

Compensation Report

Dear Shareholders

On behalf of the Compensation and Nomination Committee and the entire Board of Directors it is my pleasure to submit to you the Compensation Report 2022.

The Compensation Report describes the principles of compensation, the governance framework and the compensation systems of Zur Rose Group AG (“Zur Rose”) for the members of the Board of Directors and the Executive Board. It contains detailed information on compensation awarded for 2022 (the year under review). Furthermore we explain the current compensation policy and the decisions taken. This report complies with the requirements of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) of 1 January 2014 and with Section 5 of the Annex to the Directive on Information relating to Corporate Governance (DCG) issued by SIX Swiss Exchange on 18 June 2021.

The 2021 Compensation Report was approved by 78.2 per cent of the votes at the General Meeting of Shareholders on 28 April 2022. Zur Rose took this result as an opportunity to intensify its dialogue with shareholders. The aim was to understand and address the suggestions regarding the compensation policy and plans. Subsequently, the Compensation and Nomination Committee took action to improve the disclosure, system and governance of compensation. The results of our efforts are summarised on the following pages. We provide an overview of the topics brought to our attention and how the Compensation and Nomination Committee has addressed these. In addition, Zur Rose has focused this Compensation Report on improving the disclosure of compensation plans and making them easier to understand.

During the year, the Compensation and Nomination Committee also carried out its regular duties in compensation matters, including the annual review of compensation programmes, setting the performance targets for the Executive Board at the beginning of the year and its performance appraisal at the end of the year. It also determined the compensation of the members of the Board of Directors and the Executive Board, prepared the Compensation Report and the “say-on-pay” votes at the General Meeting of Shareholders.

With external revenue of CHF 1,836.7 million, the Zur Rose Group achieved its revenue target for 2022. In Switzerland, Zur Rose continued its growth trend and grew well above the market. Due to the rigorous focus on profitability, revenue in Germany and the southern European marketplace business fell as expected. The measures taken are aimed at significantly improving adjusted EBITDA by increasing gross margin, structural cost savings, productivity gains and higher marketing efficiency. Overall, adjusted EBITDA improved CHF 59.2 million to minus CHF 69.7 million, exceeding the target announced for 2022. The operating result (EBITDA) amounted to minus CHF 77.7 million (previous year: minus CHF 142.6 million).

At the 2023 General Meeting of Shareholders we will ask for approval on the maximum aggregate amount of fixed compensation for the Board of Directors and fixed compensation for the Executive Board for 2024 and the aggregate amount of variable compensation for the Executive Board for 2022. You also have the opportunity to vote prospectively for the first time on the long-term variable compensation of the Executive Board for 2023. You will also have the opportunity to express your opinion on this Compensation Report in an advisory vote.

The Compensation and Nomination Committee appreciates your ongoing feedback on our management compensation programmes and hopes this report will provide a lot of information. We look forward to your support and feedback at the General Meeting of Shareholders in May 2023.

Yours sincerely,



Walter Oberhänsli
Chair of the Compensation and Nomination Committee

1 Compensation programmes at a glance

1.1 Summary: Compensation of the members of the Board of Directors

Principles

The members of the Board of Directors are expected to act independently in exercising their supervisory activities. The members of the Board of Directors are awarded only fixed compensation (a retainer) for each term of office, which is granted partly in cash and partly in blocked shares in the Company.

Compensation structure

In CHF 1,000 (gross p.a.)	Total compensation	Of which in cash	Of which in shares
Chair	340	238	102
Vice Chair	180	126	54
Director	130	91	39

Compensation for serving on committees

In CHF 1,000 (gross p.a.)	Cash compensation
Committee chair	40
Committee member	20

1.2 Summary: Compensation of the members of the Executive Board

Principles

The compensation system at Zur Rose is based on the following principles:

- The compensation system embeds the strategic growth targets
- The compensation supports the recruitment, motivation and retention of talented and motivated employees
- The compensation is fair, in line with the market and transparent

Compensation structure

- **Annual base salary** in cash to attract, retain and motivate employees
- **Short-term variable compensation** in cash and over a performance period of one year to reward performance
- **Long-term variable compensation** in shares (performance share units and restricted stock units) over a performance period of three years based on the performance criteria of revenue growth and relative Total Shareholder Return to reward sustainable value creation and alignment with shareholders' interests
- **Pension and fringe benefits** to protect against risks

Short-term variable compensation 2022

The short-term variable compensation increased compared to the previous year, which is primarily due to the improvement in EBITDA in 2022 compared to 2021 and the more accurate achievement of budget.

Long-term variable compensation (realised)

The transfer amount of the Performance Share Units (PSUs) and Restricted Stock Units (RSUs) granted in 2020 into shares to be transferred as at the end of 2022, based on the TSR ranking of Zur Rose and the revenue target achieved amounted to 45.5 per cent.

1.3 Outlook 2023

- Long-term variable compensation of the Executive Board:
 - A. Discontinuation of Restricted Stock Units and fully replace them with Performance Share Units
 - B. Replacement of revenue growth as a performance condition with ambitious share price targets to reinforce a rapid increase in the value of the company in the interest of our shareholders
- Clawback: Introduction of clawback provisions in long-term variable compensation for the Executive Board
- Shareholding guidelines: Introduction of shareholding guidelines for the members of the Board of Directors and the Executive Board

1.4 Governance

Each year, the shareholders of Zur Rose approve the maximum aggregate amounts of fixed compensation for the members of the Board of Directors and the Executive Board, as well as the amount of variable compensation for the Executive Board. Shareholders also have the opportunity to express their opinion on the Compensation Report in an advisory vote. In addition, the principles governing compensation are subject to the Articles of Association, which are also approved by the shareholders.

The Compensation and Nomination Committee supports the Board of Directors in establishing and reviewing the compensation policy and guidelines and in preparing proposals for submission to the General Meeting of Shareholders on the compensation of the Board of Directors and the Executive Board. It also makes recommendations regarding the appointment of members of the Board of Directors and Executive Board for the attention of the Board of Directors.

2 Summary of adjustments made in 2022

The 2021 Compensation Report received an approval rate of 78.2 per cent at the 2022 General Meeting of Shareholders. Following this result, Zur Rose actively engaged in dialogue with the shareholders and shareholder representatives to understand and address their concerns. The issues raised by shareholders relate either to the compensation programmes of the Executive Board or how they are disclosed. These topics are summarised and discussed below.

