

# 4 Compensation Report

Letter to shareholders from the Chairman of the Nomination and Compensation Committee	091
Compensation philosophy and governance	092
Compensation of the Board	096
Compensation of the Implenia Executive Committee	100
Approval of the Compensation Report	111



## LETTER TO SHAREHOLDERS FROM THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

### DEAR SHAREHOLDERS

We are pleased to present to you Implenía's Compensation Report for the financial year 2019.

This was a transition year for Implenía. The Company focused on the implementation of its new strategy with four key priorities: running a portfolio of attractive businesses, focus on profitable growth, innovation, talent and organisation.

To drive this strategy, a new organisational structure was established on 1 March, 2019 that led to changes in executive management. Four Implenía senior managers were promoted to the Implenía Executive Committee (IEC) and three external talents were appointed to the remaining executive positions, thus allowing us to strike a healthy balance between promoting internal talents and attracting external candidates with considerable experience in diverse industries.

As announced in the Compensation Report 2018, 2019 was also a year of transition in terms of compensation.

We executed the changes to our compensation framework announced last year, namely:

- A change to the total compensation mix for both the CEO and IEC members with an increased focus on performance-related variable pay components following an initial benchmarking;

- The introduction of a performance-related long-term incentive plan (LTIP) with performance share units associated with pre-defined targets;
- The short-term incentive (STI) for the division heads is now also linked to divisional financial results rather than just to Group results;
- The introduction of shareholding guidelines for both IEC and Board members.

In this compensation report, you will find additional information on the STI plan as well as on the LTIP, including details on absolute or relative targets. A new table has also been introduced, showing the exact reconciliation between the reported Board compensation and the amount approved by the shareholders at the AGM 2019.

As communicated last year, due to promotions and new appointments, following the expansion of the IEC from five to nine members, part of the additional sum allowed for by Art.15a para. 5 of the Articles of Association had to be used for the financial year 2019 in accordance with the provisions.

At the AGM 2018, the shareholders approved a maximum total compensation of CHF 10.0 million for executive management. In addition to compensation for the new members, throughout 2019, payments had to be made, for contractual termination periods, to four executives who left executive management in 2018 or 2019. This led to a total spending of CHF 11.4 million.

For the financial year 2020, the shareholders approved a maximum compensation of CHF 13.0 million. For the financial year 2021, the proposed maximum compensation for the IEC will be unchanged at CHF 13.0 million. The per capita compensation for the two top management levels will remain stable.

The Board of Directors further proposes the re-election of all seven of its members. The compensation paid to individual members of the Board of Directors is not being changed. Therefore, the proposed maximum total compensation for the period AGM 2020 to AGM 2021 is again CHF 1.5 million, as for the previous term.

This Compensation Report will also be submitted to a non-binding advisory vote by the shareholders at the AGM 2020.

Looking ahead, we will continue to regularly assess and review our compensation practices and build further on prior year improvements.

We count on your trust and thank you very much for your ongoing support as Implenía carries on its transformation journey.



Ines Pöschel  
Chairman of the Nomination and Compensation Committee

## Compensation philosophy and governance

The Implenia Compensation Report provides an overview of Implenia's compensation principles and key components.

In particular, the compensation paid to members of the Board of Directors and to Implenia Executive Committee (IEC) is outlined.

Furthermore, the responsibilities and governance process in the design, approval, and implementation of compensation plans are detailed.

This report has been prepared in accordance with Swiss laws and regulations, including the requirements of the Ordinance against Excessive Compensation at Stock Exchange Listed Companies (OaEC), the Directive on Information relating to Corporate Governance issued by the SIX Swiss Stock Exchange and the Swiss Code of Best Practice for Corporate Governance drawn up by *economiesuisse*.

The compensation amounts shown under chapters "Compensation of the Board" and "Compensation of the Implenia Executive Committee" of this report were audited by the statutory auditor.

In addition, certain provisions on compensation are governed by the Articles of Association (AoA), which were last updated and approved by the shareholders in March 2018. The following provisions on compensation, implemented in 2014, are included in the AoA:

- Powers (article 9)
- Approval of compensation of the Board of Directors for the period until the next AGM and of executive management for the next financial year by the General Shareholders' Meeting (article 15a)
- Additional amount of up to 50% of the applicable total amount of compensation of management authorised if members of management join management or take additional responsibilities during the period for which the compensation of management has already been approved (article 15a 5)
- Set-up and tasks of the compensation committee (article 21 a)
- Principles of compensation applicable to the Board of Directors and executive management (articles 22 a, b, c) and contracts (article 22 d)

The AoA can be consulted in its entirety online:

<http://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf>

## Compensation philosophy and governance

### 1 — COMPENSATION PRINCIPLES

Implenia's compensation philosophy, applicable to the Implenia Executive Committee (IEC) and more generally to all employees, is based on the following main principles:

- **SUPPORT OF THE COMPANY'S STRATEGIC PLANS** The compensation components are designed with a view of balancing the need to deliver short-term goals with achieving sustainable, long-term success.
- **PAY FOR PERFORMANCE** The different compensation elements aim to reward business performance and individual contributions, and motivate employees to deliver outstanding performance while avoiding excessive risk-taking.
- **ALIGNMENT WITH SHAREHOLDERS' INTERESTS** The new performance share plan for the IEC incentivises management to create long-term shareholder value. Shareholding guidelines apply to both the Board of Directors and the IEC. Additional details on the shareholding guidelines can be found in the chapters "Compensation of the Board" and "Compensation of the Implenia Executive Committee", in the paragraphs "Shareholding and Loans".
- **MARKET COMPETITIVENESS** In order to attract and retain talent, benchmarking is carried out periodically. This ensures that the different compensation elements are adequate without being excessive, in line with local market practices, and take into account the scope, complexity, and responsibilities of the roles as well as the experience and skills of the incumbents.
- **INTERNAL EQUITY AND TRANSPARENCY** To ensure consistent treatment of employees, compensation guidelines and approval processes are in place across the organisation. Compensation decisions for all employees are subject to the reviews and approvals by the superior and the next level manager with the guidance of Human Resources at a global or local level. Regular internal assessments are carried out for comparable positions to ensure a fair approach.
- **COMPLIANCE** As a responsible employer, Implenia strictly follows local laws and collective agreements as well as its internal guidelines and Code of Conduct. Implenia also regularly demonstrates its compliance as part of project tendering processes.

### 2 — COMPENSATION GOVERNANCE

#### 2.1 — Nomination and Compensation Committee (NCC)

The Board of Directors has, in accordance with the AoA, established a Nomination and Compensation Committee (NCC) to assist it with compensation and other matters (see article 21a of the AoA). As determined in the AoA, its organisational regulations and the respective charter, the NCC supports the Board of Directors, which has the ultimate decision authority, in the fulfilment of its duties and responsibilities in the area of compensation and personnel related matters. The responsibilities

and tasks related to areas of compensation include, among others:

- Assessment of overall compensation principles and compensation strategy of the Implenia Group;
- Recommendation of all elements of the compensation of the members of the Board of Directors and the IEC;
- Recommendation on the maximum total compensation amount of the Board of Directors and the IEC;
- Recommendation on the individual compensation of the CEO;
- Decision on the individual compensation of the other members of the IEC;
- Recommendation on the targets under the short-term and long-term incentive plans;
- Preparation and recommendation of the Compensation Report.

