

## REPORT ON CORPORATE GOVERNANCE AND COMPENSATION

Valora is aware of the expectations placed on its corporate governance and is committed to meeting them. Our objective is to attain the highest levels of transparency commensurate with best practice standards. We believe that this applies particularly to the structure of our organisation and of the control and management infrastructure we have in place. Above all, this transparency should protect shareholders' interests and create value for all other stakeholders.

The corporate governance and compensation section of this annual report follows the structure set out in the applicable SIX Swiss Exchange guidelines:

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### 1 GROUP STRUCTURE AND SHAREHOLDERS

**1.1 GROUP STRUCTURE.** Valora Holding AG, the Group's parent company, is a limited company established under Swiss law. Either directly or indirectly, it holds stakes in 45 significant unlisted companies, all of which are fully consolidated in its accounts. The Group's operational structure is set out on page 8.

**1.1.1 LISTED COMPANIES.** The only listed company in the Valora Group is Valora Holding AG, which is domiciled in Berne. The company is listed on the main section of SIX Swiss Exchange and on the BX Berne Exchange (Swiss securities number 208 897, Telekurs VALN, Reuters VALN.S, Bloomberg VALN.SW, ISIN number CH0002088976). The company itself holds 14.77% of the total of 3 300 000 issued shares. The number of company shares which were acquired through the second trading line established as part of the share buyback programme amount to 10.61% of the total number of issued shares. At December 31, 2008 the market capitalisation of Valora Holding AG amounted to CHF 433 million. The company's market capitalisation over the last 5 years is shown on page 155.

**1.1.2 CONSOLIDATED COMPANIES.** The significant companies within the Group are shown in the notes to the consolidated financial statements on pages 118 to 119, which list the name, domicile, total share capital and percentage of share capital held by Valora Holding AG.

**1.2 SIGNIFICANT SHAREHOLDERS.** The following significant shareholders have disclosed shareholdings to Valora Holding AG in accordance with article 20 of the Swiss Federal Stock Exchange Act (in German, «Börsengesetz» or «BEHG»):

On January 14, 2008, UBS Fund Management (Switzerland) Ltd, P.O. Box, 4002 Basle, Switzerland reported that its total holdings at January 10, 2008 had exceeded the 5% threshold, reaching a total of 173 604 registered shares in Valora Holding AG, equivalent to 5.26% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 5.26% of the outstanding voting shares.

On January 28, 2008, Lombard Odier Darier Hentsch Fund Managers SA (LODHFMS) reported that, following sales made by its LODH Swiss Cap (ex-SMI) and its LODH Opportunity Swiss Small and Mid Caps funds on January 25, 2008, its holdings as of that date totalled 96 441 registered

shares in Valora Holding AG, equivalent to 2.92% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 2.92% of the outstanding voting shares.

On January 29, 2008, Richelieu Finance Gestion Privée, société anonyme, 6 av. Franklin Roosevelt, 75008 Paris, France reported that, following sales by two of its public managed funds on January 24, 2008, its holdings as of that date totalled 97 628 registered shares in Valora Holding AG, equivalent to 2.96% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 2.96% of the outstanding voting shares.

On February 20, 2008, the State of New Jersey Common Pension Fund D, Trenton, NJ 08625, USA reported that its holdings in Valora Holding AG registered shares as of December 1, 2007 amounted to a total of 150 000, equivalent to 4.55% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 4.55% of the outstanding voting shares.

On April 21, 2008, Pictet Funds SA, Route des Acacias, 1211 Geneva, Switzerland, reported that purchases made on April 16, 2008 by its Pictet (CH) Enhanced (0.19%), Pictet (CH) Swiss Market Tracker (0.10%), Pictet (CH) Swiss Mid Small Cap (1.03%), Pictet Swiss Equities (0.64%), Pictet Fund (CH) Pool Swiss Equities (0.02%), Pictet Institutional Swiss Equities (0.90%), Pictet Institutional Swiss Equities Tracker (0.06%), Ethos (0.07%) and Subvenimus Institutional Fund (0.01%) had resulted in its holding a total of 99 509 registered shares in Valora Holding AG, equivalent to 3.02% of the issued share capital. This shareholder's overall holdings as of that date thus corresponded to 3.02% of the outstanding voting shares.

On July 4, 2008, Amber Capital LP, 153 East 53rd Street, New York, NY 10022, USA, acting as investment manager of Amber Master Fund (Cayman) SPC, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands reported that sales on June 30, 2008 had resulted in that fund's holdings of Valora Holding AG registered shares falling below 3% of the outstanding voting shares. Amber Capital LP is entrusted with the independent management of the Amber Master Fund (Cayman) SPC, the legal owner of the shares.

