

# Corporate Governance 2019

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Corporate governance is defined by the Comet Group as the entirety of the principles and practices aimed at safeguarding shareholder interests. While maintaining management's decision-making capability and efficiency, the aim of good corporate governance is to ensure an appropriate balance of leadership and control, together with transparent reporting.

This corporate governance report describes the management structure and control principles in place at the top organizational levels of the Comet Group. The key elements are defined in the Company's Bylaws and in its organizational regulations (the Management Organization Manual).

The corporate governance report is based on the requirements of the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance (DCG).

The disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC) are fully met.

## Group structure and ownership

### Structure of the operating activities of the Comet Group

<b>Plasma Control Technologies</b>	<b>X-Ray Systems</b>	<b>Industrial X-Ray Modules</b>	<b>ebeam Technologies</b>
<b>PCT</b>	<b>IXS</b>	<b>IXM</b>	<b>EBT</b>

The Group's commercial activities are divided into four divisions: Plasma Control Technologies (PCT), X-Ray Systems (IXS), Industrial X-Ray Modules (IXM) and ebeam Technologies (EBT). Financial reporting is segmented along these divisional lines. The financial data for the individual divisions is found in the segment reporting within the notes to the consolidated annual financial statements, beginning on page 54 of this annual report.

### Listed Group company: Comet Holding AG

Comet Holding AG (the "Company") is the Group's only company listed on a stock exchange. The Company's registered office is in Flamatt, Switzerland. The registered shares of Comet Holding AG have been listed in the main market segment of the SIX Swiss Exchange in Zurich since December 17, 2002.

Ticker symbol	COTN
Security number	36082699
ISIN	CH0360826991
Closing price at December 31, 2019	CHF 122.60
Market capitalization at December 31, 2019	CHF 952 million

Assorted data on the stock of Comet Holding AG is provided on page 32 of the annual report.

**Non-listed Group companies**

Comet Holding AG has no publicly traded subsidiaries.

**Basis of consolidation**

The following companies' results were consolidated in the accounts of the Comet Group at December 31, 2019:

Company	Registered office	Currency	Capital stock	Equity interest in % *	
				2019	2018
Comet Holding AG	Flamatt, Switzerland	CHF	7,764,208	100%	100%
Comet AG	Flamatt, Switzerland	CHF	2,000,000	100%	100%
Comet Electronics (Shanghai) Co. Ltd.	Shanghai, China	CNY	5,466,148	100%	100%
Comet Mechanical Equipment (Shanghai) Co. Ltd.	Shanghai, China	CNY	1,655,420	100%	100%
Comet Technologies USA, Inc.	Shelton, CT, USA	USD	1,000	100%	100%
Comet Technologies Korea Co. Ltd.	Suwon, Korea	KRW	500,000,000	100%	100%
Yxlon International GmbH	Hamburg, Germany	EUR	110,000	100%	100%
Yxlon International A/S	Taastrup, Denmark	DKK	601,000	100%	100%
Yxlon International KK	Yokohama, Japan	JPY	10,000,000	100%	100%
Yxlon (Beijing) X-Ray Equipment Trading Co. Ltd.	Beijing, China	CNY	1,077,000	100%	100%

\* Comet Holding AG also holds 100% of the voting rights in all companies.

**Registered shareholders**

At December 31, 2019, Comet Holding AG had 3,932 voting shareholders of record (i.e., voting shareholders registered in the share register; prior year: 5,121). Of the total issued registered stock, 100% (prior year: 100%) represented free float. Comet Holding AG held no treasury stock at December 31, 2019 (prior year: nil).

The structure of share ownership size classes among the shareholders of record at December 31, 2019 was as follows:

Number of shares	Number of shareholders
1 to 1,000	3,558
1,001 to 10,000	325
10,001 to 50,000	38
50,001 to 100,000	7
More than 100,000	4

This analysis includes only the stock of shareholders who were registered in the share register. At December 31, 2019 the shares of unregistered owners amounted to 31% of the total (prior year: 27%).

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**Significant shareholders**

Ownership interests in companies domiciled in Switzerland whose shares are listed at least partly in Switzerland must be notified both to the issuer company and to the SIX Swiss Exchange when the holder's voting rights reach, increase above or fall below certain thresholds. These notification thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 33<sup>1</sup>/<sub>3</sub>%, 50% and 66<sup>2</sup>/<sub>3</sub>% of voting rights. The relevant details are set out in the Swiss Stock Exchange Act (BEHG) and in the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (the FINMA Stock Exchange Ordinance).

At December 31, 2019 the Company, according to disclosure notifications, had the following significant shareholders (defined for this purpose as shareholders with voting rights in excess of 3% of the Comet capital stock recorded in the Swiss commercial register of companies):

<b>Beneficial owner</b>	<b>Direct shareholder</b>	<b>Share of voting rights as disclosed by shareholders</b>
Haldor Foundation	Tringle Investment Pte Ltd	10.13%
N/A	VERAISON SICAV – Engagement Fund	9.99%
Pictet Asset Management SA (Direction de Fonds)		5.07%
UBS Fund Management (Switzerland AG)		3.63%

The Company has not been notified of nor is aware of any other shareholders that held more than 3% of its shares. To the best of the Company's knowledge there were no voting pool agreements.

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**Reportable changes during the fiscal year**

In the fiscal year, three reportable announcements were published. For a complete list of all announcements under section 20 BEHG, refer to the publication platform of the disclosure section of the SIX Swiss Exchange: [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)

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**Cross-shareholdings**

There were no cross-shareholdings with other publicly traded companies.

## Capital structure

### Capital stock

The capital stock at January 1, 2019 was CHF 7,759,882, divided into 7,759,882 registered shares with a par value of CHF 1.00 per share.

In fiscal year 2019 the capital stock was increased by 4,326 shares from the portion of authorized capital designated for equity-based compensation. Including the increase of 4,326 shares from this portion of authorized capital, Comet Holding AG at December 31, 2019 thus had a new total of CHF 7,764,208 of capital stock, divided into 7,764,208 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in.

At its meeting on August 9, 2019 the Board of Directors established that the capital increase from authorized capital for equity-based compensation was properly performed. The information in the commercial register, and the Bylaws of Comet Holding AG, were updated to reflect the change in capital stock.

	2019		2018	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	7,759,882	7,759,882	7,753,658	7,753,658
Increase in capital from the portion of authorized capital designated for equity compensation	4,326	4,326	6,224	6,224
December 31	7,764,208	7,764,208	7,759,882	7,759,882

At the balance sheet date, Comet Holding AG held no treasury stock (prior year: nil).

### Authorized capital for equity-based compensation

Under section 3b of its Bylaws, a portion of the Company's unissued authorized capital is designated for use only as equity-based compensation (in German this portion is known as "bedingtes Aktienkapital"). In such a capital increase, stock is issued to Executive Committee members and/or Board members of Comet Holding AG. With respect to this portion of authorized capital, the other shareholders' pre-emptive rights are excluded. The issuance of stock or stock subscription rights is based on a compensation plan (in the form of a written regulation) adopted by the Board of Directors.

