Remuneration Report

INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

Dear Shareholders

On behalf of the Board of Directors and the Nomination and Compensation Committee (NCC), I am pleased to present the Remuneration Report for 2018 and explain its key improvements and details.

In the reporting year, the NCC fully reviewed the remuneration programmes for Group Executive Management to ensure that they are aligned with the corporate strategy, the long-term interests of shareholders and the sustained interests of the company. In this context, the remuneration structure and Remuneration Report were designed and prepared with the assistance of external consultants specialising in corporate governance and executive remuneration. Based on this review and the analysis of comparable data from executive studies and benchmarks published by companies of a comparable size, complexity and geographical focus, the NCC partially amended and developed the remuneration programmes for the Group Executive Management. We are also including the actual attainment levels for 2018 of the profit target for the Group Executive Management Team (see section 5).

In the 2017 Remuneration Report, the NCC provided initial insight into the new remuneration structure to be applied from 2019 onwards. While developing this new remuneration system, the NCC discussed the intended structure with shareholders and proxy advisors/investors. Following their feedback, NCC took further steps to improve the originally announced remuneration structure. The NCC is convinced that with the currently proposed changes, the remuneration structure planned for Group Executive Management from 2019 meets the relevant international best practice principles. The increase in performance-based remuneration and introduction of a Long-Term Incentive Plan ensures a strong alignment of interests of the management and the company respectively its shareholders and sustainability of management performance. This further aligns the remuneration structure with long-term growth in shareholder value. The specific changes we made will be described below. We also note that these changes were made without increasing the target remuneration (for level of target and maximum remuneration, see section 6).

Compensation Philosophy The philosophy behind our executive remuneration programme is based on corporate governance best practice, guided by three main principles as follows:

- **Fair and Transparent** - The company aims to ensure internal and external balance with regard to compensation. Disclosure of compensation follows governance good practice and rules.
- **Performance Driven** - Variable compensation is based on achievement of business goals and on share price performance. Caps and thresholds are applied to all variable compensation.
- **Competitive** - The compensation system allows the company to attract and retain the talent needed to support its strategy.

Compensation Governance Central to our philosophy is that remuneration generally comprises fixed and variable components and awards are designed to promote medium and long-term success, which is reflected in stretch targets and adequate performance periods for variable elements.

Our philosophy also includes the following:

- The remuneration system should be designed in a way that ensures that variable components are based on clearly measurable performance metrics in line with the company's KPIs.
- Variable remuneration should include short-term and long-term components.
- The variable remuneration component should depend on clearly defined, sufficiently challenging and comprehensible performance criteria. The short-term and long-term variable remuneration components may not be based on the same key performance indicators. The selected performance criteria should also correlate to the company's long-term performance metrics.
- Remuneration that is independent of performance, guaranteed or discretionary, and in particular „pay for failure", must be avoided.
- The maximum variable remuneration should have a clearly defined upper limit.
- If share-based payments are made, the final acquisition of shares should depend on the fulfilment of challenging performance criteria that are applied over a sufficiently long period and are subject to a adequate performance period.
- Performance criteria are either defined in absolute terms or relative to a comparable group of companies of a similar size, complexity, market capitalisation, business model, etc. (peer group).

Overall, the remuneration structure should ensure that remuneration is aligned with the corporate strategy, the long-term interests of shareholders and the sustained interests of the company.

Remuneration structure and reporting:

- The proportion of the fixed salary of total remuneration was reduced and will be around 40-45% for the CEO and 50-60% for all other members of Group Executive Management. The share of fixed (cash) and variable remuneration in total remuneration is benchmarked against other companies. In total, the maximum variable remuneration (including both Short Term Bonus and Long-Term Incentive Plan) may still not exceed 200% of the fixed basic annual salary at the time it is granted.
- The Share Participation Programme (SPP) is replaced by the performance-based Long-Term Incentive Plan (LTI). As a result, the guaranteed remuneration is reduced and a higher share of the total remuneration for members of Group Executive Management is performance based. Although this stronger performance orientation increases the maximum that can be earned, a larger portion of total remuneration is in turn not guaranteed. This sets clear incentives for Group Executive Management to deliver high performance in the best interests of the company and the shareholders.
- For the performance evaluation different key performance indicators are applied to the Short-Term Bonus (STB) and Long-Term Incentive Plan (LTI). The performance metrics applied for STB (EBIT, NWC) and LTI (ROCE, EPS) are the most relevant and accurately reflect short and long-term company performance that translates into creation of shareholder value.
- The performance metrics reflect adequate performance periods derived from budgeting and mid-term planning. The targets are very ambitious and require excellent or extraordinary performance for achievement of the target or maximum pay-out.

- The Board of Directors looked at potential peer groups and concluded that for the performance evaluation there are no listed comparison groups that are sufficiently representative in terms of business model, both at Group and division levels. For this reason, no relative performance criteria are defined, but performance criteria (ROCE and EPS) are applied that correlate to the company's long-term performance measures and thus the change in the share price over time.
- Share ownership guidelines are introduced according to which members of Group Executive Management must hold shares in at least the amount of one fixed annual salary after five years following their appointment. This ensures long-term compliance with shareholder interests.
- Disclosure in this Remuneration Report was substantially improved. Key performance indicators, weightings, objectives and level of performance are described in detail.
- STB and LTI targets and their level of achievement will be disclosed retrospectively, i.e. at the end of the performance period.

Short-term variable remuneration (STB):

- The STB key performance indicators correspond entirely to performance-related and quantitative targets. In addition to EBIT, NWC has now been introduced as a key performance indicator to reward the efficient utilisation of capital.
- The entry threshold and maximum pay-out are the same as before (for details, see section 6).
- In the context of the STB, key targets (personal objectives) are irrelevant to the assessment of objective attainment. This increases transparency as well as comprehensibility and simplifies objective assessment.

Long-term variable remuneration (LTI):

- The current Share Participation Programme (SPP) is replaced by a three-year performance-based Long-Term Incentive Plan (LTI) commencing in the 2019 financial year. Under the LTI, a prospective share award with a three-year vesting period will apply in future. At the end of the three-year vesting period, the prospective share award is converted into shares with a subsequent blocking period of two years. No discount is granted for blocked shares. The prospective share award is structured so that the final acquisition of the shares is dependent on the degree of attainment of the defined performance objectives. The LTI provides for adequate exit clauses (good leaver, bad leaver, change of control etc.; see section 6.).
- ROCE (50 %) and EPS (50 %) are defined as the applicable targets. ROCE as a capital-based benchmark and EPS as an indicator of profitability make it possible to assess the relevant long-term performance over the three-year vesting period and therefore comply with shareholder interests.
- The ratio of conversion into shares ranges from 0 % to a maximum of 150 % related to the target remuneration, and the degree of target attainment from 85 % to 115 % (for details, see section 6).