On July 8, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 5.19% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 163 774 registered shares (4.96% of the total outstanding shares) and a short position in put options on a further 7 681 registered shares (0.23% of the total outstanding shares). The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On July 9, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 5.65% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 179 024 registered shares (5.42% of the total outstanding shares) and a short position in put options on a further 7 681 registered shares (0.23% of the total outstanding shares). The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On September 18, 2008, Manning & Napier Advisors Inc., 290 Woodcliff Drive, Fairport, NY 14450, USA, reported that, as a result of purchases made, it held 99 860 registered shares in Valora Holding AG, equivalent to 3.02% of the total issued share capital. This shareholder's overall holdings as of that date thus corresponded to 3.02% of the total outstanding voting shares.

On October 3, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 10.15% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 327 159 registered shares (9.92% of the total outstanding shares) and a short position in put options amounting to a further 0.23% of the total outstanding shares. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded

during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On October 6, 2008, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 10.48% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 338 344 registered shares (10.25% of the total outstanding shares) and a short position in put options amounting to a further 0.23% of the total outstanding shares. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On October 16, 2008, Manning & Napier Advisors Inc., 290 Woodcliff Drive, Fairport, NY 14450, USA, reported that following sales made on October 15, 2008, its total holdings in registered shares of Valora Holding AG had fallen below 3% of the outstanding voting shares.

On January 5, 2009, Valora Holding AG, Belpstrasse 37, 3000 Berne 14, Switzerland reported that, as a result of purchases made, it held a total of 15.36% of its own outstanding share capital and thus of its outstanding voting shares. This resulted from holdings of 499 214 registered shares (15.13% of the total outstanding shares) and a short position in put options amounting to a further 0.23% of the total outstanding shares. The options (European puts expiring on January 31, 2013, each of which entitles its holder to sell one registered share at the average closing price recorded during the first week after the options vest) are an obligation which arose from employee share participation programmes.

On January 23, 2009, GoldenPeaks Capital Management Ltd, Suite 7, Provident House, Haviland Street, St. Peter Port, GY1 2QE, Guernsey, acting as investment manager for GoldenPeaks Active Value Master Fund Ltd, Zephyr House, 122, Mary Street, Grand Cayman, K1 1107, Cayman Islands, reported that on January 21, 2009, its holdings in registered shares of Valora Holding AG had reached a reporting threshold. As of that date it held 87 588 registered shares (equivalent to 2.65% of issued share capital) and a long position in 1 153 800 call warrants exercisable into Valora Holding AG shares (VALAA, ISIN: CH0049933747, conversion ratio: 30:1, expiration: January 21, 2010, strike price: CHF 178). In aggregate, these two positions represented 3.81% of the outstanding voting shares.

On March 4, 2009, Pictet Funds S.A., Route des Acacias, 1211 Geneva, Switzerland reported that sales made on February 26, 2009 by its Pictet (CH) Enhanced (0.21%), Pictet (CH) Swiss Market Tracker (0.09%), Pictet (CH) Swiss Mid Small Cap (0.82%), Pictet (CH) Swiss Equities (0.51%), Pictet Institutional Swiss Equities (1.06%), Pictet Institutional Swiss Equities Tracker (0.07%), Pictet Institutional - Pool Swiss Equities (0.02%), Ethos - Equities CH Indexed Corporate Governance (0.08%) and Subvenimus Institutional Fund (0.02%) had resulted in its overall holdings of Valora Holding AG registered shares falling below 3% of the outstanding voting shares.

**1.3 CROSS SHAREHOLDINGS.** There are no reportable cross shareholdings between Valora Holding AG or its subsidiaries and other companies.

## 2 CAPITAL STRUCTURE

**2.1 CAPITAL STRUCTURE AT DECEMBER 31, 2008.** Ordinary capital of Valora Holding AG: CHF 3 300 000, comprising 3 300 000 single-class registered voting shares of CHF 1.00 nominal value each, each entitled to dividends. All Valora Holding AG ordinary registered shares are fully paid up and listed on the main section of the SIX Swiss Exchange and BX Berne eXchange. Valora Holding AG has conditional capital of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value.

**2.2 CONDITIONAL AND AUTHORISED CAPITAL.** Conditional capital amounting to a maximum of CHF 84 000, comprising 84 000 registered shares of CHF 1.00 nominal value each, was approved by the Annual General Meeting of May 11, 2000. These shares can be used at any time by the Board of Directors to cover the exercising of options granted to employees of the company or Group companies within the overall framework laid down by the Board of Directors. Existing shareholders have no subscription rights for such shares. No time limits apply. None of this conditional capital had been issued by December 31, 2008. The conditional capital of CHF 84 000 remains unchanged.

Valora Holding AG has no authorised capital.

