

Compensation Report

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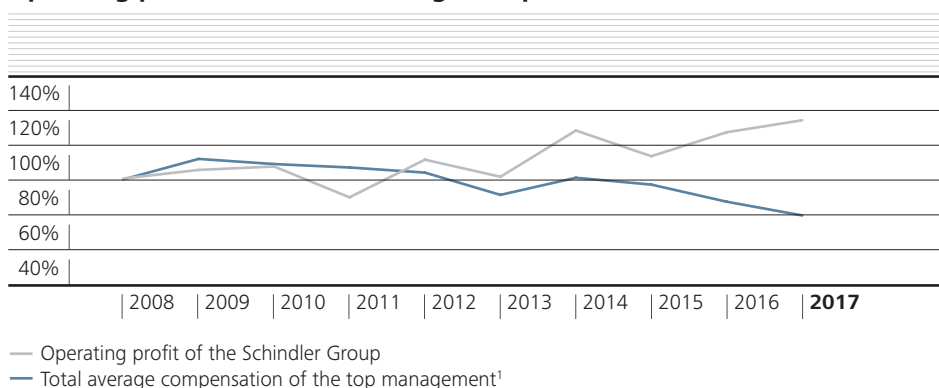
Foreword

Schindler pursues a growth strategy with a long-term focus. The company is therefore committed to looking beyond short-term financial results in order to create sustained value. Since 2000, revenue in the elevators and escalators business has grown from CHF 6 669 million to CHF 10 179 million and operating profit has risen from CHF 422 million to CHF 1 187 million. Over the same period, the company’s market capitalization has increased more than seven times.

As of December 31, 2017, market capitalization reached CHF 23.9 billion, corresponding to an increase of CHF 4.7 billion or 24% over the last 12 months, for a return on equity of 28.9%. The Swiss Market Index (SMI) rose by 14% over the same period.

The following chart shows the evolution of the operating profit of the Schindler Group over the last ten years, in comparison with the total average compensation of the top management¹.

Operating profit versus total average compensation



While the operating profit has increased by an average of more than 3% annually since 2008, the total average compensation awarded to the top management¹ has decreased over the same period.

To continue generating growth as well as returns for shareholders, it is necessary for Schindler Holding Ltd. to rely on a management team with the highest qualifications. Competitive compensation is a key requirement to attract and retain the right talent for top positions and to engage experienced managers over the long-term.

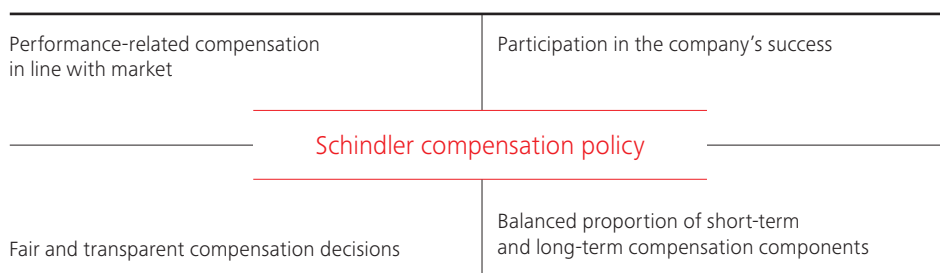
In spite of the marginal impact of executive compensation on the overall results, the company treats the matter with the professional sensitivity it deserves. In accordance with legal requirements and state-of-the-art governance practice, compensation of the members of the Board of Directors and of the Group Executive Committee is driven by the Compensation Committee.

¹ Members of the Supervisory and Strategy Committee as well as members of the Group Executive Committee

The present Compensation Report contains information about the compensation of the members of the Board of Directors and of the Group Executive Committee, about their shareholdings in Schindler Holding Ltd., and about loans granted to these individuals, if any. The disclosures are made in accordance with the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange and the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV). The information relates to the reporting year 2017 unless otherwise stated.

1 Compensation principles

The Schindler Group’s success depends to a large extent on the quality and commitment of its management. Its compensation policy is designed to attract, motivate, and retain well-qualified professionals. In addition, the awarding of performance-related and, in particular, share-based components of variable compensation is intended to promote an entrepreneurial mind-set and approach.



2 Compensation system

2.1 Overview

Article 33 of the Articles of Association of Schindler Holding Ltd. states that fixed and variable compensation can be paid to members of the Board of Directors and the Group Executive Committee. Compensation can be paid in the form of cash, shares, other equity instruments, options, comparable instruments, or units. In addition, non-cash benefits or services can be provided. For further details, refer to Article 33 of the Articles of Association (www.schindler.com/com/internet/en/investor-relations/articles-of-association.html).

In accordance with the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV) and Article 32 of the Articles of Association of Schindler Holding Ltd., the General Meeting of Shareholders votes annually on the total compensation of the Board of Directors and the Group Executive Committee to approve:

- The maximum permissible total fixed compensation of the members of the Board of Directors and the Group Executive Committee for the current financial year (prospective approval)
- The total variable compensation of the members of the Board of Directors and the Group Executive Committee for the reporting year (retrospective approval)

Article 32 of the Articles of Association of Schindler Holding Ltd. states that the maximum permissible fixed compensation may be increased by 20% if, following the approval of the fixed compensation, additional members or replacement members are appointed to the Group Executive Committee.

