

# **Corporate Governance Guidelines of Hapimag**

## **(Status March 2009)**

### *Preliminary remark*

The gender of pronouns refer equally to both women and men.

### Contents

1.	Shareholders .....	S.1
1.1	Role and status of shareholders in general .....	S.1
1.2	Role and status of Hapimag shareholders .....	S.2
2.	Board of Directors and its President .....	S.3
2.1	Role and work of the Board of Directors in general .....	S.3
2.2	Role and work of the President in general.....	S.4
2.3	Board of Directors and its President at Hapimag .....	S.5
3.	Committees of the Board of Directors .....	S.6
3.1	Committees of the Board of Directors in general.....	S.6
3.2	Committees of the Hapimag Board of Directors .....	S.7
3.2.1	Finance, Auditing and Risk Committee (FRRA) .....	S.7
3.2.2	Nomination and Remuneration Committee (NEA) .....	S.8
3.2.3	Real Estate Committee (IA) .....	S.9
4.	Executive Board and CEO .....	S.10
4.1	Executive Board and CEO in general.....	S.10
4.2	Executive Board and CEO at Hapimag .....	S.11
5.	Auditors .....	S.12
5.1	Auditors in general .....	S.12
5.2	Auditors of Hapimag .....	S.12
6.	Advisory Board .....	S.13
6.1	Advisory Board in general.....	S.13
6.2	Hapimag Advisory Board.....	S.13
7.	Information and Communication .....	S.13

## **1. Shareholders**

### **1.1 Role and status of shareholders in general**

In their capacity as investors, the shareholders have the *final decision in the company*. Their competencies are prescribed by law (primarily the Swiss Civil Code). The shareholders have sole decision-making powers regarding personnel matters at the highest level (Board of Directors and Auditors), as well as regarding approval of the annual accounts and the policy on dividends and equity capital. The shareholders define the object of the company in the Statutes and the other main key indicators and regulations. They exercise their cooperation rights during General Meetings. During such

meetings the shareholders can request information on company affairs and apply for a special audit in accordance with statutory provisions.

## 1.2 Role and status of Hapimag shareholders

Hapimag has made arrangements that it is *as simple as possible* for its shareholders to *exercise* their legal *rights*.

- a) Every shareholder is entitled to submit *motions* to the General Meeting for inclusion of items on the agenda. Every shareholder is also entitled to have a topic *placed on the agenda* (agenda item) of the General Meeting. Hapimag therefore goes well beyond the minimum legal standard. The limits of this right are firstly contained in Article 716a of the Swiss Civil Code: Motions which interfere with non-transferable and irrevocable tasks and competencies of the Board of Directors are not permitted. Secondly, the Statutes (Article 11) stipulate that motions submitted by shareholders must relate to the competence of the General Meeting.
- b) Every shareholder's *motion for the inclusion of items on the agenda* must be submitted to, i.e. *received by*, the Board of Directors *60 days* at the latest before the date of the General Meeting (Article 11 of the articles of incorporation);
- c) The Board of Directors *informs* the shareholders in such a way that they can exercise their rights in knowledge of the main decision-related facts (please also refer to No. 7 in this respect);
- d) When the *General Meeting is convened*, the agenda items and the motions of the Board of Directors will be briefly explained where necessary. If permissible requests for inclusion on the agenda (or motions as part of already existing agenda items) are received in good time from shareholders, they and the motivations therefor are also included on the agenda (or mentioned) and the positions of the Board of Directors thereto are briefly described;
- e) The Board of Directors promptly announces each time the *date* of the next *Annual General Meeting*;
- f) It is made easy for the shareholders to *exercise their voting right* - even if they do not personally attend the *General Meeting*. Every shareholder can be represented by another shareholder, his spouse, relatives in an ascending and descending line, or a proxy independent of the company (Article 12 of the articles of incorporation). The latter person votes in accordance with the instructions issued to him by the shareholders; without instructions from the shareholders, he follows the motions of the Board of Directors. For granting voting proxies every shareholder is sent pre-printed forms which can be completed quickly and easily and contain clear and comprehensible instructions;