**2.3 CHANGES IN CAPITAL.** The Ordinary General Meeting of Shareholders of Valora Holding AG held on April 29, 2008, approved the Board's proposal to initiate a share buyback programme covering a maximum of 500 000 shares (which rounds to 15.2% of the outstanding share capital) and lasting 18 months (till the end of 2009) to be conducted through a second trading line on the SIX Swiss Exchange for the purpose of definitively cancelling the shares so repurchased and reducing the issued share capital accordingly. Valora Holding AG initiated a public buyback programme on July 1, 2008. The Board of Directors will recommend to future General Meetings that the ordinary capital be reduced by the amount represented by the shares so repurchased. On June 12, 2008, Valora Holding AG applied in writing to the Swiss Takeover Board for the provisions regarding public purchase offers to be waived in respect of this buyback programme and received approval for its application. Valora Holding AG's offering advertisement and the Swiss Takeover Board's recommendation have both been published. In addition, since the programme began, Valora has published weekly reports showing the total number of shares purchased through the second trading line on its website. No changes in capital structure occurred in 2006 or 2007. Details of the changes in capital structure made in 2005 are contained in the 2005 Financial Report in the changes in capital structure section of the corporate governance report on page 68.

Changes in the reserves and overall shareholders' equity of Valora Holding AG are shown in the balance sheet (on page 125) and the notes to the financial statements of Valora Holding AG (on page 126).

**2.4 SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND-RIGHT CERTIFICATES.** All 3 300 000 registered shares each have a nominal value of CHF 1.00 and are fully paid up. Each share entitles its holder to a dividend, except the shares held in treasury by Valora Holding AG. There are no preferential shares. Valora holding AG has not issued any participation certificates or dividend right-certificates.

**2.5 CONVERTIBLE BONDS AND OPTIONS.** At December 31, 2008, Valora Holding AG had no convertible bonds or options outstanding.

**2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS.** Details of limitations on transferability and nominee registrations are shown in section 6.1 of this corporate governance report.

### 3 BOARD OF DIRECTORS

**3.1 BOARD OF DIRECTORS.** At December 31, 2008, the Board of Directors of Valora Holding AG comprised the following five members:



*Rolando Benedick, 1946, Swiss citizen, Chairman*  
Previous activities: CEO of Innovazione, CEO of the Manor Group, Board Chairman of the Manor Group, Member of the Board of Directors of Manor Sud (Innovazione SA), Jacobs Holding AG.  
Current activities: Board Chairman of Manor Sud (since 1999), Member of the Boards of Directors of Barry Callebaut (since 2001), of MCH Messe Schweiz AG (since 2004).



*Markus Fiechter, 1956, Swiss citizen, Vice-Chairman*  
Master's degrees in Chemical Engineering from the Swiss Federal Institute of Technology and in Economics from the St. Gallen Business School.  
Previous activities: SBU Leiter Mettler Toledo AG, Manager, Boston Consulting Group, CEO, Minibar Group.  
Current activities: CEO, Jacobs Holding AG (since 2004), Member of the Boards of Directors of Barry Callebaut (since 2004) and Minibar AG (since 2005).



*Bernhard Heusler, 1963, Swiss citizen*  
Doctorate in Law, Attorney-at-law.  
Previous activities: Temporary Associate at Davis Polk & Wardwell, New York, Wenger Plattner, Attorneys-at-law.  
Current activities: Partner with Wenger Plattner, Attorneys-at-law (since 2000), Representative of the Board of Directors of the FC Basel 1893 AG football club (since 2005), member of various professional associations, Member of the Boards of Directors of various trading and service companies.



*Franz Julen, 1958, Swiss citizen*  
Diploma in hotel and restaurant management from the Swiss Hotel Management School, Lucerne.  
Previous activities: Deputy Managing Director, Marc Biver Development Sportmarketing, Chairman of the Management Committee, Völkl International AG, COO, INTERSPORT International Corporation.  
Current activities: CEO, INTERSPORT International Corporation (since 2000).



*Conrad Löffel, 1946, Swiss citizen*  
Federally qualified Swiss chartered accountant.  
Previous activities: CFO, Intercontainer, CFO, Kuoni, CFO, Danzas and partner and Board director of Ernst & Young AG, Basle.  
Current activities: Member of the Board of Directors of Adimmo AG (since 2006), of Swiss Federal Railways (since 2008).

No member of the Board of Directors has any management mandate within the Valora Group or any significant business relations to the Group.

**3.2 OTHER ACTIVITIES AND VESTED INTERESTS.** Some Board members engage in other business activities with major companies.

**3.2.1 MEMBERSHIP OF SUPERVISORY BOARDS.**

- Rolando Benedick: Board Chairman of Manor Sud, Member of the Boards of Directors of Barry Callebaut, Jacobs Holding AG and MCH Messe Schweiz AG.
- Markus Fiechter: Member of the Board of Directors of Barry Callebaut and Minibar AG.
- Bernhard Heusler: Member of various professional associations, Member of the Boards of Directors of various trading and service companies.
- Franz Julen: Vice-Chairman of the Supervisory Board of the Union of Groups of Independent Retailers of Europe (UGAL), a non-profit international organisation.
- Conrad Löffel: Member of the Board of Directors of Adimmo AG and Swiss Federal Railways

**3.2.2 MEMBERSHIP OF EXECUTIVE COMMITTEES.**

- Markus Fiechter: CEO of Jacobs Holding AG, Zurich; member of the Advisory Board of Manres AG, Zollikon
- Bernhard Heusler: Partner with Wenger Plattner, Attorneys-at-law, Basle, Representative of the Board of Directors of FC Basel 1893 AG, Basle
- Franz Julen: CEO of INTERSPORT International Corporation, Berne

**3.3 ELECTIONS AND TERMS OF OFFICE.** The Board of Directors comprises at least three members who are elected by the General Meeting of Shareholders for a term of one year - one year being the period from one Ordinary General Meeting to the next. Each Board member is elected individually. Outgoing Board members may be re-elected. Members retire permanently from the Board on the date of the Ordinary General Meeting following their 70th birthday. Any exceptions to these rules must be recommended by the Board of Directors to the General Meeting and approved by the latter.