## Compensation philosophy and governance

The following table provides an overview of the division of responsibilities between the Annual General Meeting (AGM), the Board of Directors, the NCC, and the CEO:

### Approval and authority levels on compensation matters

Decision on	CEO	NCC	BoD	AGM
Compensation principles and strategy		Proposal	Approval	
Key terms of compensation framework for the Board of Directors and the IEC		Proposal	Approval	
Employment and termination agreements for the CEO		Proposal	Approval	
Employment and termination agreements for the members of the IEC	Proposal	Review	Approval	
Maximum aggregate amount of compensation for the Board of Directors		Proposal	Review and submission to AGM	Binding vote
Maximum aggregate amount of compensation for executive management		Proposal	Review and submission to AGM	Binding vote
Individual compensation, including fixed base salary, variable cash compensation and LTI, for the CEO <sup>1</sup>		Proposal	Approval	
Individual compensation, including fixed base salary, variable cash compensation and LTI, of the IEC (excluding the CEO) <sup>1</sup>	Proposal	Decision		
Individual compensation, including cash components and shares, to be granted to the members of Board of Directors, within the amount approved by the AGM		Proposal	Approval	
Compensation report		Proposal	Approval	Consultative vote

<sup>1</sup> Within the framework of the AoA and the maximum aggregate amount of compensation approved by the AGM.

The NCC consists of a minimum of two and a maximum of four independent, non-executive members of the Board of Directors, who are elected annually and individually by the AGM. The NCC Chair is appointed by the Board of Directors (among the elected NCC members). For the period under review, as highlighted in the Corporate Governance Report, the NCC consisted of three members: Ines Pöschel (NCC Chair), Laurent Vulliet, and Martin Fischer.

The NCC meets as often as business requires but at least two times per year. During the financial year 2019, the NCC held three regular meetings and various supplementary meetings and calls. The NCC reports to the Board of Directors at the Board meeting following each NCC meeting, ensuring that the Board of Directors is kept informed in a timely and appropriate manner of all material matters within the NCC's

areas of responsibility. In addition, all NCC documents (e.g. agenda, minutes, presentations, etc.) are available to the Board of Directors.

As a general rule, the Chairman of the Board of Directors, the CEO, and the Chief Human Resources Officer attend the NCC meetings. The Chairman of the NCC may invite other executives or external advisors as appropriate. The NCC regularly holds private sessions (i.e. without the presence of members of the executive management, members of the HR department, or third parties). Furthermore, executives (and the Chairman of the Board of Directors) do not participate during the sections of the meetings where their own performance and/or compensation are discussed.

The following table shows the number and duration of the meetings held in 2019, and the participants:

### Overview of NCC meetings

	Meetings <sup>1</sup>	Conference calls <sup>2</sup>
Total	3	1
Average duration (in hours)	3:20	0:30

### Participants

Ines Pöschel, Chairman	3	1
Laurent Vulliet, Member	3	1
Martin Fischer, Member	3	1

<sup>1</sup> The Chairman of the Board of Directors, and the CEO attended all meetings, the Chief Human Resources Officer and the Head Compensation & Benefits attended two meetings, after having joined Implenia in the course of 2019.

<sup>2</sup> In addition, various supplementary and preparatory meetings as well as telephone conferences were held. These meetings included interviews with candidates for executive positions or involved third parties as deemed necessary.

## Compensation philosophy and governance

### 2.2 — Shareholders' involvement

Authority for decisions related to the compensation of the members of the Board of Directors and the IEC is governed by article 15a of the AoA.

<http://www.implenia.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf>

The maximum aggregate compensation amounts to be awarded to the Board of Directors and the IEC are subject to an annual binding shareholder vote at the AGM. These binding votes are prospective. Shareholders vote on the maximum total compensation amount for the Board of Directors for the period until the next AGM, and on the maximum total compensation amount for the IEC for the following financial year.

In addition, the compensation report is submitted annually to a consultative shareholders' vote.

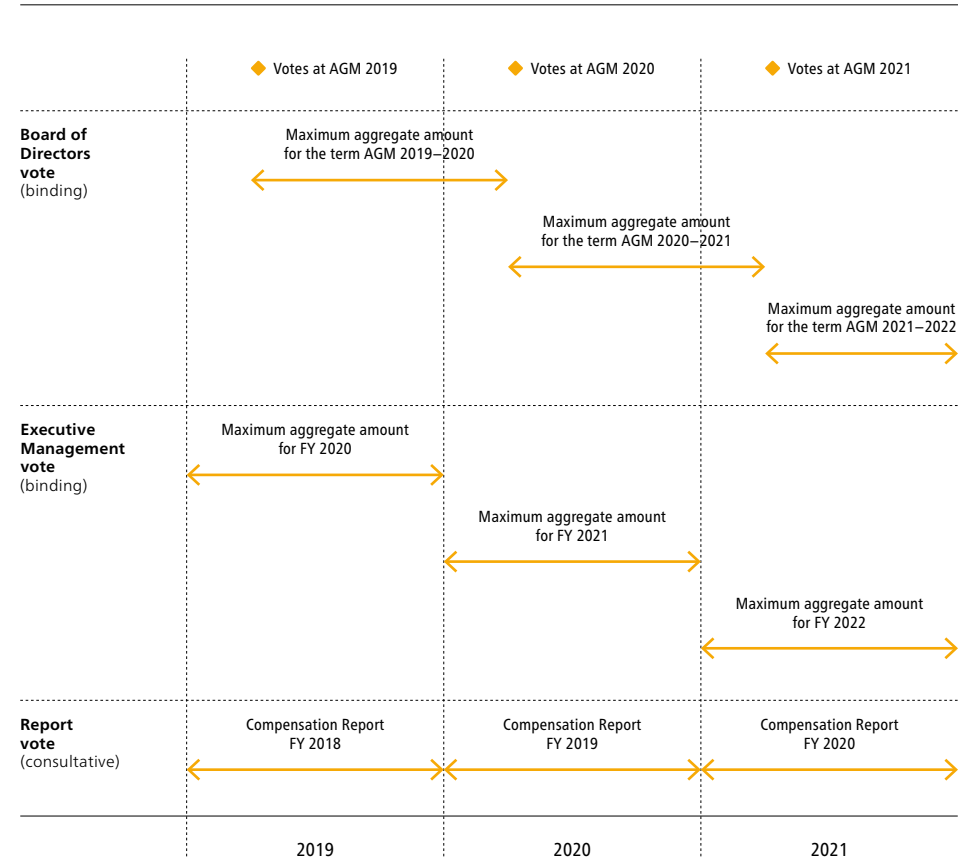
The maximum aggregate compensation amount for the Board of Directors comprises only fixed compensation, paid in cash and in equity (blocked shares). The maximum compensation amount for the IEC (including the CEO) comprises fixed compensation components (fixed base salary, other compensation, social security and pension contributions) and variable compensation components – short-term incentive (STI) and long-term incentive plans (LTIP).