Overview of compensation components of the Board of Directors and Group Executive Committee:

	Board of Directors		
	Executive members ¹	Non-executive members ²	Group Executive Committee

Fixed compensation – prospective approval

Cash (gross)			
Annual salary	●		●
Fixed Board of Directors' fee	●	●	
Flat-rate expense allowances			
Flat-rate allowance	●	●	
Representation allowance	●		●
Car allowance	●		●
Pension, social, and other benefits			
Pension benefits			
Pension fund	●		●
Schindler Foundation	●		●
Social contributions	●	●	●
Other benefits	●		●

Variable compensation – retrospective approval

Short-term – cash bonus	●		●
Long-term – equity instruments			
Performance Share Plan (PSP)	●		
Deferred Share Plan (DSP)			●
Social and other benefits			
Social contributions	●		●
Other benefits			●

¹ Members of the Supervisory and Strategy Committee

² Including Tobias B. Staehelin

2.2 Disclosure principles

The disclosed compensation of the Board of Directors and the Group Executive Committee comprises the compensation for the full reporting year, irrespective of which Schindler company paid it, subject to the following additions and limitations:

- The compensation paid to new members of the Board of Directors or the Group Executive Committee is included from the date on which the member takes over the relevant function.
- If a member transfers from the Group Executive Committee to the Board of Directors, or vice versa, the full compensation is taken into account and reported under the new function.
- If a member resigns from office and/or steps down from the Board of Directors or the Group Executive Committee, the compensation paid up to the date on which the member stepped down, plus any compensation paid in the reporting year in connection with his/her former activities, is included. Statutory compensation paid in the following year is reported separately under benefits for former members of governing bodies.
- Compensation is reported according to the accrual principle, based on estimates. The actual amounts paid may differ from these estimates, especially in the case of social and other benefits.
- Three members of the Board of Directors are executive members, although none is serving concurrently as a member of the Group Executive Committee.
 - > Silvio Napoli and Karl Hofstetter form the Supervisory and Strategy Committee and receive fixed and variable compensation as described under 2.3 and 2.4.1.
 - > Tobias B. Staehelin holds an executive position at a Group company and receives fixed and variable compensation according to the compensation system of the Group company. At Group level, he receives compensation as a non-executive member of the Board of Directors.
- The employment contracts of the executive members of the Board of Directors and the members of the Group Executive Committee are aligned with the provisions of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV). In particular none of these employment contracts has a term or notice period exceeding 12 months or contains any entitlements to severance payments.

2.3 Fixed compensation

The fixed compensation of the members of the Supervisory and Strategy Committee and members of the Group Executive Committee comprises an annual salary, a representation allowance and a car allowance, as well as pension (pension fund, Schindler Foundation), social, and other benefits. In individual cases – depending on the country in which a member of the Group Executive Committee is employed – a company car may be provided. Benefits may also be paid in the case of international assignments. Such benefits related to fixed compensation are reported under pension, social, and other benefits. Fringe benefits are included in fixed compensation and are reported as benefits if any single benefit exceeds CHF 500 or if total benefits exceed CHF 20 000 in the reporting year. Other benefits also comprise health insurance contributions and premiums for management insurance plans.

All members of the Board of Directors receive a fixed Board of Directors' fee, as well as a flat-rate allowance.

2.4 Variable compensation

2.4.1 Members of the Supervisory and Strategy Committee

The members of the Supervisory and Strategy Committee receive performance-related variable compensation, which is partially paid in cash and partially in shares.

The amount of the variable compensation awarded is based on the Group's consolidated cash flow from operating activities (before changes in net working capital) and is determined as a rate per thousand of the cash flow. The rate per thousand is set by the Board of Directors for each individual member of the Supervisory and Strategy Committee and may amount to a maximum of three per thousand. When determining the rate per thousand, the achievement of strategic as well as individual targets is also taken into account.

Cash flow from operating activities is used as a parameter to measure performance in order to promote a long-term increase in the value of the Group rather than short-term profit maximization. This compensation system ensures, among other things, that restructuring projects are initiated as early as possible and that the associated depreciation and amortization and the corresponding provisions are recognized.

50% of variable compensation is paid in cash and 50% is paid in shares in April of the following year (grant year) according to the rules of the Performance Share Plan.

Performance Share Plan

The Board of Directors decides each year whether registered shares or participation certificates will be granted under the Performance Share Plan. The granted shares include all of the associated rights but they are blocked for a period of three years, during which they may not be disposed of.

The final number of shares granted is calculated on the basis of the volume-weighted average price in March of the following year, less a discount. The Board of Directors decides at its sole discretion on the discount.

The number of shares disclosed in the reporting year is a provisional figure based on the volume-weighted average price in December of the reporting year, with the discount determined by the Board of Directors. The final number is disclosed in the following year's Compensation Report.

