

Stability and competence

The Oerlikon Board of Directors



Tim Summers

1967, British citizen,
Chairman of the Board of Directors,
Chairman of the Human Resources Committee,
Chairman of the Strategy Committee

Professional background and education

Tim Summers was elected to the Board of Directors at the 2011 Annual General Meeting and was thereafter appointed Chairman. From 2010 to 2011, he acted as non-executive Chairman of KCA Deutag, Switzerland. Between 2006 and 2009, he served as Chief Operating Officer and from 2008 until 2009 additionally as interim CEO of TNK-BP, Russia. Between 2007 and 2009, he was Director of Slavneft in Russia. Between 1989 and 2006, he filled several positions with BP. Tim Summers holds a Bachelor's degree in Chemical Engineering from the University of Manchester, UK.

Other activities and vested interests

Tim Summers is Director of Renova Management AG.



Kurt J. Hausheer

1947, Swiss citizen,
Member of the Board of Directors,
Chairman of the Audit Committee

Professional background and education

Kurt J. Hausheer was elected to the Board of Directors at the 2008 Annual General Meeting. Since 2008, he has been the owner of Hausheer Consulting, Switzerland. From 1998 until his retirement in 2008, he served as Managing Partner of the Advisory Practice (M&A and Business Consulting) at PricewaterhouseCoopers (PwC), Switzerland, and between 1996 and 2008 additionally as a member of the Management Board and the Board of Directors of PwC/STG-Coopers & Lybrand AG, Switzerland. Between 1969 and 1998, he held several positions in the Audit and Consulting practices of PwC and its predecessor companies in Switzerland and the USA. Kurt J. Hausheer is a Certified Public Accountant (CPA), and completed management programs at IMD, Switzerland, INSEAD, France, and Harvard University, USA.

Other activities and vested interests

None



Mikhail Lifshitz

1963, Russian citizen,
Member of the Board of Directors,
Member of the Audit Committee

Professional background and education

Mikhail Lifshitz was elected to the Board of Directors at the 2013 Annual General Meeting. Since 2009, he has been Director of High-tech Assets Business Development of Renova Group, and since 2010 CEO of ROTEC, a company of Renova Group. From 2001 to 2009, he served as President of "Global Edge" Group of Companies, which he has owned since 1991. Mikhail Lifshitz holds a graduate degree in Electronic Engineering from the Bauman Moscow State Technical University.

Other activities and vested interests

Mikhail Lifshitz is Chairman of Ural Turbine Works (a company of Renova Group) and a board member of DATADVANCE (an EADS company).



Gerhard Pegam

1962, Austrian citizen,
Member of the Board of Directors,
Member of the Strategy Committee

Professional background and education

Gerhard Pegam was elected to the Board of Directors at the 2010 Annual General Meeting. In 2012, he founded his own consulting firm. From June 2011 until June 2012, he was a Corporate Officer of TDK Corporation, Japan. From 2001 until 2012, he was the CEO of EPCOS AG, Germany, and from 2009 until 2012, he additionally served as a board member of TDK-EPC Corp., the parent company of EPCOS AG. From 1982 to 2001, he held several management positions with EPCOS AG, the Siemens Group and Philips. Gerhard Pegam graduated from the Technical College Klagenfurt, Austria, with a diploma in Electrical Engineering.

Other activities and vested interests

Gerhard Pegam is a board member of Süss MicroTec AG and Schaffner Holding AG.



Carl Stadelhofer

1953, Swiss citizen,
Member of the Board of Directors,
Member of the Audit Committee,
Member of the Human Resources Committee

Professional background and education

Carl Stadelhofer was elected to the Board of Directors at the 2008 Annual General Meeting. Since 2004, he has been Chief Legal Counsel of Renova Group, based in Switzerland. Since 1990, he has been a Senior Partner and since 2011 a Senior Counsel of Klein Attorneys (formerly RKS Rinderknecht Klein & Stadelhofer) in Zurich, Switzerland, specializing in banking and finance law, as well as the resource and commodity business, including M&A. Carl Stadelhofer is admitted to the Bar of the Canton of Zurich, Switzerland. He graduated from the University of Bern, Switzerland, with a degree in Law.

