

# Corporate Governance

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# Group structure and shareholders

Group structure		Share capital	% held	
			2015	2014
<b>Tornos Holding Ltd., Moutier</b> <i>Holding</i>	CHF	89'449'519.50		
└─ <b>Tornos Management Holding Ltd., Moutier</b> <i>Management of shareholdings and holding</i>	CHF	65'000'000	100%	100%
└─ <b>Almac Ltd., La Chaux-de-Fonds</b> <i>Production and sales</i>	CHF	1'175'000	100%	100%
└─ <b>Almatronic Ltd., La Chaux-de-Fonds</b> <i>Dormant company</i>	CHF	50'000	100%	100%
└─ <b>Cyklos Ltd., Yverdon-les-Bains</b> <i>Dormant company</i>	CHF	100'000	100%	100%
└─ <b>Tornos Ltd., Moutier</b> <i>Production and sales</i>	CHF	65'000'000	100%	100%
└─ <b>Tornos Technologies Deutschland GmbH, Pforzheim</b> <i>Support services</i>	EUR	511'292	100%	100%
└─ <b>Tornos Technologies Iberica SA, Granollers</b> <i>Support services</i>	EUR	60'200	100%	100%
└─ <b>Tornos Technologies Italia Srl, Opera/MI</b> <i>Support services</i>	EUR	93'600	100%	100%
└─ <b>Tornos Technologies Poland Sp. z o.o., Katy Wroclawskie</b> <i>Support services</i>	PLN	50'000	100%	100%
└─ <b>Tornos Technologies UK Ltd., Coalville</b> <i>Support services</i>	GBP	345'000	100%	100%
└─ <b>Tornos Holding France SA, St-Pierre-en-Faucigny</b> <i>Holding</i>	EUR	12'496'800	100%	100%
└─ <b>Tornos Technologies France SAS, St-Pierre-en-Faucigny</b> <i>Support services</i>	EUR	762'250	100%	100%
└─ <b>Tornos Technologies U.S. Corp. Bethel, CT</b> <i>Sales and service</i>	USD	2'400'000	100%	100%
└─ <b>Tornos Technologies Asia Limited, Hong Kong</b> <i>Support services</i>	HKD	10'000	100%	100%
└─ <b>Tornos Technologies (HK) Limited, Hong Kong (in liquidation)</b> <i>Support services</i>	HKD	10'000	100%	100%
└─ <b>Tornos Technologies (Shanghai) Limited, Shanghai</b> <i>Sales and service</i>	USD	500'000	100%	100%
└─ <b>Tornos (Xi'an) Machine Works Co., Ltd., Xi'an</b> <i>Production</i>	RMB	25'000'000	70%	70%

## Organizational structure of the Group

The Group's organizational structure is defined by functional areas as follows: sales and marketing, production and development, customer service, supply chain management, and general and financial services. The Group is managed by the General Management comprising the four members as listed below:

### General Management

Michael Hauser                      Chair

Bruno Allemand

Bruno Edelmann

Luc Widmer

### Listed companies in the consolidation

Tornos Holding Ltd. is the only consolidated company within the Group to be listed on the stock exchange. The subsidiaries are not listed. Tornos shares are traded on the SIX Swiss Exchange, Zurich, under securities number TOHN (ISIN code CH0011607683). The market capitalization value as on the balance sheet date amounted to CHF 58.8 million.

### Unlisted companies in the consolidation

Tornos Holding Ltd. has no unconsolidated shareholdings.

#### 2015

No change in the scope of consolidation.

#### 2014

Tornos Comércio Importação e Exportação de Máquinas Ferramenta Ltda, São Paulo was liquidated on October 17, 2014.

This was the sole change in the scope of consolidation during the year under review.

## Shareholders

As at December 31, 2015, 1'745 shareholders were registered in the share register and held numbers of shares as follows:

More than 1'000'000 shares	2 shareholders
From 100'001 to 1'000'000 shares	8 shareholders
From 15'001 to 100'000 shares	39 shareholders
From 1 to 15'000 shares	1'696 shareholders

As at December 31, 2015, 1'576'558 shares, representing 7.93% of the total number of shares issued, were not registered in the share register (not assigned).