The Board of Directors is self-constituting. The Board names a Chairman and a Deputy Chairman and a Secretary. The Secretary need not be a Board member.

With the exception of Franz Julen, who was first elected in 2007, all Board members were first elected in 2008.

**3.4 INTERNAL ORGANISATIONAL STRUCTURE AND COMMITTEES.** The Board of Directors discharges the duties required of it by law (article 716a of the Swiss Code of Obligations). The Board has supreme managerial responsibility for the company and the supervision of its conduct of business. It represents the company to the outside world and attends to all matters which the law, the company's articles of incorporation or the company's bylaws have not assigned to another executive body of the company. The Board of Directors may delegate powers and the management of the company or individual parts thereof to one or more persons, to members of the Board or to third parties who need not be shareholders, provided such affairs are not inalienably assigned to it by law or the articles of incorporation. The Board issues the company's bylaws and regulates the corresponding contractual relations.

There is no explicit allocation of responsibilities among Board members other than that arising from Board committee memberships. Board members are, however, selected so as to ensure that the Board as a whole has specific expertise in the fields of finance, retail, franchising, trade, IT and law.

Minutes are kept of Board meetings.

The composition of the Board committees is as follows:

- Audit Committee: Conrad Löffel (Chairman), Bernhard Heusler.
- Nomination and Compensation Committee: Franz Julen (Chairman), Markus Fiechter.

In addition, Board Chairman Rolando Benedick is an *ex officio* member of these standing committees.

The duties of the Audit Committee are as follows:

- To assess accounting practices and principles, financial reporting and other financial information and to report on these to the Board of Directors
- To assess other financial information which is published or submitted to third parties.
- To assess the financial reporting for the annual and half-yearly reports and make appropriate recommendations to the Board of Directors.
- To monitor and discuss possible financial risks.
- To assess risk management principles and activities with regard to financial risk.
- To assess the quality of ICS (internal control system) processes within the company.
- To assess the Group's risk situation and report on it to the Board of Directors.
- To assess and finalise the internal audit function's budget, organisation and multi-year planning.
- To assess and finalise the internal audit function's annual audit plan.
- To decide on the appointment and dismissal of the head of internal audit.
- To assess the audit scope, performance and independence of the external auditors and the fees paid to them, and to propose nominations for the external audit function (for the financial statements of Valora Holding AG and the Valora Group) to the Board of Directors.
- To assess audit findings in the internal and external auditors' reports.
- To commission additional and follow-up audits with regard to specific issues or problems as needed.
- To assess the implementation of measures recommended in audit reports.
- To assess the collaboration between internal and external auditors.
- To assess financing and treasury policy.
- To assess the legal department's annual report on major, potential, pending and resolved legal issues whose financial consequences are significant.
- To assess tax planning, tax management and tax audits and their outcomes.
- To assess the evolution of corporate governance and to formulate appropriate recommendations to the Board of Directors.
- To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), b), c), d), e), f), g), k), l), n), o), p), q), r), s) and t) above, the Audit Committee exercises a preparatory function. For the duties specified in h), i), j) and m) the Audit Committee exercises a decision-making function.

The duties of the Nomination and Compensation Committee are as follows:

- To prepare proposals on the remuneration of the Chairman of the Board and the other Board members and submit these to the Board.
- To determine the salaries and other terms and conditions of employment for the CEO and the other members of Group Executive Management.
- To assess general annual salary increases proposed by the CEO and to make recommendations on these to the Board.
- To review share programmes for management and employees and share option and profitsharing programmes for the Board and Group Executive Management and to make recommendations on these to the Board.

- e) To approve general salary increases (wage round [Lohnrunde]).
- f) To approve share, share option and profit-sharing programmes for management and employees.
- g) To prepare proposals for new candidate Board members for submission to the Board.
- h) To prepare proposals for submission to the Board on the appointment or dismissal of the CEO and other Group level executives (CFO, members of Group Executive Management).
- i) To approve the conditions of employment of the CEO and the other members of Group Executive Management.
- j) To remain informed of and monitor succession planning for the top two tiers of management.
- k) To discuss the performance appraisals of the CEO and the other members of Group Executive Management.
- l) To monitor the implementation of Board decisions within the scope of the Nomination and Compensation Committee's remit.
- m) To approve the principles governing the company's pension funds and to appoint the employer's representatives to serve on their supervisory boards.
- n) To resolve matters of principle relating to the company's dealings with trade unions.
- o) To carry out other tasks and projects as instructed by the Board of Directors.