In order to include them in the total compensation for the reporting year, the shares that are to be granted are valued at the volume-weighted average price in December less a discount of 10%. The discount reflects the fact that once they have been allocated, the shares are then blocked for a period of three years.

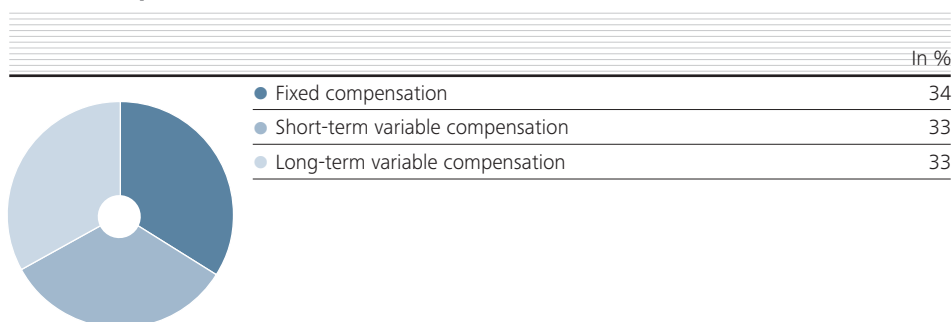
Provisional number of shares	=	50% of the performance-related bonus achieved	÷	Volume-weighted average share price in December of the reporting year (less discount)
Value disclosed in Compensation Report	=	Volume-weighted average share price in December of the reporting year (less 10%)	×	Provisional number of shares
Number of shares granted	=	50% of the performance-related bonus achieved	÷	Volume-weighted average share price in March of the following year (less discount)
Value disclosed in Compensation Report +1	=	Volume-weighted average share price in March of the grant year (less 10%)	×	Number of shares granted

2.4.2 Members of the Group Executive Committee

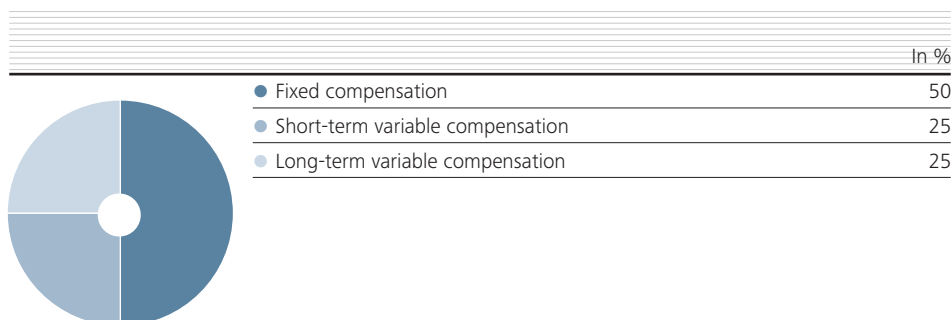
The members of the Group Executive Committee receive an annual performance-related cash bonus (short-term compensation component) and an annual grant of Performance Share Units (long-term compensation component) in accordance with the rules of the Deferred Share Plan 2015.

The targeted split of compensation into fixed compensation, short-term variable compensation and long-term variable compensation is as follows (assuming 100% target achievement):

CEO's compensation



Compensation of other members of the Group Executive Committee



Annual performance-related cash bonus

The annual performance-related cash bonus is calculated on the basis of the achievement of personal strategic and operational as well as financial targets. The targets that need to be achieved, as well as the target bonus, are set at the start of the reporting year. The performance targets for the cash bonus constitute market-sensitive and commercially sensitive information and are therefore confidential, which is why they are not published. Depending on the extent to which the targets are achieved, the cash bonus awarded may amount to between 0% and 150% of the target bonus and is paid in April of the following year. The target achievement rate and the weighting of the targets will be disclosed ex post (see note 4.2).

Deferred Share Plan 2015

Under the Deferred Share Plan 2015, a number of Performance Share Units (PSU) are granted for the reporting year based on a contractual target amount. The Board of Directors decides each year whether the Performance Share Units will be converted into registered shares or participation certificates.

The number of Performance Share Units granted is calculated on the basis of the volume-weighted average price of the shares in March of the reporting year, less a discount. The Board of Directors decides at its sole discretion on the discount. At the start of the reporting year, a combination of growth and profitability targets that applies to all members of the Group Executive Committee is set for the next three business years. The achievement of those targets is determined after the end of the three-year period. Depending on the extent to which the targets are achieved, the Performance Share Units will be converted into shares at a conversion rate of between 0% and 300%. The maximum value of the converted shares that a participant may receive is three times the contractual target amount.

The Performance Share Units are converted into shares three years after they were granted and then transferred to the ownership of the beneficiaries. From that date, the shares include all of the associated rights. In the event of any qualified breaches of the Code of Conduct, beneficiaries forfeit the right to have their Performance Share Units converted into shares.

In order to include them in total compensation, the Performance Share Units that are granted are valued at the volume-weighted average price in March of the reporting year (grant), less a discount of 10%. This discount reflects the fact that the Performance Share Units are only converted into shares three years after they were granted.