The Board of Directors is confident that these changes will mean that the planned remuneration system for 2019 (see in addition section 6) is even better aligned to the following principles:

- **Pay for performance**: A substantial share of the total remuneration (55-60 % for the CEO and 40-50 % for the other members of Group Executive Management) depends on performance and is therefore variable. The target remuneration can only be earned if the profit targets defined by the Board of Directors are achieved. Such performance-based remuneration that is dependent on medium- and long-term business success creates a sustainable performance culture and effectively links individual performance to the creation of sustainable company value for the shareholders of Valora.
- **Clear alignment of the interests of management and those of the company and its shareholders**: A significant part of the total remuneration comprises prospective share awards and blocked shares. After five years following appointment, every member of Group Executive Management is expected to hold shares for at least the amount of one fixed annual salary. In this way, only a sustainable increase in the company's value and thus the share price will lead to an increase in management's remuneration. This serves the interests of the company and its shareholders.
- **Setting effective incentives** by ensuring a balance between the fixed and variable/performance-based remuneration components with clearly defined upper limits.
- **Competitiveness on the market**: Valora endeavours to attract talented managers on the market and to motivate them and retain their long-term commitment to the company. Valora's remuneration system is competitive and is also regularly reviewed against benchmarks and adjusted to market conditions.

The structure of the remuneration paid to members of the Board of Directors has remained unchanged since the 2015 AGM. In accordance with best practice, the fees paid to Board members are fixed. 20 % of directors' fees are paid in the form of blocked shares, so that Board members' remuneration is also linked to the performance of the company's share price. From the 2019 Annual General Meeting, no discount for the blocking period is applied to the calculation of the fee paid in the form of shares.

The NCC has also determined the remuneration of members of the Board of Directors and Group Executive Management and has prepared the Remuneration Report.
You can find further information about our activities, the remuneration system and the remuneration rules on the following pages.

We will continue to review our remuneration system in the future and compare it to the usual practice of other national and multi-national companies. We will also continue to intensively engage in an open dialogue with our shareholders and their representatives. As in previous years, shareholders can express their views on the remuneration system by participating in the consultative vote on the 2018 Remuneration Report at the forthcoming Ordinary General Meeting. At that meeting, your approval will also be sought for the proposed maximum overall remuneration for the Board of Directors during the period from the 2019 Ordinary General Meeting to the 2020 Ordinary General Meeting and for Group Executive Management for 2020 („Say-or-Pay").

Yours sincerely

Markus Fiechter
Chairman of the Nomination and Compensation Committee

REMUNERATION POLICY

1 INTRODUCTION

The Valora Holding AG Remuneration Report has been prepared in accordance with the Ordinance against Excessive Compensation (OaEC) and the SIX Directive on Corporate Governance (DCG).

As required by Valora's Articles of Incorporation, the Remuneration Report is submitted to the Ordinary General Meeting of Shareholders for approval by a consultative vote. Each year since 2015, the Ordinary General Meeting of Shareholders has held binding votes on the maximum remuneration paid to members of the Board of Directors during the period until the next Ordinary General Meeting and on the maximum remuneration, comprising both fixed and variable components, payable to members of Group Executive Management for the following year.

Details of the General Meeting's vote on remuneration and the Remuneration Report are set out in Article 27 of the Articles of Incorporation and can be accessed via this link:

https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

2 COMPENSATION GOVERNANCE

2.1 RESPONSIBILITIES

The Nomination and Compensation Committee (hereinafter "the NCC") is a permanent Committee of the Board of Directors (hereinafter "the Board") of Valora Holding AG. It deals with those matters relating to the financial remuneration of members of the Board, the CEO and Group Executive Management and to personnel planning at the Board and Group Executive Management level which have been assigned to it by law, the Articles of Incorporation and the current regulations.

The NCC comprises at least three members of the Board who have no management duties in the company and have no material conflicts of interest which would prevent them from exercising their duties with the requisite independence. The members of the NCC are elected by the Ordinary General Meeting for a one-year term of office, ending at the next Ordinary General Meeting. Members of the NCC may be re-elected by the General Meeting. The Board appoints one of the members of the NCC as its Chairman. In 2018, the NCC comprised Markus Fiechter (Chairman), Michael Kliger and Ernst Peter Ditsch.

The NCC primarily assists in preparing the decision-making process by the Board of Directors and the decisions it ultimately makes. In accordance with the requirements imposed on them by law and the Articles of Incorporation, the NCC and the Board carry out the following duties concerning remuneration issues:

	Proposal	Recommendation	Approval
Determining and assessing the remuneration strategy and guidelines		NCC	Board
Determining and assessing the qualitative and quantitative criteria applied to remuneration		NCC	Board
Maximum remuneration for Group Executive Management	NCC	Board	AGM
Remuneration of the CEO and the other members of Group Executive Management		NCC	Board
Assessing the extent to which the quantitative performance criteria for determining the variable remuneration of Group Executive Management have been met			NCC
Performance appraisals of the CEO and the other members of Group Executive Management		NCC	Board
Maximum remuneration for the Board of Directors	NCC	Board	AGM
Remuneration of the Board Chairman and the other Board members		NCC	Board
Remuneration Report		NCC	Board
Remuneration recommendations of the Board of Directors and Group Executive Management to the General Meeting		NCC	Board

The NCC meets as often as business requires, but at least three times a year. Meetings are convened by the NCC Chairman or at the request of an NCC member. In exceptional cases, they may also be convened by Board resolution. NCC meetings are generally attended, in an advisory capacity and without voting rights, by the CEO and the CFO and by the Board Secretary, who also takes minutes of the meetings. The CEO and CFO are not present when their own performance is being assessed and their remuneration is being discussed. During the meetings, each Board member refrains from voting on decisions on his own remuneration.

Minutes of the meetings are taken. At Board meetings, the NCC Chairman reports on the activities of the NCC and informs the Board of the NCC's views and recommendations on substantive matters requiring a Board decision. Every Board member receives a copy of the minutes of NCC meetings.

Subject to the binding authority of the General Meeting of Shareholders, the aggregate remuneration awarded to each individual member of the Board of Directors and of Group Executive Management is determined each year by the entire Board of Directors.
The NCC held three meetings in 2018. The rate of attendance of NCC meetings was 100%.

