

Corporate Governance

The Zur Rose Group applies the principles and rules of Corporate Governance set out in the “Swiss Code of Best Practice for Corporate Governance” of *economiesuisse*. The content and structure of this section comply with the Directive on Information relating to Corporate Governance issued by the SIX Swiss Exchange. Unless otherwise stated, all information relates to the reporting date of 31 December 2017. The key elements of corporate governance are defined in the Company’s Articles of Association, Organizational Regulations and Terms of Reference of the Committees of the Board of Directors. The Zur Rose Group publishes these documents online at zurrosegroup.com > “Investors & Media” > “Corporate Governance”.

1 Group Structure and Shareholders

1.1 Group Structure

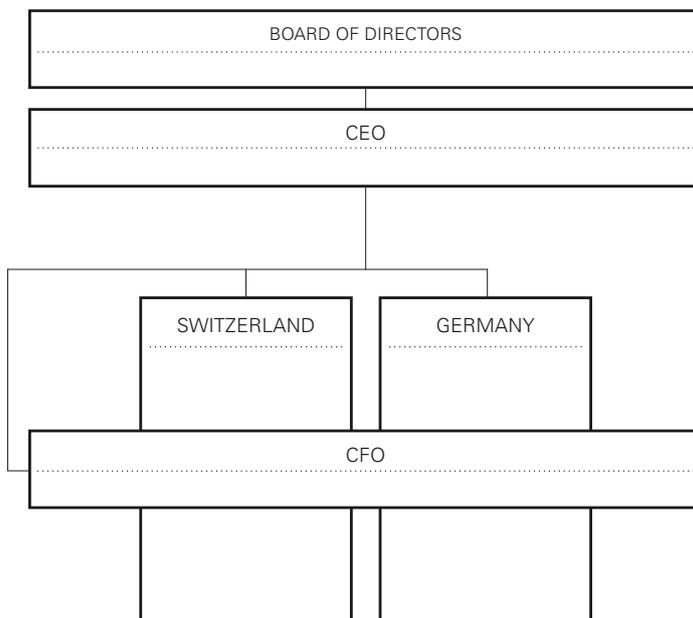
The Board of Directors supervises the Zur Rose Group, while the Group Management is responsible for the operational management. The operational business is divided into two geographic segments:

- The operating segment Switzerland comprises the wholesale business of supplying products to Swiss medical practitioners and the retail business focused on providing end consumers with drugs and health products from Zur Rose;
- The operating segment Germany comprises the mail-order business in drugs and health products, as well as services for mail-order pharmacies.

The Zur Rose Group’s business units encompass all essential operational activities. They are headed by a member of the Group Management. The functions of Finance and (as a matrix function) Logistics, which provide services for the whole Group, are under the responsibility of the CFO. The CFO is also responsible for Investor Relations. The Communication and Legal departments report to the CEO. They also provide services for the whole Group.

Details of the Group’s legal structure can be found on page 60 of the financial report.

STRUCTURE OF THE ZUR ROSE GROUP



The subsidiaries included in the Group consolidation, with details of their names and registered offices, share capital and the percentage interest held by Group companies, are listed in the Notes to the Consolidated Financial Statements on page 60. The consolidation does not include any companies whose equity securities are listed on a stock exchange, with the exception of Zur Rose Group AG.

1.2 Significant Shareholders *

Beneficial owner(s) / Person(s) entitled to exercise voting rights	Direct shareholder	Percentage
T. Rowe Price Associates, Inc.	T. Rowe Price International Ltd	3.13
Vanessa Frey, Beat Frey, Brigitte Frey, Alexandra Frey	KWE Beteiligungen AG	14.79
Wellington Management Group LLP	– Wellington Alternative Investments, LLC – Wellington Management Funds (Ireland) plc – Wellington Management Funds (Luxembourg) II SICAV – Wellington Luxembourg S.à.r.l. – Wellington Trust Company, N.A. – Wellington Management Funds LLC	5.09
Al Faisaliah Group Holding Company	Matterhorn Pharma Holding	4.57
Members of the Board of Directors, Group Management and Senior Management		7.44

* According to relevant reports to the SIX Swiss Exchange at the time of disclosure

As far as the Company is aware, the shareholders listed above held more than 3 per cent of the shares of Zur Rose Group AG on 31 December 2017. The disclosure notices published by Zur Rose Group AG during the 2017 financial year via the electronic publication platform of the SIX Swiss Exchange can be found at www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html. The shareholdings of the members of the Board of Directors and Group Management are shown in detail in the Notes to the Financial Statements of Zur Rose Group AG.

