

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 2019. The key elements of corporate governance are defined in the Company’s Articles of Association, Organisational 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

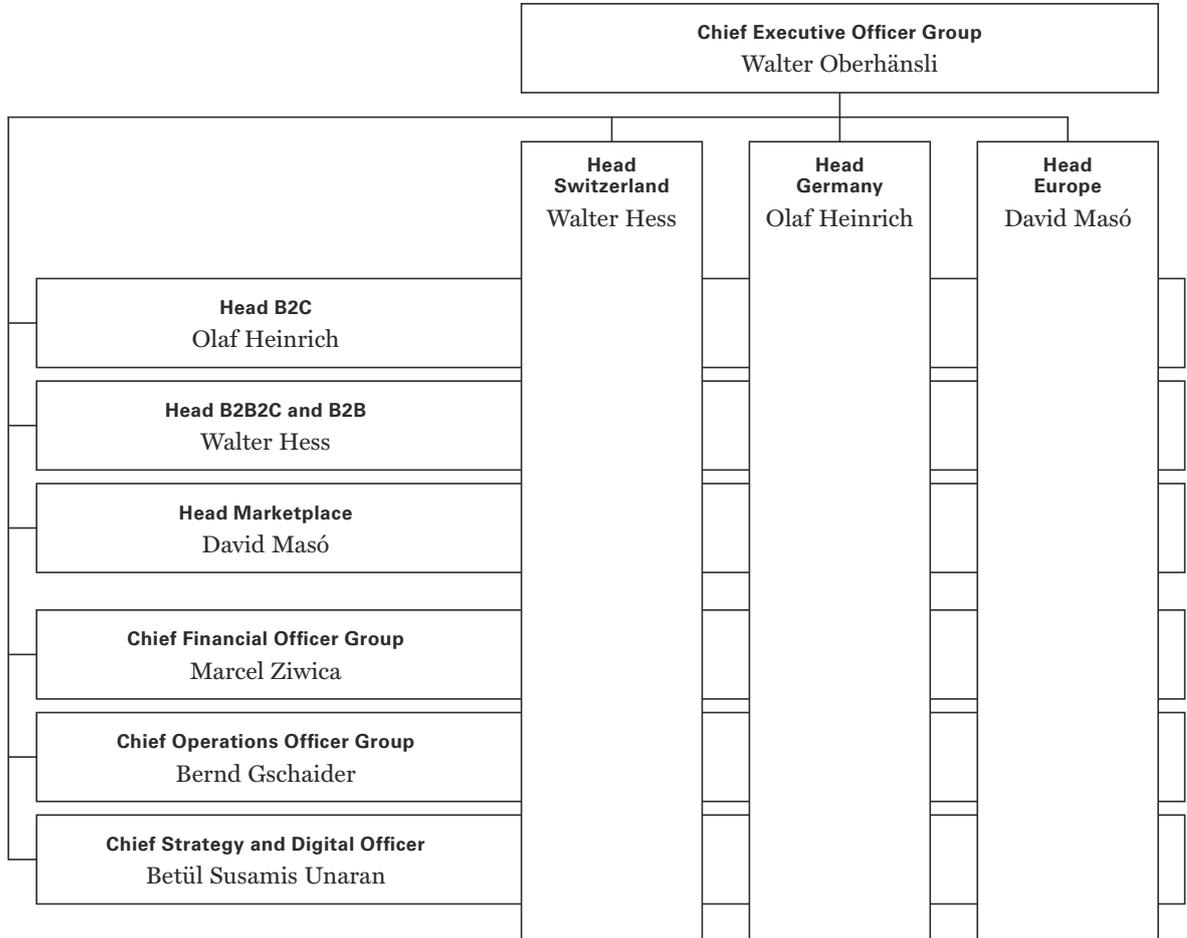
Zur Rose Group AG based in Steckborn is organised as a stock corporation under Swiss law. The registered shares with the security number 4261528 are listed on the SIX Swiss Exchange. The Board of Directors supervises the Zur Rose Group, while the Group Management is responsible for the operational management. The operational business is divided into three 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 operating segment Europe (countries outside Germany, Austria and Switzerland) comprises the marketplace business of PromoFarma and Doctipharma.