2.2 BENCHMARKS AND EXTERNAL ADVISORS

In order to assess the competitiveness of the total remuneration for Group Executive Management, we compare data from executive studies as well as benchmarks published by companies of a comparable size and structure, a comparable mix of business activities, business model and geographical structure or by companies of a comparable business complexity and similar size with regard to market capitalisation, sales revenue, number of employees, etc. If needed, external advisors are mandated to help us review the mix of fixed and variable components and cash-based and share-based components as well as the levels of remuneration.

In 2018, the remuneration structure and Remuneration Report were designed and prepared with the assistance of external consultants specialising in corporate governance and executive remuneration. This led to a new remuneration structure for Group Executive Management, which takes effect from financial year 2019.

In 2017, the remuneration packages of the members of Group Executive Management were reviewed based on an executive study carried out in cooperation with the external partner Mercer. The study shows that the total target and maximum remuneration is competitive, and that Group Executive Management receives remuneration that is in line with the market median if business performance meets the targets that were set. For the benchmark analysis two sets of data were reviewed:

a) Data for relevant positions of comparable size from all companies from the retail and consumer goods sector in DACH and CH region relevant / comparable to Valora, and
b) data considering remuneration levels of Swiss companies of mainly comparable size and industry, as disclosed in annual reports.

3 REMUNERATION PRINCIPLES

Valora pays overall remuneration which is commensurate with performance. The remuneration system is designed in a way which ensures that the interests of the Board of Directors and the management coincide with the interests of the Group and its shareholders.

Members of the Board of Directors receive a fixed director's fee. 80 % of the director's fee is paid out in cash and 20 % in the form of blocked Valora Holding AG shares. The chairpersons and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. No pension fund contributions are made on behalf of members of the Board of Directors. The Board members may join the Valora Pension Fund but must pay their own contributions.

The amount of the fixed remuneration determined by the Board for members of Group Executive Management is based on the market value of the position concerned, its responsibilities and the effective scope of the activities it requires. These market values have been determined based on publicly available information.

The overall remuneration paid to members of Valora's Group Executive Management comprises a fixed salary, a variable Short-Term Bonus and a share-based management award, i.e. from financial year 2019, a Long-Term Incentive Plan based on a prospective share award.

Like other Valora employees, members of Group Executive Management are covered by the Valora Pension Fund.

Article 27 (4) of the Articles of Incorporation states that where new members of Group Executive Management are appointed subsequently to the General Meeting granting approval of the remuneration for members of Group Executive Management, the additional amount available for each new member of Group Executive Management shall be 120 % of the highest remuneration paid to a member of Group Executive Management in the financial year preceding the last Ordinary General Meeting. The approval of the General Meeting for this additional remuneration is not required. The rules in the Articles of Incorporation governing these additional amounts can be accessed via this link:

https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

Details of the specific remuneration paid to members of the Board and Group Executive Management are disclosed in sections 5.3 and 7.2.

4 BOARD MANDATES AND EMPLOYMENT CONTRACTS OF GROUP EXECUTIVE MANAGEMENT

Board mandates and Group Executive Management employment contracts comply with the provisions of the OaEC and can be for a fixed or indefinite term. The maximum duration of a fixed-term contract is one year. Fixed-term contracts can be renewed. Continuation of a Board mandate requires re-election by the Ordinary General Meeting of Shareholders. The employment contracts for Group Executive Management stipulate a 12-month notice period and a non-competition provision which applies throughout the notice period. No severance pay is awarded. The provisions governing these arrangements are set out in Article 19 of the Articles of Incorporation, which can be accessed via this link:

https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

REMUNERATION STRUCTURE

5 GROUP EXECUTIVE MANAGEMENT REMUNERATION STRUCTURE IN 2018

The remuneration paid to members of Group Executive Management in 2018 comprised a fixed salary, a variable Short-Term Bonus and a share-based management award (the Share Participation Programme – SPP).

The fixed remuneration comprises a fixed salary, a car allowance or company car (which can also be used privately) and the employer's social security and pension fund contributions required by law. The individual fixed salary is based on the area of responsibility of each member of Group Executive Management. Like other employees, members of Group Executive Management participate in the pension plan of Valora Pension Fund.

The variable remuneration comprises a Short-Term Bonus (STB) based on performance criteria defined by the Board of Directors. The STB is paid either in cash or blocked shares. Under the Share Participation Programme (SPP) a portion of overall remuneration is paid in the form of Valora Holding AG registered shares. These shares are subject to a three-year lock-up period commencing on the date they are awarded and are fully included in the recipient's taxable income in the award year. SPP participants enjoy dividend and voting rights on the shares during the blocking period and are fully exposed to the price risk.

The table below shows the percentages of the overall remuneration paid to Group Executive Management attributable to its individual component elements assuming 100% achievement of the defined objectives:

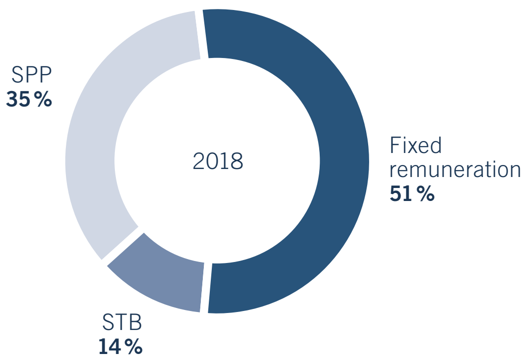
Component	Plan	Percentage		Purpose	Form of payment
		CEO	Other GEM		
Fixed remuneration	Annual salary	48 %	51–57 %	To attract and retain highly qualified staff	Monthly cash payment
Variable remuneration	STB	12 %	13–17 %	Participation in the short-term performance of the company	One-time choice between cash or shares
Management award	SPP	40 %	26–35 %	Alignment with shareholder interests, promotion of sustainable company performance and staff development	Share award (with three-year blocking period)
Retirement provision	Pension fund			To provide for the risks of old age, survivorship and invalidity	Contributions as per pension fund regulations, statutory social security contributions
Additional benefits	Company car, expense allowance			Reimbursement of expenses	Defined in company-car regulations and expense guidelines

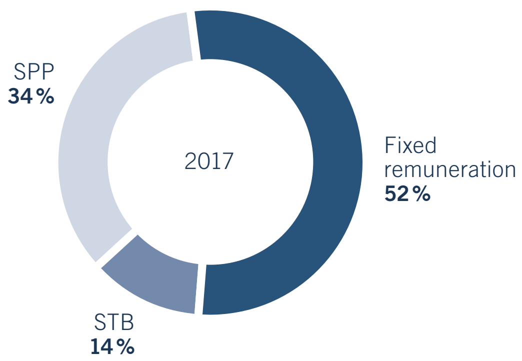
The provisions governing these arrangements are set out in Article 25 of the Articles of Incorporation, which can be accessed via this link:

https://www.valora.com/media/investors/documents/de/documents/statuten_valora_en.pdf

The composition of the remuneration paid to Group Executive Management (incl. the CEO) in the year 2018 is set out below.