Zur Rose Group AG had 5,213 shareholders at 31 December 2017 (2,382 at the end of 2016).

SHAREHOLDER STRUCTURE

Number of shares *	Number of shareholders at 31 December 2017	Percentage of total shares	Number of shareholders at 31 December 2016	Percentage of total shares
1 – 499	3 846	6.3	695	2.4
500 – 999	605	6.0	567	8.0
1 000 – 1 999	510	10.5	738	21.5
2 000 – 2 999	116	4.4	184	10.1
3 000 – 4 999	81	4.9	129	10.9
> 5 000	55	30.6	69	41.2
Fiduciary registrations without voting rights (Nominees)	–	11.9	–	–
Shares not registered in the share register	–	25.4	–	5.9
Total	5 213	100	2 382	100

* Total share capital of Rose Group AG; see 2.1

1.3 Cross-Shareholdings

There are no cross-shareholdings with other companies.

2 Capital Structure

Information on the capital structure can be found in the financial report on pages 88 to 89.

2.1 Capital

The share capital of Zur Rose Group AG is CHF 35,761,820.25, divided into 6,219,447 registered shares with a par value of CHF 5.75 each.

2.2 Authorized and Conditional Share Capital**Authorized Capital**

The Board of Directors is authorized to increase the share capital, at any time until 19 June 2019, by a maximum amount of CHF 2,900,938.25, by issuing a maximum of 504,511 fully paid up registered shares with a par value of CHF 5.75 each. An increase of the share capital in partial amounts is permissible. The acquisition of shares and each subsequent transfer of the shares is subject to the restrictions of Article 5 of the Articles of Association. The Board of Directors will determine the issue price, the type of contribution, the date of issue, the conditions for the exercise of preemptive rights and the start date for dividend entitlement. The Board of Directors may issue new shares by means of an underwriting by a financial institution, a syndicate of financial institutions or another third party and a subsequent offer of these shares to the existing shareholders or third parties (if the preemptive rights of the existing shareholders have been excluded or not been duly exercised). The Board of Directors is authorized to permit, restrict or exclude trading with preemptive rights. It may permit preemptive rights that have not been exercised to expire, or it may place such rights or shares with respect to which preemptive rights have been granted, but not exercised, at market conditions or use them otherwise in the interest of the Company.

The Board of Directors is further authorized to restrict or exclude preemptive rights of existing shareholders and allocate such rights to third parties, the Company or any of its Group companies:

- (a) in connection with a listing of shares on domestic or foreign stock exchanges, including for the purpose of granting an over-allotment option (greenshoe); or
- (b) to initial purchasers or underwriters in a placement or offer of shares; or
- (c) for the purpose of national or international offerings of shares in order to broaden the Company's shareholder base or in order to increase the free float or to meet applicable listing requirements; or
- (d) if the issue price of the new shares is determined by reference to the market price; or
- (e) for raising capital in a fast and flexible manner which could only be achieved with difficulty without excluding the preemptive rights of shareholders; or
- (f) for the acquisition of companies, parts of companies, participations, products, intellectual property or licenses, or for investment projects or for the financing or refinancing of such transactions through a placement of shares; or
- (g) for purposes of the participation of a strategic partner.

Conditional Share Capital

The share capital of the Company may be increased by an amount not to exceed CHF 134,302.75 through the issuance of up to 23,357 fully paid up registered shares with a par value of CHF 5.75 each through the issuance of shares to employees and members of the Board of Directors of the Company. The preemptive rights and advance subscription rights of the existing shareholders of the Company for the new shares in proportion to their existing participations will be excluded. The issuance of shares (issue amount, start date of dividend rights, type of contributions) or of options related thereto or a combination of shares and options will be made pursuant to one or more plans to be issued by the Board of Directors. The issuance of shares or options may occur at a price below the market price. The acquisition of registered

shares via the exercise of option rights and any subsequent transfer of such registered shares will be subject to the restrictions of Article 5 of the Articles of Association.