Other activities and vested interests

Carl Stadelhofer is Chairman of Renova Holding Ltd. and other Renova Group companies. He is also Vice Chairman of Renova Management AG. He is Chairman of Stadelhofer Enterprises Ltd. and other Stadelhofer Group companies, including Calle Services Management Ltd. He is also Chairman of LogObject AG and a board member of Conrad Electronic AG, Terraco Holdings Ltd. and Wincap Ltd. He is Chairman of FONDATION ACTERIA, FONDATION MERAC and FONDATION SMARTPEACE, Vice Chairman of Fondation Jean-Pascal Imsand and actuary of International Brachet Foundation.



Hans Ziegler

1952, Swiss citizen,
Member of the Board of Directors,
Member of the Human Resources Committee,
Member of the Strategy Committee

Professional background and education

Hans Ziegler was elected to the Board of Directors at the 2008 Annual General Meeting. Between 2009 and 2010, he additionally acted as Delegate and CEO ad interim. Since 1996, he has been the owner of a consultancy operating in Switzerland and abroad, specializing in corporate restructuring, turnaround management and repositioning. Between 1974 and 1995, he held management positions with the Globus Group, the Usego Trimerco Group, Alcon Pharmaceuticals, Ericsson and SBG. Hans Ziegler earned a degree as Business Economist (KSZ) from Kaderschule Zürich, Switzerland, and completed postgraduate courses in Business Administration and Information Technology at TCU in Dallas-Fort Worth, USA.

Other activities and vested interests

Hans Ziegler is Chairman of Swisslog Holding AG and of Charles Vögele Holding AG, as well as a board member of Schmolz + Bickenbach AG.

Board of Directors

The rules and regulations governing the organization and duties of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon are to be found in the Swiss Code of Obligations, the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon and the Organizational and Governance Rules of OC Oerlikon Corporation AG, Pfäffikon.

Members of the Board of Directors

In the year under review, the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon was composed of Tim Summers (Chairman), Kurt J. Hausheer, Mikhail Lifshitz, Gerhard Pegam, Carl Stadelhofer and Hans Ziegler. They were all reelected by the Annual General Meeting of Shareholders on April 15, 2014, for a term of office of one year.

In the three financial years preceding the reporting period, the non-executive members of the Board of Directors were not involved in the executive management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company. They also do not have any significant business connections with companies of the Oerlikon Group.

Other activities and vested interests

Regarding the activities of the members of the Board of Directors in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups, and official functions and political posts, see page 36 et seqq.

Number of permitted mandates

Pursuant to Art. 32 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in the supreme governing body of listed companies and ten additional mandates in the supreme governing body of legal entities which are required to be registered in the commercial register or a comparable foreign register. Not subject to these limitations are (1) mandates in inactive companies and in companies that are controlled by OC Oerlikon Corporation AG, Pfäffikon or which control OC Oerlikon Corporation AG, Pfäffikon and (2) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no Member of the Board of Directors shall hold more than ten such mandates. Mandates in different legal entities that are under joint control are deemed one mandate.

Elections and terms of office

Board members are elected annually by the General Meeting of Shareholders for a term of one year. They are eligible for re-election; a "year" means the period from one ordinary General Meeting of Shareholders to the next. In the event of elections for replacement or elections of additional members during the year, the period until the next ordinary General Meeting of Shareholders shall be deemed to constitute a year. Each member of the Board of Directors shall be elected individually. Only persons who have not completed their 70th year of age on the election date are eligible. The General Meeting of Shareholders may, under special circumstances, grant an exception to this rule and may elect a member of the Board of Directors for one or several terms of office provided that the total number of these additional terms of office does not exceed three.