EFFECTIVE GROUP EXECUTIVE MANAGEMENT REMUNERATION





5.1 SHORT-TERM BONUS (STB) IN 2018

The STB provides members of Group Executive Management with a remuneration component which reflects the company's short-term performance. In 2018, the key targets (personal objectives) were abolished for the assessment of objective attainment.

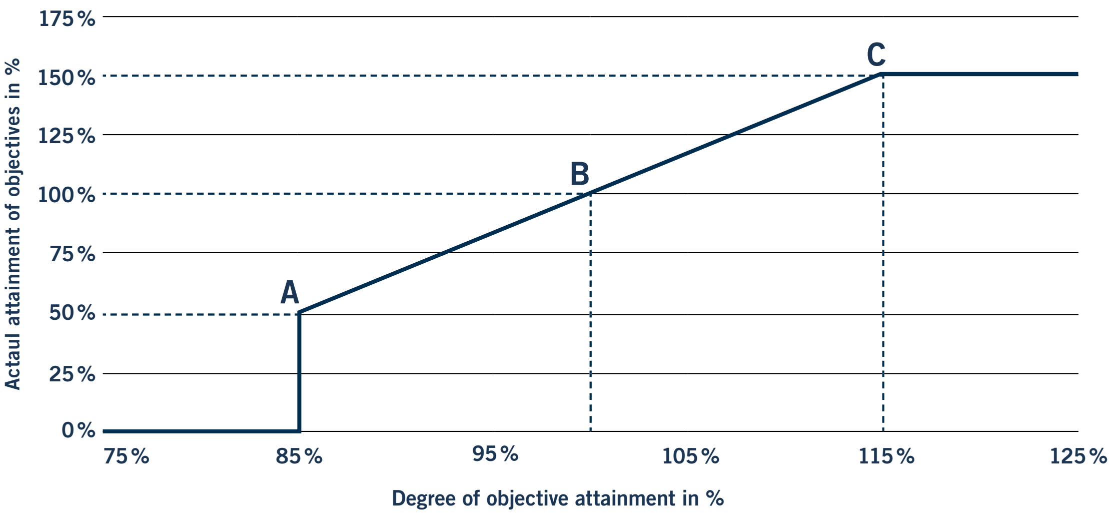
Remuneration depends entirely on a predefined profit target (e.g. EBIT, ROCE). Members of Group Executive Management can choose whether they wish to receive the STB in cash in full or (partially or fully) in the form of blocked shares.

The profit target is set annually before the beginning of the respective financial year. The relevant performance indicator for each year is approved by the Board of Directors upon recommendation of the NCC. Actual performance against this target for a completed bonus measurement year is calculated by Corporate Group Controlling and submitted to the NCC for approval. For this purpose, actual attainment of the profit target can range between a minimum of 0% to a maximum of 150%. The profit target is only granted if the key figures meet a threshold of 85% of the defined profit target. If the profit target is exceeded by more than 15%, 150% of the bonus is payable. For the CEO and the CFO, actual performance of the applicable profit metric is based on the performance of the Valora Group. For the other members of Group Executive Management, the applicable profit metric of the unit for which they are responsible is considered.
For 2018, the defined profit target was EBIT (earnings before interest and taxes).

The attainment of key targets is calculated according to the following formula:

$$\text{Degree of target attainment} = \frac{\text{current performance indicator}}{\text{budgeted performance indicator}}$$

STB profit target



A
Entry threshold

B
Expected figure (100 % objective attainment)

C
CAP (maximun possible objective attainment)

Actual attainment of objectives is derived from the degree of objective attainment. For a negative deviation of more than 15 %, the actual attainment of objectives is 0 %, and for a positive deviation of at least 15 %, it is 150 %. The payment factors are calculated on a straight-line basis between these two points.

The annual target bonus (i.e. the bonus for 100 % actual objective attainment) is expressed as a percentage of the basic annual salary and equals 24 % for the CEO and between 26 % and 31 % for the other members of Group Executive Management. For CEO, maximum annual bonus equals to 36 % of base salary, and 39 % to 47 % for the other members of Group Executive Management.

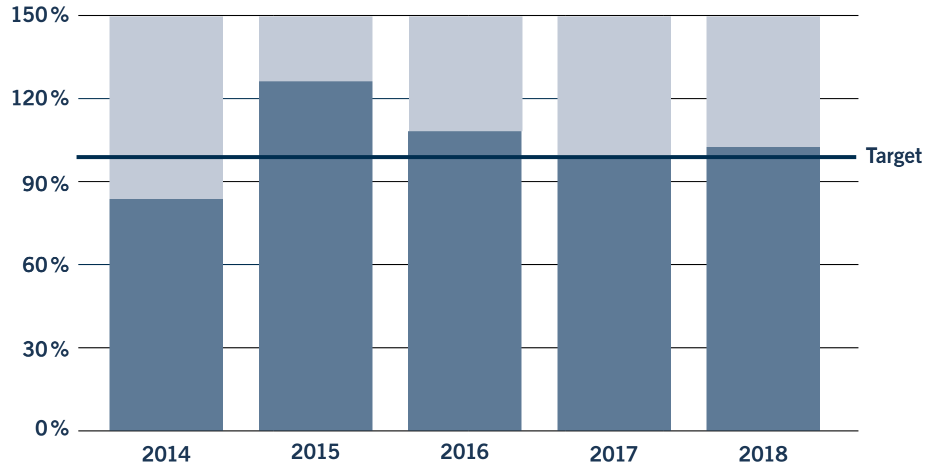
In 2018, the percentage for the CEO was 26 % (2017: 30 %) and for the other members of Group Executive Management 27 % on average (2017: 24 %).

The actual attainment of the profit target for the members of Group Executive Management in 2018 was:

2018 EBIT	Target TCHF	Actual TCHF	Entry threshold	Degree of objective attainment
CEO	280	311	85 %	111.1%
Other GEM	342	330	85 %	96.5%

For the 2017 financial year, actual attainment of the profit target was 124.5 % for the CEO and 87.8 % on average for the other members of Group Executive Management. The extent to which individual members of Group Executive Management reached their EBIT targets varied due to the differing EBIT performance of the various units concerned.

The historical actual attainment of the profit target for the members of Group Executive Management for the past five years was:



The table shows that the design of the STB is structured effectively: In line with Valora's ambitious target–setting, substantial progress needs to be made to reach the target (100 %). It is also clear that the expected factor of objective attainment of 100 % can only be exceeded with extraordinary performance.

