

Compensation Report

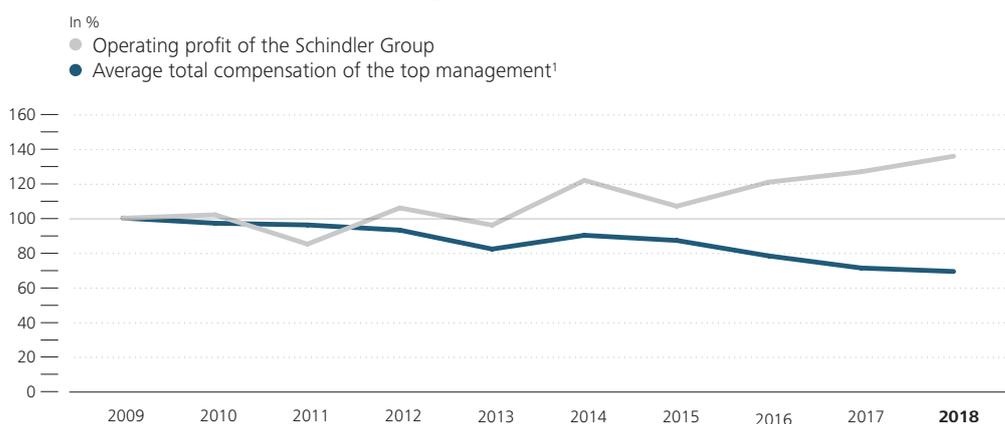
85	Foreword
86	Compensation governance
88	Compensation principles
90	Compensation system for the Board of Directors
92	Compensation system for the Group Executive Committee
94	Compensation for the reporting year
97	Compensation for the previous year
98	Benefits for former members of governing bodies
99	Loans and credits
99	Proposals to the General Meeting of Shareholders 2019
100	Levels of participation
103	Report of the statutory auditor

Foreword

Schindler pursues a growth strategy with a long-term focus. The company is therefore committed to looking beyond short-term financial results to create sustained value. Since 2000, revenue in the elevators and escalators business has grown from CHF 6 669 million to CHF 10 879 million and operating profit has risen from CHF 422 million to CHF 1 269 million. Over the same period, the company’s market capitalization has increased more than six times and was CHF 20.7 billion as of December 31, 2018. Return on equity reached 28.8%.

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

Operating profit versus average total compensation



While operating profit has increased by an average of more than 3% annually since 2009, the average total compensation awarded to top management¹ has decreased over the same period.

To continue generating growth as well as returns for shareholders, it is important for Schindler Holding Ltd. to have a highly qualified management team. 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. For this purpose, Schindler compared the compensation of its top management¹ with an external benchmark in 2018.

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

In spite of the relatively low portion of executive compensation on the overall personnel expenses (0.8%), 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.

This Compensation Report contains information about the compensation of the members of the Board of Directors and of the Group Executive Committee, as well as their shareholdings in Schindler Holding Ltd., and any loans granted to these individuals. 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 2018 unless otherwise stated.

1 Compensation governance

1.1 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.

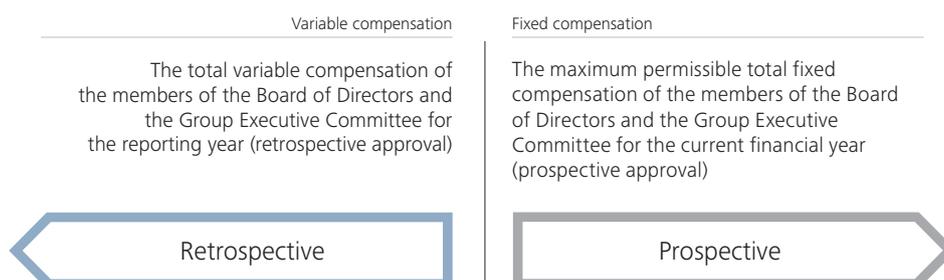
The responsibilities related to compensation matters at the level of the Board of Directors and the Group Executive Committee are defined in the Articles of Association and the Organizational Regulations. The most important functions and responsibilities in this context are summarized in the following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

	Beneficiaries									
	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 and target compensation	Variable compensation	Fixed and target compensation	Variable compensation	Fixed compensation	Fixed and target compensation	Variable compensation	Fixed and target compensation	Variable compensation	
Compensation Committee	●	●	●	●	●	●	●	●	●	●
Chairman of the Board of Directors			●	●	●	●	●	●	●	●
CEO								●	●	
Board of Directors	●	●	●	●	●	●	●	●	●	●

● Proposal
● Decision

The members of the committees may not participate in discussions when decisions are made about their compensation.