As per 1 May 2020 the Zur Rose Group is adapting its leadership structure to the needs and opportunities of the company that has seen strong growth. In addition to the existing segment organisation with both regional and revenue responsibility, a cross-segment business model organisation with B2C, B2B2C & B2B as well as Marketplace is being put in place. The Group structure also includes the functions of Finance, Operations as well as Strategy & Digitisation. The function of Finance, which provides services for the whole Group, is under the responsibility of the CFO. The CFO is also responsible for Investor Relations. Operations includes the management, control and organisation of all logistics processes across the Group. Strategy & Digitisation covers the company’s digital strategy and the development of the healthcare ecosystem. The Communication and Legal departments report to the CEO. They provide services for the whole 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 62. The consolidation does not include any companies whose equity securities are listed on a stock exchange, with the exception of Zur Rose Group AG.

STRUCTURE OF THE ZUR ROSE GROUP (from 1 May 2020)



1.2 Significant Shareholders

According to the share register and the disclosure notices to Zur Rose Group AG and the SIX Swiss Exchange, the following shareholders held 3 percent or more of the share capital on 31 December 2019:

Beneficial owner(s) / Person(s) entitled to exercise voting rights	Direct shareholder	Time of disclosure	Percentage
Portsea Asset Management LLP		16.05.2019 ¹⁾	3.52
T. Rowe Price Associates, Inc.		30.01.2019 ¹⁾	5.69
Christiane Maria Bülow-Bichler Ulrich Johannes Spindler Tobias Bodo Kindlieb Frank Müller	Sabine Funke (Notarin)	12.01.2019 ¹⁾	4.25
Patrick Schmitz-Morkamer Patrick Bierbaum	PSquared Master SICAV Ltd. Leveraged Event Fund LP BP Investment Ltd.	08.05.2018 ¹⁾	3.19
Al Faisaliah Group Holding Company	Matterhorn Pharma Holding	13.07.2017 ¹⁾	4.57
Vanessa Frey Beat Frey Brigitte Frey Alexandra Frey	KWE Beteiligungen AG	31.12.2019 ²⁾	10.30
Members of the Board of Directors and Group Management		31.12.2019 ²⁾	4.00

1) Compared to share capital at the time of disclosure (changes in capital see 2.3)

2) According to the share register on 31 December 2019

Changes in the shareholder structure after the reporting date: According to the disclosure notice of 31 January 2020, KWE Beteiligungen AG holds less than 3 per cent, according to the disclosure notice of 4 March 2020, ETHENEA Independent Investors S.A. holds 3.9 per cent, according to the disclosure notice of 5 March 2020, Credit Suisse Funds AG holds 3.14 per cent according to the disclosure notice of 9 March 2020, Portsea Asset Management LLP holds less than 3 per cent and according to the disclosure notice of 16 March 2020, T. Rowe Price Associates, Inc. holds 4.92 per cent of the share capital.

The disclosure notices published by Zur Rose Group AG 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 6,530 shareholders at 31 December 2019 (5,995 at the end of 2018).

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 page 98.

2.1 Capital

The share capital of Zur Rose Group AG as at 31 December 2019 was CHF 262,199,160.00, divided into 8,739,972 registered shares with a par value of CHF 30.00 each.

2.2 Authorised and Conditional Share Capital

Authorized Capital

Zur Rose Group AG has no authorised capital.

Conditional Share Capital for Employee Participations

The share capital of the Company may be increased by an amount not to exceed CHF 5,577,000.00 through the issuance of up to 185,900 fully paid up registered shares with a par value of CHF 30.00 each through issuance of shares to employees and members of the Board of Directors of the Company and its subsidiaries. The preemptive rights and advance subscription rights of the existing shareholders of the Company for the new shares in proportion to their existing participations shall 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 shall 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 shall be subject to the restrictions of Article 5 of the Articles of Association.

Conditional Share Capital for Financing, Acquisitions and other Purposes

The share capital of the Company may be increased by an amount not to exceed CHF 39,266,400.00 through the issuance of up to 1,308,880 fully paid up registered shares with a par value of CHF 30.00 each through the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations of the Company or any of its subsidiaries (hereinafter collectively, the Financial Instruments). The preemptive rights of the existing shareholders shall be excluded upon the exercise of any Financial Instruments in connection with the issuance of shares. The then-current owners of such Financial Instruments shall be entitled to acquire the new shares issued upon conversion, exchange or exercise of any Financial Instruments. The main conditions of the Financial Instruments shall be determined by the Board of Directors.