The STB for the CEO and CFO is entirely paid in blocked shares, while the other members of Group Executive Management receive their STB in cash. Shares are allocated on 31 March of the year following the bonus measurement year (i.e. the year to which the bonus relates) and placed in a custody portfolio which is maintained in the Valora share register in the name and for the account of the plan participant concerned. The number of shares allocated is determined in accordance with the same regulations as those set out in section 5.2 for the Share Participation Programme (SPP). The share price used for determining the number of shares allocated is that applying on 31 March of the bonus measurement year. Should an STB participant leave Valora during a given year, the Short-Term Bonus is paid fully in cash rather than in shares. Cash payment of the effective Short-Term Bonus takes place in April of the year following the bonus measurement year, once the financial results for the Group and the relevant units are available and the Board of Directors has approved the bonus payments.

New members of Group Executive Management who take up their posts during a bonus measurement year can receive a pro rata Short Term Bonus payment provided that they have a permanent employment contract which has not been terminated and have achieved the appropriate objectives.

5.2 SHARE PARTICIPATION PROGRAM (SPP) IN 2018

With effect from 1 November 2015, Valora established a management award scheme in the form of a share participation programme (SPP). Within the overall remuneration paid to members of Group Executive Management, the SPP aims to provide incentives for them to further the sustainable, long-term success of Valora Holding AG through participation in the appreciation of its market value. It also has the objective of aligning the interests of Valora's top management with those of its shareholders. Under the SPP, shares are granted as a component of compensation in accordance with the relevant employment contract. Participants are accordingly not required to make any payment, in cash or in kind, for the shares thus allocated to them. Participants receive shares of Valora Holding AG with all the rights of a normal shareholder, with the exception of the restrictions connected with the blocking period. The price risk associated with the shares during the blocking period is fully borne by the participants.

50% of the shares allocated to SPP participants as part of their remuneration in each calendar year are granted on 31 March of that year for the first half of the year, with the remaining 50% being granted on 30 September for the second half of the respective calendar year.

The Swiss franc value of the shares to be granted to the individual participants is specified in their employment contracts. The number of shares ultimately allocated is determined based on the volume-weighted average trading price of Valora registered shares during a specified reference period (VWAP reference period) less a discount of 16.038% to compensate for the blocking period. The reference period comprises the ten consecutive trading days ending on 31 March of the financial year in which the allocations are made. Where necessary, the resulting number of shares is rounded up to the next whole share.

$$\text{Number of shares} = \frac{\text{Value in CHF}}{0.83962 \times \text{VWAP reference period}}$$

Participants joining the SPP during a calendar year receive a pro rata allocation for that year based on the duration of their employment contract in that year.

Participants leaving Valora during a calendar year generally receive a pro rata share allocation corresponding to the duration of their employment during that year. This means that participants leaving Valora in a given year will either receive a pro rata allocation or have a pro rata portion of their allocated shares clawed back (in cases where too many shares have been allocated).

An exception to this rule applies in cases where a participant‘s employment is terminated for good cause by Valora under the terms of Article 337 of the Swiss Code of Obligations. In such cases, the shares granted during the year in which the participant left Valora – whether as a result of immediate or regular termination or as a consequence of his employment contract being rescinded – revert to Valora. The participant is thus required to return these shares to Valora without replacement. Any shares not yet granted during that year are withheld.

Shares allocated under the SPP are subject to a blocking period of three years from the date of allocation. During this time, participants are prohibited from selling, pledging or otherwise transferring the shares. Both before and during the blocking period, participants are also prohibited from hedging the price risk of the shares, be it by buying put options, writing call options or by other means. During the blocking period, the shares are held in a custody account maintained in the company share register in the name and for the account of the participant. Following the end of the blocking period, the shares become freely disposable to the participants and are no longer subject to any selling restrictions.

When a participant‘s employment with Valora ends, the NCC has full discretion to curtail or waive the blocking period. In such cases, participants are generally entitled to have the duration of any remaining blocking periods reduced to one year.

In the event of a change of control (including the announcement of a public purchase offer), a delisting of the shares or any similar occurrence, any blocking periods still in force at that time are removed immediately.

The Share Participation Programme is administered by the NCC. All allocations and granting of shares under the SPP are carried out by the NCC. The value of the shares granted to Group Executive Management must be within the maximum remuneration ceiling approved by the Ordinary General Meeting of Shareholders.

The annual allocation to the basic salary is 81% for the CEO and between 47% and 69% for the other members of Group Executive Management.

5.3 REMUNERATION IN 2018

The maximum overall remuneration for members of Group Executive Management in financial year 2018 approved by shareholders at the 2017 Ordinary General Meeting was CHF 6.4 million. The overall remuneration effectively paid to members of Group Executive Management in 2018 amounted to TCHF 5,476 (previous year: TCHF 5,405).

Table 1
Group Executive Management 2018

in CHF thousand	Fixed basic salary	Short Term Bonus (STB) [1]	Share Partici-pation Program (SPP) [2]	Other fixed rem-uneration [3]	Total 2018
Michael Mueller CEO and highest-paid member	1 180.0	311.0	956.5	305.1	2 752.6
Other members [4]	1 209.3	329.8	706.6	477.4	2 723.1
Total Group Executive Management remuneration	**2 389.3**	**640.8**	**1 663.1**	**782.5**	**5 475.7**

[1] These figures relate to the effective cost of the bonuses granted in respect of financial year 2018, which will be paid out in 2019. The STB bonuses for the CEO and CFO with an aggregate value of TCHF 490 are converted into shares at the VWAP of CHF 332.47 applying on 31 March 2018 in accordance with the formula described above.
[2] The blocking period for the shares allocated in 2018 is three years. Their valuation complies with IFRS rules.
[3] Other fixed remuneration comprises payments the employer is required to make by law, a contractually agreed car allowance or company car and other individual contractually agreed benefits.
[4] Thomas Eisele has two employment contracts. The first, with Valora Management AG, relates to his function as a member of Group Executive Management and as Managing Director of Brezelkönig AG, Emmen. The second employment contract relates to his function as Operating Managing Director of Brezelbäckerei Ditsch GmbH, Mainz (BBD) and has been concluded directly between BBD and Thomas Eisele. Thomas Eisele remains fully covered by the Valora Pension Fund, where his insured salary comprises his remuneration from his employment contracts with BBD and Valora Management AG.

