

Company's remuneration policy

The company's remuneration policies are detailed in chapter 5 of the Corporate Governance section of the Annual Report.

These policies are defined by the Nomination and Remuneration Committee of the Board, which consists of the Chairman and of Messrs. Brandolini and A. von Finck. The compensation of the Directors and of the Chief Executive Officer is approved by the full Board of Directors on recommendation of the Committee. When defining the remuneration policies, the Committee receives advice from the Group Human Resources department and relies on information on remuneration paid by other multinational companies in various sectors and industries.

The Directors receive a fixed Board fee of CHF 150'000 p.a. and a fixed Committee fee of CHF 30'000 p.a. to the extent applicable. The Chairman receives a Board fee of CHF 300'000 and Committee fees of CHF 90'000 and an additional amount of CHF 25'000 for secretarial support. The Chairman is also entitled to 25% of the options granted to the Chief Executive Officer. The Directors receive no other remuneration or benefits. They do not hold service contracts and are not entitled to any termination payments and the Company does not make any pension contribution for their benefit.

In addition to a base salary, members of the Operations Council, including the Chief Executive Officer, are entitled to a performance related annual bonus yielding 30 to 70% (for the Chief Executive Officer) of base salary if certain objectives approved by the Nomination and Remuneration Committee are met. If these objectives are exceeded, the bonuses are increased on a multiplier basis with a maximum payout equal to a range of 75% to 175% of base salary. In the event of underperformance, the bonus is reduced on a multiplier basis and no bonus is paid if a pre-established minimum target is not achieved. Bonuses of Operations Council members are assessed on the basis of the actual performance of the Group as a whole, of the relevant business segments and of operations against specific financial targets.

Once the quantum of a bonus is determined, it is settled 50% in cash and 50% in options which vest over a period of three years and are only exercisable in the fourth and fifth year after grant.

In addition to the annual bonuses, there is also a Long-Term Incentive Plan under which options were initially scheduled to vest in January 2009 under the condition that the Group reach a target of at least CHF 80 earnings per share. The plan has now been modified with an option to extend it by one year if the CHF 80 EPS target is not reached in 2008. 60% of the options granted under the plan will then vest if the CHF 80 EPS target is reached in 2009 and another 10% will vest for each additional CHF 1 EPS up to 100% of the options originally granted if CHF 84 EPS is reached in 2009.