Number of PSU granted	=	Contractual target amount	÷	Volume-weighted average share price in March of the reporting year (less discount)
Value disclosed in Compensation Report	=	PSU granted (estimated performance)	×	Volume-weighted average share price in March of the reporting year (less 10%)
Number of shares granted (after 3 years)	=	PSU granted	×	Performance evaluation between 0% and 300%

2.4.3 Social and other benefits

Benefits related to variable compensation such as social contributions and taxes for international assignments are reported as social and other benefits.

3 Responsibilities and determination process

The compensation system and the capital participation plans are defined by Corporate Human Resources and are reviewed by the CEO, the Supervisory and Strategy Committee, and the Compensation Committee before being submitted to the Board of Directors for approval. The members of the Supervisory and Strategy Committee may not participate when decisions are made regarding their compensation. No external consultants were involved in this process in the reporting year.

The Compensation Committee holds at least two meetings per year. In the reporting year it met six times. For details of the composition of the Compensation Committee, refer to the Corporate Governance Report, note 3.5.2.

The responsibilities related to compensation matters at the level of the Board of Directors and the Group Executive Committee are defined in the Articles of Association and the Organizational Regulations. The most important functions and responsibilities in this context are summarized in the following table:

	Chairman of the Board of Directors		Executive members of the Board of Directors		Non-executive members of the Board of Directors	CEO	Members of the Group Executive Committee (excl. CEO)		
	Fixed compensation and target	Variable compensation	Fixed compensation and target	Variable compensation	Fixed compensation	Fixed compensation and target	Variable compensation	Fixed compensation and target	Variable compensation
Compensation Committee	●	●	●	●	●	●	●	●	●
Chairman of the Board of Directors			●	●	●	●	●	●	●
CEO								●	●
Board of Directors	●	●	●	●	●	●	●	●	●

● Proposal
● Decision

4 Compensation for the reporting year

4.1 Board of Directors

In CHF 1 000	Fixed compensation		Variable compensation				Total for 2017
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Registered shares	Other	Social and other benefits	
Silvio Napoli, Chairman ¹	1 279	329	1 035	1 165	–	124	3 932
Alfred N. Schindler, Chairman emeritus ²	712	74	132	149	651 ¹¹	47	1 765
Prof. Dr. Pius Baschera, Vice Chairman ³	279	13	–	–	–	–	292
Prof. Dr. Karl Hofstetter ⁴	952	318	827	930	–	99	3 126
Luc Bonnard ⁵	221	10	–	–	227 ¹²	15	473
Patrice Bula ⁵	200	12	–	–	–	–	212
Prof. Dr. Monika Bütler ⁵	232 ⁸	13	–	–	–	–	245
Dr. Rudolf W. Fischer ⁵	200	9	–	–	–	–	209
Anthony Nightingale ⁵	200	9	–	–	–	–	209
Rolf Schweiger ⁶	42	2	–	–	–	–	44
Tobias B. Staehelin ⁷	324	121	64	16	–	45	570 ¹³
Carole Vischer ⁵	244 ⁹	14	–	–	–	–	258
Prof. Dr. Klaus W. Wellershoff ⁶	51 ¹⁰	3	–	–	–	–	54
Total compensation	4 936	927	2 058	2 260	878	330	11 389

¹ Member of the Supervisory and Strategy Committee (Chairman from the General Meeting of Shareholders 2017)

² Chairman and member of the Supervisory and Strategy Committee until General Meeting of Shareholders 2017, thereafter non-executive member

³ Non-executive member (Vice Chairman from the General Meeting of Shareholders 2017)

⁴ Member of the Supervisory and Strategy Committee, including function as Group General Counsel, 80% basis

⁵ Non-executive member

⁶ Non-executive member (until General Meeting of Shareholders 2017)

⁷ From the General Meeting of Shareholders 2017 executive member at Group company level

⁸ Including fee for work as a member of the Audit Committee (from the General Meeting of Shareholders 2017)

⁹ Including fee for work as a member of the Audit Committee as well as fee as a member of the Board of Directors of a Group company

¹⁰ Including fee for work as a member of the Audit Committee (until the General Meeting of Shareholders 2017)