- g) Shareholders' rights are extensively guaranteed at the General Meeting. The Chairman *answers* all *questions* relating to Hapimag or arranges for them to be answered by competent persons. Complex questions and questions with many parts should, however, be sent in writing to the Board of Directors so early before the General Meeting that the Board of Directors can prepare the answers or even give them in writing. To disburden the General Meeting, the answers can also simply be included in the minutes of the General Meeting if the shareholder asking the questions gives his consent thereto;
- h) The *minutes of the Annual General Meeting* are made available to all shareholders via the homepage of Hapimag ([www.hapimag.com](http://www.hapimag.com)) and are also sent to them by mail if so requested.

## 2. Board of Directors and its President

### 2.1 Role and work of the Board of Directors in general

The Board of Directors is elected by the shareholders during the General Meeting. It is in *overall charge* of the company, except when legislation or the statutes stipulate that the decision is made by the General Meeting and, thus, the shareholders.

The *main tasks* of the Board of Directors are laid down in the Swiss Civil Code and the statutes, and are specified in detail in the Regulations of the Corporate Organisation. The main tasks of the Board of Directors are as follows:

- a) *Overall responsibility* for the company and the group of companies, and issuing of the necessary instructions;
- b) Determination of the company's *vision* and *strategy*, and the principles of *corporate governance*, as well as their periodical review and adjustment where necessary;
- c) Determination of the legal *structure* and *organisation* of the company and the group of companies;
- d) Organisation of *accounting, financial control and financial planning* (including the annual budget and decisions regarding the main investments and disinvestments);
- e) *Appointment and dismissal* of the members of the *committees* of the Board of Directors and the persons entrusted with managerial responsibility (= *Executive Board*) including the Chief Executive Officer (= CEO);
- f) *Supervision* of the Executive Board, its remuneration and business activities, including appropriate assignment of management and control functions;

- g) *Securing an adequate risk management, controlling, quality management and a system appropriate to the company for ensuring adherence to applicable rules and regulations (compliance, including for combating corruption), as well as internal control and internal and external auditing;*
- h) Preparation of the *annual report* (including the annual accounts), preparation of the *General Meetings* and implementation of its resolutions;
- i) *Notification of the judge* in the event of over-indebtedness;
- k) *Provision of information to the shareholders* during the General Meeting and over the course of the year, whether directly or indirectly via the Executive Board;
- l) Enactment and implementation of regulations for dealing with *conflicts of interest* and securing the *independence* of the members of the Board of Directors.

The *members of the Board of Directors* perform their tasks with diligence and protect the *interests of the company* in good faith. They disclose direct and indirect *conflicts of interest*, and refrain from voting in the event of transactions corresponding thereto. They keep company matters *in confidence*.

## 2.2 Role and work of the President in general

The President *heads the Board of Directors* in the interest of the company. He is in charge of the duly preparation of meetings, deliberations and decision-makings of the Board of Directors, and for implementing its resolutions and instructions. He is responsible for *supervising* ongoing business transactions, secures the *management of the company* and gives the necessary instructions. The President, in cooperation with the CEO, provides prompt *information* to the Board of Directors regarding all important company aspects for its decision-making process and supervisory activities. He *supports* the Executive Board and acts as the CEO's primary contact from the Board of Directors.

The *main tasks* of the President are as follows:

- a) Working on proposals regarding strategy, managing the strategy determination process, specifying the strategy to and implementing and adopting it by the Board of Directors and monitoring its implementation;
- b) *Heading* the Board of Directors; preparation and chairing its meetings, *supervision of* the implementation of its resolutions and instructions;
- c) Monitoring *ongoing transactions*, *securing the management* of the company and issuing of the necessary *instructions*;

- d) *Looking after* the affairs in the competence of the Board of Directors which occur between its meetings and also taking the necessary decisions and initiating the necessary provisional measures at the occurrence of important events which call for urgent action;
- e) *Reporting* to the Board of Directors;
- f) Supporting the CEO and maintaining regular communication with him;
- g) Preparation and chairing of General Meeting;
- h) Representation - together with the CEO - the company and the group of companies externally vis-à-vis media, shareholders, politicians and the industry, as well as cultivating permanent relations with them.