Composition of the Board of Directors

Name	Nationality	Domicile	Position	Age	Joined	Term expires	Executive/ Non-executive
Tim Summers	GB	CH	Chairman	47	2011	2015	Non-executive
Kurt J. Hausheer	CH	CH	Member	67	2008	2015	Non-executive
Mikhail Lifshitz	RU	RU	Member	51	2013	2015	Non-executive
Gerhard Pegam	AT	DE	Member	53	2010	2015	Non-executive
Carl Stadelhofer	CH	CH	Member	61	2008	2015	Non-executive
Hans Ziegler	CH	CH	Member	62	2008	2015	Non-executive

Internal organizational structure

The Board of Directors is the ultimate supervisory body of the Oerlikon Group. It is responsible for the overall management, oversight and control of the Oerlikon Group, determines the Group strategy and oversees the CEO. It sets forth guidelines on the general and strategic direction of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group and periodically reviews their implementation.

The Board of Directors shall consist of at least three but not more than seven Board members, the majority of whom should be independent. In general, a Board member shall be deemed to be independent if, during the three years immediately prior to taking up office, he was neither a member of the executive management of OC Oerlikon Corporation AG, Pfäffikon, the Oerlikon Group, an Oerlikon Group company or an audit firm of any of them, nor close to any of the latter, and had no significant business relations whether directly or indirectly with the Oerlikon Group. Should the Board of Directors exceptionally assign certain executive tasks for a limited period of time to one of its Board members, such assignment shall as a rule not for itself qualify such Board member as a dependent member of the BoD.

The Chairman of the Board of Directors shall ensure that the Board of Directors may and does effectively carry out its superintendence and oversight role on an informed basis. He shall endeavor, in close contact with the CEO, to provide the Board of Directors with optimal information regarding operating activities of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. Together with the CEO, the Chairman shall perform a leadership role in the implementation of the strategic orientation of the Group, as set out by the Board of Directors on a collegial basis, and shall represent OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group in relations with important shareholders, clients, further stakeholders and the general public.

The Chairman shall convene, prepare and chair Board meetings, and may convene meetings of the Board Committees. He shall coordinate the work of the Board of Directors and the Board Committees and shall ensure that Board members receive in a timely manner all information necessary to perform their duties. In cases of uncertainty, he shall delineate authorities between the Board of Directors, its Committees and the CEO, unless the entire Board of Directors intends to address the matter.

The Board of Directors may at any time create committees from among its members to assist it in the performance of its duties. These committees are permanent advisory groups supporting the Board of Directors with their particular expertise. Unless expressly stated in the Organizational and Governance Rules, the Chart of Competences or the relevant committee's rules and regulations, they shall not have any authority to decide matters in lieu of the Board of Directors. All cases in which the currently existing committees do in fact have authority to decide matters in lieu of the Board of Directors will be specified hereinafter. They may prepare, review and investigate matters of relevance within their field of expertise and submit proposals to the Board of Directors for deliberation, but must not themselves take resolutions beyond recommendations, proposals or motions to be submitted to the Board of Directors for deliberation.

Currently there are three permanent Committees of the Board of Directors, namely the Audit Committee (AC), the Human Resources Committee (HRC) and the Strategy Committee (SC).

Membership of these Committees in the year under review was as follows:

Composition of Committees of the Board of Directors

Name	Nationality	Audit Committee (AC)	Human Resources Committee (HRC)	Strategy Committee (SC)
Tim Summers	GB		Chairman	Chairman
Kurt J. Hausheer	CH	Chairman		
Mikhail Lifshitz	RU	Member		
Gerhard Pegam	AT			Member
Carl Stadelhofer	CH	Member	Member	
Hans Ziegler	CH		Member	Member

Audit Committee (AC)

As a rule, the AC shall be composed of at least three members of the Board of Directors. Members of the AC are not eligible if they perform any executive management duties within the Oerlikon Group while in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time. The majority of AC members, including its Chairman, must be experienced in the fields of finance and accounting and be familiar with internal and external auditing. As a separate advisory group, independent from the CEO, the AC shall advise the Board of Directors and exclusively follow the Board of Directors' instructions.