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:



According to Article 32 of the Articles of Association of Schindler Holding Ltd., 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.

In the reporting year, Corporate Human Resources conducted a benchmarking analysis of the compensation level of the members of the Group Executive Committee and the members of the Supervisory and Strategy Committee with the support of the independent expert company Willis Towers Watson. For the purpose of the benchmarking, compensation data of comparable companies was taken into account. Comparable companies are defined as companies with a similar size in terms of market capitalization, revenue, number of employees and geographic scope, which operate in similar business segments and are headquartered in Switzerland. The results of the benchmarking analysis were discussed with the Compensation Committee and were used as the basis for their proposals to the Board of Directors regarding the fixed and target compensation for the Group Executive Committee and the Supervisory and Strategy Committee members.

1.2 Compensation Committee

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

2 Compensation principles

2.1 Compensation policy

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 mindset and approach.

Performance-related compensation in line with market	Participation in the company's success
Schindler compensation policy	
Fair and transparent compensation decisions	Balanced proportion of short-term and long-term compensation components

2.2 Overview of compensation components

In accordance with Article 33 of the Articles of Association of Schindler Holding Ltd., 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/about-schindler/corporate-governance/articles-of-association.html).

An overview of the compensation components of the Board of Directors and the Group Executive Committee is provided below. The compensation components are described in detail in sections 3 and 4 of this report.

	Board of Directors		
	Executive members	Non-executive members	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			●

2.3 Employment terms

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.

2.4 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.

3 Compensation system for the Board of Directors

3.1 General remarks

The Board of Directors consists of executive and non-executive members. Four members of the Board of Directors are executive members, although none serves concurrently as a member of the Group Executive Committee.

- Silvio Napoli, Erich Ammann, and Michael Nilles form the Supervisory and Strategy Committee and receive fixed and variable compensation, as described in sections 3.2 and 3.3.
- 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.

3.2 Fixed compensation

All members of the Board of Directors receive a fixed Board of Directors' fee as well as a flat-rate allowance. The members of the Compensation Committee and the Audit Committee receive an additional fee for their work in these committees.

The fixed compensation of the members of the Supervisory and Strategy Committee comprises in addition an annual salary, a representation allowance and a car allowance, as well as pension (pension fund, Schindler Foundation), social, and other benefits. Other benefits comprise in particular health insurance contributions and premiums for management insurance plans.

3.3 Variable compensation (Supervisory and Strategy Committee)

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

In April of the following year (grant year) 50% of variable compensation is paid in cash and 50% is paid in shares 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. For the reporting year, it decided to grant registered shares.

The granted shares include all of the associated rights but are blocked for a period of three years, during which they may not be disposed of.

The 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. For the reporting year, it decided to apply a discount of 20%. 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.

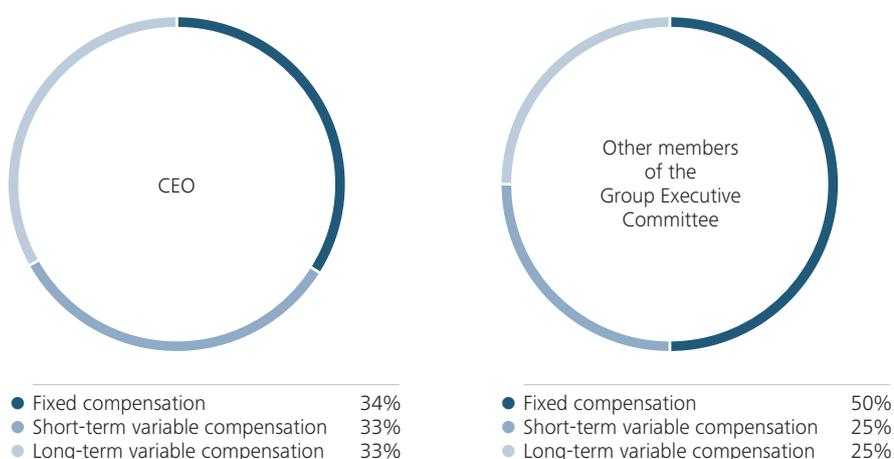
Provisional number of shares	=	50% of the performance-related bonus achieved	÷	Volume-weighted average share price in December of the reporting year (less discount)
Value disclosed in Compensation Report	=	Volume-weighted average share price in December of the reporting year (less 10%)	×	Provisional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