For the duties specified in a), c), d), e), f), g), h), i), j), k), l), m), n) and o) above, the Nomination and Compensation Committee exercises a preparatory function. For the duties specified in b) above, the Nomination and Compensation Committee exercises a decision-making function.

**3.5 DEFINITION OF AREAS OF RESPONSIBILITY.** The Board of Directors meets as frequently as business demands. Board meetings are convened by the Chairman or, in his absence, by the Deputy Chairman or another Board member. The Chairman is also required to convene a Board meeting within 30 days of receiving a written request to do so from any of its members.

The Board is quorate if a majority of its members are present. A quorum is not required for the Board to approve reports on capital increases or on the subsequent paying in of shares not fully paid up, or for any resolutions which require notarisation. Board resolutions are passed and elections decided by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Voting and elections are normally conducted by a show of hands, unless a Board member requests a secret ballot. Board resolutions on proposals submitted to it may also be passed by majority written approval (in letter, telegram, fax or other written form), provided all Board members have been invited to vote and no member has requested that the issue concerned be discussed verbally. All Board resolutions must be recorded in a set of minutes, which the Chairman and Secretary must jointly sign. Every Board member is entitled to information and access to documents, within the overall provisions of the law.

The Board of Directors is responsible for approving corporate strategy and specifying organisational structure, and bears ultimate responsibility for personnel matters. It establishes the guidelines for financial and investment policy, and approves long-term borrowings in excess of CHF 30 million, acquisitions and disposals of shareholdings and the purchase and sale of real estate whose transaction price exceeds CHF 2 million.

**3.6 INFORMATION AND CONTROL INSTRUMENTS AVAILABLE TO THE BOARD OF DIRECTORS.** In 2008, the Board of Directors held 14 meetings, of which 7 were full-day and 7 half-day sessions. A number of conference calls were also held. The Audit Committee held 4 half-day meetings, while the Nomination and Compensation committee convened for 6 half-day sessions. These committees also conducted a number of conference calls. The Board and its committees may also invite further persons, particularly the CEO, the CFO and representatives of the internal and external auditors, to attend their meetings. Internal and external auditors took part in all Audit Committee meetings.

The Board of Directors is regularly provided, through the Valora Group's management information system, with monthly sales figures, monthly reporting at division and Group level, details of significant business events, information on the shareholder structure and details of current progress towards the implementation of decisions made by the General Meeting or itself.

The Chairman of the Board is provided with a copy of the minutes of all Group Executive Management meetings. Any member of the Board of Directors may demand information from management about the course of business and operations and, with the approval of the Chairman of Board, on specific business transactions. Any Board member may also demand that company books and files be made available for their inspection.

In late 2008, the Board of Directors and Group Executive Management jointly carried out a risk assessment. The objective was to make key risks to Valora more transparent, to improve the quality of risk dialogue and to define practical ways of addressing the main risks facing Valora. The results of this assessment were reviewed in a meeting between the Board of Directors and Group Executive Management and an appropriate action plan was resolved.

The Board of Directors is also supported in its supervisory duties by an internal control system which has been reviewed by Valora's external/internal (WHICH?) auditors.

#### 4 GROUP EXECUTIVE MANAGEMENT

**4.1 MEMBERS OF GROUP EXECUTIVE MANAGEMENT.** The CEO is responsible for managing the Group. He co-ordinates the activities of the individual divisions and chairs the Group Executive Management committee. The other members of Group Executive Management report to the CEO. The division heads run their divisions with a view to achieving sustainably profitable performance. They define the specific management tools their divisions require in addition to the Group-wide guidelines which are in place.



*Dr. Thomas Vollmoeller, 1960, German citizen*

Master's degree in Economics from the University of Stuttgart, doctorate in Economics from the University of St. Gallen.  
Previous activities: consultant with McKinsey & Co. in Hamburg und Düsseldorf, Chief Executive of Tchibo direct GmbH, CFO, Head of Operations and Member of the Executive Committee of Tchibo.  
CEO of Valora since June 16, 2008.



*Dr. Lorenzo Trezzini, 1968, Swiss citizen*

Doctorate in Economics from the University of Zurich and Federally qualified Swiss chartered accountant.  
Previous activities: Group CFO of the Valartis Group and member of the executive committees of the Valartis Group and Valartis Bank AG, venture capital and private equity manager at Invision AG, corporate finance manager at Ernst & Young, audit manager at Deloitte.  
CFO of Valora since December 4, 2008.



*Kaspar Niklaus, 1968, Swiss citizen*

Master's degree in Agronomy from the Swiss Federal Institute of Technology, MBA from the Erasmus Graduate School of Business in Rotterdam, Master of Business Informatics (MBI).