The maximum aggregate compensation amount submitted to shareholders' vote differs from the actual amount of total compensation paid out to the IEC members. The reason is that the actual payouts in terms of STI depend on the performance achieved within the maximum amount. The size of the LTIP award at grant is included in the maximum aggregate compensation amount for the IEC. The number of shares vesting will depend on the achievements against targets at the end of the three-year performance period.

The actual total compensation amount awarded to the IEC will be disclosed in the compensation report of the respective financial year, which will be subject to a consultative shareholders' vote at the AGM.

Actual compensation amounts in 2018 and 2019 for the Boards of Directors and the IEC as well as reconciliations with the total amounts approved are shown respectively in the chapters "Compensation of the Board" and "Compensation of the Implenia Executive Committee" of this report.

#### Votes at the AGM



## Compensation of the Board

### 1 — STRUCTURE

The compensation structure for members of the Board of Directors follows the concept outlined under article 22 of the AoA.

<http://www.implenias.com/goto/corporategovernance/2019/en/Articles-of-Association-20180327.pdf>

In order to ensure the independence of the Board of Directors in exercising its supervisory duties over the IEC, the members of the Board of Directors receive an annual fixed total compensation and have no entitlement to variable compensation components.

The compensation of the members of the Board of Directors is subject to mandatory social security contributions (AHV/ALV). These contributions are paid by Implenia and are disclosed in section 2 of this chapter. No contributions were or are made to insurance or pension institutions. In addition, members of the Board of Directors have their travel expenses reimbursed against receipts. Any other business expenses are out of pocket.

Two-thirds of the compensation of the members of the Board of Directors is paid in cash. To align with the shareholders' interests and link the Board of Directors compensation with Implenia's share performance, one third of their compensation is paid out in shares. These shares are blocked for three years from the date of allocation. This blocking period continues to apply in the event of resignation from the Board of Directors, except in the cases of disability or death or compulsory retirement from the Board of Directors on reaching 70 years of age. The number of shares is calculated by taking the average price of Implenia shares during the month of December in the relevant year of office. The allocation is made during the first trading day in January.

The individual Board members' compensation depends on their functions and responsibilities within the Board and its committees.

The compensation structure and level of the members of the Board of Directors is regularly benchmarked.

The compensation structure and fee level for the members of the Board of Directors remained unchanged in the 2019/2020 term of office from to the previous term.

The following table shows the compensation structure of the members of the Board of Directors:

**Compensation structure and levels of the Board of Directors**

Function	Total CHF	Thereof in blocked shares of Implenia
Chairman	420,000	1/3
Vice Chairman	150,000	1/3
Chairman Audit Committee	170,000	1/3
Chairman Nomination and Compensation Committee	150,000	1/3
Other Members of the Board of Directors	130,000	1/3

## Compensation of the Board

### 2 — BOARD COMPENSATION FOR 2019

The detailed disclosure of compensation to the Board of Directors is as follows:

#### Board Compensation 2019

in CHF t	Total fee <sup>1</sup> 2019	Cash fee 2019	Number of shares <sup>2,3</sup> 2019	Share-based compensation <sup>4</sup> 2019	Social security contributions 2019	Total 2019
Hans Ulrich Meister, Chairman of the Board of Directors	398	280	3,746	118	55	453
Kyrre Olaf Johansen, Vice Chairman of the Board of Directors	142	100	1,338	42	21	163
Henner Mahlstedt, Chairman of the Audit Committee	161	113	1,516	48	18	179
Ines Pöschel, Chairman of the Nomina- tion and Compensation Committee	142	100	1,338	42	21	163
Laurent Vulliet, Member	123	87	1,159	36	18	141
Martin Fischer, Member	123	87	1,159	36	18	141
Barbara Lambert, Member as of 26.3.2019	92	65	832	27	13	105
<b>Grand total 2019</b>	<b>1,181</b>	<b>832</b>	<b>11,088</b>	<b>349</b>	<b>164</b>	<b>1,345</b>

1 The total fee is first shown and then the breakdown in cash fee and blocked shares.

2 Implemia Ltd. shares, valor number 2386855, par value CHF 1.02.

3 The calculation is based on the average share price for December. The shares were transferred on 3.1.2020. They were included as a component of the compensation for the year under review.

4 The value of the shares is calculated as follows: average share price in December minus tax discount (16.038%).

#### Board Compensation 2018

in CHF t	Total fee <sup>1</sup> 2018	Cash fee 2018	Number of shares <sup>2,3</sup> 2018	Share-based compensation <sup>4</sup> 2018	Social security contributions 2018	Total 2018
Hans Ulrich Meister, Chairman of the Board of Directors	398	280	3,709	118	55	453
Kyrre Olaf Johansen, Vice Chairman of the Board of Directors	142	100	1,325	42	21	163
Henner Mahlstedt, Chairman of the Audit Committee	161	113	1,501	48	23	184
Ines Pöschel, Chairman of the Nomina- tion and Compensation Committee	142	100	1,325	42	21	163
Laurent Vulliet, Member	123	87	1,148	36	18	141
Martin Fischer, Member as of 27.3.2018	92	65	982	27	13	105
Chantel Balet Emery, Member until 27.3.2018	31	22	166	9	2	33
<b>Grand total 2018</b>	<b>1,089</b>	<b>767</b>	<b>10,156</b>	<b>322</b>	<b>153</b>	<b>1,242</b>

1 The total fee is first shown and then the breakdown in cash fee and blocked shares.

2 Implemia Ltd. shares, valor number 2386855, par value CHF 1.02.

3 The calculation is based on the average share price for December. The shares were transferred on 3.1.2019. They were included as a component of the compensation for the year under review.

4 The value of the shares is calculated as follows: average share price in December minus tax discount (16.038%).



## Compensation of the Board

The total compensation paid to the Board of Directors for the year 2019 was above that of the previous year. The increase is explained by the increase (from six back to seven as per the AGM 2019), of the number of members of the Board of Directors, as the compensation structure and fee level for the Board of Directors remained unchanged.

The shareholders approved:

- at the AGM 2019, a maximum aggregate compensation amount of CHF 1,500,000 for the period of office between the AGM 2019 and the AGM 2020.
- at the AGM 2018, a maximum aggregate compensation amount of CHF 1,350,000 for the period of office between the AGM 2018 and the AGM 2019.

The table below reconciles actual Board compensation from AGM to AGM with the amount approved by the shareholders. For the last two completed years of office, the compensation was within the limits approved at the AGM. Information regarding the proposed total compensation of the Board of Directors for the period from the AGM 2020 to the AGM 2021 will be provided in the invitation to the AGM 2020.