Benefits related to variable compensation such as social contributions are reported as social and other benefits.

4 Compensation system for the Group Executive Committee

The compensation of the members of the Group Executive Committee consists of fixed, short-term variable and long-term variable compensation. The targeted split between these different compensation components is as follows for the CEO and other members of the Group Executive Committee (assuming 100% target achievement):

Target compensation



4.1 Fixed compensation

The fixed compensation of the 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. Other benefits also comprise health insurance contributions and premiums for management insurance plans.

4.2 Variable compensation

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

Short-term variable compensation component

The annual performance-related cash bonus is calculated on the basis of the achievement of financial, strategic, and operational targets. The targets that need to be achieved, as well as the target bonus, are set at the start of the calendar year.

For the reporting year, 50% of the cash bonus was based on financial targets (growth and profitability) and 50% on personal strategic and operational targets. Depending on the extent to which the targets are achieved, the cash bonus awarded may be between 0% and 150% of the target bonus and is paid in April of the following year.

Long-term variable compensation component

Under the Deferred Share Plan 2015 the members of the Group Executive Committee receive an annual grant of Performance Share Units as a long-term compensation component. The long-term incentive plan is designed to reward long-term value creation in line with the business strategy based on the following criteria:

	General description	Grant 2018
Plan	Deferred Share Plan 2015	
Vehicle	Performance Share Units (PSU) to be converted into registered shares or participation certificates	PSU to be converted into registered shares
Number of PSU granted	Contractual target amount divided by the volume-weighted average share price in March of the reporting year, less a discount. The Board of Directors decides at its sole discretion on the discount to be applied.	Share price: CHF 202.24 Discount: 20%
Performance targets	At the start of the reporting year, the performance targets that apply to all members of the Group Executive Committee are set for the next three business years. The achievement of those targets is determined after the end of the three-year period.	– Group revenue – Group EBIT – Strategic projects
Grant year	Reporting year	2018
Performance period	Reporting year plus two years	2018–2020
Conversion date	In the year following the three-year performance period	30.4.2021
Conversion rate	0%-300%, depending on the extent to which the performance targets are achieved	to be determined in 2021
Cap	The maximum value of the converted shares that a participant may receive equals three times the contractual target amount.	
Forfeiture of conversion	In the event of any qualified breaches of the Code of Conduct, participants forfeit the right to have the PSU converted into shares.	

The number of PSU disclosed represents the number of registered shares that would be granted if the set targets are achieved (i.e. 100% achievement rate). This estimate is based on the current interim assessment of the achievement of targets. In order to include them in total compensation, the PSU are valued at the volume-weighted average price in March of the reporting year less a discount of 10%. This discount reflects the fact that the PSU 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%