### **2.3 Board of Directors and its President at Hapimag**

The Board of Directors *constitutes* itself and appoints its President, Vice President and the members of its committees.

The *Board of Directors* consists of five members. This ensures efficient decision making while still guaranteeing the availability of the necessary specialist knowledge on the Board of Directors. All five members of the Board have experience and in-depth knowledge from the main areas of Hapimag: finance, business administration, real estate and construction, tourism, marketing and law. All members of the Board of Directors have international experience. This composition ensures self-contained decision making in dialogue with the Executive Board. There are no conflicts of interest with other mandates or activities; the full independence of the Board of Directors is therefore secured. CVs of each member of the Board of Directors can be found on the homepage of Hapimag ([www.hapimag.com](http://www.hapimag.com)).

Unlike the other members of the Board of Directors, its *President* is equipped with a much larger time budget in order to ensure that he can perform his extensive tasks with the necessary intensity. He communicates regularly with employees of Hapimag at all levels, in order to obtain a detailed view of the company also from the inside.

The Board of Directors of Hapimag has opted for a clear *separation between operative and strategic management*. No member of the Board of Directors performs an operative management function within the company. Consequently, no member of the Board of Directors - not even the President - also acts as a member of the Executive Board; there is no delegate of the Board of Directors. The members of the Board of Directors also do not sit on the Board of Directors of subsidiaries of Hapimag. If required, the meetings of the Board of Directors are divided into two parts. The first part is only attended by the members of the Board of Directors; no members of the Executive Board are present.

The Board of Directors, together with the Executive Board, annually reviews the *strategy*, whether it is being implemented and whether there is a need for any action. The Hapimag Board of Directors reviews *itself* from time to time; for this it can call on assistance from external experts. The Board of Directors also regularly reviews the *regulations* which it enacts and adapts them to changed requirements. It also *plans* the *succession* of its members and those of the Executive Board, and takes steps to ensure that suitable new members are introduced.

The members of the Board of Directors *disclose to the Board of Directors* their *relationships* with companies, which maintain relevant business connections with the Hapimag Group, and do not take part in decisions which affect these companies. Business transactions between group companies and members of the Board of Directors or persons close to them, and contracts between them, are subject to the principle of *dealing at arm's length*. These business transactions must be approved by the President or the Board of Directors. The person concerned has no voting right regarding the decision. Finally, the members of the Board of Directors are only permitted to sit on committees which *compete* with Hapimag if prior consent has been given by the Board of Directors. They must withdraw when the decision thereto is taken.

In order to increase the effectiveness of the Board of Directors and its meetings, *three committees* have been established: the Finance, Auditing and Risk Committee (FRRA), the Nomination and Remuneration Committee (NEA) and the Real Estate Committee (IA). These committees have no decision-making powers in principle, but submit their motions to the full Board of Directors instead which takes the relevant decisions.

### **3. Committees of the Board of Directors**

#### **3.1 Committees of the Board of Directors in general**

Committees of the Board of Directors can be established for various reasons and in different forms. They can perform a permanent *function* or manage a specific project on an ad hoc basis. They can have purely advisory or preparatory functions, or possess decision-making powers as far as this is permitted by law, i.e. in the area of [delegable](#) tasks of the Board of Directors.

If a committee only deals with the preparation and implementation of decisions taken by the full Board of Directors or merely monitors transactions, it can be *established* without any special formal requirements. In other cases a clause in the Regulations of the Corporate Organisation is required.

The committees *inform* the Board of Directors in detail about their activities.

### 3.2 Committees of the Hapimag Board of Directors

Hapimag has introduced *three permanent committees*, i.e. the Finance, Auditing and Risk Committee (FRRA), the Nomination and Remuneration Committee (NEA), and the Real Estate Committee (IA). Each of these committees consists of two or three members of the Board of Directors. If required, they can call in other persons, e.g. members of the Executive Board, other members of the Board of Directors or external third parties (experts).