SHAREHOLDER FEEDBACK	ADJUSTMENTS/ZUR ROSE RESPONSE
Disclosure of compensation Short-term variable compensation (STI): Lack of transparency of the relationship between performance and short-term, variable compensation	<p>Zur Rose has improved disclosure with regard to the degree of target achievement for short-term variable compensation. The table now also contains the payout as a percentage for the individual financial objectives.</p> <p>In addition, individual items in the compensation table for the Executive Board relating to the annual changes of compensation are explained in detail in order to improve the transparency of compensation decisions.</p>
Compensation system Restricted Stock Units: 1/3 of long-term variable compensation is paid in blocked shares and not subject to any performance conditions	<p>To further strengthen the relationship between performance and compensation, Zur Rose has decided to discontinue the Restricted Stock Units, which previously accounted for 1/3 of long-term variable compensation, with effect from 2023. They will be replaced by Performance Share Units in the LTI. Long-term variable compensation will therefore be based entirely on the future performance of Zur Rose over a period of three years. The performance conditions continue to be based half on relative TSR and half on revenue targets.</p> <p>Further details are described in Chapter 6 Outlook.</p>
LTI clawback provisions: The variable compensation plans do not include clawback conditions	<p>Zur Rose has decided to supplement the current forfeiture provisions in the long-term variable compensation plan with clawback provisions. The Compensation and Nomination Committee can claw back future long-term variable compensation payments in the event of restatements of the accounts due to material breaches of the applicable accounting regulations or individual misconduct.</p> <p>Further details are described in Chapter 6 Outlook.</p> <p>The provisions apply to the long-term variable compensation granted in 2023.</p>
Shareholding guidelines: No shareholding guidelines for the members of the Board of Directors and the Executive Board	<p>Zur Rose will introduce shareholding guidelines for the members of the Board of Directors and the Executive Board as of 1 January 2023. The purpose of these is to align managers with the long-term interests of shareholders and strengthen them.</p> <p>Further details are described in Chapter 6 Outlook.</p>

3 Governance

3.1 Role of shareholders and compensation provisions in the Articles of Association

Under the Swiss “say on pay” provisions, shareholders of companies listed in Switzerland have a significant influence on the compensation of the Board of Directors and the Executive Board. First, the shareholders annually approve the maximum total amounts of compensation for the members of the Board of Directors and the Executive Board. In addition, the principles governing compensation are subject to the Articles of Association, which are also approved by the shareholders. The Articles of Association can be viewed [online](#). These include the rules for voting on compensation by the General Meeting of Shareholders (Art. 25), the principles of compensation and rules concerning the principles of performance-related compensation (Art. 27), the supplementary amount (Art. 26) and the granting of loans and credits (Art. 30). The corresponding provisions of the Articles of Association are summarised below:

Approval of compensation (Art. 25): The General Meeting of Shareholders approves the proposals of the Board of Directors regarding the total amounts for the maximum fixed compensation of the Board of Directors and for the maximum fixed and variable compensation of the Executive Board.

Supplementary amount for changes to the Executive Board (Art. 26): If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to cover new members of the Executive Board as well, the Company may pay a supplementary amount, which may not in total exceed 50 per cent of the last aggregate compensation amount approved.

Principles of compensation of the members of the Board of Directors and the Executive Board

(Art. 27): The compensation of the non-executive members of the Board of Directors consists of fixed and variable compensation elements as well as further compensation elements and benefits. The compensation of the executive members of the Board of Directors and the members of the Executive Board consists of fixed and variable compensation elements as well as further compensation elements and benefits. Total compensation takes into account the position and level of responsibility of the recipient. Fixed compensation comprises the base salary or director’s fees, as applicable, and may comprise other compensation elements and benefits. Variable compensation takes into account the achievement of specific performance targets and may be awarded in cash or in equity-based instruments. The Board of Directors determines performance targets and other conditions such as grant, vesting, exercise, restriction and forfeiture conditions and periods.

Loans and credits (Art. 30): Loans and credits to members of the Board of Directors and the Executive Board may be granted on market conditions. The total amount of such outstanding loans and credits may not exceed the total annual remuneration of that member.

3.2 Compensation and Nomination Committee

The Articles of Association specify that the Compensation and Nomination Committee consists of three members of the Board of Directors, each elected individually every year by the General Meeting of Shareholders. It supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines, and in preparing the proposals to the General Meeting of Shareholders regarding the compensation of the Board of Directors and the Executive Board. It also makes recommendations regarding the appointment of members of the Board of Directors and Executive Board for the attention of the Board of Directors.

LEVELS OF RESPONSIBILITY

Decision on:	CEO	CoB	CNC	Board of Directors	General Meeting of Shareholders
Compensation policy, including structuring of variable compensation			Recommends	Approves	
Performance criteria for the compensation of the members of the Executive Board	Recommends		Proposes	Approves	
Maximum total compensation of the Board of Directors and Executive Board			Recommends	Proposes	Approves (binding vote)
Individual compensation Chairman			Proposes	Approves	
Performance assessment and individual compensation CEO		Recommends	Proposes	Approves	
Individual compensation of the members of the Board of Directors			Proposes	Approves	
Performance assessment and individual compensation of the members of the Executive Board (excluding the CEO)	Recommends		Proposes	Approves	
Compensation Report			Recommends	Approves	Advisory vote

CEO = Chief Executive Officer, CoB = Chairman of the Board, CNC = Compensation and Nomination Committee

At the 2022 General Meeting of Shareholders, Walter Oberhänsli was elected Chair and Rongrong Hu and Florian Seubert were elected members of the Compensation and Nomination Committee. The members of the Compensation and Nomination Committee serve for a term of one year ending at the end of the next Annual General Meeting of Shareholders (term of office). They are eligible for re-election.

As a rule, the meetings of the Compensation and Nomination Committee are held before the meetings of the Board of Directors, so that the proposals can be formulated and approved by the full Board. In addition, the chairman of the Compensation and Nomination Committee reports to the Board of Directors on the Committee's activities after each meeting. The minutes of the Committee meetings are provided to the members of the Board of Directors. Members of the Executive Board may attend the meetings in an advisory capacity upon invitation, but are not present during the discussion and determination of their own compensation. The Compensation and Nomination Committee meets at least twice a year. In 2022 it held six meetings and considered, amongst other things, the recurring agenda items mentioned below. The meetings lasted one hour and ten minutes on average. All members of the Compensation and Nomination Committee attended all meetings.