Previous activities: various management roles with Switzerland's major retailers, consultant with McKinsey & Co., COO of Coop City in Zurich, Chief Executive of Coop Bau+Hobby, Basle.

Head of Valora's Retail division since June 23, 2008.



*Christian Schock, 1954, Luxembourg citizen*

Graduate in Mechanical Engineering, INSEAD MBA.

Previous activities: various management positions at Reuters in Luxembourg and Germany, Managing Director of SES-Astra's multi-media subsidiary and CEO of Messageries Paul Kraus, Luxembourg.

Head of Valora's Media division since July 1, 2006.



*Alex Minder, 1957, Swiss citizen*

Graduate in Business Administration, Executive MBA.

Previous activities: senior management positions at Bally International Ltd, client service director and executive committee member at Impuls Saatchi & Saatchi, Managing Director of Cadbury Switzerland, Board member of Cadbury Western Europe.

Head of Valora's Trade division since May 1, 2004.

**Group Executive Management changes.** As announced in early April 2008, Peter Wüst, CEO of Valora and interim Head of the Group's Retail division, left the Group on June 30, 2008. Ruedi Keller, Head of the Valora Management Services division, left the Group on March 31, 2008 when this division was dissolved. Markus Voegeli, CFO of Valora, left the Group on September 30, 2008.

Prior to his appointment to the Group Executive Committee, Christian Schock had been CEO of Messageries Paul Kraus (MPK) for 3 years and was thus responsible for Valora's press and book wholesale and kiosk activities in Luxembourg. None of the other members of Group Executive Management had previously worked for Valora.

**4.2 FURTHER SIGNIFICANT ACTIVITIES AND VESTED INTERESTS IN LISTED COMPANIES.** None of the members of the Group Executive Committee engages in any further activities in any management or supervisory body of any listed Swiss or foreign company, has any long-term management or consultancy function for any company outside the Valora Group, has any public function or holds any political office.

The Valora Group is a founding member of the Swiss Retail Industry Group [Interessengemeinschaft Detailhandel Schweiz], where it is represented by Thomas Vollmoeller. Rolando Benedick is Chairman of the supervisory boards of the Valora pension fund, the Valora executive pension fund and the Valora employer's foundation, all of which have their registered offices in Berne.

**4.3 MANAGEMENT CONTRACTS.** There are no management contracts between Valora Holding AG and any companies or individuals outside the Valora Group.

## 5 COMPENSATION, SHAREHOLDINGS AND LOANS

### 5.1 COMPONENTS OF COMPENSATION AND SHAREHOLDING PROGRAMMES AND THEIR DETERMINATION

The Board of Directors of Valora Holding AG has laid down internal guidelines for determining the compensation paid to the Board and to Group Executive Management which define where decision-making authority rests and how compensation is determined. The appropriateness of these guidelines is reviewed annually, with modifications being made when necessary.

The compensation paid to each individual member of the Board of Directors and of Group Executive Management is authorised by the entire Board. Each Board member abstains from voting on his own compensation.

**5.1.1 BOARD OF DIRECTORS.** A fixed director's annual fee is paid to each member of the Board of Directors. This fee is paid in cash in four equal quarterly portions. In 2008, no share-based payments were made in addition to the director's fees.

No attendance fees are paid for meetings, though travel expenses are reimbursed. The full Board of Directors determines the level of directors' emoluments and reviews them on a regular basis.

**5.1.2 GROUP EXECUTIVE MANAGEMENT.** Those members of Group Executive Management who were already in office in 2007 (Messrs. Minder and Schock) received an annual salary which continued to comprise a fixed and a variable component (regular bonus) in 2008. The variable component (regular bonus) is based on qualitative and quantitative criteria. The fixed base salary reflects the duties and functional responsibilities of the members of Group Executive Management concerned. The fixed and variable components sum to a figure which will be 50% fixed and 50% variable if individual objectives are 100% met. This compensation system was established in 2006 for a period running until the end of 2008. An independent external consultant carried out benchmark comparisons based on data for analogous economic sectors and job descriptions collected throughout Western Europe.

The variable compensation component is based on the following key figures (comparing final Group financial statements with budget targets): Group net income (40% weighting), EBITA of the market division managed by the member of Group Executive Management concerned, or return on invested capital for non-market divisions (30% weighting) and the extent to which specific individual objectives were reached (30% weighting). In order to focus the thoughts and actions of the members of Group Executive Management on the sustained improvement of the Group's profit-generating capacity, 40% of the variable portion of total compensation is paid in the form of Valora shares. Payment in shares is made on the basis of a share price of CHF 237. While ownership of the shares awarded passes to the participants immediately, the shares are then blocked and may not be sold during the 5 years immediately following their allocation. In addition, provided an agreed target level of earnings-per-share growth of 3% is reached in the following year, the participants will be granted an additional allocation of shares equal to 30% of the total number of shares granted under the scheme in prior years. If earnings-per-share growth is below 3%, no additional share allocation is granted. A cash payment in lieu is not possible.