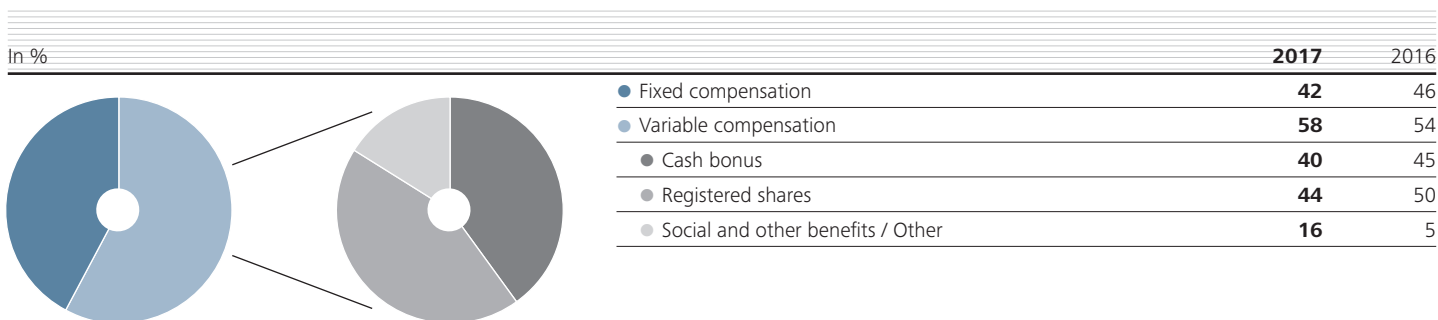
¹¹ Fee for consulting services (CHF 119 000, based on fixed daily fee and number of days actually worked) as well as compensation for unused vacation days during past years as member of the Supervisory and Strategy Committee (CHF 532 000)

¹² Fee for consulting services (based on fixed daily fee and number of days actually worked)

¹³ Includes compensation for operational function as Regional Director at Schindler Aufzüge und Fahrtreppen GmbH as well as fee as a member of the Board of Directors of a Group company

For the reporting year, the variable component of the compensation awarded to the members of the Supervisory and Strategy Committee averaged 58% of total compensation and comprised the following:

Compensation of members of the Supervisory and Strategy Committee



Board of Directors' fees (including a flat-rate expense allowance) remain unchanged:

CHF	
Chairman	400 000
Vice Chairman	300 000
Other members	200 000
Audit Committee members	40 000

The Board of Directors has decided to grant registered shares under the Performance Share Plan for the reporting year and to apply a discount of 20%.

The variable compensation reported is subject to the approval of the General Meeting of Shareholders.

In the reporting year, no collateral or guarantees were granted to members of the Board of Directors. Neither Schindler Holding Ltd. nor any other Group company waived any claims against members of the Board of Directors.

Registered shares granted

	Number
Silvio Napoli, Chairman	5 916
Alfred N. Schindler, Chairman emeritus	756
Prof. Dr. Karl Hofstetter	4 723
Tobias B. Staehelin	82

The number of shares disclosed is a provisional figure based on the volume-weighted average price in December 2017, with a discount of 20%. The final number is reported in the following year's Compensation Report.

In CHF	
Participation right	Registered share
Volume-weighted average price in December 2017	218.72
Value for inclusion in variable compensation	196.85

4.2 Group Executive Committee

For details of the composition of the Group Executive Committee, which was taken into account when determining total compensation, refer to the Corporate Governance Report, note 4.1.

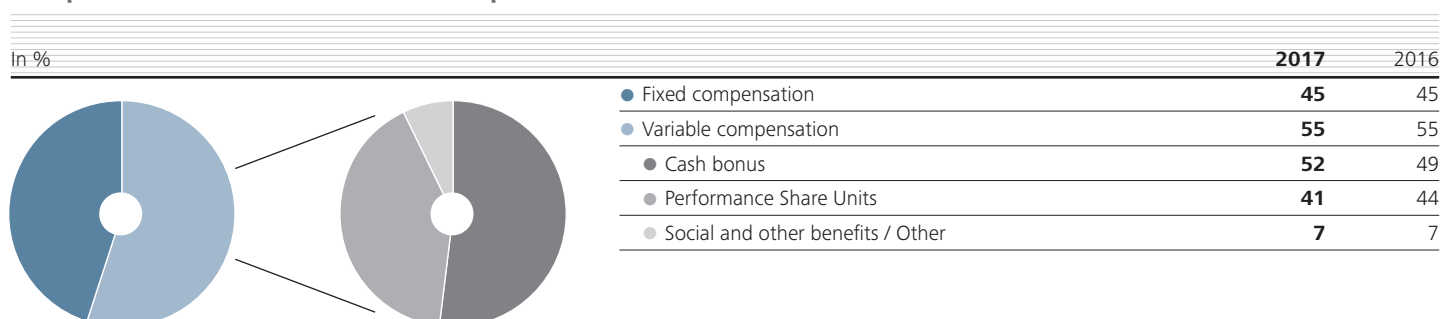
In CHF 1 000	Fixed compensation			Variable compensation			Total for 2017
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Other	Social and other benefits	
Total compensation	7 697	3 149	6 877	5 362	55	930	24 070 ¹
Highest individual compensation: Thomas Oetterli, CEO	903	207	1 570 ²	1 125	–	152	3 957

¹ Includes contractual payments to members who stepped down from the Group Executive Committee in 2017

² Including special bonus of CHF 170 000 for exceptional progress on strategic projects

50% of the cash bonus was based on financial targets (growth and profitability) and 50% on personal strategic and operational targets. Schindler continued to achieve growth in the financial year 2017 while improving its profitability. Orders received increased by 5.9% and revenue rose by 5.1%. Operating profit grew by 4.8%. Accordingly, the variable component of the compensation awarded to the members of the Group Executive Committee for 2017 averaged 55% of total compensation and comprised the following:

Compensation of members of the Group Executive Committee



The variable compensation reached at maximum 256% of the fixed compensation. The cash bonus awarded reflects an average achievement factor of 125% based on the targets set for 2017.