The Compensation and Nomination Committee may engage the services of an external consultant in compensation matters from time to time. In 2020, hkp Deutschland GmbH were appointed to carry out a benchmarking exercise for the compensation of the Executive Board. This firm holds other appointments from the Zur Rose Group. In addition, in 2021 Agnès Blust Consulting AG were appointed to carry out a benchmarking exercise for the compensation of the Board of Directors. This firm holds no other appointments from the Zur Rose Group. In 2022, the Compensation and Nomination Committee sought advice from HCM International Ltd. as an external, independent compensation consultant. This firm holds no other appointments from the Zur Rose Group. The Compensation and Nomination Committee may also consult internal experts on compensation issues, such as the Chief Executive Officer, the Chief Financial Officer and the Group Head of Human Resources.

3.3 Determination procedure and disclosure of compensation

Benchmarking of the Board of Directors

Every two to three years the compensation of the Board of Directors is compared with standard practice at other Swiss industrial companies. An in-depth review of the compensation of the Board of Directors was carried out in 2021 to determine how competitive it is in terms of structure and overall amount. To gain a full overview of market practice, a peer group was created of 23 Swiss companies of similar size in terms of market capitalisation, income and headcount. The analysis revealed that the compensation structure was in line with standard market practice; the level of compensation, by contrast, was slightly below the market median. In 2022 the Board of Directors decided to increase the compensation levels with effect from 1 January 2022.

Peer group

Also	Belimo	Bossard	Bucher Industries	Bystronic
Dätwyler	Dormakaba	Emmi	Forbo	Galenica
Inficon	Interroll	Landis+Gyr	LEM	Medacta
OC Oerlikon	Schweiter Technologies	SFS	Siegfried	Stadler Rail
Sulzer	Tecan	Ypsomed		

Following the review of the compensation of the Board of Directors in 2021, the Compensation and Nomination Committee also reviewed compensation at subsidiary BlueCare.

Benchmarking of the Executive Board

Every two to three years the Compensation and Nomination Committee benchmarks the compensation of Executive Board against the compensation paid by comparable listed companies and European e-commerce companies. Companies with comparable market capitalisation and revenue are taken into account. An in-depth review of the compensation of the Executive Board was last carried out in 2021, to determine how competitive it is in terms of structure and overall amount. The peer group is balanced in terms of market capitalisation, income and headcount. The compensation of the CEO of DocMorris was also compared with a sector-specific group of e-commerce companies and direct competitors.

Peer group

AO World	APG SGA	Arbonia	Ascom	Bobst
	Burckhardt			
Bossard	Compression	Burkhalter	Bystronic	Comet
Dätwyler	Delticom	Hawesko	Huber+Suhner	Inficon
Interroll	Kardex	Komax	Kudelski	Metall Zug
Rieter	Schweiter Technologies	Siegfried	SRP	u-blox
Zooplus				

The Compensation and Nomination Committee used the peer group data as a basis to analyse the compensation of the CEO and the Executive Board and to set the target compensation of the individual members of the Executive Board for the year under review.

Performance management process

The actual compensation of the individual members of the Executive Board is based on the Company's success and their personal performance. Personal performance is assessed as part of the annual performance management process. In determining personal performance, the achievement of individual goals and the fulfilment of tasks within the framework of the corporate values and the expected management skills are taken into account. The individual performance assessment and the Company's success form the basis for determining the variable compensation.

4 Compensation of the members of the Board of Directors

4.1 Principles of compensation for the Board of Directors

The members of the Board of Directors are expected to act independently in exercising their supervisory activities. Therefore, they receive for their work only fixed compensation (a retainer) for each term of office, which is granted partly in cash and partly in blocked shares in the Company.

4.2 Compensation structure

The compensation system for the Board of Directors is primarily intended to ensure it acts independently in overseeing the Executive Board. Board members therefore receive only a fixed fee for their services for each term of office. The basic compensation (retainer) is paid 70 per cent in cash and 30 per cent in registered shares of the Company with a three-year vesting period. In addition to the basic compensation they receive cash compensation for serving on various committees. The size of the fee reflects the function (chair, vice-chair or member) and memberships and functions in the Board's committees and is not discretionary. Based on the 2021 benchmarking exercise, the compensation for the various functions on the Board was increased with effect from 1 January 2022. Depending on the role, the following compensation is paid:

Compensation for the Board of Directors for 2022

In CHF 1,000 (gross p.a.)	Total compensation	Of which in cash	Of which in shares
Chair	340	238	102
Vice Chair	180	126	54
Director	130	91	39

The following compensation is paid solely in cash for serving on committees (for 2022):

In CHF 1,000 (gross p.a.)	Cash compensation
Committee chair	40
Committee member	20

The compensation up to the end of 2021 amounted to CHF 300,000 for the Chair, CHF 130,000 for the Vice Chair and CHF 100,000 for the members. The compensation for serving on committees was previously CHF 20,000 for the Chair and CHF 10,000 for the members.

The cash payment is made after the Annual General Meeting of Shareholders and the shares are transferred shortly afterwards. Shares are released in the event of liquidation or a change of control. In all other instances, the shares remain blocked. The Company may reimburse members of the Board of Directors for expenses in the form of reimbursement of actual expenses incurred and/or an expense allowance within the amounts allowed for tax purposes. This reimbursement of expenses does not count as compensation. Individual members are insured with the Zur Rose pension fund, if required by law.

No additional outlays were incurred for individual members of the Board during the year under review.

4.3 Compensation paid to the Board of Directors in 2022

This section was audited by the auditors in accordance with Article 17 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

For 2022, the members of the Board of Directors received fixed fee of CHF 1,033,000 (2021: CHF 805,000), compensation of CHF 193,000 for serving on committees (2021: CHF 83,000) and social security contributions of CHF 89,000 (2021: CHF 49,000). Of the total compensation of CHF 1,315,000 (2021: CHF 937,000), CHF 316,000 (2021: CHF 224,000) was awarded in the form of shares with a blocking period of three years. The fixed compensation for members of the Board of Directors who had been members for the past three years was higher than in the previous year. The table below shows the compensation paid to members of the Board of Directors in 2022.