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

5 Compensation for the reporting year

5.1 Board of Directors

In CHF 1 000	Fixed compensation		Variable compensation			Total for 2018
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Registered shares/PSU	Social and other benefits	
Silvio Napoli, Chairman ¹	1 393	338	859	967	106	3 663
Alfred N. Schindler, Chairman emeritus ²	353 ⁶	19	–	–	–	372
Prof. Dr. Pius Baschera, Vice Chairman ²	339 ⁷	16	–	–	–	355
Erich Ammann ³	725	227	551	605	65	2 173
Michael Nilles ³	831	202	411	447	48	1 939
Luc Bonnard ²	450 ⁶	22	–	–	–	472
Patrice Bula ²	231 ⁷	13	–	–	–	244
Prof. Dr. Monika Bütler ²	240 ⁸	14	–	–	–	254
Dr. Rudolf W. Fischer ²	231 ⁷	11	–	–	–	242
Prof. Dr. Karl Hofstetter ⁴	796	312	1 657	–	93	2 858
Anthony Nightingale ²	200	9	–	–	–	209
Tobias B. Staehelin ⁵	458	241	92	23	64	878⁹
Carole Vischer ²	240 ⁸	14	–	–	–	254
Total compensation reported	6 487	1 438	3 570	2 042	376	13 913
Total compensation to active members of the Board of Directors	5 691	1 126	1 913	2 042	283	11 055¹⁰

¹ Member of the Supervisory and Strategy Committee

² Non-executive member

³ Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018)

⁴ Member of the Supervisory and Strategy Committee (until the General Meeting of Shareholders 2018)

⁵ Executive member with executive position at Group company level

⁶ Including fee for consulting services (based on fixed daily fee and number of days actually worked)

⁷ Including fee for work as member of the Compensation Committee or its Chairman

⁸ Including fee for work as member of the Audit Committee

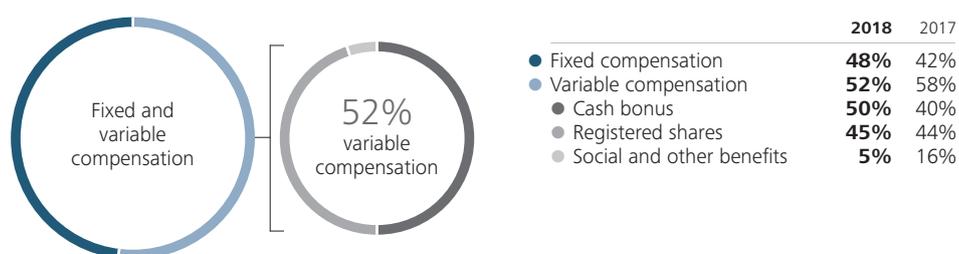
⁹ Includes compensation for operational function as Managing Director of the C. Haushahn Group, Germany, as well as fee as a member of the Board of Directors of a Group company

¹⁰ Represents compensation of all members of the Board of Directors in office at December 31, 2018

Fees for members of the Board of Directors and committees of the Board

In CHF 1 000	
Chairman	400
Vice Chairman	300
Other members	200
Chairman Compensation Committee	50
Compensation Committee members	40
Audit Committee members	40

Compensation of members of the Supervisory and Strategy Committee



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 and Performance Share Units granted

	Registered shares	PSU
Silvio Napoli, Chairman	5 631	–
Erich Ammann	2 703	773
Michael Nilles	2 150	425
Tobias B. Staehelin	134	–

The number of registered shares disclosed is a provisional figure based on the volume-weighted average price in December 2018, with a discount of 20%. The final number is reported in the following year's Compensation Report.

Value per share and Performance Share Unit

In CHF	Performance Share Plan	Deferred Share Plan
Participation right	Registered share	PSU on registered share
Volume-weighted average price in March 2018		202.24
Volume-weighted average price in December 2018	190.78	
Value for inclusion in variable compensation	171.70	182.02

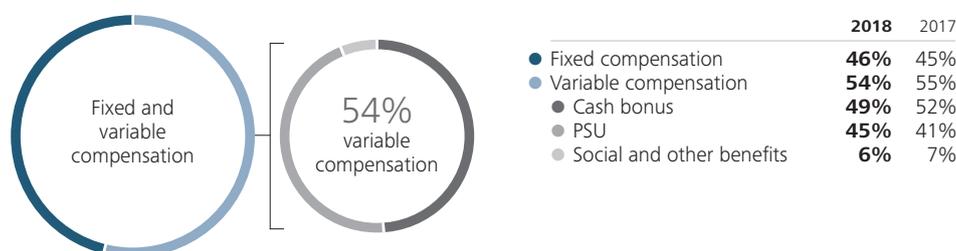
Approved fixed compensation

In CHF 1 000	
Approved by the General Meeting of Shareholders 2018	8 700
Actual fixed compensation 2018	7 925

5.2 Group Executive Committee

In CHF 1 000	Fixed compensation		Variable compensation			Total for 2018
	Cash (gross)	Pension, social, and other benefits	Cash bonus (gross)	Performance Share Units	Social and other benefits	
Total compensation	6 402	2 631	5 218	4 754	600	19 605
Highest individual compensation: Thomas Oetterli, CEO	902	208	1 300	1 125	136	3 671

Compensation of members of the Group Executive Committee



The variable compensation reached at maximum 231% of the fixed compensation (previous year: 256%).