The Board of Directors shall be authorised to restrict or exclude advance subscription rights of the existing shareholders in connection with the issuance of Financial Instruments by the Company or one of its subsidiaries if (1) the issuance is for purposes of financing or refinancing, or the payment for, the acquisition of companies, parts of companies, participations, products, intellectual property or licenses, or investment projects or (2) the issuance occurs in national or international capital markets or through a private placement. If the advance subscription rights are neither granted directly nor indirectly by the Board of Directors, the following shall apply:

- (a) the Financial Instruments shall be issued or entered into at market conditions; and
- (b) the conversion, exchange or exercise price of the Financial Instruments shall be set with reference to the market conditions prevailing at the date on which the Financial Instruments are issued; and
- (c) the Financial Instruments may be converted, exchanged or exercised during a maximum period of 10 years from the date of the relevant issuance or entry.

The direct or indirect acquisition of registered shares via the conversion, exchange or exercise of Financial Instruments and any subsequent transfer of such registered shares shall be subject to the restrictions of Article 5 of the Articles of Association.

2.3 Changes in Capital

At 31 December 2018, the share capital of Zur Rose Group AG was CHF 48,127,413.75. On 3 January 2019, the share capital increased by CHF 2,046,350.25 to CHF 50,173,764.00 divided into 8,725,872 fully paid in registered shares with a par value of CHF 5.75 each. The new shares were issued from the existing authorised capital in order to pay for the share components of the purchase price within the scope of the acquisition of medpex. On 23 May 2019, the share capital increased as part of an ordinary capital increase by CHF 211,602,396.00 to CHF 261,776,160.00, divided into 8,725,872 fully paid in registered shares with a par value of CHF 30.00 each, by converting freely disposable equity (capital contribution reserves) into share capital. On 18 November 2019, the Company issued 14,100 registered shares with a par value of CHF 30.00 each from the conditional capital, increasing the share capital by CHF 423,000.00 to CHF 262,199,160.00. Further information on changes in capital is set out in the Consolidated Statement of Changes in Equity, page 59.

For previous years please refer to the Annual Report 2018 (can be downloaded at <https://gb.zurrose-group.com/en/gb2018/home.html>), page 23, and the Annual Report 2017 (can be downloaded at <http://gb1.zurrosegroup.com/de/gb2017/home.html>), page 32.

2.4 Shares and Participation Certificates

On 31 December 2019, the share capital was divided into 8,739,972 registered shares with a par value of CHF 30.00 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 3 percent of the share capital recorded in the commercial register if the Nominee has entered into an agreement with the Company regarding his/her status and is subject to recognised 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 percent 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 2019, 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 2019.

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. Dr. Heinz O. Baumgartner and Vanessa Frey stepped down from the Board of Directors at the Annual General Meeting held on 23 May 2019. The AGM elected Tobias Hartmann, Dr. Christian Mielsch and Florian Seubert for the first time to the Board of Directors. It is a principle of corporate policy to take due account of the diversity of the Board. Female candidates will continue to be considered when making appointments to the Board of Directors in future.

On 31 December 2019, 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	2020
Walter Oberhänsli	CEO, Executive Director	1993	2020
Dr. Thomas Schneider	Vice Chairman, Non-Executive Director	1995	2020
Prof. Dr. Volker Amelung	Non-Executive Director	2010	2020
Tobias Hartmann	Non-Executive Director	2019	2020
Dr. Christian Mielsch	Non-Executive Director	2019	2020
Florian Seubert	Non-Executive Director	2019	2020

— **Stefan Feuerstein** (1955, German national, Prof.)

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)

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** (1955, Swiss national, Dr. med.)

Specialist in general medicine (FMH), working as a family and general practitioner in a group practice in Tägerwilen (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.