Name, function ¹⁾	Fixed gross compensation in cash		Fixed gross compensation in shares		Committee fee in cash		Social security contributions		Total ^{2) 3)}	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
1,000 CHF										
Walter Oberhänsli ⁴⁾ (Chair since 28 April 2022)	159	-	70	-	41	-	13	-	283	-
Prof. Stefan Feuerstein (Vice Chair since 28 April 2022)	163	210	72	81	40	-	27	17	302	308
Dr. Thomas Schneider (Vice Chair until 28 April 2022)	30	91	13	35	13	20	4	8	61	154
Prof. Dr. Volker Amelung ⁴⁾ (Director)	30	70	13	27	18	34	11	10	72	141
Prof. Dr. Andréa Belliger ⁴⁾ (Director)	91	47	40	18	27	9	22	5	180	79
Tobias Hartmann (Director)	-	23	-	9	-	-	-	-	-	32
Rongrong Hu (Director)	61	-	27	-	13	-	13	-	114	-
Dr. Christian Mielsch (Director)	91	70	40	27	20	10	-	-	151	107
Florian Seubert (Director)	91	70	40	27	20	10	-	8	151	115
Board of Directors	716	581	316	224	193	83	89	49	1,315	937

1) As at 31 December 2022, six members of the Board of Directors were in office (31 December 2021: seven members).

Dr Thomas Schneider and Prof. Dr. Volker Amelung stepped down from the Board of Directors at the Annual General Meeting of Shareholders on 28 April 2022. At the same time, Walter Oberhänsli and Rongrong Hu were elected to the Board.

Walter Oberhänsli (former Executive Director and CEO) was elected to the Board of Directors as Chair and as non-executive director. Prof. Stefan Feuerstein served as Chair until 28 April 2022 and then took on the position of Vice Chair.

Tobias Hartmann stepped down from the Board of Directors and Andréa Belliger was elected to the Board at the Annual General Meeting of Shareholders on 29 April 2021.

2) The relevant fair value on the day of allocation of CHF 120.60 (2021: CHF 304.00) per share is the closing share price of that day on the Swiss stock exchange; this may differ slightly from the contractually determined amount of the fee in shares because the number of shares allocated under the share-based fee is set using the volume-weighted average daily closing price for the 20 days prior to the allocation of the shares.

3) For disclosure in the Compensation Report, the accrual principle was applied to all compensation elements.

Grants are reported in the Compensation Report for the year for which they are awarded.

4) The committee fees include a Board of Director's fee for a subsidiary amounting to CHF 14,000 each for Prof. Dr. Volker Amelung (pro rata for 2022) and Prof. Dr. Andréa Belliger (pro rata for 2021), plus CHF 21,500 for Walter Oberhänsli (pro rata for 2022).

At the Annual General Meeting of Shareholders on 28 April 2022, the shareholders approved a maximum total amount of fixed compensation for the Board of Directors for 2022 of CHF 1,330,000. The compensation for 2022 granted to the Board of Directors and as disclosed in the table above is within the maximum authorised total amount.

Compensation to former members of the Board of Directors and loans

No compensation was paid to former members of the Board of Directors during the reporting year. No compensation was paid to related parties to the members of the Board of Directors. No loans were granted to members of the Board of Directors during the reporting year. At the end of the reporting year, there were no loans outstanding to members of the Board of Directors, former members of the Board of Directors or related parties.

5 Compensation of the members of the Executive Board

5.1 Principles of compensation for the Executive Board

The value and success of Zur Rose largely depends on the quality and commitment of its employees. Its compensation policy pursues the goal of recruiting, motivating and retaining qualified individuals for the Group. The performance-related and share-based components are also designed to align the way of thinking and acting with shareholders' long-term interests.

The compensation system is based on the following principles:



5.2 Compensation structure

The compensation system for the Executive Board is aligned with the corporate strategy and linked to the relevant key performance indicators for the variable compensation elements. This allows the compensation of the members of the Executive Board to be determined transparently and based on performance. The Board of Directors decides on targets.

Criteria such as position, responsibility, experience and market data are used to determine the compensation of the Executive Board. The individual compensation of the members of the Executive Board consists of an annual base salary and short-term and long-term variable, performance-related compensation, as well as pension and fringe benefits (company car).

The Company may reimburse members of the Executive Board for expenses in the form of reimbursement of actual expenses incurred and/or an expense allowance within the limits permissible for tax purposes. This does not count as compensation.

COMPENSATION STRUCTURE

Element	Purpose	Instrument	Performance criterion	Performance period	Determinants
Annual base salary	Recruitment, retention, motivation	Cash compensation	–	–	Position, qualification, market rates
Short-term variable compensation	Rewarding performance	In cash	Revenue, EBITDA, individual targets	1 year	Financial result and qualitative performance
Long-term variable compensation	Rewarding sustainable value creation, Alignment with shareholders' interests	Shares (2/3 in Performance Share Units and 1/3 in Restricted Stock Units)	Revenue growth, relative Total Shareholder Return	3 years	Success of the Group, share price performance, competitive position
Pension and fringe benefits	Protection against risks	Pension plan, insurance plans, fringe benefits	–	–	Market rates and legal requirements

Annual base salary

Base salaries are determined in line with the scope and responsibilities of a given position and the qualifications required to perform the job, comparison against market and the personal qualifications, experience and performance of each member of the Executive Board. Payment is made monthly in cash. To ensure market competitiveness the base salaries of the Executive Board are reviewed regularly, taking into account the Company's income, the results of the peer group analysis, market performance, the economic environment and personal performance.

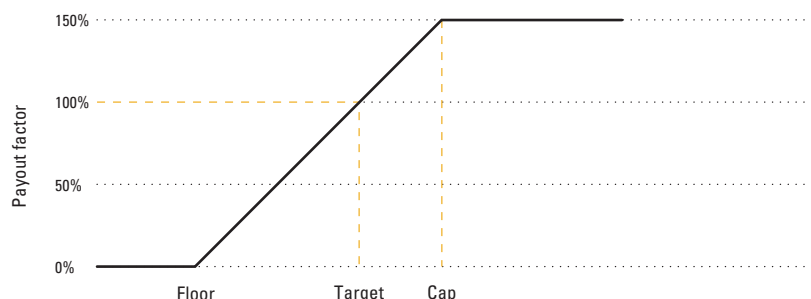
Short-term variable compensation

Short-term variable compensation is a performance bonus that recognises both the Group's financial performance and employees' personal performance in a given financial year. Through this variable compensation, employees participate in the Group's success and are rewarded for their personal performance. The target value of short-term variable compensation is expressed as a percentage of the annual base salary and is 45 per cent for the CEO and between 27 per cent and 55 per cent for the other members of the Executive Board. The performance bonus can be a total of zero up to a maximum of 150 per cent of the target value.