Table 2
Group Executive Management 2017

in CHF thousand	Fixed basic salary	Short Term Bonus (STB) [1]	Share Partici-pation Program (SPP) [2]	Other fixed rem-uneration [3]	Total 2017
Michael Mueller CEO and highest-paid member	1 180.0	359.7	951.3	321.7	2 812.7
Other members [4]	1 209.3	286.3	625.7	471.4	2 592.7
Total Group Executive Management remuneration	**2 389.3**	**646.0**	**1 577.0**	**793.1**	**5 405.4**

[1] These figures relate to the effective cost of the bonuses granted in respect of 2017, which will be paid out in 2018. The STB bonuses for the CEO and CFO with an aggregate value of TCHF 536 will be converted into shares at the VWAP of CHF 339.04 applying on 31 March 2017 in accordance with the formula described above.
[2] The blocking period for the shares allocated in 2017 is three years. Their valuation complies with IFRS rules.
[3] Other fixed remuneration comprises payments the employer is required to make by law, a contractually agreed car allowance or company car and other individual contractually agreed benefits.
[4] Thomas Eisele has two employment contracts. The first, with Valora Management AG, relates to his function as a member of Group Executive Management and as Managing Director of Brezelkönig AG, Emmen. The second employment contract relates to his function as Operating Managing Director of Brezelbäckerei Ditsch GmbH, Mainz (BBD) and has been concluded directly between BBD and Thomas Eisele. Thomas Eisele remains fully covered by the Valora Pension Fund, where his insured salary comprises his remuneration from his employment contracts with BBD and Valora Management AG.

The aggregate maximum remuneration payable to members of Group Executive Management in respect of 2019 was fixed at CHF 6.9 million by the Ordinary General Meeting of Shareholders held in 2018.

6 GROUP EXECUTIVE MANAGEMENT REMUNERATION STRUCTURE FOR 2019

A new remuneration system for Group Executive Management was developed in 2018. It will apply to remuneration from 2019 onwards. The remuneration of Group Executive Management will comprise a fixed component, a performance-based Short-Term Bonus (STB) and a performance-based Long-Term Incentive Plan (LTI). The variable short and long-term remuneration is based entirely on quantitative targets and takes equal account of performance-based and capital-based components.

6.1 REMUNERATION STRUCTURE FOR 2019

The following table shows the new remuneration structure assuming at-target achievement:

Component	Plan	Percentage		Form of payment	Performance indicator
		CEO	Other GEM		
Fixed remuneration	Annual salary	43 %	50 – 60 %	Monthly cash payment	-
Short-term variable component	STB	30 %	16 – 24 %	Cash payment or share award	EBIT (75 %) NWC (25 %)
Long Term Incentive Plan	LTI	27 %	24 – 26 %	Prospective award with three-year vesting period	ROCE (50 %) EPS (50 %)

Overall, the restructuring of the remuneration system does not introduce any changes to the total remuneration paid to the same number of members of Group Executive Management. The following table shows the remuneration structure for Group Executive Management for target, maximum and minimum level for the 2019 financial year compared to the current structure (not including newly appointed members of GEM). It represents an average for all members of Group Executive management including CEO.

	2018 in TCHF				2019 in TCHF				% Variance			
Fixed:	2 389				2 259				– 5 %			
Variable:	Target	Maximum	Thres-hold	Minimum	Target	Maximum	Thres-hold [1]	Minimum	Target	Maximum	Thres-hold	Minimum
STB	622	933	311	–	1 207	1 811	604	–	+ 94 %	+ 94 %	+ 94 %	+ 0 %
LTI	1 662	1 662	1 662	1 662	1 207	1 811	604	–	– 27 %	+ 9 %	– 64 %	– 100 %
Total pay [2]	**4 673**	**4 984**	**4 362**	**4 051**	**4 673**	**5 881**	**3 467**	**2 259**	**+ 0 %**	**+ 18 %**	**– 21 %**	**– 44 %**

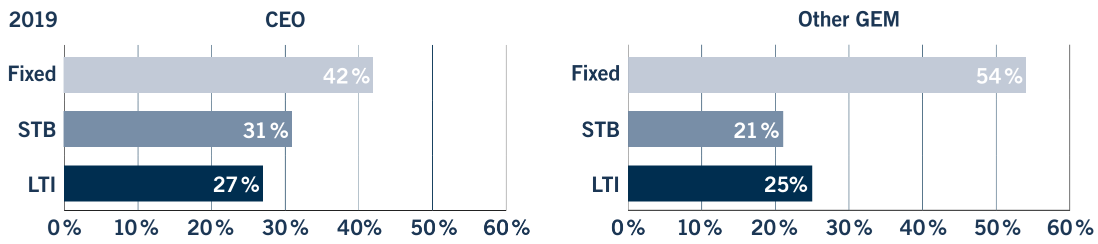
[1] Threshold means key performance indicators reach at least 85 % target achievement.
[2] Not including other fixed remuneration such as payments the employer is required to make by law, a contractually agreed car allowance and other individual contractually agreed benefits.

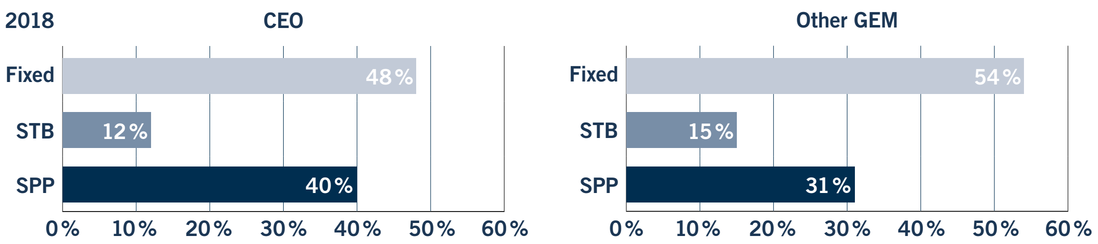
Total remuneration, assuming at-target achievement, remains the same. The fixed portion of total remuneration is reduced by 5% to the benefit of the variable remuneration. While the upside opportunity is modest with only 18%, the downside risk in total pay-out amounts to 44%. However, as the past shows the expected level of achievement is at target.

The reason for the increase in maximum pay-out in 2019 compared to last year is that a higher share of the total remuneration is performance-based. While slightly increasing the maximum that can be earned, this stronger performance orientation clearly puts a larger portion of total remuneration at risk and hence it is not guaranteed.

Both the variable short-term and the long-term remuneration components have a defined upper limit for challenging and measurable performance criteria. In addition, the total variable remuneration may still not exceed 200% of the fixed basic annual salary at the time it is granted.

The following charts show the new remuneration mix for the CEO and the other members of Group Executive Management from the 2019 financial year onwards compared to the current mix for 100% objective attainment.





