has no other important activities and vested interests.

### **Werner Mannschedel**

- Vice President R&D and Regulatory Affairs COLTENE Group
- Member of the Group Management since 2015
- Pharmacist and Biologist, University of Erlangen/Germany
- German citizen, born in 1956

#### *Professional background (main stages)*

- 1988–1992 Head Quality Control and Analytic, ROEKO GmbH + Co. KG, Langenau/Germany
- 1992–1998 Head Operations, ROEKO GmbH + Co. KG, Langenau/Germany
- 1998–2002 General Manager, ROEKO GmbH + Co. KG, Langenau/Germany
- 2002–2007 Head European Operations (EMEA), COLTENE Group, Altstaetten/SG
- 2007–2011 President European Operations (EMEA), COLTENE Group, Altstaetten/SG
- 2011–2012 Head Global Operations, COLTENE Group, Altstaetten/SG
- 2012–2015 Head Global R&D and Regulatory Manager COLTENE Group, and General Manager Coltène/Whaledent GmbH + Co. KG, Langenau/Germany

Werner Mannschedel has no other important activities and vested interests.

### **Werner Barth**

- Vice President Marketing COLTENE Group
- Member of the Group Management since 2015
- Dr. sc. techn. ETH, Zurich/ZH
- Swiss citizen, born in 1966

#### *Professional background (main stages)*

- 1999–2001 Head Business Unit Medical Products, VOLPI AG, Schlieren/ZH
- 2001–2004 Product manager and Sales manager HMT High Medical Technologies AG, Lengwil/TG
- 2005–2006 Head Marketing & Sales, Ziemer Ophthalmic Systems AG, Port/BE
- 2006–2013 Vice President Sales, Ziemer Ophthalmic Systems AG (Ziemer Group), Port/BE
- 2013–2015 Global Director Marketing, Coltène/Whaledent AG, Altstätten/SG

Werner Barth has no other important activities and vested interests.

## Christophe Loretan

- Vice President Sales COLTENE Group
- Member of the Group Management since 2015
- Dipl. sc. nat. ETH Zurich/ZH
- MBA University of Rochester, Bern/BE
- Swiss citizen, born in 1970

### *Professional background (main stages)*

- 1998–2002 Marketing Manager and Area Sales Manager Division Biomaterials, Geistlich Pharma AG, Wolhusen/LU
- 2002–2003 Business Development Manager Pharma/Gastroenterology, Tillotts Pharma AG, Ziefen/BL
- 2003–2005 Global Marketing Manager, Novozymes Switzerland AG, Dittingen/BL
- 2006–2013 Customer Solutions Director EMEA, Novozymes Switzerland AG, Dittingen/BL
- 2013–2015 Technical Service and Sales Director EMEA, Novozymes Switzerland AG, Dittingen/BL

Christophe Loretan has no other important activities and vested interests.

## Group Management

On December 31, 2017, COLTENE Holding AG's Group Management consisted of the Chief Executive Officer (CEO) Martin Schaufelberger, the Chief Financial Officer (CFO) Gerhard Mahrle, who also acts as deputy CEO, Werner Mannschedel, Vice President R&D and Regulatory Affairs, Werner Barth, Vice President Marketing, and Christophe Loretan, Vice President Sales.

### **Members of the Group Management**

The personal details together with the other activities and vested interests of individual members of the actual Group Management are listed on pages 36 to 39.

### **Management Contracts**

No agreements pertaining to the provision of managerial services exist between COLTENE Holding AG and other companies or natural persons outside the COLTENE Group.

### **Restrictions on Activities outside of COLTENE Group**

Restrictions on activities outside of the COLTENE Group of the members of the Group Management are governed in §18 of the Articles of Incorporation.

### **Principles on Compensation of the Members of the Board of Directors and the Group Management**

Principles applicable to performance-related payments and to the allocation of equity securities, convertible rights and options, as well as the additional amount for payments to members of the Group Management appointed after the vote on the compensation at the General Meeting of Shareholders are governed in §§22 et seqq. of the Articles of Incorporation.

Loans, credit facilities and post-employment benefits for members of the Board of Directors and the Group Management are governed in §28 of the Articles of Incorporation.

Regulations on the vote of the General Meeting of Shareholders on the compensation are governed in §§13.3 and 21 et seqq. of the Articles of Incorporation.

Further information regarding the compensation of the Board of Directors and the Group Management is available in the section of the compensation report on pages 44 to 50 of this Annual Report.

## Shareholders' Participation Rights

Details of shareholders' participation rights can be found in the Articles of Incorporation of COLTENE Holding AG. The Articles of Incorporation in German and in English are available on the website at <https://docs.coltene.com/statuten> (German version) and <https://docs.coltene.com/aoi> (English version).

## Voting Right Restrictions and Representation

The Articles of Incorporation contain no restrictions on voting rights. Every registered share represented at the General Meeting is entitled to one vote. A shareholder may vote his own shares or be represented at the General Meeting by way of a written proxy. Since the Annual General Meeting 2015, every shareholder can use also the online platform of ShareCommService AG ("Indirect Voting System – IDVS") in order to grant the independent proxy a power of attorney and to forward his instructions to such independent proxy.

## Statutory Quorums

Unless otherwise determined by law, a General Meeting convened in accordance with the Articles of Incorporation is quorate regardless of the number of shareholders attending or the number of shares represented. To be valid and subject to legal or statutory provisions, resolutions require an absolute majority of the votes submitted.