2.3 Changes in Capital

Information about changes in capital is included in the consolidated financial statements, in particular in the statement of changes in equity on page 57. For the preceding years, reference is made to the previous annual reports.

At 31 December 2015, the share capital of Zur Rose Group AG was CHF 18,716,382.25. In 2016, a capital increase from authorized capital was carried out in two tranches with the new anchor shareholder, KWE Beteiligungen AG:

- on 6 September 2016 by CHF 2,875,000 up to CHF 21,591,382.25,
- on 14 November 2016 by CHF 2,300,000 up to CHF 23,891,382.25.

In 2016, there were capital increases from conditional capital amounting to a total of CHF 994,019.75, up to CHF 24,885,402. The relevant amendment to the Articles of Association was registered in the commercial register on 2 February 2017.

At 31 December 2016, the share capital of Zur Rose Group AG was CHF 24,885,402.00.

In the first half of 2017, there were capital increases from conditional capital amounting to a total of CHF 1,303,197.25, up to CHF 26,188,599.25. The relevant amendments to the Articles of Association were registered in the commercial register on 29 May 2017 and 5 July 2017.

Two capital increases from authorized capital were carried out in the course of the IPO:

- on 5 July 2017 by CHF 8,222,500.00 up to CHF 34,411,099.25,
- on 14 July 2017 by CHF 1,350,721.00 up to CHF 35,761,820.25 (over-allotment option).

At 31 December 2017, the share capital of Zur Rose Group AG was CHF 35,761,820.25.

2.4 Shares and Participation Certificates

The share capital is divided into 6,219,447 registered shares with a par value of CHF 5.75 each. The shares are fully paid up. Zur Rose Group AG has not issued any participation certificates.

2.5 Dividend-Right Certificates

The Company has not issued any dividend-right certificates.

2.6 Limitations on Transferability and Nominee Registrations

Persons acquiring registered shares are registered in the share register as shareholders with voting rights upon their request if they expressly declare to have acquired these registered shares in their own name and for their own account. The Board of Directors may register individual persons who do not expressly declare in their registration application to hold the registered shares for their own account (the Nominees) as shareholders with voting rights with regard to up to three per cent of the share capital recorded in the commercial register if the Nominee has entered into an agreement with the Company regarding its status and is subject to recognized bank or financial market supervision. Beyond such registration limit, the Board of Directors may register Nominees as shareholders with voting rights if such Nominees disclose the first and last names (in the case of legal entities, the company names), addresses and nationality (in the case of legal entities, the registered office) and shareholdings of those persons for whose account they hold 0.5 per cent or more of the share capital recorded in the commercial register. In particular cases, the Board of Directors may grant exceptions from the rules concerning Nominees.

At 31 December 2017, no Nominee had entered into an agreement regarding his/her position. No exceptions were granted. The Nominees recorded in the share register are therefore registered without voting rights. There are no other transfer limitations and no statutory privileges. Any lifting or amendment of the limitations on transferability requires a shareholders' resolution by a voting majority of at least two thirds of the shares represented.

2.7 Convertibles Bonds and Options

Zur Rose Group AG had no convertible bonds or options outstanding at 31 December 2017.

2.8 Corporate Bonds

Zur Rose Group AG had no corporate bonds outstanding at 31 December 2017.

3 Board of Directors

3.1 Members of the Board of Directors

The majority of the Zur Rose Group's Board of Directors are independent external directors.

On 31 December 2017, it consisted of the following persons:

MEMBERS OF THE BOARD OF DIRECTORS

	Position	First elected	Term expires
Prof. Stefan Feuerstein	Chairman, Non-Executive Director	2010	2018
Walter Oberhänsli	CEO, Executive Director	1993	2018
Dr. Thomas Schneider	Vice Chairman, Non-Executive Director	1995	2018
Prof. Dr. Volker Amelung	Non-Executive Director	2010	2018
Dr. Heinz O. Baumgartner	Non-Executive Director	2017	2018
Vanessa Frey	Non-Executive Director	2016	2018
Dr. Lukas Wagner	Non-Executive Director	1996	2018

– **Stefan Feuerstein** (1955, German national, Prof.), Chairman of the Board

Chairman of the Board of Partners of the UNIMO-Gerstner Group, Zug/Xanten. Director of various companies. Served as Executive Director and CEO of Markant AG until 2010 and previously as a member of the Management Board of METRO AG, responsible for Strategic Group Purchasing and Food & Retail. He studied business administration and has been an honorary professor at Worms University of Applied Sciences since 2001.