In May 2019, in accordance with the compensation plan, the members of the Board of Directors were granted a total of 1,679 shares of stock in payment of CHF 153,948 of fixed retainers due for fiscal year 2018. In addition, as part of their compensation for 2019, the members of the Board of Directors were granted a total of 835 shares in payment of CHF 76,561 of fixed retainers due for the period from January 1, 2019 to the 2019 Annual Shareholder Meeting. The fully paid shares were applied to the retainers due at a price of CHF 91.69 per share. Members of the Executive Committee were granted a total of 1,812

shares in payment of CHF 166,142 of profit-sharing compensation due for fiscal year 2019. The fully paid shares were applied to the compensation due at a price of CHF 91.69 per share.

As a result of these grants of a total of 4,326 shares made in 2019, the Company's unissued authorized capital for equity-based compensation showed the following movement:

	2019		2018	
	Number of shares	Par value in CHF	Number of shares	Par value in CHF
January 1	203,238	203,238	209,462	209,462
Increase in capital (awards to Board of Directors for prior term's retainer and to Executive Committee for prior year's profit-sharing compensation)	(4,326)	(4,326)	(6,224)	(6,224)
December 31	198,912	198,912	203,238	203,238

At the end of the year, the remaining unissued authorized capital for equity-based compensation was CHF 198,912, or 2.6% of the existing capital stock.

#### Authorized capital for other capital increases

At December 31, 2019, in addition to shares outstanding and to unissued authorized capital for equity compensation, the Company had unissued authorized capital for purposes set out in section 3a of the Bylaws (in German: "genehmigtes Aktienkapital"). The Board of Directors is authorized, at any time until April 26, 2020, to increase the capital stock by a maximum of CHF 1.4 million by issuing up to 1,400,000 fully payable registered shares with a par value of CHF 1.00 per share, which represents 18% of the existing capital stock. Increases by way of firm commitment underwriting and increases by part of the total authorized amount are permitted. The amount of the respective issue, the date when entitlement to dividend commences, the terms of any exercise of pre-emptive rights and the nature of the contributions are determined by the Board of Directors.

The Board of Directors is authorized to exclude shareholders' subscription rights and assign these rights to third parties if the shares in question are to be used for the acquisition of companies via equity swaps or to finance the cash purchase of companies or parts of companies, or to finance new investment projects of Comet Holding AG, or for providing an ownership interest to an industrial partner (either in order to cement a strategic alliance or in the event of a takeover offer for the Company). Stock for which pre-emptive rights are granted but not exercised must be sold by the Company at market prices.

**Changes in shareholders' equity**

Over the last three years the shareholders' equity of Comet Holding AG showed the following movements:

In thousands of CHF	Capital stock	General legal reserve	Distributable paid-in capital	Free reserve	Retained earnings	Total shareholders' equity
<b>December 31, 2016</b>	<b>7,745</b>	<b>4,967</b>	<b>27,521</b>	–	<b>74,510</b>	<b>114,743</b>
Net income	–	–	–	–	14,788	14,788
Distribution from distributable paid-in capital	–	–	(9,295)	–	–	(9,295)
Increase in capital stock	8	–	1,007	–	25	1,040
<b>December 31, 2017</b>	<b>7,754</b>	<b>4,967</b>	<b>19,233</b>	–	<b>89,323</b>	<b>121,276</b>
Net income	–	–	–	–	17,156	17,156
Distribution from distributable paid-in capital	–	–	(11,630)	–	–	(11,630)
Increase in capital stock	6	–	831	–	–	837
<b>December 31, 2018</b>	<b>7,760</b>	<b>4,967</b>	<b>8,434</b>	–	<b>106,479</b>	<b>127,639</b>
Net income	–	–	–	–	14,044	14,044
Distribution from distributable paid-in capital and retained earnings	–	–	(7,760)	–	(1,552)	(9,312)
Increase in capital stock	4	–	420	–	28	452
<b>December 31, 2019</b>	<b>7,764</b>	<b>4,967</b>	<b>1,093</b>	–	<b>118,999</b>	<b>132,823</b>

The corresponding information for the prior two fiscal years is found on page 106 of the annual report 2017 and page 112 of the annual report 2018. Further information on movements in equity is presented in the consolidated statement of changes in equity on page 38 of this annual report.

**Stock**

The Company's capital stock at December 31, 2019 consisted of 7,764,208 registered shares with a par value of CHF 1.00 per share. The capital stock is fully paid in. With the exception of any treasury stock held by the Company, every share carries dividend rights. Each share represents one vote at the Shareholder Meeting, provided that the shareholder is recorded in the share register.

**Participation certificates**

The Company has not issued any participation certificates.

**Dividend right certificates**

The Company has not issued any dividend right certificates.

**Convertible bonds and options**

The Company has not issued any conversion rights or stock options.

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**Bond**

On April 20, 2016, Comet Holding AG issued a bond in the amount of CHF 60 million (with a denomination of CHF 5,000). The term of the bond is five years and it matures on April 20, 2021. The fixed coupon over the term is 1.875%, payable annually on April 20. Listing: SIX Swiss Exchange (security number 32061943, ISIN number CH0320619437, ticker symbol COT16).

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**Restrictions on transferability and nominee registration**

The Company keeps a share register in which the shares' owners and beneficial owners and the number of their shares are recorded. The share register is operated on behalf of the Comet Group by Devigus Engineering AG. For the purposes of the legal relationship with the Company, shareholders or beneficial owners of shares are recognized as such only if they are registered in the share register. Purchasers of registered stock or of beneficial rights with respect to registered stock are upon their request recorded as voting shareholders in the share register by the Board of Directors if the purchasers state explicitly that they have acquired, and will hold, the stock or beneficial interest for their own account. Registration in the share register requires evidence of the acquisition of full legal title to the shares or evidence of the establishment of beneficial ownership. For the purpose of this condition, nominee shareholders (nominees) are deemed to be those persons who do not explicitly state in their registration application that they hold the shares for their own account. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies. Where legal entities or groups with joint legal status are connected by capital, voting rights, management or in some other manner, they are deemed to constitute a single nominee, as are all natural persons, legal entities or groups with joint legal status that by agreement, as a syndicate or in any other way act in a coordinated manner in circumventing the nominee rules. The Company may, after hearing the affected party, void registrations in the share register with retroactive effect from the date of registration if they were based on false information given by the purchaser. The purchaser must be informed of the deletion immediately. The Board of Directors determines the details of the application of these provisions and makes the arrangements necessary to ensure compliance with them. In special cases, the Board may approve exceptions to the nominee rules. In the year under review, no applications for such special treatment were received.

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**Management transactions**

The Listing Rules of the SIX Swiss Exchange require the disclosure of management transactions in stock of the Company and related financial instruments. The Board of Directors has issued a corresponding regulation in order to comply with these requirements. The parties whose transactions of this nature are reportable to the Company are the members of the Board of Directors and of the Executive Committee (the Executive Committee is the most senior level of operational management). In the fiscal year, four disclosures were filed. Published disclosures can be found on the website of the SIX Swiss Exchange.