The Board of Directors decided to grant Performance Share Units convertible into registered shares in accordance with the rules of the Deferred Share Plan 2015 for the reporting year and to apply a discount of 20%.

The Board of Directors has defined Group growth and EBIT targets for 2019. The number of Performance Share Units disclosed represents the number of registered shares that would be granted if these targets are achieved (i.e. 100% achievement rate). This estimate is based on the most recent interim assessment of the achievement of targets. In order to include them in total compensation, the Performance Share Units are valued at the volume-weighted average price in March of the reporting year less a discount of 10%.

The variable compensation of the Group Executive Committee reported is always subject to the approval of the General Meeting of Shareholders.

In the reporting year, no collateral or guarantees were granted to members of the Group Executive Committee. Neither Schindler Holding Ltd. nor any other Group company waived any claims against the members of the Group Executive Committee.

Performance Share Units granted

	Number
Total Group Executive Committee	31 138
Thomas Oetterli, CEO	6 533

Value per Performance Share Unit

In CHF	Deferred Share Plan
Participation right	PSU on registered shares
Volume-weighted average price in March 2017	191.35
Value for inclusion in variable compensation	172.22

4.3 Approved fixed compensation

In CHF 1 000	Board of Directors	Group Executive Committee
Approved by the General Meeting of Shareholders 2017	5 900	11 700
Actual fixed compensation 2017	5 863	10 846

5 Compensation for the previous year

5.1 Board of Directors

In CHF 1 000	Fixed compensation			Variable compensation		Total for 2016
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)/other	Registered shares	Social and other benefits	
Alfred N. Schindler, Chairman ¹	2 125	263	529	595	58	3 570 ¹⁰
Luc Bonnard, Vice Chairman ²	300	14	485 ⁸	–	59	858
Prof. Dr. Karl Hofstetter ³	839	311	827	930	99	3 006
Silvio Napoli ⁴	1 127	295	1 194	1 260 ⁹	145	4 021 ¹¹
Jürgen Tinggren ⁵	634	178	336 ⁸	378	40	1 566
Prof. Dr. Pius Baschera ²	200	9	–	–	–	209
Patrice Bula ²	200	12	–	–	–	212
Prof. Dr. Monika Bütler ²	200	12	–	–	–	212
Dr. Rudolf W. Fischer ⁶	605	220	454	510	54	1 843
Anthony Nightingale ²	200	9	–	–	–	209
Rolf Schweiger ²	200	9	–	–	–	209
Carole Vischer ²	240 ⁷	14	–	–	–	254
Prof. Dr. Klaus W. Wellershoff ²	240 ⁷	14	–	–	–	254
Total compensation	7 110	1 360	3 825	3 673	455	16 423

¹ Member of the Supervisory and Nomination Committee

² Non-executive member

³ Member of the Supervisory and Nomination Committee (from the General Meeting of Shareholders 2016), including function as Group General Counsel, 80% basis

⁴ Member of the Supervisory and Nomination Committee from the General Meeting of Shareholders 2016

⁵ Until the General Meeting of Shareholders, 80% basis

⁶ Until August 31, 2016, member of the Supervisory and Nomination Committee, thereafter non-executive member; 80% basis until March 2016, and 60% thereafter

⁷ Including fee for work as a member of the Audit Committee of CHF 40 000

⁸ Including fee for consulting services

⁹ Including 1 800 Performance Share Units for position as CEO

¹⁰ Alfred N. Schindler donated over CHF 1 million of this sum to a charitable foundation under Swiss law

¹¹ Including compensation as CEO until March 2016

Board of Directors' fees (including a flat-rate expense allowance) amounted to: Full-time Chairman CHF 400 000, Vice Chairman CHF 300 000, other members CHF 200 000.

The Board of Directors decided to grant registered shares under the capital participation plans.

Registered shares and Performance Share Units granted

	Registered shares	Performance Share Units
Alfred N. Schindler, Chairman	3 457	–
Dr. Rudolf W. Fischer	2 963	–
Prof. Dr. Karl Hofstetter	5 400	–
Silvio Napoli	5 679	1 800
Jürgen Tinggren	2 195	–

The final number of registered shares was calculated using a grant value of CHF 153.08, which corresponds to the volume-weighted average share price in March 2017, less 20%. The number disclosed in the previous year was based on a provisional value (volume-weighted average share price of registered shares in December 2016, less 20%, resulting in a provisional grant value of CHF 140.69).

5.2 Group Executive Committee

In CHF 1 000	Fixed compensation			Variable compensation			Total for 2016
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Other benefits	Social contributions	
Total compensation	6 387	2 507	5 367	4 883	223	556	19 923
Highest individual compensation: Thomas Oetterli, CEO	925	235	1 168	946	58	122	3 454

The total cash bonus awarded to the Group Executive Committee reflected an average achievement factor of 125% based on the targets set for 2016.