– **Walter Oberhänsli** (1958, Swiss national, lic. iur., lawyer), Executive Director and CEO

Chairman of the Board from 1996 to 2011, serving as Executive Director and Chief Executive Officer (CEO) since 2005. He practised as an independent lawyer in Kreuzlingen (Canton of Thurgau) until the end of 2004 and studied law at the University of Zurich.

– **Thomas Schneider** (1965, dual German-Swiss national, Univ. Prof. Dr. oec. HSG)

Specialist in general medicine (FMH), working as a family and general practitioner in a group practice in Tägerwilten (Canton of Thurgau) since 1989. Served as a member of the Medical Ethics Board of the Thurgau Medical Society in 2009, having previously occupied various roles in professional policy at national and cantonal level. He studied medicine at the University of Basel.

– **Volker Amelung** (1965, dual German-Swiss national, Univ. Prof. Dr. oec. HSG)

Specialist Professor of International Health Systems Research at Hannover Medical School since 2001, following teaching appointments at the University of Economics and Politics, Hamburg, and Columbia University, New York. He studied business administration at the Universities of St. Gallen and Paris-Dauphine.

– **Heinz O. Baumgartner** (1963, Swiss national, Dr. oec. HSG)

CEO of Schweiter Technologies AG, Horgen, since 2009. Served as its CFO from 1996 to 2013. Previously worked as a controller at Asea Brown Boveri Switzerland. He graduated in business administration from the University of St. Gallen.

– **Vanessa Frey** (1980, Swiss national, business economist, MSc in Finance)

CEO and Director of Corisol Holding Ltd. since 2007. Director of various companies. Served in the Corporate Finance Team of Handelsbanken Capital Markets in Stockholm and subsequently as asset manager in Hong Kong from 2004 to 2006. She earned a bachelor's degree in economics and law from the University of St. Gallen and a Master of Science degree in international economics and business from Stockholm School of Economics.

– **Lukas Wagner** (1951, Swiss national, Dr. med.)

Specialist in general medicine (FMH), running his own practice in Birsfelden (Canton of Baselland) since 1986. Served as President of the Baselland Medical Society from 2002 to 2010. He studied medicine at the University of Basel.

With the exception of the Executive Director and CEO, Walter Oberhänsli, none of the Directors has ever been a member of the management of a Zur Rose Group company or the Group Management. There are no cross-directorships among the Directors.

3.2 Other Activities and Vested Interests

– **Stefan Feuerstein**

Chairman of the Board of the Al Faisaliah Group's Electronics & Systems Company, Riyadh (SA)
 Chairman of the Board of Kühnl + Schmidt Architekten AG, Karlsruhe (DE)
 Chairman of the Board of EVAN Management AG, Zug
 Vice Chairman of the Board of UNIMO Real Estate Management AG, Zug
 Director of Electronic Partner Handel SE, Düsseldorf (DE)
 Member of the Research Advisory Board at Worms University of Applied Sciences (DE)

– **Walter Oberhänsli**

President of the Association of Swiss Mail-Order Pharmacies (VSVA), Solothurn
 Member of the Management Board of the Federal Association of German Mail-Order Pharmacies (BVDVA), Berlin (DE)

– **Thomas Schneider**

Board Member of the Dispensing Doctors' Association (APA), St. Gallen
 Board Member of the Pharma Code Committee of the Scienceindustries Business Association, Zurich

– **Volker Amelung**

President of the German Managed Care Association, Berlin (DE)
 Managing Director of the private Institute for Applied Health Services Research (Institut für angewandte Versorgungsforschung GmbH, inav), Berlin (DE)
 Member of the Doctors' Health Fund (Ärzte-Krankenkasse) State Committee in Lower Saxony, Hanover (DE)
 Member of the Scientific Advisory Board of the Central Research Institute of Ambulatory Health Care in Germany, Berlin (DE)
 Member of the Advisory Board of the Gesundheitswissenschaftliche Institut Nordost (GeWINO) der AOK Nordost – Die Gesundheitskasse (Northeast Healthcare Institute (GeWINO) of the AOK Northeast health insurance company), Berlin (DE)

– **Heinz O. Baumgartner**

No other activities or vested interests.