— **Tobias Hartmann** (1972, German national)

CEO of Scout24 AG, Munich, since November 2018. Served as President US and Management Board Member of HelloFresh SE, Berlin and New York, from 2017 to 2018. In various executive positions, ultimately as President, of Radial Inc., USA, from 2011 to 2017. COO of D+S Europe from 2005 to 2010, Management Board Member of Loyalty Partner GmbH from 1999 to 2005 and Consultant at Roland Berger Strategy Consultants from 1995 to 1999. He holds a Bachelor of Arts (BA) degree in economics (Clark University, Worcester, Massachusetts, USA) and a Master of Business Administration.

— **Christian Mielsch** (1962, German national, Dr. rer. nat.)

Management Board member and CFO of the REWE Group, Cologne, since 2012. Occupied various executive positions in the Metro Group from 1997 to 2012, including CFO of Metro Cash & Carry International and ultimately COO of Metro Cash & Carry Central East Europe, after holding executive finance roles at Bertelsmann AG, Munich, from 1994 to 1997 and working for McKinsey & Company, Düsseldorf, from 1990 to 1994. He studied physics and business administration in Dortmund and Hagen.

— **Florian Seubert** (1973, German national)

Partner and private investor at Maxburg Capital Partners, Munich, since 2013. Served as co-founder and CFO of zooplus AG, Munich, from 1999 to 2013 and in the Securities Division of JPMorgan in London and New York from 1998 to 1999. He earned a master's degree (MA Oxon) in philosophy, politics and economics from Oxford University.

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. None of the Directors has a significant business relation with the Zur Rose Group. 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 Electronic Partner Handel SE as well as Director of Haubrich Holding SE, Düsseldorf (DE)
 Director of EVAN Management AG, Zug
 Chairman of the Supervisory Board of Kühnl + Schmidt Architekten AG, Karlsruhe (DE)
 Vice Chairman of the Board of UNIMO Real Estate Management AG, Zug
 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)
 Healthcare Denmark Ambassador, Copenhagen (DK)

— **Tobias Hartmann**

No other activities or vested interests.

— **Christian Mielsch**

Board Member of REWE Zentralfinanz eG, Köln (DE); associated with this are Executive Board, management and Supervisory Board functions in various companies belonging to the Group
 Chairman of the Supervisory Board of Wasgau Produktions- und Handels AG, Pirmasens (DE)
 Director of Electronic Partner Handel SE as well as Haubrich Holding SE, Düsseldorf (DE)

— **Florian Seubert**

Director of SUSI Partners AG, Zug
 Managing Partner of AB1204 Verwaltungs GmbH, Brannenburg (DE)



BOARD OF DIRECTORS *(from left)*

FLORIAN SEUBERT, VOLKER AMELUNG,
THOMAS SCHNEIDER, WALTER OBERHÄNSLI,
STEFAN FEUERSTEIN, CHRISTIAN MIELSCH,
TOBIAS HARTMANN.

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 in chapter 3.1. No restrictions on their terms of office have been set.

3.5 Internal Organisational 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 Organisational Regulations and related Committee Terms of Reference (available at <https://zurrosegroupp.com/websites/zurrosegroupp/English/2080/corporate-governance.html>).

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

Prof. Stefan Feuerstein

Dr. Christian Mielsch

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 the 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 organisation 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.

COMPENSATION COMMITTEE

Dr. Thomas Schneider, Chairman

Prof. Stefan Feuerstein

Florian Seubert

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. The meetings usually take place about every two months, taking up a full day. 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 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 six times during the 2019 financial year. In addition, eight telephone conferences of the whole Board were held. All members of the Board of Directors attended all meetings of the Board, with the exception of two absences for business reasons or illness. 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 (spring and autumn) and at such other times as required and may be requested by any member of the Committees. The meetings usually last two or three hours. The role of the Committees is restricted to the preparation of decision-making criteria for the attention of the Board of Directors. The composition, organisation, powers and roles of the individual Committees are defined by the Board of Directors in appropriate Committee Terms of Reference (available at <https://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html>), 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 three times during the 2019 financial year. All Committee members attended all the meetings. 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 organisation, in particular the issuance of Organisational 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 Organizational Regulations (available at <https://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html>).

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 Organisational Regulations (available at <https://zurrosegroup.com/websites/zurrosegroup/English/2080/corporate-governance.html>), Internal Auditing conducts operational and systems reviews and assists the Group's organisational 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 the CEO are responsible for creating the necessary organisational 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.