The AC monitors Group-wide with a view to providing a basis for assessment to the Board of Directors:

- in relation to external audits: the relevance of the audit work plan and the price/performance ratio;
- in relation to internal audits: the relevance of the engagement of internal auditors and the professional performance of the auditors;
- in relation to the accounting and internal control systems: the relevance of the accounting system, financial strategy and planning, as well as financial risk control;
- in relation to annual and interim reports: the preparation of Oerlikon's financial statements and consolidated financial statements, annual business report, specific interim financial statements for publication, and the financial reports on operating results and cash flows of the Oerlikon Group; and
- in relation to corporate governance and compliance: the reasonableness of Oerlikon's corporate governance and compliance, the relevant guidelines and organization, particularly as instruments to ensure Group-wide compliance with relevant applicable laws and regulations.

The AC decides about the appointment and dismissal of the Head of Group Internal Audit.

Human Resources Committee (HRC)

As a rule, the HRC shall be composed of at least three members of the Board of Directors. Members of the HRC are not eligible if they perform any executive management duties within the Oerlikon Group while in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time.

The HRC supports the Board of Directors with regard to matters related to human resources, including compensation policies, performance assessment, appointments and succession planning, and other general topics related to human resources.

The HRC shall in particular support the Board of Directors in establishing and reviewing the Corporation's compensation strategy and in preparing the proposals to the General Meeting of Shareholders regarding compensation of the Members of the Board of Directors and of the Executive Committee, and may submit proposals to the Board of Directors in other compensation-related issues. Furthermore, the HRC approves the Annual Pay Plan for the Group (including general salary increases) and the Group-wide compensation policies for non-managerial staff.

Strategy Committee (SC)

As a rule, the SC shall be composed of at least three members of the Board of Directors. All but one must be independent from the Oerlikon Group and not performing any executive management duties within the Oerlikon Group while in office, not have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, and not have been a member of the Executive Committee in the preceding three years.

The SC monitors that Oerlikon's strategy is properly implemented and complied by the Executive Committee and all other management levels of the Oerlikon Group. Furthermore, it ensures that the Board of Directors becomes aware on a timely basis of changing trends, technologies, markets, habits and terms of trade that could jeopardize Oerlikon's strategy.

The SC has no authority to decide matters in lieu of the Board of Directors.

Work methods of the Board of Directors and its Committees

The Board of Directors meets at the invitation of its Chairman at least four times a year, or more often if necessary. The members of the Executive Committee attend the Board meetings by invitation. Each Board member and the CEO may request the Chairman to convene a Board meeting by stating the reasons for such a request.

In 2014, five physical Board meetings were held, lasting on average around six and a half hours. Three Board Meetings were attended by all Board members, whereas in two Board Meetings one Board Member was not able to attend. In addition, seven telephone conferences were held (average duration: 22 minutes). Those Board members who are independent from the Renova Group held twelve meetings in the context of related party transactions. They lasted on average around one hour.

The members of the HRC are elected by the General Meeting of Shareholders, whereas the Chairman of the HRC is appointed by the Board of Directors at the proposal of the Chairman of the Board. The members of the other Committees, i.e. the AC and the SC, as well as their respective chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as a Board Member. Those Board members who are not a member of a Committee have the right to attend Committee meetings with consultative vote. As a rule, the CEO, the CFO and the Head of Group Internal Audit should attend the meetings of the AC, and the CEO the meetings of the HRC and the SC. Additional persons (e.g. other members of the Executive Committee, representatives of the external auditors or Heads of Corporate Functions) may be invited, if required. At every Board meeting, each Committee Chairman provides the Board with an update on the current activities of his Committee and important Committee issues.

The AC and the SC meet at the invitation of their Chairmen at least four times a year, or more often if necessary. The HRC meets at the invitation of its Chairman at least three times a year, or more often if necessary.