**Board of Directors**

The Board of Directors has ultimate responsibility for supervising the top-level operational management personnel of the Comet Group. The Board sets the Group's strategic goals and the guidelines for organizational structure and financial planning.

**Composition of the Board of Directors of Comet Holding AG**

On December 31, 2019 the Board of Directors of Comet Holding AG had the following seven members:

Name	Nationality	Position on the Board	Member since	Elected until
Heinz Kundert	Swiss	Chairman and executive member	2019	2020
Rolf Huber Dipl. Ing. Agr. ETH	Swiss	Vice Chairman and non-executive member	2008	2020
Gian-Luca Bona Prof. Dr. sc. nat. ETH	Swiss	Non-executive member	2012	2020
Mariel Hoch Lawyer	Swiss	Non-executive member	2016	2020
Patrick Jany Business Administration, ESCP Paris	German	Non-executive member	2019	2020
Christoph Kutter Prof. Dr. rer. nat.	German	Non-executive member	2019	2020
Franz Richter Dr. Ing. RWTH	German	Non-executive member	2016	2020

Secretary of the Board of Directors (since 2010) and non-member of the Board: Ines Najorka, Vice President of Corporate Communications

**Additional information on the members of the Board of Directors**

The information below outlines the education, significant professional experience and current position of each Board member. Where a place name is not followed by a country or state, the country is Switzerland.



**Heinz Kundert**  
(b. 1952, Swiss citizen)

**Education**

Degree in industry management from Institute of Technology in Architecture (ITA), Zurich; degree in marketing and general management from University of St. Gallen (HSG)

**Professional experience**

1981 to 1991: regional director Asia, Balzers AG; 1991 to 1999: division manager, Semiconductor and Data Storage, Balzers AG; 1999 to 2002: COO of Oerlikon-Bührle; 2002 to 2004: CEO of Unaxis AG; 2005 to 2015: VP of SEMI Intl. USA and president of SEMI Europe; 2015 to 2018: CEO of VAT Group

**Rolf Huber**

(b. 1965, Swiss citizen)

**Education**

Dipl. Ing. Agr. master's degree in agronomy from Swiss Federal Institute of Technology, Zurich

**Professional experience**

1993 to 1997: McKinsey & Company, Zurich; 1997 to 1998: member of executive management of Coop Switzerland; 1998 to 2001: CFO of Hero AG and Hero Group; since 2001: independent consultant and partner at Ceres Capital AG; from 2014 was CEO and since 2017 is chairman of H2 Energy AG, Glattpark/Zurich

**Gian-Luca Bona**

(b. 1957, Swiss citizen)

**Education**

Dipl. Phys. master's degree in physics from Swiss Federal Institute of Technology (ETH), Zurich and Dr. sc. nat. doctorate in physics from ETH, Zurich

**Professional experience**

1987 to 2002: IBM Research Laboratory, Rüschlikon; 2002: IBM Watson Research Center, Yorktown Heights, NY; 2003 to 2004: research manager, Photonics Networks, IBM Research Laboratory, Rüschlikon; 2004 to 2008: research functional manager, Science and Technology, IBM Almaden Research Center, San José, CA; 2008 to 2009: director of tape storage solutions, IBM, Tucson, AZ; since September 2009: CEO of Empa (the Swiss Materials Science & Technology Laboratory) and professor of photonics at the Swiss Federal Institutes of Technology (ETH, Zurich and EPF, Lausanne).

**Mariel Hoch**

(b. 1973, Swiss and German citizen)

**Education**

Admitted to the Zurich bar in 2005; Dr. iur doctorate in law from University of Zurich and Lic. iur degree in law from University of Zurich

**Professional experience**

Partner at the law firm Bär & Karrer AG, Zurich

**Patrick Jany**

(b. 1968, German citizen)

**Education**

Degree in business administration from École Supérieure de Commerce de Paris (ESCP)

**Professional experience**

1990 to 2006: Various positions at Sandoz, later Clariant, including CFO for ASEAN region, head of country organization of Clariant Mexico, and head of corporate development; since 2006: CFO and member of the Executive Committee of Clariant AG

**Christoph Kutter**

(b. 1964, German citizen)

**Education**

Dr. rer. nat. degree in physics from University of Konstanz, Germany

**Professional experience**

Until 2012: Various management positions at Infineon Technologies AG; since 2012: director of Fraunhofer Institute for Microsystems and Solid State Technologies (EMFT), Munich, Germany; also since 2012: professor for Polytronic Systems at Bundeswehr University Munich

**Franz Richter**

(b. 1955, German citizen)

**Education**

Dipl. Ing. master's degree in physics from Technische Hochschule Darmstadt, Germany; doctorate in mechanical engineering from Rheinisch-Westfälische Technische Hochschule Aachen, Germany

**Professional experience**

1985 to 1988: researcher at Carl Zeiss, Oberkochen, Germany; 1988 to 1990: researcher at Fraunhofer Institute for Laser Technology, Aachen, Germany; 1990 to 2004: various positions at Süss MicroTec, Garching, Germany, including CEO from 1998 to 2004 and again since fall 2016; from 2005 to 2007: president of Semiconductor Equipment segment, Unaxis, OC Oerlikon, Pfäffikon; 2007 to 2016: CEO and co-founder of Thin Materials, Eichenau, Germany

**Operational management functions**

At the balance sheet date of December 31, 2019, Board Chairman Heinz Kundert was also interim CEO of the Comet Group and interim president of the ebeam Technologies (EBT) division. No other members of the Board of Directors held operational management positions in the Comet Group. In the three years immediately preceding the year under review, none of the current Board members was a member of the Executive Committee of the Comet Group.

**Related party transactions**

The Board members had no material business relationships with the Comet Group.

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## Activities and interests outside the Group

Section 27 of the Bylaws, which have been revised for compliance with the OAEC and approved by the Shareholder Meeting, specifies the allowable number of other, external positions that members of the Board of Directors may hold on top management or supervisory bodies, as follows:

- Members of the Board of Directors may each not hold more than five external positions on top management or supervisory bodies of listed (i.e., exchange-traded) companies and not more than seven such external positions in non-listed companies.
- Members of the Board of Directors may each not hold more than ten such positions in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by Comet Holding AG, or positions controlled by it, are not subject to restriction.

At December 31, 2019 the members of the Board of Directors had the following positions on top management or supervisory bodies of significant Swiss and foreign private sector and public sector companies, institutions and foundations:

### **Heinz Kundert**

Board vice chairman, VAT Group, Haag; board member, Variosystems AG, Steinach; advisory board member, Fraunhofer Group for Micro-electronics, Berlin, Germany.