Performance Share Units granted

	Number
Total Group Executive Committee	31 253
Thomas Oetterli, CEO	6 053

6 Benefits for former members of governing bodies

No compensation as defined in Article 14, para. 1, section 4 of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (VegüV) was paid to former members of a governing body.

7 Loans and credits

Article 34 of the Articles of Association of Schindler Holding Ltd. states that the Board of Directors may grant loans or credits to members of the Board of Directors or the Group Executive Committee. The total amount of these loans and credits must not exceed CHF 10 million and they may only be granted at market rates and subject to the applicable abstention rules.

7.1 Present and former members of governing bodies

No loans or credits were granted by Schindler Holding Ltd. or any other Group company to present or former members of governing bodies, and no such loans were outstanding as of December 31, 2017.

7.2 Related parties

No loans or credits were granted by Schindler Holding Ltd. or any other Group company to related parties of present or former members of governing bodies, and no such loans were outstanding as of December 31, 2017.

8 Proposals to the General Meeting of Shareholders 2018

The aggregate amount of fixed compensation for the Board of Directors and the Group Executive Committee for the financial year 2018 and the aggregate amount of variable compensation for the reporting year 2017 will be proposed separately to the General Meeting of Shareholders in March 2018 for approval.

8.1 Fixed compensation for 2018

The aggregate amount of fixed compensation for the Board of Directors to be approved is CHF 8.7 million (amount proposed in 2017: CHF 5.9 million). The increase compared to the previous year is based on the following changes:

- 1) Increase in the number of members of the Supervisory and Strategy Committee from two to three
- 2) Inclusion of fees for consulting services paid to Alfred N. Schindler and Luc Bonnard (reported as variable compensation until 2017)
- 3) Full-year inclusion of compensation paid to Tobias B. Staehelin for his operational function at a Group company

The aggregate amount of fixed compensation for the Group Executive Committee to be approved is CHF 10.1 million (amount proposed in 2017: CHF 11.7 million). The reduction compared to the previous year is based on the following changes:

- 1) Reduction in the number of members of the Group Executive Committee from 13 to 12 due to the nomination of Michael Nilles as a member of the Board of Directors and a member of the Supervisory and Strategy Committee
- 2) Continuing contractual payments made in 2017 to members who stepped down from the Group Executive Committee will cease in 2018

8.2 Variable compensation for 2017

The aggregate amount of variable compensation for the Board of Directors to be approved is CHF 5 526 000 (amount proposed in 2017: CHF 7 953 000). This includes performance-related variable compensation for executive members of the Board of Directors as well as fees for consulting services paid to non-executive members of the Board of Directors. The reduction compared to the previous year is based on the following changes:

- 1) Alfred N. Schindler stepped down from the Supervisory and Strategy Committee in March 2017. For the remainder of the year, the Supervisory und Strategy Committee consisted of only two members
- 2) The amount of fees paid for consulting services was lower in 2017

The aggregate amount of variable compensation for the Group Executive Committee to be approved is CHF 13 224 000 (amount proposed in 2017: CHF 11 029 000).

The increase compared to the previous year is based on the following changes:

- 1) Inclusion of variable compensation paid to members who stepped down from the Group Executive Committee for the period after they left the Group Executive Committee
- 2) Full-year bonuses paid to members of the Group Executive Committee who have been in office since April 2016

The aggregate amount of variable compensation to be approved for the Group Executive Committee also includes CHF 5 362 000, representing the value of the Performance Share Units that would be converted into registered shares if Group growth and profitability targets are achieved (i.e. 100% achievement rate). This is based upon the most recent interim assessment of the achievement of targets. The conversion rate (i.e. the final value paid in shares at the end of the performance period) may differ as the conversion rate is between 0% and 300%. The final value will depend on the company's performance in relation to previously defined targets as well as the share price development over the three-year period but may be a maximum of CHF 14 300 000.

9 Levels of participation

The participations and option rights of members of the Board of Directors of Schindler Holding Ltd. and the Group Executive Committee, as well as related parties, are as follows (there are no conversion rights outstanding):

9.1 Board of Directors

2017

	Participation		Number
	Registered shares	certificates	Options
As of 31.12.			
Silvio Napoli, Chairman ¹	33 905	5 631	–
Alfred N. Schindler, Chairman emeritus ²	⁴	43 330	–
Prof. Dr. Pius Baschera, Vice Chairman ²	3 000	–	–
Prof. Dr. Karl Hofstetter ¹	91 868	6 431	13 712 ⁵
Luc Bonnard ²	⁴	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	20 091	–	3 171 ⁶
Anthony Nightingale ²	3 000	–	–
Tobias B. Staehelin ³	^{4, 7}	–	–
Carole Vischer ²	⁴	–	–

¹ Member of the Supervisory and Strategy Committee

² Non-executive member

³ Executive member at Group company level

⁴ Alfred N. Schindler, Luc Bonnard, Tobias B. Staehelin, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholders' agreement. Together with related parties, they held a total of 47 661 559 shares as at December 31, 2017, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.