The targets established by the CEO are set by the Board of Directors at the beginning of each year at the request of the Compensation and Nomination Committee and assessed at the end of the financial year based on the actual results achieved. To measure the short-term variable components, the financial targets of the Group or segments may be between 40 and 60 per cent and individual targets between 40 and 60 per cent.

The financial metrics during the year under review continued to be revenue and earnings targets. These have been selected because they represent the main value drivers for the Company and reflect the expansion of the business and market share (in terms of revenue) and operational profitability. The basis for measuring the short-term variable components was 50 per cent revenue and income targets of the Group and 50 per cent individual targets.

For each target, an expected level of performance (target) is defined based on the budget and strategy. A minimum threshold of target achievement, below which no variable compensation is paid, and a maximum threshold of target achievement, above which the variable compensation is capped, are determined as well. The payout amount between minimum threshold, target and maximum threshold is interpolated linearly. It is at the discretion of the Board of Directors to adjust variable compensation upwards and downwards, if necessary, on the basis of individual, qualitative performance of the individual members of the Executive Board.



Targets are not published as disclosure would provide insight into Zur Rose's forward-looking strategy and lead to a competitive disadvantage. The short-term variable compensation for the reporting year is paid in cash after approval by shareholders at the Annual General Meeting of Shareholders held the following year. Details on the payment of short-term variable compensation can be found in the notes to the compensation table.

Long-term variable compensation (performance-based share plan)

The performance-based share plan is intended to enable the members of the Executive Board and selected executives of Zur Rose and its subsidiaries to participate in the Company's sustainable and long-term growth. In the performance-based share plan, the performance criteria are concentrated on the dedicated growth strategy, and entrepreneurial focus directed to the share price and the competition. In addition to revenue growth, relative Total Shareholder Return (TSR), i.e. the share price performance allowing for reinvested dividends over the three-year performance period is therefore measured, linking internal financial growth metrics with external financial data oriented to the capital markets and the competitive position. No changes were made to the performance-based share plan for allocations for the year under review. The changes to the performance-based share plan for 2023 are explained in the "Outlook" section.

The performance-based share plan

- (a) supplements the short-term variable compensation component, which is based on the annual achievement of targets, with a long-term compensation component;
- (b) helps align the interests of executives with those of shareholders;
- (c) anchors the strategic growth targets in compensation;
- (d) is intended to be an attractive incentive instrument compared with competitors and have a strong impact on retention.

At the request of the Compensation and Nomination Committee, the Board of Directors determines the amount of individual grants for the financial year in Swiss francs depending on the role and the influence on long-term success and taking into account individual performance and strategic considerations. Under this plan, two-thirds of the shares to be transferred are allocated to participants in Performance Share Units (PSUs) and one-third in Restricted Stock Units (RSUs). The PSUs and RSUs are blocked for a period of three years. The total amount in Swiss francs granted to members of the Executive Board for the grant year is approved by the shareholders at the General Meeting of Shareholders held the following year retrospectively for the grant year in accordance with the Articles of Association. In principle, if a participant joins during the year no PSUs and RSUs are granted. However, the Board of Directors reserves the ability to make a reduced grant of PSUs and RSUs, provided this remains within the limits of what is permitted by law and under the Articles of Association.

Role	CEO	Other members of the Executive Board
Target (nominal amount of grant)	59% of annual base salary	Between 3% ¹⁾ and 63% of annual base salary
Maximum opportunity	166% of target	166% of target

1) The low share is due to former members who only received a pro rata allocation in the year under review.

Conditions of transfer

At the end of a performance period of three years (starting on 1 January of the reporting year and ending on 31 December three years later), after the General Meeting of Shareholders at which the annual financial statements for the last year of the performance period are approved, the PSUs and RSUs are converted into shares. At that point, the number of shares to be transferred is calculated by multiplying the number of PSUs granted by the target achievement factor. The target achievement factor for the PSUs is based half on the performance achievement of the relative TSR and half on the performance achievement of the revenue objective. The target achievement factor is restricted to a lower limit of 0 and an upper limit of 2. The number of RSUs is not subject to a target achievement factor.

TSR refers to the share price performance plus notionally reinvested gross dividends during the performance period. To calculate target achievement, the TSR performance of Zur Rose is compared to the TSR performance of the companies in the STOXX® Europe 600 Retail and an individual peer group.

Individual peer group

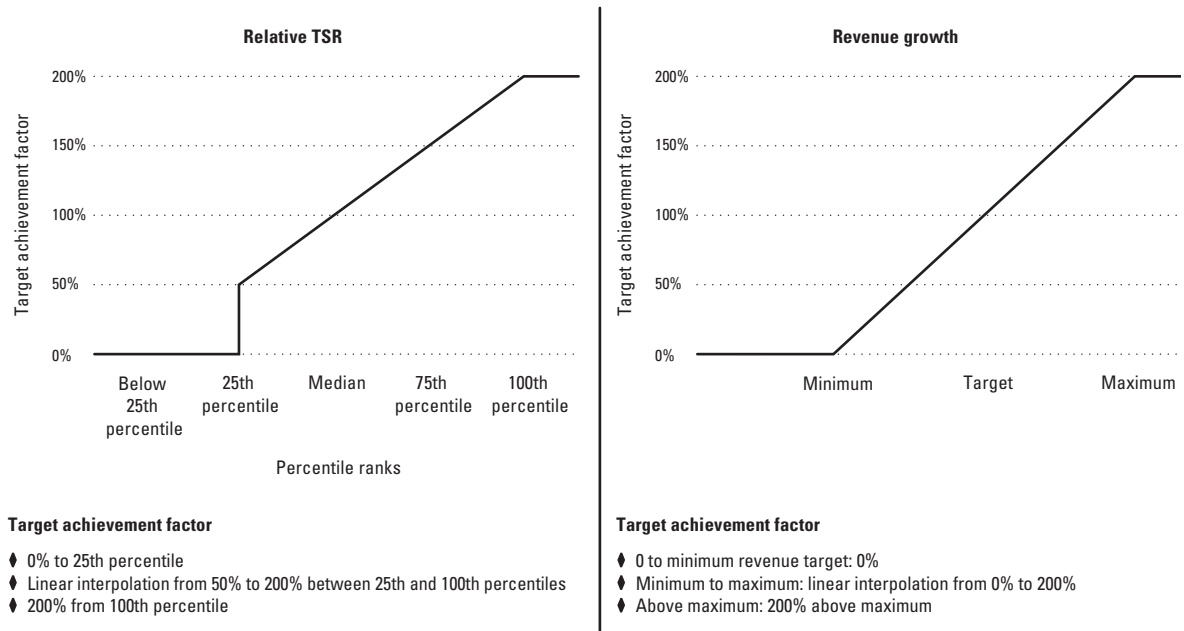
AO World	ASOS	Boohoo	Delivery Hero	Delticom
HolidayCheck	Home24	Just Eat	Ocado	Scout24
Shop Apotheke Europe	Spotify	Trivago	Zalando	Zooplus