In 2014, there were five physical meetings of the AC, lasting on average around three hours and 20 minutes. In addition, one telephone conference (duration: 25 minutes) was held. The members of the AC participated in the meetings along with members of the Executive Committee and representatives of the Corporate Functions concerned (in particular Group Accounting & Reporting and Group Internal Audit). The external auditors (KPMG AG) took part in three AC meetings. In 2014, the HRC held four physical meetings, lasting on average around three hours and 40 minutes. In addition, one telephone conference (duration: 40 minutes) was held; the SC held six physical meetings, lasting on average around four hours and 25 minutes.

Definition of areas of responsibility

Pursuant to Art. 716b Swiss Code of Obligation and Art. 22 para. 3 of the Articles of Association, the Board of Directors has in principle delegated the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and of the Oerlikon Group to the CEO. The scope of tasks for which the Board of Directors bears responsibility essentially encompasses those inalienable and non-delegable duties defined by law. These include:

- the ultimate direction of the business of OC Oerlikon Corporation AG, Pfäffikon and issuing of the relevant directives;
- to lay down the organization of OC Oerlikon Corporation AG, Pfäffikon;
- to formulate accounting procedures, financial controls and financial planning;
- to nominate and remove persons entrusted with the management and representation of OC Oerlikon Corporation AG, Pfäffikon and to regulate the power to sign for OC Oerlikon Corporation AG, Pfäffikon;
- the ultimate supervision of those persons entrusted with management of the OC Oerlikon Corporation AG, Pfäffikon with particular regard to adherence to law, to the Articles of Association and to the regulations and directives of the OC Oerlikon Corporation AG, Pfäffikon;
- to issue the Annual Report and the Compensation Report and to prepare for the General Meeting of Shareholders and to carry out its resolutions;
- to inform the court in case of indebtedness; and
- to determine the strategic direction and to approve the strategy for the Oerlikon Group and its Segments.

According to the company's Organizational and Governance Rules it is also incumbent upon the Board of Directors to decide on the acquisition, divestiture, establishment, restructuring or liquidation of strategy-relevant companies or businesses, and on business transactions whose financial value exceeds certain amounts.

The CEO is responsible for all issues relating to the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group, to the extent that such decisions are not expressly reserved to the Board of Directors or delegated to individual Group companies. The Executive Committee is the supreme advisory body advising the CEO with respect to the management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. The Executive Committee is chaired by the CEO. In the case of an Executive Committee Member dissenting with a decision of the CEO, such Member may immediately request the CEO to submit such matter to the Chairman of the Board of Directors for his recommendation. However, the CEO will take the final decision on all issues relating to the operational management.

More information regarding the areas of responsibility of the Board of Directors, the CEO and the Executive Committee can be found in the company's Organizational and Governance Rules published on the Oerlikon website at www.oerlikon.com/en/investor-relations/corporate-governance/investor-relations-new-statutes/.

Information and control instruments vis-à-vis the Executive Committee

The Board of Directors has a wide array of instruments that enable it to perform the tasks of monitoring strategic and operational progress as well as risk exposure. The instruments at its disposal include the following elements:

The Board of Directors' right of access to and the CEO's duty of information: The CEO reports at Board of Directors' meetings on its day-to-day operations, operating results and important business matters. Extraordinary occurrences (if any) must be immediately notified to the Chairman of the Board of Directors and to the Chairman of the relevant Committee. With the approval of the Chairman, members of the Board of Directors may also access specific business records and/or obtain information from any employees of the Oerlikon Group. The Board of Directors and its Committees regularly take advice from members of the Executive Committee in order to ensure that the most comprehensive and up-to-date information on the state of the company and all relevant elements are included in its decision-making. Additionally, Heads of Business Units and Corporate Functions, or other experts may be consulted on a case-by-case basis in order to gain detailed and comprehensive information on complex matters.