– **Vanessa Frey**

Director of Schweiter Technologies AG, Horgen
 Director of Inficon Holding AG, Bad Ragaz
 Vice Chairman of the Board of Garaventa Accessibility AG, Arth
 Director of KWE Beteiligungen AG, Wollerau

– **Lukas Wagner**

No other activities or vested interests.

3.3 Additional Mandates Outside the Zur Rose Group

Under the Articles of Association of Zur Rose Group AG, no member of the Board of Directors may hold more than ten additional mandates and, in addition to those, no more than four in listed companies. Each of these mandates is subject to approval by the Chairman of the Board of Directors and, in case of a mandate of the Chairman of the Board of the Directors, by the majority of the other members of the Board of Directors. Any exceptions (e.g. mandates in companies which are held at the request of the Zur Rose Group or companies controlled by it or in charitable organizations) are defined in the Articles of Association.

3.4 Elections and Terms of Office

The General Meeting of Shareholders elects the members of the Board of Directors and the Chairman of the Board of Directors individually and for a term of office until the end of the next Annual General Meeting of Shareholders. They are eligible for re-election. If the office of the Chairman of the Board of Directors is vacant, the Board of Directors appoints a new Chairman from among its members for a term of office extending until the end of the next Annual General Meeting of Shareholders. The year in which the members of the Board of Directors were first elected to office is shown in the table on page 33. No restrictions on their terms of office have been set.

3.5 Internal Organizational Structure

3.5.1 Allocation of tasks within the Board of Directors

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee by the General Meeting of Shareholders, the Board of Directors constitutes itself. The Board of Directors may elect one or several Vice Chairmen. The Board of Directors also appoints a secretary, who need not be a member of the Board of Directors. Prof. Stefan Feuerstein serves as the Chairman of the Board. Walter Oberhänsli is the Executive Director and CEO of the Company. Dr. Thomas Schneider holds the office of Vice Chairman. The allocation of tasks between the Board of Directors and the CEO, as well as the duties and powers of the Chairman of the Board of Directors and the Committees, are set out in the Organizational Regulations and related Committee Terms of Reference.

3.5.2 Committees of the Board of Directors

The Audit Committee and the Compensation Committee are standing committees of the Board of Directors. The Board of Directors may resolve to establish (and dissolve) additional committees and entrust them with certain responsibilities and project-related tasks.

AUDIT COMMITTEE

Prof. Dr. Volker Amelung, Chairman

Dr. Heinz O. Baumgartner

Prof. Stefan Feuerstein

The Audit Committee is comprised of three non-executive members of the Board of Directors, who must all have business management skills. The members and its chairman are appointed by a resolution of the full Board of Directors. The Audit Committee assists the Board of Directors in overseeing the management of the business, in particular in its non-delegable duties of ultimate supervision and financial control (Art. 716a CO), as well as in the preparation of the annual report and financial statements, by forming its own judgement of the organization and operation of the internal and external control systems, as well as the financial report. The Audit Committee is established as a standing committee. Its role is exclusively advisory and supervisory, and includes the preparation of resolutions. The decision-making authority of the full Board of Directors remains unaffected. The Audit Committee does not appoint any subcommittees.



BOARD OF DIRECTORS *(from left)*

DR. HEINZ O. BAUMGARTNER, DR. LUKAS WAGNER,
PROF. STEFAN FEUERSTEIN, WALTER OBERHÄNSLI,
VANESSA FREY, DR. THOMAS SCHNEIDER,
PROF. DR. VOLKER AMELUNG.

COMPENSATION COMMITTEE

Dr. Thomas Schneider, Chairman

Prof. Stefan Feuerstein

Vanessa Frey

The Compensation Committee comprises three members of the Board of Directors and constitutes itself. 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 Group Management. It may submit proposals to the Board of Directors on other compensation issues and assists it in matters relating to the nomination and promotion of members of the first and second management levels. The role of the Compensation Committee is exclusively advisory and includes the preparation of resolutions. The decision-making authority of the full Board of Directors remains unaffected. The Compensation Committee does not appoint any subcommittees.