GROUP MANAGEMENT *(from left)*

WALTER HESS – HEAD SWITZERLAND

OLAF HEINRICH – HEAD GERMANY

WALTER OBERHÄNSLI – CHIEF EXECUTIVE OFFICER

MARCEL ZIWICA – CHIEF FINANCIAL OFFICER

4 Group Management

4.1 Members of the Group Management

On 31 December 2019, the Group Management consisted of the following members:

– **Walter Oberhänsli** (1958, Swiss national), 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), Chief Financial Officer

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 AG in Tägerwilten. He studied business administration at the University of St. Gallen.

– **Walter Hess** (1965, Swiss national), Head Switzerland

Zur Rose General Manager since March 2015 and also Head 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, Germany). 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), Head Germany

Serving on the Management Board of DocMorris since 2008 and as CEO since 2009, additionally appointed Head 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.

As of **1 May 2020**, the Group Management will be expanded by Bernd Gschaider, Chief Operations Officer, David Masó, Head Europe, and Betül Susamis Unaran, Chief Strategy and Digital Officer.

– **Bernd Gschaider** (1966, German national), Chief Operations Officer

Worked at Amazon from 2016 to early 2020, first as Director Operations, then as Country Director Logistics for Germany and Austria. He held various senior positions at Robert Bosch GmbH in Turkey, France and Germany from 1998 to 2016. Prior to joining Bosch, he served for Bundy Systemwerk Neunkirchen GmbH from 1995 to 1998. He studied mechanical engineering at RWTH Aachen University.

David Masó (1971, Spanish national), Head Europe

Serving as CEO of PromoFarma since 2012. He was co-founder of several start-up companies in Spain: 2012 PromoFarma; 2009 Qporama, serving until 2011; 2003 Futurlink, CEO until 2009. Previously he worked as management consultant for internet projects. He studied telecommunications engineering at UPC Barcelona. He holds a Master of Business Administration from ESADE Barcelona and completed a Stanford Executive Program.

Betül Susamis Unaran (1976, dual Swiss-Turkish national), Chief Strategy and Digital Officer

Serving as Chief Strategy and Digital Officer of the Zur Rose Group since November 2019. Before joining the Group, she was Global Head of Digital Medicines at Novartis Pharmaceuticals from 2018 to 2019. She served as Director of Global Operations and then as Global Head of Digital at Ferring Pharmaceuticals from 2012 to 2017. Consultant at McKinsey & Company in London and Geneva from 2004 to 2011. Previously she worked at Procter & Gamble in Istanbul and Frankfurt. She studied Industrial Engineering at Bogaziçi University in Istanbul and has an MBA from INSEAD.

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.

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 organisations) 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 51).

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). 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 authorised 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 percent 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 2019 was CHF 501,255. In addition, the audit firm charged fees of CHF 168,119 for audit-related services.

8.3 Additional Fees

Fees amounting to CHF 340,391 were incurred during 2019 for tax advice and people advisory services 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 2019, 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

The most important sources of information are the Annual Report and the Half Year Report, the website (www.zurrosegroup.com), press releases, press conferences, meetings for financial analysts and investors as well as the Annual General Meeting. 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. 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 <https://gb.zurrosegroup.com/en/gb2019/home.html>. Furthermore, the half-year report is available online as a PDF at <https://zurrosegroup.com/websites/zurrosegroup/English/2050/publications.html>. The Annual General Meeting for the shareholders of record is held in the first half of the year. The Group reports on key events by way of press releases, which are available at <https://zurrosegroup.com/websites/zurrosegroup/English/2010/press-releases.html>. This information can be subscribed to at <https://zurrosegroup.com/websites/zurrosegroup/English/2095/subscribe-to-press-releases.html>.

The regular reporting dates are shown under <https://zurrosegroup.com/websites/zurrosegroup/English/2090/financial-calendar.html>. Key dates in 2020 are:

19 March	2019 Full-Year Results
16 April	First Quarter Trading Update
23 April	Annual General Meeting of Shareholders
19 August	Half-Year Results
21 October	Third Quarter Trading Update

The address of the head office and contacts for specific questions are listed at the end of this annual report.