Important decisions of the General Meeting as defined in article 704 §1 of the Swiss Code of Obligations require at least two-thirds of the votes present and the absolute majority of the par value of shares represented.

## Convocation of the General Meeting of Shareholders

The ordinary General Meeting of Shareholders takes place annually within six months of the end of the Company's financial year. Extraordinary General Meetings can be called by decision of the General Meeting, the Board of Directors, at the request of the auditors, or if shareholders representing at least a tenth of the share capital submit a request in writing, stating the purpose to the Board of Directors.

The invitation to the General Meeting of Shareholders is published in the Swiss Official Commercial Gazette. All shareholders whose addresses are registered in the share register are notified by a letter or by e-mail at their choice.

## Agenda

The Articles of Incorporation contain no regulations relating to agendas that differ from those set forth by the law.

## Entries in the Share Register

Shareholders and/or beneficiaries of registered shares are entitled to vote if they are registered in the share register at the time of the General Meeting of Shareholders. The Board of Directors shall determine and indicate in the invitation to any General Meeting of Shareholders the relevant cut-off date for registrations in the share register that shall be relevant for the eligibility of any shareholder to participate in and vote at such General Meeting.

## Changes of Control and Defense Measures

### Public Purchase Offers

The Articles of Incorporation of COLTENE Holding AG do not stipulate an alleviation or exemption for the duty to submit a public offer according to articles 32 and 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) (Bundesgesetz über die Börsen und den Effektenhandel, BEHG).

### Clauses on Changes of Control

No change of ownership clauses are in effect at December 31, 2017, at COLTENE Group and senior management level.

## Auditors

### Duration of Mandate and Lead Auditor's Term of Office

Ernst & Young AG, St. Gallen (EY), has been elected as COLTENE Holding AG's statutory auditor the first time at the Annual General Meeting of April 20, 2012, for a one-year term. Since then, EY has been elected every year again for a one-year period. EY also serves as Group auditors. Rico Fehr has been the lead auditor since that date.

The Audit and Corporate Governance Committee ensures that the lead auditor is rotated at least every seven years.

### Auditing Fees

The total sum charged for auditing services during the year under review by EY in its capacity as COLTENE

Group's statutory auditor amounted to CHF 230 560 (CHF 227 360 in previous year).

Audit services are defined as the standard audit work performed each year in order to issue opinions on the Group companies in scope and consolidated financial statements of the Group, to issue opinions relating to the existence of the Group's internal control system, and to issue reports on local statutory financial statements if required. Also included are audit services that are only provided by the Group auditor, such as auditing of non-recurring transactions and implementation of new accounting policies, as well as audits of accounting infrastructure system controls.

#### **Additional Fees**

EY was also paid fees totaling CHF 17 000 (CHF 8750 in previous year) for non-audit-related services. The amount was mainly paid for tax advice.

#### **Supervisors and Control Instruments Pertaining to the Auditors**

As explained on page 29 to 30, the Board of Directors has established an Audit and Corporate Governance Committee to monitor the external auditors (statutory and COLTENE Group auditors).

The Audit and Corporate Governance Committee, acting on behalf of the Board of Directors, is responsible for overseeing the activities of EY and statutory auditors. During 2017, the Audit and Corporate Governance Committee held three meetings. At these meetings, the Group auditors of EY participated during the discussion of agenda items that dealt with accounting, financial reporting or auditing matters and any other matters relevant for their audit.

As part of its duties, the Audit and Corporate Governance Committee also assesses the services and fees charged by the external auditors as well as their independence from the entire Board of Directors and COLTENE management. Criteria applied for the performance assessment include technical and operational competence, independent and objective view, sufficient resources employed, focus on areas of significant risk to COLTENE Holding AG, willingness to probe and challenge, ability to provide effective, practical recommendations and open and effective communication

and coordination with the Audit and Corporate Governance Committee.

On an annual basis, the Audit and Corporate Governance Committee and EY discuss EY's independence from COLTENE Group and COLTENE management.

Based on the outcome of the performance of EY as well as other criteria, the Audit and Corporate Governance Committee decides on its recommendation to the Board of Directors whether EY should be proposed to the Annual General Meeting for re-election. Based on the recommendation by the Audit and Corporate Governance Committee, the Board of Directors nominates an independent auditor for election at the Annual General Meeting.

The Audit and Corporate Governance Committee recommended to the Board of Directors the approval, and the Board of Directors approved the Annual Report for the year ended December 31, 2017, including the audited financial statements.

#### **Information Policy**

COLTENE Holding AG provides its shareholders with information in the form of the Annual Report and Half-year Report. Important events are published immediately through press releases and/or letters to shareholders. Further information can be requested at the contact address indicated on page 3 and page 94.

#### **Internet**

Shareholders and other interested parties can obtain information about COLTENE Group on the Internet at [www.coltene.com](http://www.coltene.com) and subscribe to a news service.

#### **Ad Hoc Publicity**

COLTENE Holding AG maintains regular contact with the financial world in general and with important investors. At the same time, it abides by the legally prescribed principle of treating all parties equally as regards communication. Relevant new facts are published openly and are available to all interested parties.

For important dates of publications this year, the following year and contact addresses refer to page 3.