*Temporary* (ad hoc) committees can also be established.

The status of the three permanent committees (FRRA, NEA and IA) is described in the *Regulations of the Corporate Organisation*. Each of these committees is headed by a *chairman* who is elected by the committee itself. At least half of the members of the committee must have experience in the special area of the committee. The activities of the committees are coordinated by the President.

The committees *meet* as often as business requires. Each committee prepares minutes which it distributes to each member of the Board of Directors and *presents a verbal report* on its activities during the meetings of the Board of Directors.

The committees primarily *deal* with the preparation and execution of the decisions by the Board of Directors and with the supervision of business dealings within their area of responsibility. In principle, the committees have no decision-making powers or authority to issue instructions. However, the committees can submit recommendations to the CEO and the Executive Board. They also have the right to submit requests to the Board of Directors and its President.

#### 3.2.1 Finance, Auditing and Risk Committee (FRRA)

The FRRA supports the Board of Directors in the organisation of *finance/accounting, financial control and risk management*. The FRRA *examines* the structures of finance/accounting, financial control and risk management, and *monitors* the compliance with rules and regulations.

The FRRA *cooperates*, in particular, with the President of the Board, CEO and CFO, and the internal and external auditors. The FRRA can directly commission internal and external auditors.

The following *tasks*, for example, are assigned to the FRRA:

- a) Verification of the effectiveness of the organisation of the Accounting Department, the *accounting principles* (regulations) and *control mechanisms* (financial control), and their compliance and effectiveness;
- b) Assessment of the *financial and liquidity planning and liquidity situation* of the company;

- c) Checking the *budget* (including monitoring of its compliance) and the consolidated *annual accounts*;
- d) Examination of the *financial reporting system*, the draft of the *annual report* from financial aspects and the preliminary examination of certain motions by the Executive Board to the Board of Directors;
- e) Examination of the efficiency of *Risk Management, Compliance, Operative Controlling* and *Internal Controlling*;
- f) *Assistance to the NEA* in order to find and select suitable candidates for the position of CFO;
- g) Evaluation of resources and of the extent and quality of the work of the *Internal Auditing*, acceptance of its reports, supervision of the implementation of its recommendations by the Executive Board and evaluation of its cooperation with external auditors;
- g) Evaluation of the independence, range and quality of the work of the *external auditors*, their fees, and the results and reports of their audits.

### 3.2.2 Nomination and Remuneration Committee (NEA)

The NEA *assists the Board of Directors* in its search for suitable candidates for the Board of Directors, in appointing and dismissing members of the Core Executive Board, in fixing the remuneration of the members of the Board of Directors and the Executive Board, and in determining the structure and organisation of the Executive Board.

The NEA *cooperates*, in particular, with the President, CEO, Head of Human Resources and, if necessary, external experts.

The following *tasks*, for example, are assigned to the NEA:

- a) Formulation of the *criteria* for selecting the members of the Board of Directors (if proposed by the Board of Directors) and the Core Executive Board;
- b) Search for suitable *candidates* for the *Board of Directors* and the members of the Core Executive Board;
- c) *Evaluation* of the performance of the Board of Directors and the Executive Board;
- d) Formulation of *remuneration principles* (regulations) and annual proposals for the *specific remuneration* of the members of the Board of Directors and the Executive Board based on annual target achievements. Thereby it sees to it that

the remuneration - including the expenses for pension reserves - is in line with market conditions and is performance-oriented, whereby, in addition to individual performance, sustainable company success forms the guideline for it. In principle, termination pay, unusually long periods of notice or contract terms, respectively, are not allowed for, and little for repayment obligations. Salaries are compared also with other companies at periodic intervals;

- e) Negotiation of the *contracts*, and any amendments thereof, with members of the Core Executive Board, the President and, if necessary, the other members of the Board of Directors;
- f) The NEA can also extend the above-mentioned competencies to persons who belong solely to the *extended Executive Board*.