TSR performance is measured using one-month moving averages to smooth share price fluctuations around the reference date. The TSR performance of the companies in the STOXX® Europe 600 Retail and the individual peer group calculated in this way is ranked for each group. The relative positioning of Zur Rose is determined using the ranking achieved. If the positioning of Zur Rose is at the median (50th percentile), this is equivalent to a target achievement factor of 1.0. If the positioning of Zur Rose is at the 25th percentile, the target achievement factor is 0.5; positioning below the 25th percentile results into an achievement factor of zero. If Zur Rose is positioned at or above the 100th percentile, the target achievement factor is 2.0. Target achievement for rankings in between is calculated by linear interpolation. The total target achievement factor for relative TSR is then calculated applying a 50 per cent weighting to each target achievement factor from the comparison with the STOXX® Europe 600 Retail and with the individual peer group. The internal financial targets are not disclosed. Disclosure of the targets would provide an insight into the Zur Rose forward-looking strategy and thus lead to a competitive disadvantage for the Group. After transfer, the shares are no longer subject to a vesting period and the members of the Executive Board may freely dispose of them.

Instrument	Performance Share Units 2/3 of allocation		Restricted Share Units 1/3 of allocation
Purpose	Measures the relative three-year share price performance against an individual peer group (50%) and the STOXX® Europe 600 Retail (50%)	Measures the increase in revenue over three years compared to budget based on growth	Not subject to any target and hence amount remains unchanged
Weighting	50% of 2/3 of the grant	50% of 2/3 of the grant	1/3 of the grant
Performance condition	Relative TSR	Revenue growth	None
Other condition	Employment relationship without notice during the vesting period		

Payout arrangements

At the time of transfer, the performance of the relative TSR and the percentage revenue growth are measured and set in line with the two payout factors as follows:



In the event of a delisting, acquisition of the majority of the shares or winding up of Zur Rose, for whatever reason, the plan will be terminated early by the Board of Directors and all PSUs and RSUs granted will be converted and transferred, on a pro rata temporis basis of the grant year.

In the event of termination of employment due to the disability or death of the participant, the PSUs and RSUs granted will be converted within one month of notification and transferred as shares, provided the grant thereof has already been approved by the General Meeting of Shareholders. Granted PSUs and RSUs that have not yet been approved by the General Meeting of Shareholders will not be converted and transferred as shares until the General Meeting of Shareholders has approved. Granted PSUs and RSUs are adjusted on a pro rata temporis basis to the starting year and multiplied by a target achievement factor of 1.0.

If employment is terminated by Zur Rose or a subsidiary without the participant having given any grounds for termination by their performance or conduct or due to retirement age, the standard provisions regarding the conversion date and target achievement factor remain unchanged. However, the granted PSUs and RSUs are adjusted on a pro rata temporis basis to the starting year. The same applies in the event of termination of the participant’s employment for cause.

If employment is terminated by Zur Rose or a subsidiary because the participant has given grounds for termination by their performance or conduct or for cause or is terminated by the participant without cause, the PSUs and RSUs are forfeit without compensation.

Anti-hedging and anti-pledging provisions

PSUs and RSUs granted under the plan are not tradable and may not be assigned, pledged or transferred. Hedging against price risks is also forbidden.

Pension benefits

The purpose of pension benefits is to provide security for employees and their dependants in the event of retirement, sickness, inability to work and death. The members of the Executive Board participate in the social insurance and pension plans in the countries where their employment contracts were entered into. The plans vary according to local competition and legal conditions; they at least meet the legal requirements of the countries concerned. Members of the Executive Board with a Swiss employment contract are members of the Zur Rose pension plans open to all employees in Switzerland. These comprise a basic pension from the ALSA PK collective foundation, which insures salaries up to CHF 129,060 per year, plus a supplementary pension (1e pension) from the PensFlex collective foundation, which insures basic salaries above this limit up to the legally permitted maximum. Members of the Executive Board with a foreign employment contract receive pension insurance commensurate with the market and their position.

Fringe benefits

Members of the Executive Board also receive expenses in line with the expenses regulations and a company car as a fringe benefit. Other benefits may be provided as part of international assignments (including tax compensation). The value is estimated at fair market value and included in the compensation tables. Any gifts or Board of Directors fees of subsidiaries are also included in this position.

Employment contracts

The members of the Executive Board are employed under permanent employment contracts with individual notice periods up to a maximum of 12 months. The members of the Executive Board are not entitled to any contractual sign-on or severance payments or special change of control provisions, except for the accelerated vesting of the long-term compensation plan as explained above. Under the Articles of Association of Zur Rose, employment contracts may contain competition and poaching bans up to a maximum of one year and specify compensation up to one year's salary.

5.3 Compensation paid to the members of the Executive Board in 2022

This section was audited by the auditors in accordance with Article 17 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

In 2022 the members of the Executive Board received total compensation of CHF 7,431,000 (2021: CHF 6,131,000). This amount includes annual base salaries of CHF 3,469,000 (2021: CHF 2,982,000), short-term variable compensation of CHF 1,446,000 (2021: CHF 747,000), long-term compensation of CHF 1,496,000 (2021: CHF 1,393,000), fringe benefits of CHF 138,000 (2021: CHF 190,000) and pension benefits of CHF 883,000 (2021: CHF 819,000).