3.5.3 Working methods of the Board of Directors and its Committees

The Board of Directors meets as often as is deemed necessary or if a member requests this in writing. Meetings of the Board of Directors are convened by the Chairman or, should he be prevented from doing so, by the Vice Chairman or by the oldest member of the Board of Directors. Meetings of the Board of Directors and its Committees may also be held by telephone conference, videoconference or Internet conference. Meetings are convened in writing, with details of the agenda items. The Board of Directors constitutes a quorum if the majority of its members are present. Participation by telephone, video or Internet equates to attendance in person. No quorum is required if solely the completion of a share capital increase is to be ascertained and the subsequent amendment to the Articles of Association is to be resolved. The Board of Directors passes its resolutions by a simple majority of the votes cast. In the event of a tie, the Chairman has the casting vote. Resolutions may be passed by circular letter unless a member requests a verbal consultation. The Board of Directors met eight times during the 2017 financial year. Meetings of the Board of Directors are normally also attended by the CFO and the Group General Counsel (as minute-taker) in an advisory capacity. The other members of the Group Management are invited to meetings of the Board of Directors where the strategy and budget or market-specific agenda items are to be deliberated.

The Committees meet at least twice a year and at such other times as required and may be requested by any member of the Committees. The role of the Committees is restricted to the preparation of decision-making criteria for the attention of the Board of Directors. The composition, organization, powers and roles of the individual Committees are defined by the Board of Directors in appropriate Committee Terms of Reference, to the extent that they are not prescribed by the Articles of Association or a resolution of the General Meeting of Shareholders. The chairmen of the Committees keep the Board of Directors informed of their activities at the next ordinary meeting of the Board of Directors or, in urgent cases, immediately. The Audit Committee met twice and the Compensation Committee four times during the 2017 financial year. Members of the Group Management are also usually represented at the Committee meetings in an advisory capacity, as well as individual specialist departments, when required.

3.6 Definition of Areas of Responsibility

The Board of Directors is responsible for the ultimate management of the Company and overseeing the management of business. In particular, the Board of Directors has the following responsibilities:

- a) ultimate management of the Company, including the definition of medium- and long-term strategies and core planning priorities together with the guidelines for corporate policy, and the issuance of the necessary instructions;
- b) establishment of the underlying organization, in particular the issuance of Organizational Regulations;
- c) decisions on transactions of key strategic significance;
- d) appointment and dismissal of the persons entrusted with the management and representation of the Company, in particular the Executive Director and CEO, the members of the Group Management and the Head of Internal Auditing, as well as establishment of rules on signature powers;
- e) ultimate supervision of the corporate bodies entrusted with the management of the Company, in particular in terms of compliance with laws, the Articles of Association, regulations and directives;
- f) preparation of the annual report and the compensation report, as well as preparation of the General Meeting of Shareholders and implementation of its resolutions;
- g) notification of the judge if liabilities exceed assets;
- h) adoption of resolutions on the increase of the share capital, to the extent that such power is vested in the Board of Directors (CO 651 IV), as well as the ascertainment of capital increases and the respective amendments to the Articles of Association;
- i) approval of the annual budget.

The Board of Directors delegates all other areas of management in full to the Executive Director and CEO and to the Group Management, unless otherwise provided by statutory legal provisions or the Articles of Association. The duties and powers of the Group Management are set out in the function chart.

3.7 Information and Control Instruments Relating to the Group Management

Each member of the Board of Directors receives the monthly, half-yearly and annual financial statements. The financial statements provide information such as details of the balance sheet, income statement, cash flow statement and the key financials of the Group and its segments. Furthermore, the CEO and the CFO report on the course of business and all matters of relevance for the Group at every meeting of the Board of Directors, which receives a forecast of the annual results at least twice a year. At these meetings, the chairmen of the Committees also report on the agenda items dealt with by their Committee, as well as the key findings and assessments, and they present the corresponding proposals. Each year, the Board of Directors discusses and adopts the budget for the following year. It defines the medium-term strategic plan and reviews it annually. The Chairman of the Board of Directors consults regularly with the CEO and other representatives of the Group Management. In addition, the Board of Directors regularly receives a current status report on investor relations.