### **Gian-Luca Bona**

Board member, Bobst Group SA, Mex, Switz.; board member, Technopark Zürich Foundation; member, ETH Board (the board of the Swiss Federal Institutes of Technology); chairman, glaTec technology center, Dübendorf; board member, Innovation Park Zurich foundation; advisory council member, German Federal Institute for Materials Research and Testing (BAM), Berlin

### **Mariel Hoch**

Board member and member of the audit and risk committee and compensation committee, SIG Combibloc Group AG, Neuhausen am Rheinfall; board member and member of the audit committee, Komax Holding AG; board member, MEXAB AG; board member, The Schörling Foundation, Lucerne; co-chair, Human Rights Watch Committee, Zurich

### **Franz Richter**

Chief executive officer, Süss MicroTec SE, Garching, Germany; board member, Meyer Burger Technology AG, Thun; advisory board chairman, Fraunhofer Institute for Reliability and Microintegration (IZM), Berlin, Germany; board chairman, Scint-X Technologies AB, Kista, Sweden

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**Board elections and terms**

Under the Bylaws of Comet Holding AG, its Board of Directors must have at least five members. The Board members are elected by the Annual Shareholder Meeting for a one-year term. They are individually elected when standing for election or re-election. The Shareholder Meeting also elects one member of the Board of Directors as the Chairman of the Board, and elects the members of the Nomination & Compensation Committee.

The term of office ends at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted. If elections are held during a term to replace or add Board members, the newly elected members serve for the remainder of the current term.

The maximum age for membership on the Board is 70 years. Every Board member must retire from the Board on the day of the Annual Shareholder Meeting held in the year in which he or she reaches 70 years of age.

The Bylaws are in accordance with the legal requirements of the OAEC.

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**Internal organization**

Except for the election of the Board Chairman and the members of the Compensation Committee by the Shareholder Meeting, the Board of Directors constitutes itself at its first meeting after its election or re-election by the Shareholder Meeting. The Board appoints its Vice Chairman, the members of the other Board committees and the Board Secretary. The Secretary need not be a member of the Board. The Board meets at the invitation of the meeting's chairman as often as business requires, or when requested by a Board member in writing for a stated purpose. The Board has a quorum when the majority of members are present.

The Board passes its resolutions and performs its elections by an absolute majority of votes cast. In the event of an equality of votes, the chairman of the meeting has the casting vote. Resolutions on a motion may alternatively be reached in writing if no Board member objects to this method. Minutes must be kept of the deliberations and resolutions and be signed by the meeting chairman and the Board Secretary. The minutes are submitted to the Board for approval at its next meeting. The Bylaws are in accordance with the legal requirements of the OAEC.

**Functioning of the full Board of Directors**

A total of six regular meetings of the full Board were held in the year, as well as several teleconferences. In addition, several meetings of the Board committees were held. An overview of the meetings of the Board of Directors and the members in attendance is found on page 127.

The Board of Directors is regularly kept informed of the course of business by the CEO and CFO at its meetings, and also on an ad hoc basis as needed. Other members of the Executive Committee, other management staff and specialists of the Comet Group regularly attend Board meetings to report on particular projects in their area of responsibility. As well, external advisors are consulted as required to deal with specific matters. The Board receives monthly written financial reports on the current business performance.

### Board committees

In fiscal year 2019 the Board committees had the following members:

Committee	Members
Nomination & Compensation Committee (NCC)	Rolf Huber (Committee chairman)
	Maribel Hoch
Audit Committee (AC)	Lucas A. Grolimund (Committee chairman; until April 2019)
	Patrick Jany (Committee chairman; from April 2019)
	Hans Hess (until April 2019)
	Franz Richter (from April 2019)
Technology Committee (TC)	Gian-Luca Bona (Committee chairman)
	Franz Richter (until April 2019)
	Christoph Kutter (from April 2019)

Every committee normally consists of at least two members of the Board. The members of the Nomination & Compensation Committee (NCC) are elected anew every year by the Annual Shareholder Meeting. The members of the other committees are elected by the Board from among the Board members for a term of one year. Every committee normally meets at least twice per year, or as often as business requires. Reports to the full Board are made orally or in writing as required.

The committees' principal function is to prepare decision support for the full Board in special subject areas. At the regular meetings or as required, the full Board is kept informed of the activities of the individual committees. The overall responsibility for the tasks assigned to the committees remains with the full Board, which decides as a body on all proposals.

### **Nomination & Compensation Committee**

The Nomination & Compensation Committee is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. In the year under review these members were Rolf Huber (chairman) and Mariel Hoch.

The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of Board members and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the full Board of Directors. The Committee has the following responsibilities in particular:

- Attend to the compensation policy for the remuneration of the Board of Directors and Executive Committee and to the compensation structure of the Comet Group
- Produce the proposed compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

Additional responsibilities may be assigned to the Committee as required. The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may hold additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

### **Audit Committee**

The Audit Committee supports the full Board in exercising oversight of accounting and financial reporting and in monitoring compliance with legal requirements. The Committee has the following responsibilities in particular:

- Evaluate the structure and form of the Group's accounting system
- Gauge the effectiveness of the independent auditors and the internal controls; evaluate the coordination of external and internal auditing, and review the performance and compensation of the external independent auditors
- Evaluate the effectiveness of risk management
- Review the rolling multi-year plan, the quarterly rolling forecast and the accuracy of the latter
- Review the financial reporting to shareholders and the public
- Issue directions to the internal audit function and, as may be required on a case-by-case basis by the resulting findings, issue directions to the Executive Committee

During the fiscal year, two meetings were held by the Audit Committee. They were attended by the external auditors, internal audit, the CEO and the Chief Financial Officer (CFO). The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

### Technology Committee

The Technology Committee provides support to the full Board in matters of technology. The Committee has the following responsibilities in particular:

- Monitor international developments in technology and evaluate the emerging trends for their relevance to the Comet Group
- Assess the Group's internal research and development activities
- Ensure the Group holds at least one technology day or equivalent event per year

The Committee meets as often as business requires. In the year, the appraisal of technology sector developments, as well as the development measures taken by the Group, were regularly discussed with the division presidents in the course of the Board's scheduled meetings and the Committee meetings.

### Overview of the meetings of the Board of Directors and the members in attendance

Name	February		March		April		June	August		November	December
	Tel	BoD	AC	BoD	Before AGM	After AGM	2 days	Tel	BoD	2 days	
Heinz Kundert	--	--	--	--	--	x	x	x	x	x	x
Christoph Kutter	--	--	--	--	--	x	x	y	x	x	x
Patrick Jany	--	--	--	--	--	x	x	x	x	tel.	x
Mariel Hoch	x	x	y	x	x	x	x	y	x	x	tel.
Rolf Huber	x	x	y	x	x	x	x	y	x	x	x
Gian-Luca Bona	x	x	y	x	x	x	x	y	x	tel.	x
Franz Richter	x	x	y	x	x	x	x	x	x	x	x
Lucas Grolimund	x	x	x	x	x	--	--	--	--	--	--
Hans Hess	x	x	x	x	x	--	--	--	--	--	--

BoD: Regular meeting of the Board

Tel: Conference call

AC: Audit Committee

AGM: Annual Shareholder Meeting

tel: Attended by call

x: Attended

y: Not a member of the committee

--: Not a member of the Board at that time



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**Division of authority**

The Board of Directors is responsible for the overall direction and management of the Group and for the supervision of its most senior operational management. The non-delegable and inalienable duties of the Board of Directors are established by section 716a of the Swiss Code of Obligations. The Board's specific responsibilities and scope of authority are set out in the Company's organizational regulations (its Management Organization Manual). In particular, the Board of Directors has the authority to:

- Determine the Group's strategic direction and financial targets and allocate the resources required to achieve them
- Establish the Group's objectives, business policy and strategy, and organizational structure
- Approve the rolling short- and medium-term financial plans
- Approve the acquisition and disposal of subsidiaries and of equity interests in other companies, and approve collaborations with other firms
- Approve the purchase and sale of real estate
- Appoint and withdraw members of the Group's Executive Committee and the presidents of its subsidiaries and exercise oversight and control of their activities

The Board of Directors has delegated all operational management of the Group to the CEO and the Executive Committee, except as otherwise required by law or the Company's Bylaws. The CEO and Executive Committee have the necessary powers to execute the business strategy within the parameters set by the Board of Directors. In particular, the CEO has the authority to:

- Manage the Comet Group, implement the Board's strategic directions and decisions, and ensure timely and appropriate reporting to the Board
- Develop business targets within the general objectives established by the Board and present proposals for the rolling forecasts and for the strategic multi-year planning
- Request items of business to be placed on the agenda of Board meetings, prepare such business for transaction by the Board, and ensure the implementation of the Board's decisions
- Implement an internal control and management information system based on the specifications of the Board
- Regularly review the business risks, and establish a Board-approved risk management system for this purpose
- Regularly review the degree of achievement of the financial targets and strategic goals, as well as the Group's liquidity
- The members of the Executive Committee report to the CEO

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**Monitoring and control with respect to the Executive Committee**

The Chairman of the Board may attend the meetings of the Executive Committee and receives the minutes of all its meetings. The Board also receives regular reports on the course of business from the Executive Committee at Board meetings. In the case of extraordinary events, the Executive Committee informs the Board immediately. The CEO and CFO attend all regular meetings of the Board. At least one to two times per year, in the context of Board meetings, the other members of the Executive Committee also report to the Board on their business area.

**Management information system**

The monthly financial reporting by the Executive Committee on the current course of business and important transactions gives the full Board of Directors the information needed to properly discharge its responsibilities. The standardized internal reporting of the Comet Group consists of the IFRS-based consolidated balance sheet, statement of income and cash flow statement, as well as detailed management reporting. Complementing the monthly consolidated financial statements and a comprehensive range of financial ratios, the management reporting presents and comments upon additional information such as new orders and order backlog, staffing levels and accounts past due, provided in table and chart form. This data is presented both by division and on a consolidated basis for the Group and is compared to the prior year and the rolling forecast. The resulting insights and actions are discussed monthly by the Executive Committee. All monthly financial statements are submitted to the Board of Directors, which discusses them at its meetings.

As a longer-term control tool, a rolling multi-year plan is prepared annually for the subsequent three years. In addition, every quarter, management generates a rolling forecast for the following five quarters.

These forward-looking control tools, which are accompanied by detailed commentary and documented with charts, enable the Board to continually evaluate the financial effectiveness of the adopted business strategy and then to take action if and as required.

**Internal audit**

Since 2006 the internal audit function is performed on a consulting basis by Robert Kruijswijk, who is based in Elgg, Switzerland. His compensation is determined by the amount of work performed. In the year under review, Robert Kruijswijk carried out various special audits at a number of locations. The reporting is based on the audit priorities newly approved by the Board each year. The nature of the coordination and cooperation between the internal audit function and the external audit firm, complete with the identification of the respective responsibilities, has been specified in writing and approved by the Board.

The following processes were audited in the fiscal year:

- Purchasing process and warehousing at IXS in Hamburg
- Key finance processes and central services in Flamatt
- Corporate communications and central marketing in Flamatt
- New building in Flamatt
- Key processes in human resources in Flamatt
- Key processes at IXM in Denmark
- Key processes at PCT in San José, CA, USA
- Special audit of staff and expense accounts in Shelton, CT, USA
- Marketing at all divisions
- Compliance with data privacy provisions at Corporate and at IXS, Hamburg

The internal auditor reports directly to the Audit Committee of the Board of Directors, at least twice per year and more frequently as required. On completion of each special audit, an audit report is prepared and is discussed with the Executive Committee and the national lead personnel responsible (typically the local company presidents responsible for the relevant business) and/or the persons directly affected by the audit, in order to initiate the implementation of the planned measures. The internal auditor then prepares a final audit report for the Board of Directors, with a corresponding action plan.

#### **Risk management system**

Risk management includes the annual evaluation of strategy by the Board and the assessment by the Executive Committee of insurance cover, of the general business risks and of the major balance sheet items. The approach to risk management is described in a risk strategy approved by the Board and is specified in a written risk management procedure for implementation by the Executive Committee. Under the direction of the CFO, the significant risks in the individual business areas and departments are identified in quarterly working group sessions and systematically described and categorized in a risk matrix. The risks are assessed using a risk rating based on the probability of occurrence and the potential severity of loss, as well as by calculating potential absolute financial risk. For the risks classified as important, action plans are formulated to minimize the probability and/or potential severity of loss. The Executive Committee of the Comet Group regularly reviews the effectiveness of the actions taken and decides on a potential updating of the risk portfolio. Newly identified risks are added to the portfolio and action plans are formulated to manage them.

In the fiscal year, several meetings were held on the subject of risk management, with specialist support by the General Counsel of the Comet Group, who is also Corporate Risk Manager. Through separate reports, the Audit Committee at each of its meetings is kept advised of the current assessment of the Group's risks.

### Internal control system

In the fiscal year, where required, the Comet Group further expanded, trained or documented the existing system of internal control (the "internal control system"). The internal control system is in use at all levels of the enterprise and in all significant locations.

The significant risks and controls are in accordance with the objectives and quality requirements established by the Board of Directors. The staff members responsible for the internal control system have been designated Group-wide, the employees involved have been trained and the control functions clearly assigned. The controls have been integrated in the respective processes and are periodically tested for effectiveness, logical sense, and efficiency. This approach ensures that risks are detected at an early stage and that the necessary counter-measures can be taken swiftly thanks to the internal controls. The introduction of a uniform, systematic process for risk detection and assessment has enhanced the reliability and completeness of book-keeping and the timeliness and dependability of financial reporting.

In the year-end audit, the independent auditor audits the internal control system of the Comet Group in terms of risks related to financial reporting and provides a report on the findings to the Board's Audit Committee.

### Executive Committee

The Executive Committee – the Group's most senior management below the Board level – is responsible for the operational management of the Comet Group within the powers delegated to it. Markus Portmann, CFO of the Comet Group, left the company at May 31, 2019. In June 2019 it was announced that René Lenggenhager, CEO of the Comet Group and interim President of the EBT division, as well as Prisca Hafner, Chief Human Resources Officer of the Comet Group, were leaving Comet effective June 21, 2019. As of December 31, 2019, the Comet Group's Executive Committee had the following five members.