6.2 SHORT-TERM VARIABLE REMUNERATION (STB)

The short-term variable component (STB) is directly dependent on two key performance indicators. EBIT (profit before taxes and interest) is weighted at 75% and NWC (net working capital) at 25%. For Valora, EBIT is the most important key performance indicator as it reflects short-term profitability. NWC introduces a capital-based component which takes account of operational capital efficiency.

The actual targets for the key performance indicators are determined by the Board of Directors at the beginning of the relevant bonus measurement year and are based on the budget that applies to the measurement year. The effective payment ranges from 0% to a maximum of 150% of the target remuneration. If the key performance indicators are below 85%, the payment factor is 0%, if the key performance indicators reach the 85% threshold, the payment factor is 50%, and if the key performance indicators exceed the target by at least 15%, the payment factor is 150%. The amount that is paid out is interpolated on a straight-line basis between 85 and 115%.

The actual degree of attainment of the key performance indicators is calculated at the end of the bonus measurement year and approved by the NCC. The maximum short-term variable component is limited to 110% for the CEO and 47–70% for the other members of Group Executive Management of the fixed salary. The reason for the increase compared to last year is that a significant share of the total remuneration for members of Group Executive Management now is performance based. This stronger performance orientation increases the maximum that can be earned, but at the same time means a larger portion of total remuneration is not guaranteed.

Participants are free to choose the form of payment – fully or partially as blocked or freely tradable shares or in cash – every year. If the right to choose is not or cannot be exercised (e.g. because the participant qualifies as an insider), it is paid out in cash. No discount is granted for blocked shares.

For members who join or leave the company during a calendar year, the short-term bonus is paid out pro rata based on the period of employment in the relevant calendar year. For participants who chose to receive payment in full or partially in the form of shares, no more shares are allocated upon departure, and the STB is paid out in full in cash.

6.3 LONG-TERM VARIABLE REMUNERATION (LTI)

The Long-Term Incentive Plan (LTI) is a performance share unit plan. Plan participants receive prospective share awards in the form of performance share units (PSU) at the beginning of the vesting period. These can be exchanged for shares at the end of the three-year vesting period. PSU are awarded once a year. Participants are not required to make a cash investment. The number of PSU awarded every year equals the value of the variable long-term remuneration of the participants, divided by the fair value of one PSU on the grant date. The fair value on the grant date is the volume-weighted average trading price of Valora registered shares during a period of 10 consecutive trading days ending on and including the 20th trading day after publication of full-year results of the relevant financial year.

At the end of the three-year vesting period, the PSU are converted into shares with a subsequent blocking period of two years. No discount is granted for blocked shares. The ratio of conversion into shares depends on the attainment of the key performance indicators ROCE (return on capital employed) and EPS (earnings per share), which are derived from the mid-term plan approved by the Board of Directors. ROCE is weighted at 50% and EPS at 50%. Targets will be disclosed retrospectively, i.e. at the end of the vesting period.

No relative performance criteria are defined, as Valora concluded after an investigation of potential peer groups that there is no comparison group of listed companies that is sufficiently representative in terms of business model, both at Group and division levels.

It is determined at the end of the vesting period whether the targets defined by the Board of Directors at the beginning of the vesting period (average for the three performance years) were attained. The ratio of conversion into shares ranges from 0% to a maximum of 150% of the target remuneration. If the degree of target attainment is below 85%, the ratio of conversion into shares is 0%, if the degree of target attainment reaches the 85% threshold, the ratio of conversion into shares is 50%, and if the degree of target attainment reaches 115%, the ratio of conversion into shares is 150%. Given the ambitious targets set by Valora, the expected objective attainment of 100% can only be reached if significant progress is made and can only be exceeded with extraordinary performance.

The NCC decides at its discretion to what extent non-budgeted acquisitions, divestments or other unplanned, extraordinary or unforeseen events will be considered when determining the actual degree of attainment of the performance targets.

Both, the threshold and target level for ROCE are challenging to achieve, depend on value creation and are therefore usually above the weighted average cost of capital.

Dividends relating to the duration of the vesting period will be paid retrospectively on shares retained after the performance targets have been measured, but no dividends will be paid on any part of the PSU that has lapsed.

Members who leave or join General Executive Management during a calendar year receive PSU on a pro rata basis according to the duration of their employment in the year in question. All PSU are usually cancelled in full for bad leavers. The NCC may at its discretion deviate from the rule in specific cases. In case of a change of control, the unvested PSU are subject to an early vesting, prorated for the number of months that have expired in the calendar year in which the PSU have been granted up to date of the change of control and based on company performance. Company performance is measured by means of the latest historical data set and the most recent company forecasts for the remaining performance period.

6.4 SHAREHOLDING OWNERSHIP GUIDELINE

A shareholding ownership guideline will be implemented as of business year 2019. The members of Group Executive Management are required to hold at least the amount of one fixed annual salary in Valora shares within five years of their appointment to Group Management.

In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly. To calculate whether the minimum holding requirement is met, all vested shares are considered regardless of whether they are blocked or not. However, unvested PSU are excluded. The Compensation Committee reviews compliance with the share ownership guideline on an annual basis.

6.5 DILUTION

In total as of December 31, 2018, the equity overhang, defined as the total number of share units (PSU) and blocked shares outstanding divided by the total number of outstanding shares (3 936 385 registered shares) amounts to 19 856 units, 0.50%.

The company's "burn rate," defined as the number of shares (6 415) and share units (0) granted in 2018 divided by the total number of shares outstanding is 0.16%.

7 REMUNERATION STRUCTURE FOR THE BOARD OF DIRECTORS IN 2018

The members of the Board of Directors receive a director's fee which is graduated according to their Board function (Chairman, Vice-Chairman, Board member). 80% of this fee is paid in cash, with 20% being paid in shares. The chairpersons and members of the Board Committees (the Audit Committee and the Nomination and Compensation Committee) receive additional remuneration. Apart from the statutory social security contributions, no other pension-related payments are made for Board members.

For the period from the 2018 Ordinary General Meeting to the 2019 Ordinary General Meeting the annual remuneration paid to Board members remains unchanged:

Annual remuneration	in CHF	Form of payment
Chairman	500 000	80% in cash and 20% in blocked shares
Vice-Chairman	200 000	
Board member	140 000	
Chairman of NCC / Audit Committee	30 000	
Member of NCC / Audit Committee	15 000	

Fees are paid each quarter, with the fees paid in the quarter following the General Meeting being largely in the form of shares, since the entire 20% share portion is paid in this quarter.