The table below shows the fixed and variable compensation and the total compensation allocated to the members of the Executive Board for 2022 and 2021. The former CEO Walter Oberhänsli stepped down from his position at the end of April 2022 and Walter Hess took over as CEO as of May 2022.

Executive Board ¹⁾	Variable compensation												Total	
	Annual base salary in cash		Short-term in cash		Long-term in shares ²⁾				Fringe benefits ³⁾		Pension benefits ⁴⁾			
	2022	2021	2022	2021	PSU		RSU		2022	2021	2022	2021		
CHF 1,000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Total compensation of the Executive Board														
	3,469	2,982	1,446	747	953	829	543	564	138	190	883	819	7,431	6,131
Of which: CEO ⁵⁾														
	617	650	277	184	199	187	166	93	13	34	173	191	1,445	1,339

- 1) On 31 December 2022, seven members of the Executive Board were in office. Of these, two new members joined or were promoted to the Executive Board during the year, and one member was promoted within the Executive Board. The total compensation of the three members of the Executive Board who stepped down in the year under review includes contractual obligations during their notice period. On 31 December 2021, eight members of the Executive Board were in office, one of whom had joined during the course of the year.
- 2) The nominal target value of the performance-based share plan granted in 2022 for the performance period 2022 to 2024 and in 2021 for the performance period 2021 to 2023. Including additional PSUs and RSUs for a member of the Executive Board depending on qualitative target achievement in 2021, due to expansion of the role within the Executive Board.
- 3) Including all other compensation and benefits such as company cars, expenses in connection with assignments and Board of Directors fees from subsidiaries.
- 4) Includes social security contributions where they result in a pension entitlement. Additional amounts that do not result in an increased pension entitlement are not included (additional amounts not included in the above amount in 2022: CHF 364,769, of which CHF 88,356 relates to the CEO; in 2021: CHF 323,141, of which CHF 79,809 relates to the CEO).
- 5) Highest total compensation 2022: Walter Hess, CEO. Highest total compensation 2021: Walter Oberhänsli, CEO

EFFECTIVE COMPENSATION OF THE EXECUTIVE BOARD (EXCLUDING THE HIGHEST-PAID MEMBER) ¹⁾

In per cent



■ Fixed annual base salary
■ Short-term variable compensation
■ Long-term variable compensation

EFFECTIVE COMPENSATION OF THE HIGHEST-PAID MEMBER OF THE EXECUTIVE BOARD ¹⁾

In per cent



■ Fixed annual base salary
■ Short-term variable compensation
■ Long-term variable compensation

1) The compensation of the highest-paid member of the Executive Board includes pro-rated compensation as CEO and Head Germany

Notes to the compensation table

- **Changes to the Executive Board:** At 31 December 2022 the Executive Board consisted of seven members, five of whom had been members for the whole year. Walter Hess was promoted to CEO within the Executive Board and Walter Oberhänsli simultaneously stepped down as CEO and was elected as Chair of the Board of Directors of Zur Rose. In the previous year, there were eight members of the Executive Board, seven of whom had been members for the entire year.
- **Annual base salary:** The annual base salary in 2022 was higher than in the previous year due to the changes to the Executive Board.
- **Payment of short-term variable compensation:** The short-term variable compensation in 2022 was higher than in the previous year. Further information is provided below. No discretion was applied in determining the effective short-term variable compensation for 2022.
- **Grant of long-term variable compensation:** The grant value of long-term variable compensation increased by 7.4 per cent compared to the previous year due to the changes to the Executive Board mentioned above.
- Total variable compensation amounted to 85 per cent of the average annual base salary or 66 per cent of average total fixed compensation (annual base salary plus amounts from fringe benefits and pension benefits). For the new CEO Walter Hess, total variable compensation amounted to 104 per cent of the annual base salary and 80 per cent of total fixed compensation.
- **Fringe and pension benefits:** Fringe benefits and pension benefits were one percentage point higher than in the previous year.
- **Change in total compensation:** Total compensation paid to the Executive Board for 2022 amounted to CHF 7,431,000. This equates to a year-on-year increase of 21 per cent.

Payment of short-term variable compensation

The measurement of short-term variable bonus payments is largely based on the performance of revenue and EBITDA at Group level compared to budget and qualitative factors. Consequently, the achievement of targets for short-term variable compensation for 2022 resulted in an effective payment of 80 to 111 per cent (2021: 41 to 100 per cent) for the Executive Board, and 108 per cent (2021: 61 per cent) for the CEO.

The short-term variable compensation increased compared to the previous year, which is primarily due to the improvement in EBITDA in 2022 compared to 2021 and the more precise achievement of budget.

Expressed as a percentage of fixed compensation for the year, the short-term variable compensation is equivalent to 27 to 55 per cent for the Executive Board and 45 per cent for the CEO. The degree of target achievement for short-term variable compensation for 2022 increased year on year and amounted to 103 per cent in the year under review (previous year: 65 per cent). The effective short-term variable compensation per person for 2022 was increased accordingly.

Overview of short-term variable compensation payments

Variable	Weighting	Target payout (100%)
Group financial targets	40% – 60%	
Group / segment revenue		33% – 127%
Group / segment EBITDA		66% – 150%
Individual targets	40% – 60%	
Net working capital, cash flow, strategic initiatives, etc.		50% – 150%
Total	100%	The total payout for the Executive Board amounts to 103% (2021: 65%)

Conversion of long-term variable compensation

In 2022, the members of the Executive Board are granted a performance based share plan in the amount of CHF 1,496,000 in total. This is equivalent to 26,907 PSUs and 14,016 RSUs. The performance period for the PSUs will end on 31 December 2024, based on the trend in relative TSR and revenue growth between 2022 and 2024. The number of RSUs remains unchanged.

Transfer of PSUs and RSUs granted in previous years

Under the performance-based share plan for the performance period 2020 to 2022, a revenue target achievement factor of 36.6 per cent was achieved. The TSR target achievement factor was zero per cent. A total of 5,105 shares will be paid out to the members of the Executive Board (including the CEO). Overall, the value of these shares as at 31 December 2022 was significantly below the value at grant.

The final amount of the PSUs and RSUs granted under the performance-based share plan 2020 (performance period 2020 to 2022) in shares to be transferred at the end of 2022, based on the TSR ranking of Zur Rose compared to the peer group and the revenue target achieved was 45.5 per cent. No discretion was applied in determining the final amount.