### Reconciliation between the reported Board compensation and the amount approved by the shareholders at the AGM

	Compensation paid during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned from period AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2019–AGM 2020 <sup>1</sup>	2019	1.1.2019 to AGM 2019	1.1.2020 to AGM 2020	AGM 2019 to AGM 2020	AGM 2019	AGM 2019
<b>Total in CHF t</b>	1,345	308	343	1,380	1,500	92.0%
AGM 2018–AGM 2019 <sup>2</sup>	2,018	1.1.2018 to AGM 2018	1.1.2019 to AGM 2019	AGM 2018 to AGM 2019	AGM 2018	AGM 2018
<b>Total in CHF t</b>	1,242	307	308	1,243	1,350	92.1%

<sup>1</sup> Seven members of the Board of Directors.

<sup>2</sup> Six members of the Board of Directors.

## Compensation of the Board

### 3 — SHAREHOLDING AND LOANS

In order to further align the interests of the Board of Directors with those of the shareholders, shareholding guidelines were introduced in 2019. The shareholding guidelines expect the members of the Board of Directors to hold shares of Implenía worth the equivalent of at least 100% of their annual fees within three years, starting with the introduction of the guidelines for current members of the Board of Directors or from their initial election to the Board of Directors for future members. To determine whether the minimum shareholding has been complied with, all blocked and unblocked shares received as compensation as well as shares acquired privately, either outright or beneficially, are taken into account. The NCC reviews this share ownership once a year. In the event the shareholding guidelines are not met by a member of the Board of Directors at the end of the build-up period, such member will be restricted from selling unblocked shares in the near future until the minimum shareholding is fulfilled.

The NCC conducted its annual assessment of share ownership in relation to the shareholding guideline at year end 2019. Based on the average share price in 2019, four members of the Board of Directors on 31 December, 2019 already meet the guideline.

No loans have been granted to any members of the Board of Directors or persons linked to them. Neither Implenía Ltd. nor its group companies have granted any collateral, loans, advances, or credit facilities to members of the Board of Directors or persons linked to them.

The following table shows the number of shares held by the individual members of the Board of Directors and persons linked to them as of

31 December 2019. In total, the members of the Board of Directors held 95,171 shares or 0.5% of the share capital (2018: 57,588 shares, or 0.3%).

#### Board of Directors

	Date of initial election to the Board	Number of shares, as at		Shares blocked until		
		31.12.2019 <sup>1</sup>	31.12.2018 <sup>2</sup>	2020	2021	2022
Hans Ulrich Meister, Chairman	22.03.2016	73,395 (76,979)	44,164 (48,395)	2,021	2,143	4,231
Kyrre Olaf Johansen, Vice Chairman	22.03.2016	2,903 (4,183)	1,392 (2,903)	626	766	1,511
Henner Mahlstedt, Member	24.03.2015	7,063 (8,514)	5,351 (7,063)	818	868	1,712
Ines Pöschel, Member	22.03.2016	6,403 (7,683)	4,892 (6,403)	626	766	1,511
Laurent Vulliet, Member	22.03.2016	4,098 (5,207)	1,789 (3,098)	626	663	1,309
Martin Fischer, Member	27.03.2018	1,309 (2,418)	0 (1,309)	–	–	1,309
Barbara Lambert, Member	26.03.2019	0 (1,109)	–	–	–	–
<b>Total</b>		<b>95,171 (106,093)</b>	<b>57,588 (69,171)</b>	<b>4,717</b>	<b>5,206</b>	<b>11,583</b>

1 The shares allocated for the 2019/20 year of office (see table under chapter 2, above) were transferred on 3.1.2020 (in parentheses including shares allocated on 3.1.2020).

2 The shares allocated for the 2018/19 year of office (see table under chapter 2, above) were transferred on 3.1.2019 (in parentheses including shares allocated on 3.1.2019).

## Compensation of the Implenia Executive Committee

The new Implenia IEC became operational on 1 March 2019. With the reorganisation of Implenia into four divisions – Buildings, Civil Engineering, Development and Specialties – the Global Heads of the divisions became IEC members. In addition, the role Head Country Management was created to coordinate

cross-divisional activities in the countries where Implenia operates. The global functions Finance/Procurement, Human Resources and Legal support the divisions and are also members of the IEC. Since March 2019, Implenia hence has nine executive management positions compared with five in 2018.

Furthermore, in 2019, Implenia implemented changes to its compensation mix as well as to the short-term and long-term incentives (STI and LTI). The revised STI and the new LTI plan (LTIP) are outlined in the section below. In short, Implenia has added Divisional Financial Performance conditions in the short-term

incentives of the Division Heads. The previous equity compensation plan, based on blocked shares without any performance conditions, has been replaced by a new LTIP consisting of performance share units.

### 1 — COMPENSATION STRUCTURE

As illustrated below, the compensation model for the IEC consists of fixed and variable elements.

#### Executive Management compensation at a glance

	Annual base salary	Short-term Incentives (STI)	Long-term Incentives (LTI)	Benefits and perquisites
<b>Purpose</b>	Rewards the scope of the function, the skills required to perform in the role, the experience of the incumbent and current market compensation levels.	Designed to reward financial performance and individual contributions.	Intended to anchor the company's strategy and focus on long-term value creation.	Reflects local market practices in terms of pension and insurance benefits as well as perquisites. Aims to protect against risk.
<b>Performance measures</b>	—	<p>Annual financial and individual targets as follows:</p> <ul style="list-style-type: none"> <li>Division Heads EBITDA Total (35%): of which Division (20%) and Group (15%) + Invested Capital (35%): of which Division (20%) and Group (15%), Individual targets (30%)</li> <li>Other IEC members EBITDA Group (35%), Invested Capital Group (35%), Individual targets (30%)</li> <li>Payout range: from 0% to 200%</li> </ul>	<p>Performance-related entitlement to receive shares after a performance period of three years.</p> <ul style="list-style-type: none"> <li>Subject to performance of two equally weighted vesting conditions: <ul style="list-style-type: none"> <li>Relative Total Shareholder Return</li> <li>Earnings per share</li> </ul> </li> <li>Number of PSUs: from 0% to 200%</li> </ul>	—
<b>Link to Compensation Principle</b>	Market competitiveness	Pay for performance, alignment with business goals	Pay for performance, alignment with shareholders' interests and strategic plans	Market competitiveness, compliance
<b>Vehicle</b>	Monthly cash	Annual cash	Performance Share Units with three-year cliff vesting	Pension and other benefits

**Note** For members who left the former Group Executive Board on 28 February, 2019, the annual financial targets for the short-term incentives consist only of Group targets (EBITDA and Invested Capital). The previous long-term incentive plan based on a fixed number of blocked shares was still applicable for these members. Additional details can be found in section 2 of this chapter.

## Compensation of the Implenla Executive Committee

### Compensation mix

As part of a fundamental review of the compensation system and structure, the Board of Directors adjusted, at the end of 2018, the proportion of the variable compensation components in relation to the total annual target compensation.