7.1 REGULATIONS GOVERNING THE PORTION OF FEES PAID IN SHARES

Under the regulations for the Board of Directors, 20% of the total remuneration paid to individual members of the Board of Directors is generally paid out in blocked registered shares. In justified cases, the Board of Directors may decide to pay a higher or lower percentage of the total remuneration in shares. The shares are generally subject to a blocking period of three years. Regardless of any subsequent transfer of shares, the blocking period commences on the date of the Ordinary General Meeting which marks the beginning of the term of office for which the remuneration is awarded. The shares remain in a Valora custody account during the blocking period. Board members are prohibited from selling, pledging or otherwise transferring the shares. After the end of the blocking period, members may dispose of the shares as they wish.

The proportion of fees paid in the form of shares is calculated based on the volume-weighted average price (VWAP) of Valora registered shares during a period of 20 trading days beginning on the trading day following the Ordinary General Meeting. A discount of 20% is then applied to compensate for the blocking period.

The number of shares paid to each Board member is then determined by dividing 20% of the Board member's overall remuneration for the relevant term of office by the figure described in the paragraph above.

$$\text{Number of shares} = \frac{\text{Overall remuneration (CHF)}}{5} \Big/ \frac{\text{VWAP (CHF)} \times 4}{5}$$

Based on the requirements of the law, the Articles of Incorporation and the organisational regulations of Valora Holding AG, the Board then decides how and on what terms the required shares will be acquired.

If a member of the Board of Directors of Valora Holding AG resigns, does not stand for re-election or is not re-elected despite having stood for re-election, any pending blocking periods of more than one year's duration are generally reduced to one year. This remaining one-year period begins on the last day of the Board member's term of office. If a Board member leaves the Board because of death, invalidity or comparable circumstances, any blocking periods still in force are removed immediately.

In the event of a change of control, a delisting of Valora registered shares or any similar such occurrence, any blocking periods still in force are removed immediately.

In 2018, all members of the Board of Directors received 20% of their total remuneration in shares in the quarter following the Ordinary General Meeting.

7.2 REMUNERATION IN 2018

The maximum remuneration authorised for members of the Board of Directors for the period from the 2018 Ordinary General Meeting to the 2019 Ordinary General Meeting was CHF 1.4 million. The remuneration paid to the Board of Directors in 2018 amounted to TCHF 1 330 (previous year: TCHF 1 443).

Table 3
Board of Directors 2018

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares [1]	Other remuneration [2]	Total 2018
Franz Julen Chairman	397.0	15.0	128.9	71.9	612.8
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	151.0	41.3	61.4	34.7	288.4
Bernhard Heusler Member (until March 2018)	35.0	3.8	–	–	38.8
Ernst Peter Ditsch Member	–	–	–	–	–
Cornelia Ritz Bossicard Chair of Audit Committee	106.0	30.0	42.8	25.0	203.8
Michael Kliger Member	109.0	15.0	38.8	23.0	185.8
Total remuneration paid to Board of Directors	**798.0**	**105.1**	**271.9**	**154.6**	**1 329.6**

[1] In 2018, Board members received 20% of their overall remuneration in blocked shares, subject to a three-year blocking period. These have been valued at the VWAP applicable when the shares were allocated.
[2] These amounts include employer contributions required by law.
[3] Ernst Peter Ditsch waived his Board Director's fee in 2018.

Table 4
Board of Directors 2017

in CHF thousand	Fixed fee (cash)	Committee fee	Portion paid in blocked shares [1]	Other remuneration [2]	Total 2017
Rolando Benedick Chairman (until March 2017)	125.0	3.8	-	15.3	144.1
Franz Julen Chairman (from March 2017)	307.0	18.8	129.0	60.8	515.6
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	154.0	26.3	57.8	32.9	271.0
Bernhard Heusler Member	109.0	15.0	38.8	5.0	167.8
Ernst Peter Ditsch Member	–	–	–	–	–
Cornelia Ritz Bossicard Chair of Audit Committee	106.0	30.0	42.6	25.1	203.7
Michael Kliger Member (from March 2017)	74.0	11.3	38.8	17.4	141.5
Total remuneration paid to Board of Directors	**875.0**	**105.2**	**307.0**	**156.5**	**1 443.7**

[1] In 2017, Board members received 20% of their overall remuneration in blocked shares, subject to a three-year blocking period. These have been valued at the VWAP applicable when the shares were allocated.
[2] These amounts include employer contributions required by law.
[3] Ernst Peter Ditsch waived his Board Director's fee in 2017.

8 LOANS AND CREDITS

As of 31 December 2018 and 2017, there were no outstanding loans or credits to members of the Board of Directors or Group Executive Management or to related parties.

Valora Holding AG does not grant any loans or credits and therefore does not have any regulations in its Articles of Incorporation on such matters.

9 SHAREHOLDINGS

As of 31 December 2018 and 2017, the individual members of the Board of Directors and Group Executive Management (including related parties) held the following number of shares of Valora Holding AG:

Valora carefully monitors the dilution of the share capital. As of 31 December 2018, the members of the Board of Directors and Group Executive Management held a total of 665,723 registered shares (previous year 657,126) of Valora Holding AG, which equals 16.68% (previous year 16.47%) of the share capital:

Table 5

	2018 Number of shares	**2018 Share of total voting rights in %**	**2018 of which subject to a blocking period**	2017 Number of shares	2017 Share of total voting rights in %	2017 of which subject to a blocking period
Board of Directors						
Franz Julen Chairman	3 067	0.08	958	1 672	0.04	766
Markus Fiechter Vice-Chairman and Chairman of Nomination and Compensation Committee	3 290	0.08	587	3 102	0.08	656
Bernhard Heusler Member	-	-	-	651	0.02	465
Ernst Peter Ditsch Member	635 599	15.93	none	635 599	15.93	none
Cornelia Ritz Bossicard Chair of Audit Committee	956	0.02	438	825	0.02	510
Michael Kliger Member	257	0.01	234	138	0.00	115
Total Board of Directors	**643 169**	**16.12**		**641 987**	**16.09**	
Group Executive Management						
Michael Mueller CEO	13 028	0.33	11 930	9 195	0.23	8 895
Tobias Knechtle CFO	6 821	0.17	5 256	4 049	0.10	3 819
Thomas Eisele Head Food Service	2 705	0.07	2 400	1 895	0.05	1 781
Total Group Executive Management	**22 554**	**0.57**		**15 139**	**0.38**	
Total shares held by Board and GEM	**665 723**	**16.68**		**657 126**	**16.47**	

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT OF VALORA HOLDING AG, MUTTENZ

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

We have audited the remuneration report of Valora Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 1 – 4 and section 8 on pages 76, 81 and 82 of the remuneration report.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility. Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance. An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion. In our opinion, the remuneration report for the year ended 31 December 2018 of Valora Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

André Schaub Licensed audit expert (Auditor in charge)	Ina Braun Licensed audit expert

Basle, 18 February 2019