### 3.2.3 Real Estate Committee (IA)

The IA *assists* the Board of Directors to evaluate the purchase and sale of properties and resorts, and to assess project plans relating to *new buildings* and to *renovations*. The IA considers structural engineering, operational and financial aspects (one-off and recurring costs). The IA *examines* the structures, procedures, controlling and reporting of the responsible persons and *monitors* compliance with guidelines on a random basis.

The IA *cooperates*, in particular, with the President, CEO, members of the Executive Board responsible for real estate and operation of resorts, and with other internal and external experts when necessary.

The following *tasks*, for example, are assigned to the IA:

- a) Periodical review of the *Construction Manual*, submission of recommendations regarding its improvement and monitoring of the implementation of the principles contained therein;
- b) Examination of *investment and disinvestment applications* relating to properties and resorts;
- c) Examination of important *building and renovation projects* with particular regard to operational requirements;
- d) Verification and control of *budgets and their compliance* during the implementation of investments, disinvestments, building and renovation projects;
- e) Examination of the *risks* involved in *building activities* (also of a contractual nature) and the measures and their implementation to minimise risks;

- f) Evaluation of the work of the *internal building auditors* (building audit), their reports and the implementation of their recommendations by the Executive Board.

## 4. Executive Board and CEO

### 4.1 Executive Board and CEO in general

The Board of Directors is permitted by law to *transfer management responsibility* - i.e. performance of operative management tasks - wholly or partially to individual members of the Board of Directors (delegates) or third parties (managers) by Regulations of Corporate Organisation. This also includes the right to revoke management responsibility at any time, appoint and dismiss members of the Executive Board, and fix their remuneration.

Apart from smaller companies, it is normal in Switzerland that the Board of Directors *delegates operative management responsibility* - i.e. full operative management of the company - to a management body (called "Executive Board" at Hapimag). The Board of Directors therefore creates a fourth organ which in legal terms is below the Board of Directors in the company hierarchy, but is extremely important in practice and is often actually stronger than the Board of Directors itself thanks to its lead in knowledge, full-time professional commitment and competence to act.

The Executive Board *is responsible* for managing the company at an operative level with the objective of organic and successful growth of the company in the long term. The Executive Board therefore often prepares matters which fall within the sphere of competence of the Board of Directors.

The Executive Board is headed by the *CEO* (= Chief Executive Officer; = Chairman of the Executive Board). He is the highest executive officer and has overall operative management responsibility. He is directly responsible towards the Board of Directors. The other members of the Executive Board report to the CEO.

## 4.2 Executive Board and CEO at Hapimag

In accordance with the above-mentioned practices in Switzerland, the Board of Directors of Hapimag has opted for a clear *separation between operative and strategic management*. Firstly, no member of the Board of Directors performs an operative management function in the company. Consequently, no member of the Board of Directors is also a member of the Executive Board; there is no delegate from the Board of Directors. Secondly, the Board of Directors has appointed a professional Executive Board which devotes all its manpower to the operational management of the Hapimag Group. This Executive Board or the CEO is therefore *responsible for continuous management of the Hapimag Group* and possesses the necessary powers. However, important business transactions must be approved by the Board of Directors.

The Executive Board consists of a *Core Executive Board* and members belonging only to the *extended Executive Board*. The Core Executive Board has between four and seven members. The extended Executive Board comprises the Core Executive Board and an additional three to five members with an advisory capacity. The Board of Directors takes decisions regarding the specific number and the areas of responsibility of the Executive Board in response to an application from the NEA. The Executive Board also provides the management for the group companies.

The Executive Board is chaired by a *CEO* who has the casting vote and a right of veto with respect to decisions by the Executive Board. Central Services (Finance, Human Resources, Legal Department, IT, Quality Management, Communication and Marketing) report directly to the CEO. The CEO is the highest executive officer and has overall management responsibility.