Major shareholders registered in the share register (i. e., representing 5% or more of the company's voting rights) are the following:

Shareholders	31.12.2015		31.12.2014	
	No. of shares	%	No. of shares	%
Walter Fust	8'950'955	45.03	8'950'955	45.03
Michel Rollier / Rollomatic Holding SA	2'853'733	14.36	2'853'733	14.36
Balfidor Fondsleitung AG	-	-	1'055'454	5.31

Number of shares known by the company or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the real number of shares at balance sheet date.

The following communications were published according to article 20 of the Federal Law on Stock Exchange and Security Trading in the course of 2015 and 2014:

Date	Shareholder	% of voting rights
24.10.2015	Tornos Holding Ltd.	4.74
13.10.2015	Swisscanto Fondsleitung AG	< 3.00
24.06.2015	Swisscanto Fondsleitung AG (before: Balfidor Fondsleitung AG)	4.91
03.02.2015	Balfidor Fondsleitung AG	4.98
11.02.2014	Berner Kantonalbank AG	< 3.00
07.02.2014	Walter Fust	42.88
04.02.2014	Tornos Holding Ltd.	2.52

Detailed information regarding above-mentioned or earlier publications can be found on the SIX Swiss Exchange website:  
<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?company-Id=TORNOS>

Tornos Holding Ltd. is unaware of any shareholders' pact.

#### **Cross participations**

There are no cross participations.

# Capital structure

## Capital

The Tornos Holding Ltd. share capital is as follows:

	31.12.2015			31.12.2014		
	No. of shares	Per value CHF	Share capital CHF	No. of shares	Per value CHF	Share capital CHF
Share capital	19'877'671	4.50	89'449'519.50	19'877'671	4.50	89'449'519.50
Authorized share capital	n/a	n/a	n/a	n/a	n/a	n/a
Conditional share capital	706'662	4.50	3'179'979.00	706'662	4.50	3'179'979.00

## Specifications regarding authorized and conditional capital

The following information relates to the changes in authorized and conditional capital for 2015 and 2014.

### Authorized capital

#### 2015

As at December 31, 2015, Tornos did not have any authorized capital.

#### 2014

The company had authorized share capital pursuant to a decision of the General Meeting of Shareholders held on April 17, 2012. The Board of Directors could, at any time up to April 17, 2014, increase the share capital by a maximum sum of CHF 1'459'899.00 by issuing no more than 324'422 registered shares with a par value of CHF 4.50 each to be fully paid-up.

Following the authorized capital's expiry as per April 17, 2014, the company has no authorized capital anymore as per December 31, 2014.

## Conditional capital

### 2015

As at December 31, 2015, the share capital could have been increased by up to CHF 3'179'979.00, to the exclusion of the subscription right or priority subscription right of the shareholders, for good reasons (acquisition of shareholdings by employees), by issuing fully paid-up registered shares with a par value of CHF 4.50 each, up to a maximum of 706'662 shares with the said par value, through the exercise of option rights granted to members of the Board of Directors and to employees and contracted staff under an employee stock option scheme.

### 2014

As at December 31, 2014, the share capital could have been increased by up to CHF 3'179'979.00, to the exclusion of the subscription right or priority subscription right of the shareholders, for good reasons (acquisition of shareholdings by employees), by issuing fully paid-up registered shares with a par value of CHF 4.50 each, up to a maximum of 706'662 shares with the said par value, through the exercise of option rights granted to members of the Board of Directors and to employees and contracted staff under an employee stock option scheme.