The cash bonus awarded for 2018 reflects an average achievement factor of 120% based on the targets set for the year (previous year: 125%).

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

In April 2018, the PSU granted under the Deferred Share Plan 2015 for the performance period 2015–2017 were converted into registered shares at a conversion rate of 2.0. Due to the increase in the share price over the three years and the applicable cap of 300% of the original target amount, the real conversion factor was 1.89.

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	26 115
Thomas Oetterli, CEO	6 181

Value per Performance Share Unit

In CHF	Deferred Share Plan
Participation right	PSU on registered share
Volume-weighted average price in March 2018	202.24
Value for inclusion in variable compensation	182.02

Approved fixed compensation

In CHF 1 000	
Approved by the General Meeting of Shareholders 2018	10 100
Actual fixed compensation 2018	9 033

6 Compensation for the previous year

6.1 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

Registered shares granted

	Registered shares
Silvio Napoli, Chairman	6 397
Alfred N. Schindler, Chairman emeritus	817
Prof. Dr. Karl Hofstetter	5 108
Tobias B. Staehelin	88

The final number of registered shares was calculated using a grant value of CHF 161.79, which corresponds to the volume-weighted average share price in March 2018, 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 2017, less 20%, resulting in a provisional grant value of CHF 174.98).

6.2 Group Executive Committee

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

Performance Share Units granted

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

7 Benefits for former members of governing bodies

Miguel A. Rodríguez left the Group Executive Committee on March 31, 2017. He continued to work for the company on projects related to his former position. In the reporting year, he was paid compensation of CHF 440 600 for these services.

No other 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.

8 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.

8.1 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, 2018.

8.2 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, 2018.

9 Proposals to the General Meeting of Shareholders 2019

The aggregate amount of fixed compensation for the Board of Directors and the Group Executive Committee for the financial year 2019 and the aggregate amount of variable compensation for the reporting year 2018 will be proposed separately to the General Meeting of Shareholders in March 2019 for approval.

9.1 Fixed compensation for 2019

The aggregate amount of fixed compensation for the Board of Directors to be approved is CHF 7.6 Mio (amount approved in 2018: CHF 8.7 Mio).

The reduction compared to the previous year is due to continuing contractual payments made to departing members of the Board of Directors in 2018. These payments will cease in 2019.

The aggregate amount of fixed compensation for the Group Executive Committee to be approved is CHF 10.5 Mio (amount approved in 2018: CHF 10.1 Mio).

The increase compared to the previous year is due to salary increases given to certain members of the Group Executive Committee, following the compensation benchmarking exercise carried out in 2018.

9.2 Variable compensation for 2018

The aggregate amount of variable compensation for the Board of Directors to be approved is CHF 5 988 000 (amount approved in 2018: CHF 5 526 000).

The change compared to the previous year is based on the increase in the number of members of the Supervisory and Strategy Committee from two to three and the inclusion of contractual payments to departing members of the Board of Directors, partly offset by the lower average level of bonus payouts to the members of the Supervisory and Strategy Committee.

The aggregate amount of variable compensation for the Group Executive Committee to be approved is CHF 10 572 000 (amount approved in 2018: CHF 13 224 000).

The reduction compared to the previous year is due to the reduced number of Group Executive Committee members reported under the variable compensation for 2018 (twelve members in 2018 compared to fifteen in 2017).