The *Core Executive Board* is normally *composed* as follows:

- a) *CEO (= Chief Executive Officer)*: he is the highest executive officer, he has overall responsibility and chairs the Executive Board;
- b) *CFO (= Chief Financial Officer)*: he is responsible for accounting and finance;
- c) *Head of Sales*: he is responsible for the sale of Hapimag products (i.e. the "key" or the "admission tickets" to the Hapimag holiday world);
- d) *Head of Member Services (Partner Service Centre)*: he is responsible for holiday organisation, partner service and travel business at Hapimag;
- e) *Head of Resort & Lifestyle Management (Resort Management)*: he is responsible for the resorts.
- f) *CRO (= Chief Real Estate Officer)*: he is responsible for real estate (project planning, project realisation and maintenance).

Heads of the following departments can be appointed to the *extended Executive Board*:

- a) Human Resources;
- b) IT and Telecommunications;
- c) Legal Service;
- d) Risk Management;
- e) Quality Management;
- f) Corporate Communications;
- g) Marketing.

*Further information* on the current organisation and the individual members of the Executive Board can be found on the homepage of Hapimag ([www.hapimag.com](http://www.hapimag.com)).

## **5. Auditors**

### **5.1 Auditors in general**

The function of (external) *auditing* is performed by the auditor and group auditor appointed by the Annual General Meeting. The auditors must be independent and comply with special legal requirements for a company of the size of Hapimag. The Chief Auditor is allowed to perform the mandate for a maximum period of seven years.

The auditor performs its tasks according to laws, articles of incorporation, regulations and applicable accounting standards (IFRS; see also No. 5.2 in this respect) and have direct contact with the Executive Board, the FRRA and the Board of Directors.

### **5.2 Auditors of Hapimag**

The Annual General Meeting of Hapimag has entrusted one of the large international auditing companies with the tasks as *auditors* of *Hapimag* (as the parent company) and as *group auditors* of the entire *Hapimag Group*.

This auditing company is totally *independent* of Hapimag, its organs and shareholders; its *period of office* runs for one year and it can be re-elected. The auditing company is a governmental-monitored auditing company in accordance with the provisions of the Swiss Audit [Supervision](#) Act, thus complies with the strictest standards, and carries out audits on the basis of the internationally recognised rules of *IFRS* (International Financial Reporting Standards).

## 6. Advisory Board

### 6.1 Advisory Board in general

Swiss law *does not contain any legal provisions* relating to an Advisory Board. Its composition and status can therefore be freely determined within the scope of mandatory law. Unlike other countries, an Advisory Board is not of great importance in Switzerland.

### 6.2 Hapimag Advisory Board

Hapimag has an Advisory Board since 2004. Its status, tasks, mode of operation and composition are shown in the *Regulations for the Hapimag Advisory Board* issued by the Board of Directors. These Regulations can be found on the homepage of Hapimag ([www.hapimag.com](http://www.hapimag.com)).

The *task* of the Hapimag Advisory Board is to support the main bodies of the Hapimag Group with its specialist knowledge, experience and personal networks thereby assisting their decision making and the further development of Hapimag in the international environment. The Advisory Board has a purely advisory function without any decision-making powers. It consists of 10 to 15 members.

*Further information* on the Hapimag Advisory Board can be found on the homepage of Hapimag ([www.hapimag.com](http://www.hapimag.com)).

## 7. Information and Communication

Hapimag has committed itself to an open, direct and transparent *information policy* towards shareholders, business associates and the media.

The Board of Directors and/or the Executive Board *inform* the shareholders about the following at regular intervals (at least in the *annual report*):

- a) Organisation and structures of the Hapimag Group;
- b) Members of the Board of Directors, its committees, the Executive Board, the auditors and the activities of these bodies;
- c) Remuneration for the Board of Directors, Executive Board and auditors.

Information on the development of the company is also provided *during the financial year*. This information is provided in written form (printed papers, electronically and on the homepage of [[www.hapimag.com](http://www.hapimag.com)]). Personal discussions with shareholders are also possible on the occasion of shareholders' meetings.

The *statutes of Hapimag* and the *Regulations for the Hapimag Advisory Board* are published on the homepage of Hapimag ([www.hapimag.com](http://www.hapimag.com)) and are available at any time.

These Corporate Governance Guidelines were adopted by the company's Board of Directors during its meeting on 10 March 2009 and came into force instantly. They replaced the previous version.