## Changes in Capital

Share Capital	Number of shares	Source of share capital	Nominal value (in CHF)	Share capital (in CHF 1'000)
<b>At December 31, 2012</b>	<b>15'502'093</b>		<b>4.5</b>	<b>69'759</b>
Capital increase on May 30, 2013	4'375'578	Authorized capital	4.5	19'691
<b>At December 31, 2013</b>	<b>19'877'671</b>		<b>4.5</b>	<b>89'450</b>
<b>At December 31, 2014</b>	<b>19'877'671</b>		<b>4.5</b>	<b>89'450</b>
<b>At December 31, 2015</b>	<b>19'877'671</b>		<b>4.5</b>	<b>89'450</b>

Authorized Capital	Number of shares	Increase/ decrease in capital	Nominal value (in CHF)	Authorized capital (in CHF 1'000)
<b>At December 31, 2012</b>	<b>4'700'000</b>		<b>4.5</b>	<b>21'150</b>
Capital increase on May 30, 2013	-4'375'578	Capital increase	4.5	-19'691
<b>At December 31, 2013</b>	<b>324'422</b>		<b>4.5</b>	<b>1'459</b>
Expiration authorized capital on April 17, 2014	-324'422		4.5	-1'459
<b>At December 31, 2014</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>At December 31, 2015</b>	<b>-</b>		<b>-</b>	<b>-</b>

<b>Conditional Share Capital</b>	Number of shares	Increase/ decrease	Nominal value (in CHF)	Conditional capital (in CHF '000)
<b>At December 31, 2012</b>	<b>706'662</b>		<b>4.5</b>	<b>3'180</b>
<b>At December 31, 2013</b>	<b>706'662</b>		<b>4.5</b>	<b>3'180</b>
<b>At December 31, 2014</b>	<b>706'662</b>		<b>4.5</b>	<b>3'180</b>
<b>At December 31, 2015</b>	<b>706'662</b>		<b>4.5</b>	<b>3'180</b>

### Shares and participation certificates

As at December 31, 2015, the ordinary share capital of Tornos Holding Ltd. amounted to CHF 89'449'519.50, and was divided into 19'877'671 fully paid up registered shares with a par value of CHF 4.50 per share, all having equal rights to dividends. There are no preferred shares or limitations with regard to voting rights. Each share corresponds to one vote ('one share, one vote').

There are no participation certificates.

### Dividend right certificates

There are no dividend right certificates.

### Restrictions on transfer and nominee registration

Tornos Holding Ltd. has only one type of share. These shares are not subject to any restriction on transfer.

### Convertible loans and options

There are no convertible loans. Shareholding plans for persons designated by the Board of Directors exist. See Note 27 of the consolidated financial statements in the financial report with regard to the provisions of the share ownership plan in favor of individuals designated by the Board of Directors.

# Board of Directors



François Frôte	Michel Rollier
Walter Fust	Frank Brinken



**François Frôté (1953), Swiss**

*Chairman | Appointed in 2002 | Elected until 2016*

*Previous activities for Tornos: legal adviser | Committees: Remuneration Committee; Audit Committee | Training – final qualification on completion of studies: lawyer, law degree, University of Berne, 1979 | Current directorships: Rollomatic Holding SA: Board member; Nugerol Holding SA: Board member; Esco SA: Vice-Chairman; Bien-Air Holding SA: Board member; Gebäudeversicherung Bern (GVB): Board member; GVB Privatversicherungen AG: Board member; PX Holding SA: Board member; Azurée Holding SA: Chairman; Coopérative Migros Neuchâtel Fribourg: Vice-Chairman | Professional activities: Law offices of Frôté & Partner: Lawyer and Chairman (since 1979)*

**Walter Fust (1941), Swiss**

*Appointed in 2014 | Elected until 2016*

*Previous activities for Tornos: none | Committees: Chairman of the Remuneration Committee; Audit Committee | Training – final qualification on completion of studies: Engineer ETHZ (Swiss Federal Institute of Technology Zurich), 1964 | Current directorships: Starrag Group Holding Ltd.: Board member; Immofust Ltd.: Chairman; Waltair Ltd.: Chairman | Other bodies: Fraunhofer Institute IWU University of Chemnitz: Member of the council | Former professional activities: Dipl. Ing. Fust Ltd.: Founder (1966); Jelmoli Holding Ltd.: Board member (from 1997 to 2009, Chairman until 2007)*