A new compensation model has been defined for those members of Group Executive Management who joined Valora during 2008. For 2008, this model comprises a «fixed annual salary» component and a «short-term bonus» (STB) component. The STB component is calculated each year based on the extent to which objectives have been attained. Depending on the function of the Group Executive Management member concerned, the STB has a weighting of between 20% and 50% of the fixed annual salary. The criteria which determine the amount of any STB paid are the achievement of individual objectives and the economic value added (EVA) achieved by the division or management area concerned.

The Board's Nomination and Compensation Committee sets the level of overall compensation and decides on any awards of results-based compensation, informing the Board of Directors of its decision at the next Board meeting. Compensation paid to Group Executive Management is subject to periodic review.

Because it is linked to the performance of the business and to individual contributions to that performance, the total compensation paid to members of Group Executive Management can vary substantially from year to year.

Details of compensation paid to the Board of Directors and Group Executive Management and of the Valora shares held by their members can be found in note 5 to the financial statements of Valora Holding AG on page 127.

## 6 SHAREHOLDERS' PARTICIPATION RIGHTS

**6.1 VOTING RIGHT AND REPRESENTATION RESTRICTIONS.** Each share entitles its holder to one vote at the General Meeting. Voting is limited to those individuals who are entered as shareholders with voting rights in the Share Register. The Board of Directors may refuse to acknowledge a holder of Valora shares as a shareholder with voting rights if the holder's new holding, together with the voting shares they are already shown in the Share Register as holding, would exceed 5% of all Valora registered shares entered in the Commercial Register. This limitation does not apply, however, in the case of the exercising of subscription rights. In such an event, the holder will be entered in the Share Register as a shareholder without voting rights for the portion of shares held in excess of this 5% threshold. A group clause applies to the determination of this 5% threshold.

The Board of Directors may exceptionally acknowledge a shareholder as holding more than 5% of all registered shares with voting rights, in particular:

- if the shares are acquired following a merger or business combination;
- if the shares are acquired through a non-cash payment or a share exchange;
- if the shares are intended to underpin a long-term collaboration or strategic alliance.

No such exceptions were granted in 2008.

The Board of Directors may also refuse acknowledgement and entry in the Share Register as a shareholder with voting rights to any shareholder who fails to confirm expressly, on request, that they have acquired the shares concerned in their own name and for their own account. The Board of Directors may also cancel - with retroactive effect to the date of original entry - the entry in the Share Register as a shareholder with voting rights of any shareholder who, on subsequent inquiry, is found to have had the voting rights concerned registered by making a false declaration, and may have them entered instead as shares without voting rights. Any such cancellation must be communicated immediately to the shareholder concerned.

To enhance the tradability of Valora shares on the stock exchange, the Board of Directors may devise regulations or agreements which approve the fiduciary entry of registered shares with voting rights above the 5% limit for trustees who disclose the nature of their trusteeship (nominees, ADR banks). Such trustees must be overseen by banking or financial market regulators, however, or must otherwise provide the necessary guarantees that they are acting on behalf of one or several persons who are not linked to each other in any way, and are able to provide the names, addresses and shareholdings of the owners of the shares concerned. No exceptions for the fiduciary entry of registered shares above the 5% threshold were granted in 2008.

A shareholder may be represented at a General Meeting only by their legal representative, by another shareholder attending the General Meeting whose name is entered in the Share Register, by a proxy for deposited shares, by an executive body of the company or by the independent shareholders' representative.

Recognition of powers of attorney will be at the discretion of the Board members attending the General Meeting.

**6.2 STATUTORY QUORUMS.** Unless the law or the Articles of Incorporation require otherwise, the General Meeting passes its resolutions and conducts its elections by a simple majority of the votes cast, irrespective of the number of shareholders attending or the number of shares represented. In the event of a tied vote, the Chairman of the Board of Directors holds the casting vote. Under Article 12 of the Articles of Incorporation (dated April 29, 2008), the following resolutions require a majority of two thirds of the votes represented and an absolute majority of the nominal value of the votes represented:

- changing the object of the company;
- introducing shares with privileged voting rights;
- limiting or facilitating the transferability of registered shares;
- increases in authorised or conditional capital;
- capital increases from shareholders' equity, against non-cash payments or for acquisition purposes, and the granting of special benefits;
- limiting or suspending subscription rights;
- relocating the company's registered office;
- dissolving the company without liquidation or by merger.

**6.3 CONVOCAION OF THE GENERAL MEETING.** Ordinary or Extraordinary General Meetings are formally called at least 20 days in advance by publication in the «Schweizerisches Handelsamtsblatt» (Swiss Official Gazette of Commerce). The holders of registered shares shown in the Share Register may also be invited by letter. Such publication and letters of invitation must indicate the venue, date and time of the meeting, the items on the agenda and the wording of any motions proposed by the Board of Directors or by shareholders who have requested the convening of a General Meeting or the inclusion of an item on the meeting's agenda.