⁵ Fully vested options on participation certificates granted under the Long Term Incentive Plan 2011

⁶ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁷ In addition, a related party of Tobias B. Staehelin (not a member of the shareholder agreement) holds 10 registered shares

2016

			Number
	Registered shares	Participation certificates	Options
As of 31.12.			
Alfred N. Schindler, Chairman ¹	³	43 330	–
Luc Bonnard, Vice Chairman ²	³	–	3 171 ⁴
Prof. Dr. Karl Hofstetter ¹	78 775	21 159	28 204 ⁵
Silvio Napoli ¹	16 687	9 981	–
Prof. Dr. Pius Baschera ²	3 000	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	27 645	–	3 171 ⁴
Anthony Nightingale ²	3 000	–	–
Rolf Schweiger ²	3 375	–	–
Carole Vischer ²	³	–	–
Prof. Dr. Klaus W. Wellershoff ²	3 000	–	–

¹ Member of the Supervisory and Nomination Committee

² Non-executive member

³ Alfred N. Schindler, Luc Bonnard, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholders' agreement. Together with related parties, they held a total of 47 655 782 shares as at December 31, 2016, corresponding to 71.0% of the voting rights of the share capital entered in the Commercial Register.

⁴ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁵ Fully vested options on participation certificates granted:

– under the Long Term Incentive Plan 2010: 14 492

– under the Long Term Incentive Plan 2011: 13 712

9.2 Group Executive Committee

2017

	Number		Number of vested options on			
	Registered shares	Participation certificates	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
As of 31.12.						
Thomas Oetterli, CEO	19 263	7 307	4 529 ²	5 142 ³	–	–
Erich Ammann	20 000	–	–	–	–	–
Julio Arce	1 555	385	–	419 ¹	277	189
Karl-Heinz Bauer	–	–	–	–	–	–
David Clymo	8 813	–	–	–	–	–
Paolo Compagna	1 505	284	–	–	–	–
Carlos Guembe	551	–	–	2 168 ³	–	1 026
Andre Inserra	3 505	–	–	–	–	–
Michael Nilles	4 916	–	291 ¹	2 145 ¹	1 859	1 533
Christian Schulz	4 927	–	577 ¹	617 ¹	371	252
Robert Seakins	347	–	–	418 ¹	277	210
Egbert Weisshaar	4 114	–	–	–	–	–
Daryoush Ziai	356	–	–	–	–	–

¹ Options from Capital Participation Plan 2000/2003

² Options from Long Term Incentive Plan 2010

³ Options from Long Term Incentive Plan 2011

2016

	Number		Number of vested options on						
	Registered shares	Participation certificates	Registered shares granted 2008 ¹	Registered shares granted 2008 ²	Registered shares granted 2009	Participation certificates granted 2010	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
As of 31.12.									
Thomas Oetterli, CEO	12 995	7 307	–	–	2 000 ³	4 529 ⁴	5 142 ⁵	–	–
Miguel A. Rodríguez	26 844	–	4 279	10 234	–	6 340 ⁴	5 999 ⁵	–	–
Erich Ammann	18 931	–	–	–	–	–	–	–	–
Karl-Heinz Bauer	–	–	–	–	–	–	–	–	–
David Clymo	5 703	454	–	–	–	–	–	–	–
Paolo Compagna	1 505	284	–	–	–	–	–	–	–
Carlos Guembe	3 994	1 989	–	–	7 246 ³	2 355 ⁴	2 228 ⁵	–	–
Albert Haffert	9 308	3 000	–	–	–	4 982 ⁴	6 856 ⁵	–	–
Andre Inserra	3 289	–	–	–	–	–	–	–	–
Michael Nilles	4 704	–	–	–	–	291 ¹	2 145 ¹	1 859	1 533
Oswald Schmid	2 767	4 358	–	–	–	2 944 ⁴	3 000 ⁵	–	2 776
Christian Schulz	4 771	–	–	–	1 104 ¹	577 ¹	617 ¹	371	252
Daryoush Ziai	168	–	–	–	–	–	–	–	–

¹ Options from Capital Participation Plan 2000/2003

² Options from Long Term Incentive Plan 2008

³ Options from Long Term Incentive Plan 2009

⁴ Options from Long Term Incentive Plan 2010

⁵ Options from Long Term Incentive Plan 2011

Information on the conditions that apply to options is provided in note 35.2 to the consolidated Financial Statements.

Report of the statutory auditor



To the General Meeting of
Schindler Holding Ltd., Hergiswil

Basle, 14 February 2018

Report of the statutory auditor on the compensation report

We have audited the compensation report of Schindler Holding Ltd. for the year ended 31 December 2017. 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 sections 4 to 7 and 9 of the compensation report.



Board of Directors' responsibility

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



Auditor's responsibility

Our responsibility is to express an opinion on the compensation 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 compensation 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 compensation 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation 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 compensation report for the year ended 31 December 2017 of Schindler Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Lorenz Malär
Licensed audit expert