**Heinz Kundert**  
(b. 1952, Swiss citizen)  
Interim Group CEO &  
interim President of  
EBT division since  
June 21, 2019

#### Education

Degree in industry management from Institute of Technology in Architecture (ITA), Zurich; degree in marketing and general management from University of St. Gallen (HSG)

#### Professional experience

1981 to 1991: regional director Asia, Balzers AG; 1991 to 1999: division manager, Semiconductor and Data Storage, Balzers AG; 1999 to 2002: COO of Oerlikon-Bührle; 2002 to 2004: CEO of Unaxis AG; 2005 to 2015: VP of SEMI Intl. USA and president of SEMI Europe; 2015 to 2018: CEO of VAT Group

**Eric Dubuis**

(b. 1964, Swiss citizen)  
Chief Information  
Officer since  
Oct. 17, 2005

**Education**

Lic. phil. nat. degree in applied mathematics from University of Berne;  
Dr. phil. nat. doctorate in computer science from University of Berne;  
Executive MBA from University of Rochester, NY, USA

**Professional experience**

1998 to 2000: MTS and technical manager, Lucent Technologies, Bell Labs, NJ, USA; previously: various positions in software development;  
2000 to 2003: director, Xebeo Communications, Inc., NJ; 2003 to 2005: senior software engineer, Akadia AG, Switzerland

**Michael Kammerer**

(b. 1961, Swiss citizen)  
President of Plasma  
Control Technologies  
division since  
Jan. 1, 2008

**Education**

Eidg. dipl. Einkäufer degree in procurement, SVME; MBA in strategy and procurement management from University of Birmingham, UK

**Professional experience**

1997 to 2000: head of purchasing and logistics, Von Roll Betec AG, Switzerland; 2000 to 2002: head of purchasing and logistics, Swisscom Solutions AG, Switzerland; 2002 to 2007: head of purchasing and supplier quality assurance, automotive, Saia-Burgess AG, Switzerland/Johnson Electric, Hong Kong

**Stephan Haferl**

(b. 1972, Swiss and  
Norwegian citizen)  
President of X-Ray  
Modules division since  
Jan. 1, 2018

**Education**

Dr. sc. tech. doctorate in mechanical and process engineering from ETH Zurich; Advanced Management Program, Wharton Business School, University of Pennsylvania, PA, USA

**Professional experience**

2002 to 2007: various management positions at the Bartec Group, Switzerland From 2007: various management positions in Comet's X-Ray Technology business (VP of Supply Chain, VP of R&D, General Manager of Industrial X-Ray Technologies (IXT))

**Thomas Wenzel**

(b. 1965, German  
citizen) President of  
X-Ray Systems  
division since  
Dec. 1, 2018

**Education**

Dipl. Informatiker degree in computer science (University of Erlangen, Germany); Dr. Ing. doctorate in materials science and materials engineering (Saarland University, Germany)

**Professional experience**

Until 2008 was group leader, development of x-ray inspection systems and, from then until 2015, department head, Process-Integrated Test Systems, Fraunhofer Development Center for X-Ray Technology, Germany; from 2015: at Comet as Technology Scout and Senior CT Expert

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**Activities and interests  
outside the Group**

Section 27 of the Bylaws, which have been revised for compliance with the OAEC and approved by the Shareholder Meeting, specifies the allowable number of other, external positions that members of the Executive Committee may hold on top management or supervisory bodies, as follows:

- Members of the Executive Committee may each not hold more than one external position on the top management or supervisory body of an exchange-traded (i.e., listed) company and not more than four such external positions in non-listed companies.
- Not more than ten such positions may be held in associations, non-profit foundations, family foundations and employee pension funds.
- Positions in companies controlled by Comet Holding AG, or positions controlled by it, are not subject to restriction.

At December 31, 2019, Heinz Kundert held the following positions outside the Comet Group: Board vice chairman, VAT Group, Haag; board member, Variosystems AG, Steinach; advisory board member, Fraunhofer Group for Microelectronics, Berlin, Germany.

At December 31, 2019, Stephan Haferl was also a board member of Belimed AG, Zug. The other members of the Executive Committee did not hold positions outside the Comet Group on management or supervisory bodies of significant Swiss or foreign private sector or public sector companies, institutions or foundations at the balance sheet date. Some members of the Executive Committee held board positions at subsidiaries of the Comet Group.

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**Related party transactions**

There were no business transactions with parties related to members of the Executive Committee.

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**Interim management contracts**

No interim management contracts existed in the Comet Group.

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**Compensation, stock  
ownership and loans**


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**OAEC-related provisions  
in the Bylaws**

Detailed information on the compensation of the Board of Directors and Executive Committee under section 663c of the Swiss Code of Obligations is provided in the notes to the separate financial statements of Comet Holding AG from page 149 of this report.

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of compensation for approval to the Annual Shareholder Meeting:

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting, consisting of an annual variable element under a short-term incentive plan (STIP) and a multi-year variable element under a long-term incentive plan (LTIP).

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, Comet Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

The Bylaws of the Company do not contain specific provisions on the granting of loans, other credit and pension benefits to members of the Board of Directors and Executive Committee or their related parties.

The composition of the performance-based compensation is governed by section 24 of the Bylaws as follows:

- The aggregate amount of variable compensation paid to all members of the Executive Committee of the Comet Group is based on a percentage of the consolidated net income of the Comet Group.
- Part of the aggregate amount (between 50% and 75%) is paid out annually in cash (short-term incentive).
- Part of the aggregate amount (between 25% and 50%) is paid out annually in stock of the Company with a three-year holding period (short-term incentive).
- This annually determined number of shares with a holding period can, depending on the degree of achievement of medium-term performance targets, be supplemented with additional shares that are not subject to a holding period (long-term incentive). The evaluation of achievement of these medium-term performance targets takes into account the degree of target achievement in a peer group of comparable companies.
- The Nomination & Compensation Committee specifies the details in a written regulation that requires the approval of the full Board.

The terms and procedures of stock compensation settlement are governed by section 25 of the Company's Bylaws as follows:

- The grant price of the stock is calculated as the average share price of Comet Holding AG in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting.
- The Board of Directors may terminate the current holding periods early (for example, in the event of a change of control).

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**Decision authority and responsibility for compensation**

The design and regular review and evaluation of the compensation system are the responsibility of the Nomination & Compensation Committee (NCC).

Subject to the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors once annually prepares the compensation proposals, as follows:

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<b>Decision on</b>	<b>CEO</b>	<b>NCC</b>	<b>Board of Directors</b>	<b>Shareholder Meeting</b>
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of the Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed compensation of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Fixed compensation of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm verifies whether the quantitative disclosures on compensation, loans and other credit made in the compensation report pursuant to sections 14–16 OAEC comply with the law and the OAEC.



**Market comparison criteria**

The Comet Group strives for market levels of compensation, and compensation packages are periodically evaluated by specialized consulting firms against benchmarks. This applies to the compensation both of the Board and of the Executive Committee. The Nomination & Compensation Committee periodically compares the mix of the individual components of remuneration and the amount of total compensation with the respective industry environment and, taking its findings into account, submits proposals to the Board of Directors.