Previously, base pay at contract signing represented around 55% of the total target compensation of the Group Executive Board. As the equity compensation plan consisted of a fixed number of blocked shares, the percentage composition of the compensation varied in line with the development of the share price.

In 2019, this previous compensation structure was applicable mainly to members of the Group Executive Board who ceased to be members of executive management by 1 March, 2019.

The new compensation structure as defined by the Board of Directors puts additional emphasis on compensation at risk, focusing on pay for performance, long-term value creation, and anchoring of the company strategy. Generally, base pay no longer exceeds 50% of the total target compensation.

The short-term incentive (STI) represents, at target, 50% of the CEO's annual base salary and the LTI around 92% of his base salary. In general, for other members of the IEC, the STI, at target, is set at 40% of the annual base salary and the target LTI at 60% of the annual base salary.

### Benchmarking

Implenia periodically reviews the total compensation of the IEC.

Korn Ferry Hay Group (Hay), an independent international benchmarking consultant, carried out a detailed benchmarking end of 2018, which was updated as changes were made in the IEC in 2019.

Positions were compared with other positions similar in terms of scope and size across industrial sectors.

In addition, a peer group benchmark was carried out. Due to the lack of comparable listed companies operating in the construction sector in Switzerland, companies in a wider range of industries, but with similarities in terms of size, revenue and number of employees, as well as geographical scope or complexity of business, were chosen.

The peer group consists of the following companies:

- Alpiq AG
- Bucher Industries AG
- dormakaba Holding AG
- Geberit AG
- Georg Fischer AG
- Landis + Gyr AG
- Lonza Group AG
- OC Oerlikon AG
- Schindler Aufzüge AG
- Sika AG
- Sulzer AG

Furthermore, the NCC appointed HCM International Ltd. (HCM), an external independent advisory firm to advise the NCC and the Board on specific compensation matters. HCM had no further mandates with Implenla Ltd.

### Base salary

The base salary is a recurrent monthly payment in cash in equal instalments. When determining the base salary, the following factors are taken into account:

- the scope and complexity of the position;
- the level of education, industry or technical knowledge, seniority, experience and skills brought by the incumbent;
- the market benchmark.

### Perquisites, pension and benefits

Rules for expenses relevant for all employees as well as additional rules for senior employees are also applicable to the IEC members based in Switzerland. These provide lump-sum compensation for representation and out-of-pocket expenses. Both sets of rules were approved by the responsible tax authorities. For the IEC member based in Germany, the expense rules in use in the German organisation apply.

Members of the IEC are entitled to either a company car or a mobility allowance.

Members of the IEC participate in the regular employee pension fund applicable to all employees in Switzerland or in Germany. Pension and social costs comprise of the employer's contribution to social insurance and to the mandatory or supplementary benefit cover applicable in the country of the employment contract.

## Compensation of the Implenia Executive Committee

### STI

The short-term incentive is designed to reward financial performance and individual contributions with the objective to incentivize the eligible participants to deliver strong performance and contribution to Implenia's annual business objectives.

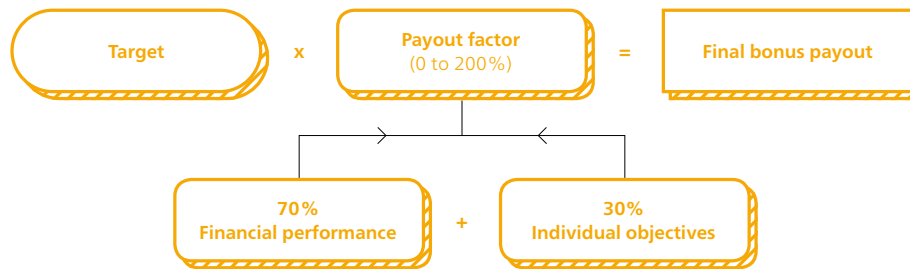
The STI is a cash incentive plan, paid annually.

For IEC members, it is broken down into financial targets (70%) and individual objectives (30%).

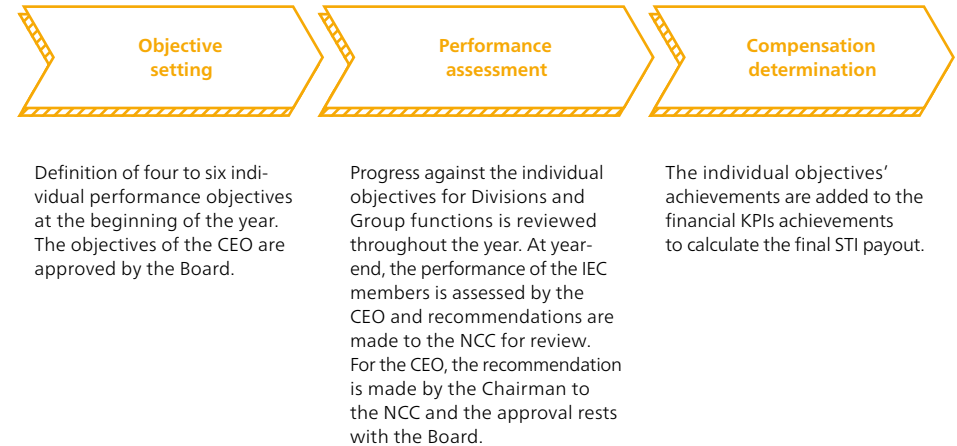
The STI final payout depends on the performance of the company and of the respective division for divisional roles, as well as on the achievement of the individual objectives for each IEC member defined over one financial year.

A rigorous approach is followed in order to define the individual objectives for each IEC member. The individual objectives are specific to each Division or Function but all support the four strategic priorities communicated by Implenia in early 2019: running a portfolio of attractive businesses, focus on profitable growth, innovation, talent and organisation.

### Payout calculation



### Individual objectives



## Compensation of the Implenia Executive Committee

The financial targets are determined annually and underpin the strategic priorities and the focus on profitable growth.

### Design of the short-term incentive 2019

Category	Weight	Metrics	Rationale		CEO & IEC members responsible for Global Functions	Divisions Heads & Head Country Management <sup>1</sup>
Financial performance targets	70%	EBITDA	Measures Group and / or Divisional Operational profitability	Group	35%	15%
				Division		20%
		Invested Capital	Measures the capital required to run operations	Group	35%	15%
				Division		20%
Individual objectives	30%	Four to six objectives broken down into milestones, deliverables, or measurable components	Includes initiatives focusing on stabilisation of the business, operational excellence, achievements of key milestones, growth objectives and innovation; people and culture targets; values and license to play (health and safety targets)		30%	30%
				Total	100%	100%
Payout range					0% to 200% Capped at 200%	0% to 200% Capped at 200%

<sup>1</sup> The STI for 2019 reflects the structure of the new organisation. Financial targets for Division Heads and Head of Country Management are not only based on Group results but also on divisional results. The financial performance of their respective division applies to the four Divisions Heads. For the Head of Country Management, the financial performance indicators are those of the Buildings Division as the incumbent also leads the Buildings Division in Germany.