The notice of an Ordinary General Meeting must also indicate that the Annual Report and the Report of the Auditors will be available for inspection at the company's registered office at least 20 days in advance of the meeting, and that any shareholder will immediately be sent a copy of these documents on request.

No resolution may be passed on any matters that are not announced in the way described above, except on a motion to convene an Extraordinary General Meeting or to conduct a special audit.

The Articles of Incorporation stipulate that the convening of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the company's share capital.

**6.4 ADDITIONAL AGENDA ITEMS.** Shareholders who together represent at least 3% of the company's share capital or shares with a total nominal value of at least CHF 1 million may request that an item be placed on the agenda of a General Meeting, provided they submit details thereof to the company in writing at least 50 days in advance of the General Meeting concerned.

**6.5 REGISTRATIONS IN THE SHARE REGISTER.** To attend the 2009 Annual General Meeting, a shareholder must submit their request for registration in the Share Register to the company no later than April 17, 2009.

## 7 CHANGES OF CONTROL AND DEFENCE MEASURES

**7.1 DUTY TO MAKE AN OFFER.** The company has no «opting out» or «opting up» clauses in its Articles of Incorporation.

**7.2 CLAUSES ON CHANGE OF CONTROL.** There are no change of control clauses in favour of any members of the Board of Directors, Group Executive Management or other members of management.

## 8 AUDITORS

The consolidated financial statements and the financial statements of Valora Holding AG and its subsidiaries are audited by PricewaterhouseCoopers AG. The General meeting appoints an individual or corporate body that satisfies the relevant legal requirements to act as Statutory Auditors, with the rights and obligations prescribed by the law. The Statutory Auditors are elected for a one-year term of office.

**8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR.** PricewaterhouseCoopers AG assumed the audit mandate at the 1942 Annual General Meeting. The lead auditor, Hanspeter Gerber, took over the mandate from Andreas Baur in 2006, as provided for by PricewaterhouseCoopers rotation rules. These rules also stipulate that the roles of both engagement manager and lead auditor may be carried out by the same persons for no longer than seven years.

**8.2 AUDIT FEES.** The total cost to Valora Holding AG of the auditing conducted by PricewaterhouseCoopers AG in 2008 in respect of the consolidated financial statements and the financial statements of Valora Holding AG and its subsidiaries amounted to CHF 1.5 million (CHF 1.4 million in 2007).

**8.3 ADDITIONAL FEES.** During 2008, PricewaterhouseCoopers AG invoiced Valora Holding AG for a total of CHF 0.07 million (CHF 0.2 million in 2007) for additional services in relation to legal, tax and risk policy matters.

**8.4 INFORMATION INSTRUMENTS AVAILABLE TO THE EXTERNAL AND INTERNAL AUDITORS.** The Board of Directors' Audit Committee defines the audit mandates of the statutory and Group auditors and has the responsibility of ensuring appropriate controls are carried out. The internal mandate audit was carried out by Ernst & Young and ended on December 31, 2008. Internal audit duties will in future be carried out by internal Valora resources. Both internal and external auditors attended all Audit Committee meetings. The Audit Committee meetings at which the interim and full-year financial results are reviewed are always attended by all members of the Board of Directors. The external auditors submit to the Audit Committee both their report on the financial statements for the year just completed as well as their audit plan for the current financial year. The internal auditors submit their audit plan for the current year to the Audit Committee and also provide it with a separate report on each audit they carry out.

## 9 INFORMATION POLICY

Valora Holding AG meets all legal requirements and strives to meet best practice standards. Valora Holding AG uses all appropriate communication channels to maintain contact with the financial community and the general public. The firm reports on important news items concerning it on an ad hoc basis. In addition, the Valora website provides comprehensive information on a range of topics, as well as publishing details of all matters whose disclosure is required by law.

The Investor Relations unit is responsible for managing all contacts with investors and financial analysts. Regular conferences covering important company topics are held for the media, institutional investors and analysts. Shareholders and other interested parties may dial into these events by telephone or log on via the Valora Holding AG website.

Valora Holding AG is committed to treating all interested parties equally. The Group ensures that information is not disclosed selectively by adhering to the relevant directives on ad hoc publicity and on blackout periods ahead of the publication of interim and full-year results. These blackout periods commence on dates before the official publication of results which are set in advance and end when the results are published. No meetings with financial analysts or investors take place during the blackout periods.

Every spring, the company holds a results press conference for the media and financial analysts. The invitation to the General Meeting sent to all shareholders includes a summary of the key figures in the full-year financial statements.

At the end of August each year, the company publishes consolidated interim results for the first six months of the year and sends these to all shareholders entered in the Share Register (these results are unaudited).

Every autumn, the company hosts a media and investor's day, which may focus on customers, markets, strategy or other subjects.

Ongoing sources of information:

- The [www.valora.com](http://www.valora.com) company website
- Group interim and annual reports
- Media releases

Media relations: *Stefania Misteli*

Investor relations: *Mladen Tomic*