Accounting & reporting: The Group Accounting & Reporting function is responsible for the Group's Management Information System (MIS), which links all major Group companies and production sites directly with Group Headquarters to provide the Executive Committee and the Board of Directors with an institutionalized Group reporting on a monthly basis. This is consolidated to show the performance of each Business Unit and the Group and explains the reasons for any deviations of the key performance indicators. The Board of Directors may demand access to the relevant details at any time. Furthermore, Group Accounting & Reporting ensures compliance with International Financial Reporting Standards (IFRS).

Controlling: With regard to mid-term controlling, the key instruments are specific analyses prepared by the Segments, as well as annually updated 3-Year Business Plans on the Group and Segment level. In terms of short-term controlling, the Board of Directors receives the annual financial plan (budget) as well as periodic financial forecasts for the current fiscal year. In addition to the business updates provided by the CEO or CFO at the Board of Directors and Audit Committee meetings, the Board of Directors and the Executive Committee receive a monthly actual/target analysis of the key financials to assist them in the assessment of the Segments' performance and potential corrective measures. Furthermore, the Executive Committee holds regular business reviews and meetings on the Group and Segment level, examining current performance and outlook, market competitive dynamics, Segment product portfolios and scenarios explored to improve Segment value creation.

Risk management: A key component of the Risk Management System is the generation and quarterly update of risk profiles for the Group as a whole, as well as for its individual Business Units. All types of risks, internal and external, such as market, credit and operational risks are considered, including compliance and reputational aspects; and actions are defined in order to mitigate the risk exposure. Internal risk reporting to the Executive Committee, the Audit Committee and the Board of Directors is performed semi-annually based on consolidated risk reports. On this basis, the Board of Directors is monitoring the risk profile of the Group and the risk mitigation actions. For further information regarding risk management, see page 58 et seqq. ("Risk management and compliance"), page 104 et seqq. (Note 19 to the consolidated financial statements) and page 129 (Note 18 to the financial statements of OC Oerlikon Corporation AG, Pfäffikon).

Compliance: There is a Group-wide compliance function in order to ensure compliance with legal, regulatory and internal regulations as well as the Group's ethical standards, in particular by preventive measures, training, information and consulting. The foundation of the new compliance program has been laid and enhanced over the years 2009 until 2012 with focus on key areas aligning compliance with business' strategic priorities in 2013. The focus for 2014 was on behavioral aspects of leadership awareness while dealing with integrity issues and on revising the business partner integrity screening process, which has been refined and improved. The suite of comprehensive compliance eLearning modules has been enhanced with a Trade Control module addressing all import- and export-relevant questions for our business. For further information regarding compliance, see page 58 et seqq. ("Risk management and compliance").

Internal audit: Group Internal Audit is an independent and objective assurance activity that assists Oerlikon in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Head of Group Internal Audit reports functionally to the Chairman of the AC and administratively to the CFO. The AC approves the budget, the resources and the internal audit plan for the following year every fall. Group Internal Audit closely coordinates their plans and activities with the external auditor. Group Internal Audit projects are selected on the basis of a Group-wide risk assessment in coordination with Group Risk Management. The annual audit plan strikes the appropriate balance between operational, financial, compliance and follow-up reviews. The results of internal audits are communicated to the management team responsible, the Executive Committee, the AC, the Chairman of the Board and the external auditors through formal audit reports. During 2014 Group Internal Audit conducted more than 50 internal audits.

External audit: The external auditor examines the books and accounts of OC Oerlikon Corporation AG, Pfäffikon and those of the Oerlikon Group, coordinating his audit plan with that of Group Internal Audit. On completion of the audit, the external auditor prepares a comprehensive auditor's report to inform the Audit Committee and the Board of Directors about the detailed findings of the audit, and prepares a summary thereof for the Annual General Meeting of Shareholders. Since 2003, the external audit has been carried out by KPMG AG. For further information regarding auditors, see page 47.

The continuing independence of the external auditors is ensured by written representations provided by the auditors and also by the monitoring of audit fees in relation to total fees for all services paid by Oerlikon to the audit firm.