**Structure of the compensation system**

With effect from January 1, 2017, the Board of Directors of Comet Holding AG established a revised compensation system that applies worldwide. This framework governs the profit-sharing compensation for all employees eligible to participate in the short-term incentive plan (STIP). The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The Board of Directors itself receives only a fixed retainer.

## Compensation system for employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and all employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

## Calculation of total profit-sharing pool

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2019 the percentage rate was determined according to the following model (unchanged from the prior year):

Sales growth	Percentage of net income
Less than 5%	15%
5% – 15%	Linear increase between 15% and 25%
More than 15%	25%

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the Comet Group), using a general allocation formula. Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is evaluated in the sole discretion of the Board and CEO, at the end of the fiscal year. The unused portion of the individual allocation pool is also distributed by the general allocation formula.

### Compensation groups and calibration

The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of Comet Holding AG. For each employee the percentage share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and gross annual base salary.

The Board of Comet Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the Comet Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted if appropriate.

### Precondition for payment of profit-sharing compensation

A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the Comet Group is still able to report positive consolidated net income.

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### Compensation system for the Board of Directors

Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.

### Responsibility and procedure

The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2014. The compensation details are specified in a Board-approved compensation plan in the form of a regulation.

### Fixed retainer

For their work on the Board of Directors, the Board members receive a fixed retainer. A flat expense allowance is paid, in cash.

### Stock compensation

Two-thirds of the fixed retainer is paid in cash and one-third is paid in shares of stock. The stock awarded is subject to a holding period of three years during which it cannot be sold.

### Overview of compensation

In CHF

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

Additionally, the actual employer contributions to social security plans are paid.

Joining and departure of Board members

Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

### Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in a Board-approved regulation. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term profit-sharing plan (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term profit-sharing plan (STIP)	Annual payment in stock (with holding period)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Long-term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with interests of shareholders	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the

amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. Hay Group has no other engagements with the Comet Group.

The profit-sharing compensation is based on the regulations approved by the Board of Directors. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

#### Fixed compensation

All members of the Executive Committee receive fixed compensation that is paid monthly, as well as a flat expense allowance. The fixed compensation is determined by the individual's amount of responsibility, role, performance, experience and skills, and by local market conditions. These elements of compensation are paid in cash.

#### Short-term profit-sharing compensation (STIP)

In addition to the fixed compensation, the Comet Group's employee profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold. The balance of the STIP amount is paid in cash.

#### Calculation of short-term profit-sharing compensation (STIP)

An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\text{Gross base salary of employee} \times \text{multiplier} \times 100}{\text{Total weighted gross salaries of all staff}^1} = \% \text{ share of total profit-sharing pool}$$

<sup>1</sup> Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation  
% share of total profit-sharing pool × amount of profit-sharing pool actually being distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit. Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, which in turn proposes them to shareholders for ratification at the Annual Shareholder Meeting in a binding vote as part of the total compensation of the Executive Committee.

#### Joining and departure of Executive Committee members

Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

#### Terms of employment

The members of the Executive Committee have employment agreements with a notice period of not more than nine months. There is no entitlement to termination benefits of any kind.

#### Disbursement of profit-sharing compensation

The members of the Executive Committee receive one-third of their short-term profit-sharing compensation in stock. The balance of the STIP amount is paid in cash. A precondition for paying any profit-sharing compensation is that consolidated net income is still positive after the accrual of this compensation.

#### Long-term profit-sharing compensation (LTIP)

The aim of the long-term incentive plan (LTIP), which was introduced in fiscal year 2017, is to tie the CEO and the other members of the Executive Committee more closely to the company and to align part of their compensation more tightly with the achievement of long-term corporate targets. Stock transferred under the LTIP does not have a holding period.

#### Structure of the LTIP

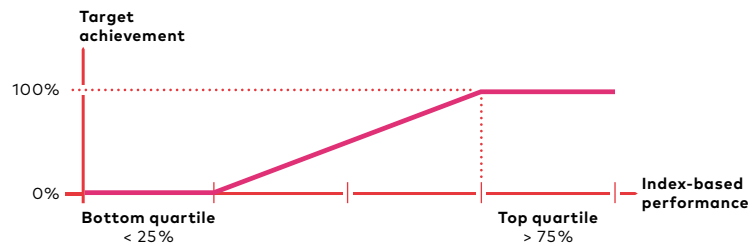
The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year inasmuch as the STIP performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:

- a growth target (T1) and
- a profitability target (T2)

Target achievement is measured relative to a group of comparable listed Swiss manufacturing companies.

#### Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result is in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). When the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets ( $T_1$  and  $T_2$ , in percent) multiplied by the average annual value of the stock ( $V_S$ ) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor  $C$ :

$$\text{LTIP} = (T_1 + T_2)_s \cdot V_s \cdot C$$

**Growth target  $T_1$ :** The growth target is a specified three-year compound annual growth rate (CAGR) of sales for the respective last three years. The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is thus measured by the average CAGR of the Comet Group over the last three years in relation to the results of the peer group.

**Profitability target  $T_2$ :** The profitability target is a specified average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is thus measured by the average ROCE/WACC ratio of the Comet Group over the last three years in relation to the results of the peer group.

**Calibration factor  $C$ :** The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the long-term incentive corresponds to the performance of the company and the purpose of the LTIP. When doing so, the Board ensures the adjustment is fair to all participants.

**Calculation of the value for both  $V_s$  of the average annual amount of STIP stock transferred:** The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan (STIP) over the last three years.

That value of transferred STIP stock is measured as of the time of its transfer. For determining the amount of LTIP stock to be transferred in year  $n$ , the underlying average annual value of STIP stock,  $V_s$ , is calculated as follows:

$$V_s = \frac{1}{3} (V_{n-2} + V_{n-1} + V_n)$$

Where  $V_{n-2}$  represents the value of the stock transferred in year  $n-2$ ,  $V_{n-1}$  represents the value of the stock transferred in year  $n-1$ , and  $V_n$  represents the value of the stock transferred in year  $n$ .

### Determination of target achievement

Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a time lag, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

**Intra-year joining or departure**

The amount of stock to be transferred under the LTIP is based on the amount of stock already actually transferred under the STIP short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

**Disbursement of the LTIP**

The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

**Changes of control**

In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee of the Comet Group. The upper limit thus caps the individual's combined total of short-term (STIP) and long-term (LTIP) profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

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**Calculation of grant price for stock awards to the Board of Directors and Executive Committee**

The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting. The stock transferred to the Executive Committee members under the STIP, and the stock transferred to the Board members, is subject to a holding period of three years from the date of the award during which it cannot be sold. All other shareholder rights are already effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. The stock transferred to the Executive Committee members under the LTIP does not have a holding period.

**Shareholders' participation rights**

Shareholders' participation rights (such as rights with respect to voting), are set down in the Swiss Code of Obligations, and this legal framework is supplemented by provisions in the Bylaws of the Company. The Bylaws of Comet Holding AG, which have been adjusted to reflect the legal requirements under the OAEC, can be found on the Company's website at [www.comet-group.com/investors/corporate-governance](http://www.comet-group.com/investors/corporate-governance).