## Compensation of the Implenla Executive Committee

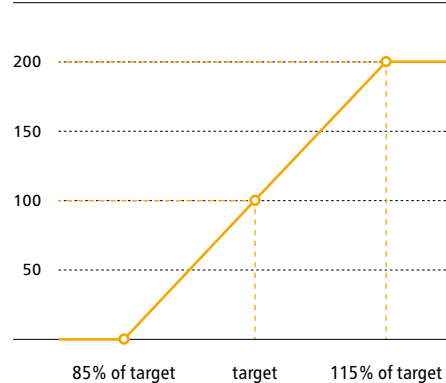
### Payout mechanism for financial targets

For each financial indicator, a target level of performance is established at the beginning of the performance year. This corresponds to the expected performance, the achievement of which would lead to a payout factor of 100% of the respective financial metric. Performance is defined between the threshold and a maximum level on a straight line. Financial performance

A percentage achievement is also allocated to each individual objective, which is measured at the end of the year in a predefined process. The weighted average of the resulting payout factors on each performance indicator is multiplied by the bonus target amount to obtain the final bonus payout.

A thorough process is followed to set the targets, which are reviewed by the NCC and approved by the Board of Directors.

**EBITDA**  
in % achievement

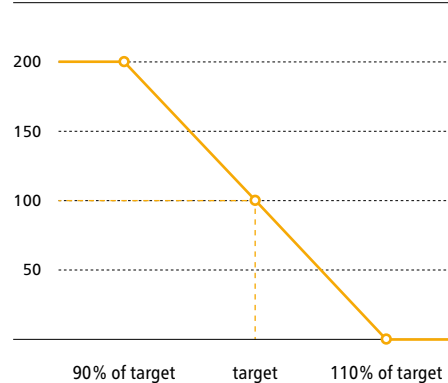


targets are commercially sensitive and as such are not disclosed.

A minimum level of performance (threshold) is required to achieve a payout.

The payout is capped at 200% for performance that reaches or exceeds the performance level shown in the graph.

**Invested Capital**  
in % achievement



The IEC employment contracts provide that all or part of already paid STI may be recouped ("clawback") and all or part of future STI forfeited ("malus") in the event of a serious breach of Implenla's Code of Conduct or legal obligations.

### LTIP

As of 1 March, 2019, a new long-term incentive plan, consisting of performance share units, was introduced for members of the IEC.

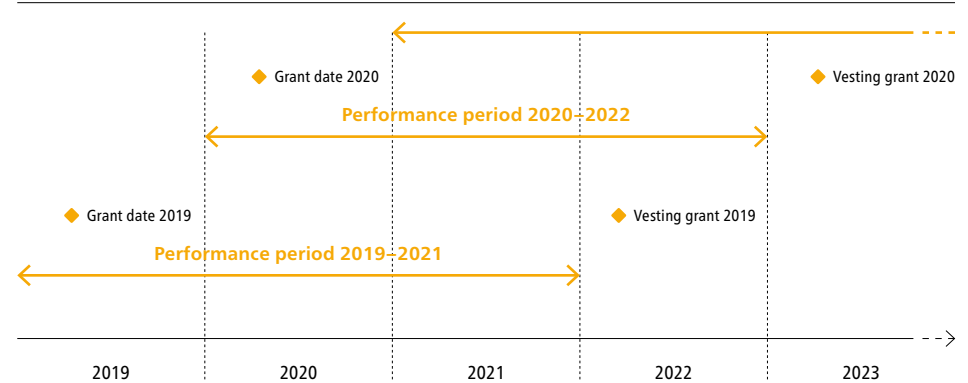
The purpose of the plan is to reward long-term value creation and align shareholders and management interest, and to ensure the long-term retention of talents at Implenla.

In principle, each year, an LTIP award is granted to eligible participants in the form of Perfor-

mance Share Units (PSUs). PSUs represent an unsecured contingent right to receive a multiple of Implenla shares subject to the achievement of certain performance targets at the end of the three-year performance period. The first award for the new LTIP was granted in April 2019.

The number of granted PSUs depends on the individual LTIP award in CHF, determined each year as a percentage of the annual base salary – around 92% for the CEO and 60% for other IEC members.

**LTIP – performance periods and grant dates**  
The LTIP is granted each year.



## Compensation of the Implenla Executive Committee

The payout under the LTIP is based on the achievement of two equally weighted performance conditions and subject to continuing service:

- relative TSR (50%)
- Earnings per Share (50%)

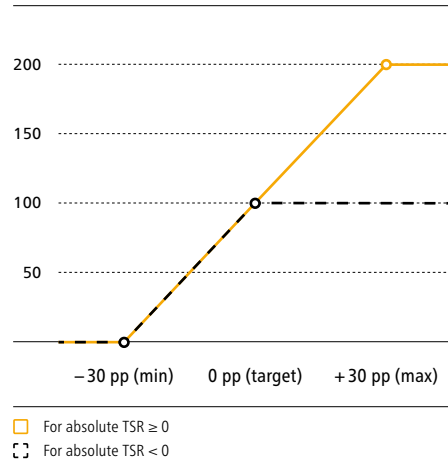
The two performance conditions have an overall vesting range of 0% to 200% of the granted PSUs. The relative TSR measure adds a stock market perspective to Implenla's LTIP and is designed to reward management for outperformance and to create alignment with shareholder experience. The Earnings per Share (EPS) measure provides an internal operating perspective, indicating the portion of the Implenla's net income allocated to each outstanding share and, therefore, measures the company's profitability to investors.

Targets for the LTIP are determined with each grant for a three-year performance period. Conclusively, for the LTIP award granted in 2019, the three-year performance period will

come to an end on 31 December, 2021, with the award vesting in April 2022.

TSR is the total shareholders' return, considering the variations of the share price and dividends distributed over the performance period, assuming the reinvestment of any dividends paid during the performance period into company shares. Relative TSR is calculated as the difference between Implenla's TSR and the TSR of the SPI EXTRA® Index. The SPI EXTRA® Index includes about 195 stocks with small or mid-sized market capitalisation. For relative TSR calculations, three-year TSRs are considered.

**Three-year relative TSR**  
in %

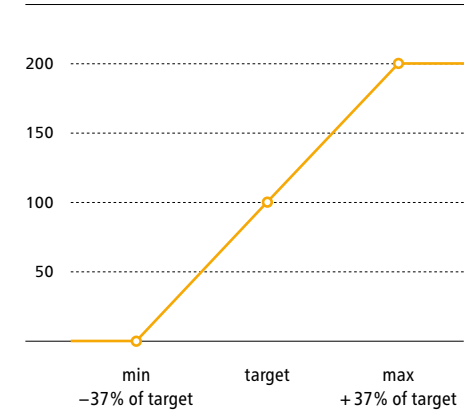


If Implenla's TSR equals the SPI EXTRA®, the vesting will be 100%. The threshold for a payout is at -30 percentage points, while the cap for a 200% payout is at +30 percentage points. As shown in the graph, vesting between threshold and maximum is defined on a straight line. In any case, in the event that Implenla TSR is negative over the performance period but still outperforms the SPI EXTRA® Index, the vesting will be capped at 100%.