The aggregate amount of variable compensation to be approved for the Group Executive Committee includes an amount of CHF 4 753 000, representing the value of the Performance Share Units granted in 2018, assuming that the Group's targets set for 2020 are achieved (i.e. assuming a 100% conversion rate). This is based upon the most recent interim performance assessment. In 2021, when the Performance Share Units will be converted into shares, the final conversion rate will vary between 0% and 300%, depending on (i) the company's performance in relation to the defined targets as well as (ii) the share price development over the three-year period. The maximum payout in shares is capped at CHF 12 675 000.

10 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):

10.1 Board of Directors

2018

As of 31.12.	Number		
	Registered shares	Participation certificates	Options
Silvio Napoli, Chairman ¹	50 205	725	–
Alfred N. Schindler, Chairman emeritus ²	⁵	43 330	–
Prof. Dr. Pius Baschera, Vice Chairman ²	3 000	–	–
Erich Ammann ³	27 417	–	–
Michael Nilles ³	4 471	1 635	5 828 ⁶
Luc Bonnard ²	⁵	–	–
Patrice Bula ²	1 500	–	–
Prof. Dr. Monika Bütler ²	1 500	–	–
Dr. Rudolf W. Fischer ²	20 091	–	3 171 ⁷
Anthony Nightingale ²	3 000	–	–
Tobias B. Staehelin ⁴	^{5, 8}	–	–
Carole Vischer ²	^{5, 9}	–	–

¹ Member of the Supervisory and Strategy Committee

² Non-executive member

³ Member of the Supervisory and Strategy Committee (from the General Meeting of Shareholders 2018)

⁴ Executive member at Group company level

⁵ Alfred N. Schindler, Luc Bonnard, Tobias B. Staehelin, and Carole Vischer hold their registered shares of Schindler Holding Ltd. under a shareholder agreement. Together with related parties, they held a total of 47 662 664 shares as at December 31, 2018, corresponding to 71.1% of the voting rights of the share capital entered in the Commercial Register.

⁶ Fully vested options on participation certificates granted under the Capital Participation Plans 2000/2003:

– 2010: 291

– 2011: 2 145

– 2012: 1 859

– 2013: 1 533

⁷ Fully vested options on registered shares granted under the Capital Participation Plan 2000 (option plan grant 2013)

⁸ In addition, a related party (not a member of the shareholder agreement) holds 10 registered shares.

⁹ In addition, a related party (not a member of the shareholder agreement) holds 14 registered shares.

2017

As of 31.12.	Number		
	Registered shares	Participation certificates	Options
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 shareholder 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 (not a member of the shareholder agreement) holds 10 registered shares

10.2 Group Executive Committee

2018

As of 31.12.	Number		Number of vested options on		
	Registered shares	Participation certificates	Participation certificates granted 2011	Participation certificates granted 2012 ¹	Registered shares granted 2013 ¹
Thomas Oetterli, CEO	25 947	–	–	–	–
David Clymo	10 192	–	–	–	–
Urs Scheidegger	4 049	8 000	–	–	1 005
Julio Arce	2 945	385	419 ¹	277	189
Karl-Heinz Bauer	2 380	–	–	–	–
Paolo Compagna	5 663	284	–	–	–
Carlos Guembe	4 242	–	2 168 ²	–	1 026
Andre Inserra	4 705	–	–	–	–
Christian Schulz	4 518	1 959	–	–	252
Robert Seakins	1 366	199	418 ¹	277	210
Egbert Weisshaar	5 340	–	–	–	–
Daryoush Ziai	356	–	–	–	–

¹ Options from Capital Participation Plans 2000/2003

² Options from Long Term Incentive Plan 2011

2017

As of 31.12.	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
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 Plans 2000/2003

² Options from Long Term Incentive Plan 2010

³ Options from Long Term Incentive Plan 2011

Information on the conditions that apply to options is provided in note 33.2 to the consolidated Financial Statements.

To the General Meeting of Schindler Holding Ltd., Hergiswil

Report of the statutory auditor on the compensation report

We have audited compensation report of Schindler Holding Ltd. for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 5 to 8 and 10 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 2018 of Schindler Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Basle, 13 February 2019

Ernst & Young Ltd

Roland Ruprecht
Licensed audit expert
(Auditor in charge)

Simon Zogg
Licensed audit expert