Year of grant	Year of vesting	Allocation amount in per cent ¹⁾
2019	2021	156%
2020	2022	45.5%
2021	2023	Outstanding ²⁾
2022	2024	Outstanding ²⁾

1) Allocation amount of the PSUs granted. Members of the Executive Board who join after the corresponding performance-based share plans have been granted are not entitled to take part in these allocations.

2) The performance period is not yet completed. The final amount to be allocated of the PSUs granted is available once the performance period is completed.

At the Annual General Meeting of Shareholders on 29 April 2021, the shareholders approved a maximum total amount of fixed compensation for the Executive Board for 2022 of CHF 3.90 million. This amount consists of the annual base salary, fringe benefits and pension benefits. The total compensation of CHF 4.26 million paid to the Executive Board in 2022 exceeds the maximum total amount of CHF 3.90 million approved for 2022 by the shareholders at the Annual General Meeting of Shareholders in 2021 for seven members. In 2022, two new members were appointed to the Executive Board and one member was promoted to CEO from within the Executive Board. At the same time, contractual payments due to two members of the Executive Board who stepped down were paid during their notice period. As a result, the fixed basic compensation increased, so that, as stipulated in the Articles of Association, the Board of Directors granted a supplementary amount of up to a maximum of 50 per cent of the most recently approved total compensation of the members of the Executive Board to newly appointed members and members promoted within the Executive Board.

This supplementary amount under the Articles of Association for new members equates to CHF 1.95 million. Matthias Peuckert, Head Germany, was appointed to the Executive Board as of 1 April 2022 and Kaspar Niklaus, Chief Operations Officer, as of 1 November 2022. Initially, the amount of CHF 74,000 was allocated until the maximum approved amount of CHF 3,900,000 was exhausted, and then a total amount of CHF 364,000 was allocated, of which CHF 301,000 was paid to Matthias Peuckert and CHF 63,000 to Kaspar Niklaus.

The variable compensation awarded to the Executive Board for 2022 disclosed in the table above will be submitted to the 2023 Annual General Meeting of Shareholders for approval.

Loans and compensation to former members of the Executive Board and related parties

During the year under review, a non-compete compensation for one year in the amount of CHF 175,000 was paid to a former member of the Executive Board. No compensation was paid to related parties to the members of the Executive Board. No loans were granted to members of the Executive Board in the course of the financial year. The total amount of loans outstanding on market terms to members of the Executive Board as at 31 December 2022 amounts to CHF 172,196 and was granted to Emanuel Lorini in his role as Head Switzerland. There were no loans outstanding to related parties to members of the Executive Board or former members of the Executive Board that were not on market terms.

Information on the shares held by members of the Board of Directors and the Executive Board can be found in the Financial Report on page 139.

6 Outlook for 2023

Following an in-depth analysis of the compensation system applicable to the Executive Board, the Compensation and Nomination Committee proposed a number of changes. These have been approved by the Board of Directors and will be implemented for 2023.

6.1 Restricted Stock Units

The RSUs, which previously counted one-third of the long-term variable compensation will be discontinued in 2023 and be replaced by PSUs in the LTI. Long-term variable compensation will therefore be based entirely on the future performance of Zur Rose over a period of three years. The performance conditions are weighted equally, 50% based on the relative TSR and 50% based on the ambitious share price targets. This approach is in line with the company's performance-based compensation philosophy and standard market practice.

6.2 LTI clawback provisions

The current forfeiture provisions of the long-term variable compensation plan will be supplemented by clawback provisions. Where failure to comply with accounting standards or fraud and/or breaches of the law or internal regulations result in restatement of the accounts, or in cases of individual misconduct, the Board of Directors may claw back shares allocated within three years of the year in which the restatement occurred or the fraudulent conduct took place.

The provisions already apply to the long-term variable compensation granted in 2023.

6.3 ESG (environmental, social and governance) criteria for the compensation of members of the Executive Board

In 2020 Zur Rose began to develop a systematic approach to sustainability applicable to the entire Group, taking into account economic, social and environmental objectives. In order to integrate ESG criteria into variable compensation, specific, measurable and realistic targets must be derived and formulated. This requires that the sustainability approach is embedded in the Zur Rose business model and certain experience gained with the objectives. Zur Rose has since gone through this development process and ESG criteria will be included in the short-term variable compensation from 2023 onwards.

6.4 Shareholding guidelines for the members of the Executive Board and the Board of Directors

Zur Rose introduces shareholding guidelines for the members of the Board of Directors and the Executive Board from 1 January 2023, to align them with the long-term interests of shareholders and further strengthen Corporate Governance.

Shareholding guidelines for the members of the Executive Board

Members of the Executive Board are obliged to build up and maintain a minimum amount of Zur Rose shares within five years of their appointment to the Executive Board (or the introduction of the guidelines):

Role	Minimum shareholding
CEO	200% of annual base salary
Member	100% of annual base salary

In the event of a significant change in the share price, the Board of Directors may change the above period at its own discretion.

All shares are taken into account when calculating whether the minimum shareholding is satisfied, regardless of whether they are blocked or not. However, PSUs and RSUs that have not yet been transferred are not included. The CNC checks compliance with the shareholding guidelines on an annual basis.

Shareholding guidelines for members of the Board of Directors

Members of the Board of Directors are obliged to build up and maintain a minimum amount of Zur Rose shares within five years of their appointment to the Board (or implementation of the new guidelines).

Role	Minimum shareholding
Chair and director	100% of total annual compensation

In the event of a significant change in the share price, the Board of Directors may change the above period at its own discretion.

All shares are taken into account when calculating whether the minimum shareholding is satisfied, regardless of whether they are blocked or not. The CNC checks compliance with the shareholding guidelines on an annual basis.



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To the General Meeting of
Zur Rose Group AG, Steckborn

Zurich, 22 March 2023

Report of the statutory auditor on the audit of the remuneration report



Opinion

We have audited the remuneration report of Zur Rose Group AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on page 62 and page 69 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report complies with Swiss law and Art. 14-16 VegüV.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

/s/ Jolanda Dolente

Jolanda Dolente
Licensed audit expert
(Auditor in charge)

/s/ Michael Britt

Michael Britt
Licensed audit expert