The payout curve provides for stretching and, at the same time, sets statistically reasonable performance corridors, and therewith supports symmetrical performance and payout situations below and above the target. In doing so, potential excessive risk-taking around the kink of payout curves is avoided.

EPS are the fully diluted earnings per share as disclosed by the company, attributable to shareholders. The final vesting for the performance period is calculated by taking the simple average of Implenla's EPS for each of the respective three financial years, measured against the targets. The payout curve is shown in the next column.

**Three-year average EPS**  
in %





## Compensation of the Implenia Executive Committee

To determine the overall LTI performance multiple, the achievements of both performance conditions are combined by equal weighting. Low performance in one KPI can be balanced by a higher performance in the other KPI; however, the combined vesting multiple will never exceed 200%. If the performance of each of the two KPIs lies below the respective minimum performance requirement, the resulting combined vesting multiple is 0% and consequently no PSUs will vest. The number of PSUs vesting is then transformed into shares. One PSU vesting equals one share.

Operational financial targets, with the exception of relative TSR, are considered sensitive information and are therefore not disclosed. To determine the targets, different target options and their corresponding vesting curves were discussed. An external advisor supported the NCC in the target setting process, providing, in particular, a thorough outside-in approach. The targets set were subject to the final approval of the Board, following a proposal by the NCC.

Comments on overall achievements for the grant 2019 will be made at the end of the performance period in the compensation report for the financial year 2021.

### Termination of employment under the LTIP

In the case of death, disability, or retirement, the unvested PSUs will vest immediately with an overall vesting factor of 100%.

In the case of termination of employment by Implenia for cause or for breach of the non-compete clause, all unvested PSUs will be forfeited. In the case of a termination of employment by a plan participant or by Implenia (except in cases of termination for cause), the number of PSUs granted will be adjusted pro-rata. The vesting at the end of the performance period will be based on the targets' achievements.

In the event of change of control, the number of PSUs granted will also be adjusted pro-rata.

Additionally, the Board of Directors may recoup all or part of the vested shares ("claw-back") or forfeit all or part of any unvested PSUs ("malus") in the event of a serious breach of Implenia's Code of Conduct or legal obligations within a period of three years after vesting.

### Contract of employments

The employment contracts of the IEC are of unlimited duration and have a notice period of six to 12 months. Members of the IEC are not contractually entitled to joining or leaving payments such as "golden hellos", "golden parachutes", "golden handshakes", etc.

Employment contracts include non-compete clauses, extending for up to 12 months and covering all the countries where Implenia is active.

## Compensation of the Implenla Executive Committee

### 2 — IMPLENLA EXECUTIVE COMMITTEE COMPENSATION

As explained earlier in this report, Implenla underwent a reorganisation in 2019, which impacted executive management. The four

Division Heads, the Head of Country Management, as well as the Heads of Human Resources, Finance / Procurement, and Legal became

members of the newly formed IEC. For the year under review, the IEC comprises nine members and there were four departures from the former

executive management team. The CEO received the highest compensation. The detailed disclosure of compensation of the IEC is as follows:

#### Compensation paid to the Implenla Executive Committee in 2019

	Annual base salary	Short-Term Incentive <sup>4,9</sup>	Long-Term Incentive PSU cycle 2019 – 2021 <sup>5</sup>		Blocked shares allocated <sup>6</sup>		Other compensation 2019 <sup>7</sup>	Social security expenses <sup>8</sup>	Total compensation <sup>10</sup>
	CHF t	CHF t	Number of PSUs allocated	CHF t	Number	CHF t	CHF t	CHF t	CHF t
André Wyss, CEO <sup>1</sup>	1,200	222	50,926	1,100	–	–	–	386	2,908
Other members of the IEC <sup>2</sup>	2,440	922	49,644	1,072	–	–	75	987	5,496
<b>Total IEC</b>	<b>3,640</b>	<b>1,144</b>	<b>100,570</b>	<b>2,172</b>	<b>–</b>	<b>–</b>	<b>75</b>	<b>1,373</b>	<b>8,404</b>
Members of the Group Executive Board <sup>3</sup>	1,171	449	–	–	13,754	438	409	561	3,028
<b>Grand total 2019</b>	<b>4,811</b>	<b>1,593</b>	<b>100,570</b>	<b>2,172</b>	<b>13,754</b>	<b>438</b>	<b>484</b>	<b>1,934</b>	<b>11,432</b>

1 This is the highest compensation for an IEC member.

2 The members include René Kotacka for the full year and the new members pro rata on joining the IEC. Amounts in EUR for Matthias Jacob, Head Country Management, were converted at a rate of EUR 1 = CHF 1.11245 which is the same average yearly exchange rate used in Implenla 2019 consolidated financial statements.

3 Included in this table are four members of the Group Executive Board (GEBO), as executive management was called until 28.2.2019. Anton Affentranger, former CEO, left Implenla on 30.9.2018 based on a termination agreement as per 31.01.2019. The compensation paid in January 2019 is included here. André Métral left the Group Executive Board on 28.2.2019, but remained employed with Implenla; his compensation related to his executive position is included for the full year. Christoph Gämperle's executive management employment contract expired on 30.9.2019, and Beat Fellmann terminated his employment with Implenla on 30.11.2019. Their compensation is included pro rata.

4 Short-term incentive for the performance year 2019, paid in the subsequent year. The CEO has, in agreement with the Board, decided to forfeit a substantial part of his deserved STI in order to personally contribute to the transition year 2019 of Implenla.

5 The number of PSUs is calculated by dividing the LTI award amount by the fair value per PSU. The fair value at time of grant was CHF 21.6. For Matthias Jacob, Head Country Management, the LTI award in EUR was converted at a rate of EUR 1 = CHF 1.1236 (the currency exchange rate on grant date).

6 Amounts based on closing price when shares allocated at year-end 2019.

7 Under other compensation are included perquisites such as mobility allowance, car lease financed by the Company, or accumulated vacation paid to executive members leaving Implenla.

8 Social security expenses include mandatory employer social security expenses and pension contributions as per governmental requirements and market practice.

9 Short-term incentives for former members of the Group Executive Board: one month for Anton Affentranger; for Beat Fellmann, the short-term incentive payment for 2019 is pro-rated until the termination of his employment with Implenla on 30.11.2019 and is capped at 100%. The short-term incentive payments for André Métral and Christoph Gämperle are included respectively for the entire year or pro-rata until the expiration of the executive management employment contract.

10 No additional fees or compensation were invoiced by members of the IEC for the year under review (last year: also CHF 0).