Based on the Organizational Regulations of the Board of Directors and Audit Committee, Internal Auditing conducts operational and systems reviews and assists the Group's organizational units in regulating, improving and assuring the effectiveness of their risk management and internal control processes. Internal Auditing coordinates its work as far as possible with the external Auditors. The Board of Directors may entrust Internal Auditing with special audits, internal investigations or other tasks extending beyond the regular activities of Internal Auditing.

The Zur Rose Group has implemented a system for monitoring and controlling the risks associated with its business operations. This process includes the identification, analysis, control and reporting of risks. The Board of Directors and CEO are responsible for creating the necessary organizational framework for the operation of the risk management system. The CFO is operationally responsible for risk management control. He may delegate subtasks. The people responsible for these tasks take concrete measures to manage the risks and monitor their implementation.

4 Group Management

4.1 Members of the Group Management

On 31 December 2017, the Group Management consisted of the following members:

— **Walter Oberhänsli** (1958, Swiss national, lic. iur., lawyer), Executive Director and CEO
Chairman of the Board from 1996 to 2011, serving as Executive Director and Chief Executive Officer (CEO) since 2005. He practised as an independent lawyer in Kreuzlingen (Canton of Thurgau) until the end of 2004 and studied law at the University of Zurich.

— **Marcel Ziwica** (1975, Swiss national, lic. oec. HSG), Chief Financial Officer (CFO)
Held a variety of management positions in the Zur Rose Group from 2001 to 2014, ultimately as Head of Group Finance and Controlling and a member of the Executive Committee for Switzerland. Serving as CFO since November 2014. Prior to joining the Zur Rose Group, he worked as a consultant with Spider Innoventure Ltd in Tägerwilen. He studied business administration at the University of St. Gallen.

— **Walter Hess** (1965, Swiss national, business economist), Head for Switzerland
Zur Rose General Manager since March 2015 and also Head for Switzerland within the Zur Rose Group since 2017. Before joining the Group, he worked as an external consultant, also on various projects for Zur Rose, and ultimately heading the Zur Rose Pharma GmbH facility in Halle (Saale). CEO of Praevmedic AG, Zurich, until 2013. Previously held a number of management positions in international industrial companies. After a business education, he studied business administration at FHS St. Gallen University of Applied Sciences.

— **Olaf Heinrich** (1970, German national, industrial engineer), Head for Germany
Serving on the Management Board of DocMorris since 2008 and as CEO since 2009, additionally appointed Head for Germany within the Zur Rose Group in 2017. Before joining DocMorris, he managed joint ventures in the retail (KarstadtQuelle/Redcats) and pharmaceutical (Medco Celesio) sectors and held other international senior management positions with leading companies in the retail and pharmaceutical sectors. He studied industrial engineering in Berlin and London.

4.2 Other Activities and Vested Interests

— **Walter Oberhänsli**
President of the Association of Swiss Mail-Order Pharmacies (VSVA), Solothurn
Member of the Management Board of the Federal Association of German Mail-Order Pharmacies (BVDVA), Berlin (DE)

— **Marcel Ziwica**
No other activities or vested interests.

— **Walter Hess**
Chairman of the Board and co-owner of Praevmedic AG, Zurich
Chairman of the Board of Sportsemotion AG, Rorschach
Director of Hohlflex AG, Abtwil

— **Olaf Heinrich**
No other activities or vested interests.



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GROUP MANAGEMENT

- 1. WALTER OBERHÄNSLI – CHIEF EXECUTIVE OFFICER
- 2. MARCEL ZIWICA – CHIEF FINANCIAL OFFICER
- 3. WALTER HESS – HEAD SWITZERLAND
- 4. OLAF HEINRICH – HEAD GERMANY

4.3 Number of Permitted Activities Outside the Zur Rose Group

No member of the Group Management may hold more than four mandates and, in addition to those, no more than two in a listed company. Any exceptions (e.g. for mandates held on behalf of the Zur Rose Group or in charitable organizations) are defined in the Articles of Association.

4.4 Management Contracts

There are no management contracts with third parties.

5 Compensation, Shareholdings and Loans

Information about the compensation of the Board of Directors and Group Management is provided in the Compensation Report (on pages 43 to 50).