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**Registration in the share register**

In accordance with section 12 of the Bylaws, in the notice of the Shareholder Meeting the Board of Directors announces the record date (at which registration in the share register is required for participation in and voting at the meeting) and the details of the written and electronic proxies and instructions.

The share register is closed to new entries from then until and including the day of the Shareholder Meeting. No exception to this rule was made in the year under review nor at any previous Shareholder Meeting. Shareholders who sell their stock before the Shareholder Meeting are not entitled to vote the shares sold.

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**Voting rights restrictions**

Each share that is registered carries one vote, subject to the provisions on nominee shareholders in section 5 of the Bylaws. The Board of Directors registers nominees as holding voting shares only up to a maximum of 5% of the capital stock recorded in the Swiss commercial register of companies.

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**Proxy voting**

At the Annual Shareholder Meeting, the shareholders elect an independent proxy. The term of office of the independent proxy is one year, ending at the conclusion of the next Annual Shareholder Meeting. Re-election for consecutive terms is permitted.

The Board of Directors ensures that the shareholders have the ability to also use electronic means to authorize and instruct the independent proxy.

A shareholder may be represented at the Shareholder Meeting by the independent proxy, by the shareholder's legal representative or – under a written power of attorney – by another shareholder entitled to vote. Powers of attorney and instructions may be given in writing or, to the independent proxy, may also be given electronically.

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**Quorums under the Bylaws**

Except as otherwise required by law, the Shareholder Meeting passes resolutions and conducts its voting by an absolute majority of the votes represented, excluding blank or invalid ballots. A second round of voting, if any, is decided by a relative majority. The Bylaws of Comet Holding AG do not provide for resolutions that would require a different type of majority in order to be passed, with the exception of resolutions named in section 704 of the Swiss Code of Obligations.



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**Calling of the Shareholder Meeting**

The Shareholder Meeting is called by the Board of Directors or, if necessary, by the independent auditors. Notice of the Shareholder Meeting is sent to the shareholders of record by mail at least 20 days before the meeting date.

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**Placing business on the Shareholder Meeting agenda**

Shareholders' requests under section 699 para. 3 of the Swiss Code of Obligations to place business on the Meeting agenda, and the actual shareholder proposal involved, must be submitted to the Board of Directors in writing no later than 45 days before the Shareholder Meeting in question.

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**Changes of control and takeover defenses**

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**Requirement to make a public tender offer**

Under section 32 para. 1 of the Stock Exchange Act (BEHG), any party whose shareholding reaches 33⅓% or more of all voting rights must make a public tender offer. The Bylaws of Comet Holding AG contain neither an opting-up clause nor an opting-out clause; this means that they neither raise this percentage threshold, nor waive the requirement of a tender offer.

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**Provisions on changes of control**

With respect to members of the Board of Directors and the Executive Committee, there are no contractual obligations of unusually long duration, nor provisions for termination benefits, that would result from a change of control. Under the stock ownership plan, the Board of Directors may in its discretion decide to early-terminate the holding period for the stock awarded as performance-based compensation. In all cases, the holding period automatically ends at the time of termination of employment if the termination is the result of a change of control.

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**Auditors**

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**Duration of independent auditors' engagement and tenure of lead audit partner**

Ernst&Young AG (EY), Berne, have been the independent auditors of Comet Holding AG since 1999. The lead audit partner, Roland Ruprecht, has been responsible for the engagement since fiscal year 2017. The rotation cycle for the lead audit partner at EY is seven years. The independent audit firm is elected by the Shareholder Meeting for one fiscal year at a time.

**Audit fees**

EY received the following compensation for services in connection with auditing the consolidated financial statements and as the independent audit firm for most Group companies:

In thousands of CHF	2019	2018
Audit fees	358	359

Including the other audit firms, the total audit fees in the year under review amounted to CHF 428 thousand (prior year: CHF 435 thousand). The audit fees are set annually upon discussion with the Audit Committee and are based on the audit scope at the individual Group companies, any special in-depth audits, and the auditing of protection against specifically identified risks.

**Other fees**

In the fiscal year, EY received the following compensation for consulting services in connection with accounting and tax matters:

In thousands of CHF	2019	2018
Audit-related consulting services	22	16
Tax consulting services	255	103
<b>Total consulting services</b>	<b>277</b>	<b>118</b>

**Monitoring of the independent auditors by the Board of Directors**

The Audit Committee of the Board of Directors annually reviews the performance, compensation and independence of the audit firm. The Committee also examines the scope of the independent audit, reviews action plans developed to resolve any issues identified in the audit, and recommends candidate independent auditors to the Board to propose for election by the Shareholder Meeting. The Board has not specified a fixed rotation cycle. In selecting the external auditors, particular importance is attached to independence and documented experience.

After the first six months of the year, the Audit Committee at its meeting discusses the unaudited half-year results with the independent auditors. In addition, the annual financial statements are planned and the auditing costs for the fiscal year are approved. Additional meetings are held as needed. After the audit of the annual financial statements, the Audit Committee convenes for a meeting at which it discusses the audited annual report for the fiscal year with the independent auditors. The audit firm reports its findings on the basis of a comprehensive report to the Board of Directors and through the reports of the independent auditors to the Shareholder Meeting. The CEO, CFO and internal auditor take part in the meetings of the Audit Committee. During the year under review the Audit Committee held two meetings.

## Communication policy

The Comet Group informs its shareholders, the media, financial analysts and other stakeholders with the greatest possible transparency and based on the principle of equal treatment. The Group publishes annual reports and half-year reports that are prepared in compliance with Swiss stock corporation law and International Financial Reporting Standards (IFRS). As well, information is provided to additional audience segments via the following events:

- To shareholders: in connection with the Shareholder Meeting
- To media representatives and financial analysts: through press conferences
- To institutional investors: through road shows and an annual investor day

Announcements about events that fall under the ad-hoc disclosure requirements of SIX Exchange Regulation (a division of the SIX Swiss Exchange) are published immediately.

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## Key dates

The dates of the most important publications and events are given below:

End of fiscal year	December 31, 2019
Annual results press conference	March 19, 2020
Publication of annual report	March 19, 2020
Annual Shareholder Meeting	April 23, 2020
End of first half of fiscal year	June 30, 2020
Publication of half-year report	August 13, 2020

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## Publication media

Comet Holding AG publishes semiannual media releases to update investors on its business and financial results. The printed annual report is sent to shareholders on request after they receive the notice of the Annual Shareholder Meeting. For disclosure announcements for stock exchange purposes, Comet Holding AG uses the electronic publication platform operated by the SIX Swiss Exchange. The Group's website at [www.comet-group.com](http://www.comet-group.com) offers a wealth of information, including details of the Comet Group's business activities and access to the annual report, media releases, presentations for press conferences, and the Bylaws of Comet Holding AG. As well, anyone may register on the website to automatically receive all press releases in electronic form.

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