## Compensation of the Implenla Executive Committee

### Compensation paid to the Group Executive Board in 2018

	Fixed compensation	Variable compensation <sup>1</sup>	Definitely allocated shares <sup>2</sup>		Allocation of other shares <sup>2</sup>		Social security expenses <sup>13</sup>	Total
	CHF t	CHF t	Number	CHF t	Number	CHF t	CHF t	CHF t
Anton Affentranger (CEO until 30.9.2018) <sup>3,4,5</sup>	906	421	25,000	1,141 <sup>6</sup>	–	–	384	2,852
Other members of the Group Executive Board <sup>7,12</sup>	1,802	842	26,433 <sup>8</sup>	729 <sup>9,10</sup>	–	–	754	4,127
Extraordinary	–	–	–	–	13,777 <sup>11</sup>	721	37	758
<b>Grand total 2018</b>	<b>2,708</b>	<b>1,263</b>	<b>51,433</b>	<b>1,870</b>	<b>13,777</b>	<b>721</b>	<b>1,175</b>	<b>7,737</b>

1 Paid in the subsequent year. In 2018, one-off payments of CHF 211,000 were attributed, most of which related to the previous period.

2 Implenla Ltd shares, valor number 2386855, par value CHF 1.02. Amounts based on the fair value discounted by the three-year vesting period.

3 This is the highest compensation of the Group Executive Board.

4 Resigned as CEO on 30.9.2018.

5 Anton Affentranger left Implenla on 30.9.2018 based on a termination agreement effective 31.1.2019. Payment in accordance with the terms of the 2018 agreement are included in the line "Anton Affentranger" in the table above, as he received the highest compensation in 2018. The compensation paid in 2019 is included in the table "Compensation paid in 2019" in the line "Members of the Group Executive Board".

6 Amounts based on closing price at the time when shares allocated on 30.6.2018 and on 31.12.2018.

7 Including André Wyss, CEO since 1.10.2018. His annual target salary amounts to CHF 2.9 million.

8 For a member of the Group Executive Board, the shares are allocated at the end of February based on the average closing price in January.

9 Amounts based on closing price when shares allocated at year-end 2018.

10 For the fourth quarter of 2018, the new CEO received a pro rata CHF amount converted into number of shares. These shares are blocked for three years. As of 2019, a new LTI is introduced.

11 In order to ensure that he take up his office at Implenla Ltd. as soon as possible, the new CEO terminated his employment contract with his previous employer prematurely, which meant that he had to forego share allocations and other entitlements. A smaller part of the loss thus incurred by the new CEO has been replaced as follows: based on the share prices on the five trading days before his commencement of office at Implenla, he received blocked Implenla Ltd. shares of the same value as his former employer has confirmed that it would have allocated to him ("replacement award"). As at 31.12.2018, the value of these shares corresponded to CHF 382,000.

12 With the exception of Anton Affentranger, no members resigned from the Group Executive Board in 2018.

13 Including pension contributions.

At the AGM 2018, the shareholders have approved a maximum compensation amount of CHF 10 million for the financial year 2019. In 2019, executive management total compensation amounted to CHF 11.4 million.

This is explained by the fact that seven new members of management joined the IEC during the year while four members left the previous executive management team. For the financial year 2019, the amounts paid to members de-

parting from executive management reached CHF 3 million or 26.5% of the total executive management compensation. As anticipated in the Compensation Report 2018, part of the additional sum (up to CHF 5 million) foreseen by article 15a para. 5 of the AoA had to be used to fund the compensation for the new members of the IEC as a result of the restructuring of executive management.

The CEO has, in agreement with the Board, decided to forfeit a substantial part of his deserved STI in order to personally contribute to the transition year 2019 of Implenla.

At the AGM 2019, the shareholders approved a maximum compensation amount of CHF 13 million for the financial year 2020. The Company expects to be within the approved limits.

## Compensation of the Implenia Executive Committee

### 3 — SHAREHOLDING AND LOANS

In order to further align the long-term commitment of the IEC, and to reconcile its interests even more closely with those of the Implenia shareholders, shareholding guidelines were introduced in 2019. The shareholding guidelines expect the members of the IEC to hold shares of Implenia worth the equivalent of at least 300% (CEO) or at least 150% (other members of the IEC) of their base salary within five years starting at the introduction of the guidelines for current members of the IEC or from the beginning of their tenure for future members. To determine whether the minimum shareholding has been complied with, all blocked and unblocked shares received as compensation and shares acquired privately, either outright or beneficially, are taken into account. The NCC reviews this share ownership once a year.

In the event the shareholding guidelines are not met by an IEC member at the end of the build-up period, such IEC members will be restricted from selling up to 50% of their unblocked shares, including shares vesting from possible compensation equity plans, in the near future until the minimum shareholding is fulfilled.

The following table shows the equity of the individual member of the IEC and persons closely linked to them. As of 31 December 2019, the members of the IEC held 137,299 shares or 0.74% of the share capital (2018: 121,265 shares, or 0.70%).

## Compensation of the Implenla Executive Committee

### Implenia Executive Committee Shareholding

	Date of joining or leaving executive management	Number of shares as at		Shares blocked until		
		31.12.2019	31.12.2018	2020	2021	2022
André Wyss, CEO	as of 1.10.2018	97,448	47,448	–	22,448	–
Marco Dirren, CFO	as of 1.5.2019	2,000	n / a	–	–	–
Adrian Wyss, Division Head Development	as of 1.3.2019	10,255	n / a	2,500	2,750	458
Jens Vollmar, Division Head Buildings	as of 1.3.2019	5,591	n / a	2,273	2,860	458
René Kotacka, Division Head Civil Engineering	as of 16.12.2014	10,650	10,650	2,750	2,750	–
Anita Eckardt, Division Head Specialties	as of 1.9.2019	–	n / a	–	–	–
German Grüniger, General Counsel	as of 1.3.2019	6,455	n / a	868	907	1,257
Christelle Beneteau, Chief Human Resources Officer	as of 1.5.2019	3,500	n / a	–	–	–
Matthias Jacob, Head Country Management	as of 1.3.2019	1,400	n / a	–	1,200	200
Anton Affentranger	until 31.1.2019	n / a	n / a	12,500	25,000	–
Beat Fellmann	until 28.2.2019	n / a	45,000	10,000	10,000	9,167
André Métral	until 28.2.2019	n / a	10,882	2,750	2,750	2,750
Christof Gämperle	until 28.2.2019	n / a	7,285	–	1,972	4,099
<b>Total</b>		<b>137,299</b>	<b>121,265</b>	<b>33,641</b>	<b>72,637</b>	<b>18,389</b>

Individual members of the executive committee have five years from the introduction of the shareholding guideline at the beginning of 2019 to meet the thresholds of the guideline.

No loans have been granted to any members of the IEC or persons linked to them. Neither Implenla Ltd. nor its group companies have granted any collateral, loans, advances, or credit facilities to members of the IEC or persons linked to them.

## Approval of the compensation report

### REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF IMPLENIA LTD

**We have audited the compensation report of Implenla Ltd for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on page 97 and pages 107/108 and also the paragraphs related to loans on pages 99/110 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 against Excessive Compensation in Stock Exchange Listed Companies (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 accompanying 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 of Implenla Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Dr. Michael Abresch  
Audit expert, Auditor in charge



Christian Kessler  
Audit expert

Zürich, 24 February 2020