6 Shareholders' Participation Rights**6.1 Voting Right Restrictions and Representation**

Restrictions only exist for Nominees (see 2.6 Limitations on Transferability and Nominee Registrations on page 32). No exceptions were granted during the reporting year, and no measures to lift restrictions are planned. A shareholder may only be represented at a General Meeting of Shareholders by the independent proxy, his or her legal representative or by any other proxy authorized in writing, who need not be a shareholder. All shares held by a shareholder may only be represented by one person.

6.2 Quorums Required by the Articles of Association

The Company's Articles of Association do not provide for resolutions of the General Meeting of Shareholders that can only be passed by a majority greater than that required by the statutory legal provisions. The one exception is a resolution to convert registered shares into bearer shares, which requires at least two thirds of the votes represented and an absolute majority of the par value of shares represented.

6.3 Convocation of the General Meeting of Shareholders

There are no rules for the convocation of a General Meeting of Shareholders that differ from the statutory legal provisions.

6.4 Inclusion of Items on the Agenda

Shareholders who, alone or together, either hold shares with a par value of at least CHF 1,000,000 or who represent at least 10 per cent of the share capital may request that an item be included on the agenda. Such request must be made in writing at least 45 calendar days prior to the General Meeting of Shareholders, specifying the agenda item and the shareholders' proposals. No resolutions may be passed at a General Meeting of Shareholders on proposals concerning agenda items for which proper notice was not given. This provision does not apply to proposals made during a General Meeting of Shareholders to convene an Extraordinary General Meeting of Shareholders or to initiate a special audit. No prior notice is required to bring motions related to items already on the agenda or for the discussion of matters on which no resolution is to be taken.

6.5 Entries in the Share Register

No entries can be made in the share register within one week prior to the General Meeting of Shareholders. The date is published in the notice of the General Meeting of Shareholders. Shareholders who sell their shares before the General Meeting of Shareholders are no longer entitled to vote or receive dividends.

7 Changes of Control and Defence Measures

7.1 Duty to Make an Offer

The Articles of Association make no provision for opting out or opting up.

7.2 Clauses on Changes of Control

The contracts of the Board of Directors and Group Management contain no change of control clause.

8 Auditors

8.1 Duration of the Mandate

The Auditors are elected annually by the General Meeting of Shareholders. Ernst & Young AG has served as Auditors since 2002. Martin Gröli has performed the function of Lead Auditor since 5 May 2017. The term of office of the Lead Auditor is limited to a maximum of seven years.

8.2 Auditing Fees

The total cost of the auditing services provided by Ernst & Young during the 2017 reporting year was CHF 399,951. In addition, the audit firm charged fees of CHF 370,090 for audit-related services in connection with the IPO.

8.3 Additional Fees

Fees amounting to CHF 484,955 were incurred during the reporting year for additional services and tax advice provided by the audit firm.

8.4 Information Instruments Pertaining to the External Audit

Before each scheduled meeting, the external Auditors report to the Audit Committee in writing on relevant auditing activities and other important issues associated with the Company. Representatives of the external Auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. During the 2017 reporting year, the external Auditors attended two meetings of the Audit Committee. The Audit Committee assesses the performance, remuneration and independence of the auditors annually and submits a proposal to the Board of Directors for the nomination of the Auditors, for the attention of the General Meeting of Shareholders. The Audit Committee also reviews the scope of the external audit, audit plans and relevant procedures annually. The results of the audit are discussed with the external Auditors.

9 Information Policy

Zur Rose Group provides information about its annual and half-year results in the form of press releases and by holding analyst and media conferences. Quarterly revenue is announced in press releases. The Group also reports on any important events (ad hoc publicity). Shareholders are sent the printed summary report on the financial year upon request. A full online version of the annual report can be accessed at gb.zurrosegroup.com. Furthermore, the half-year report is available online as a PDF. The Annual General Meeting for the shareholders of record is held in the first half of the year. Up-to-date information can be found online at zurrosegroup.com > “Investors & Media”. The regular reporting dates are shown under “Investors & Media” > “Financial Calendar”. Press releases (sent by e-mail) can be subscribed to under “Investors & Media” > “Subscribe to Press Releases”. Contact addresses are listed at the end of this annual report.