**Michel Rollier (1959), Swiss**

*Appointed in 2002 | Elected until 2016*

*Previous activities for Tornos: none | Committees: Remuneration Committee; Audit Committee | Training – final qualification on completion of studies: EPFL (Swiss Federal Institute of Technology Lausanne) engineer, 1985 | Current directorships: Rollomatic Holding SA: Chairman; Azurée Holding SA: Board member | Professional activities: Rollomatic SA, various management functions in the Group: Head of R&D (since 1989)*

**Frank Brinken (1948), Swiss**

*Vice-Chairman | Appointed in 2011 | Elected until 2016*

*Previous activities for Tornos: none | Committees: Remuneration Committee; Chairman of the Audit Committee | Training – final qualification on completion of studies: Engineer, Doctorate in Engineering, Polytechnic University of Aachen (RWTH), 1979; Honorary professor at Chemnitz University of Technology, Germany, 2013 | Current directorships: Fastems Oy AB, Board member; Starrag Group Holding AG: Vice-Chairman; Foundation Inspire/ETHZ: Chairman | Other professional bodies: CECIMO “European Committee for Cooperation of the Machine Tool Industries”: Chairman of the Economic Committee | Professional activities: Maag Pump Textron Systems: CEO (from 1995 to 2004); Starrag Group Holding AG: CEO (from 2005 to 2014)*

## Members of the Board of Directors

### 2015

*The Board of Directors comprises four members. In 2015, there has been no alteration in the composition of the Board of Directors. No member has close business relations with Tornos Holding Ltd. or any Group company.*

### 2014

*The Board of Directors comprises four members. At the General Meeting of Shareholders 2014, Messrs. Claude Elsen and Philippe Maquelin resigned as Board members. A successor, Mr. Walter Fust, was elected. No member has close business relations with Tornos Holding Ltd. or any Group company.*

## Other activities and interest groups

*No member of the Board of Directors has a permanent or temporary managerial, supervisory or consultative role in any significant undertakings or interest group other than those mentioned on page 79. No member holds an official function or political office.*

## Election and term of office

*The Board of Directors of Tornos Holding Ltd. is made up of at least three members (currently four), all of whom are independent members with no executive function in the company. Members of the Board are elected individually by the General Meeting of Shareholders for a term that ends with the conclusion of the next ordinary General Meeting of Shareholders. They are eligible for reelection. The Chairman is elected by the General Meeting of Shareholders.*

## Internal organization

*The Rules of Organization of Tornos Holding Ltd. lay down the regulations for the company's operations, which are published on the website (in French only): <http://investors.tornos.com/en/content/corporate-documents>*

*The Rules of Organization set the following guidelines:*

## Authorities

*The authorities of the various internal bodies are as follows:*

*The Board of Directors has the following duties and authorities:*

- To exercise overall management of the company and issue the necessary instructions, including the approval of company policy and strategy;*
  - To determine the company's organization;*
  - To establish the accounting, financial control and planning principles and approve the annual plans and budgets (including investments);*
  - To appoint members of the General Management;*
  - To appoint and dismiss persons responsible for representing the company;*
  - To supervise the individuals entrusted with the management of the business, ensuring in particular that they comply with the provisions of law, and of the Articles of Association and regulations, and with the instructions issued;*
  - To convene the General Meeting of Shareholders and to prepare all matters falling within its remit, including preparation of the annual report and the remuneration report, Group accounts, annual financial statements and resolutions for the appropriation of profits, and to carry out the decisions of the General Meeting of Shareholders;*
- To inform the court in the event of over-indebtedness;*
  - To decide on calls to be made on partly-paid shares;*
  - To record capital increases and amend the Articles of Association appropriately;*
  - To determine the financial policy;*
  - To set guidelines for the company's information policy;*
  - To approve operations with major legal implications, exceptional transactions or unbudgeted financial commitments, where potential foreseeable risks exceed CHF 1.0 million, and in particular:*
    - Contracts with third parties in areas outside the company's normal sphere of business;*
    - Decisions to enter new business sectors or abandon existing ones;*
    - The acquisition or sale of minority shareholdings;*
    - The acquisition or sale of shareholdings;*
    - Decisions to commence or terminate legal actions, or to enter into negotiated settlements.*

- To approve unbudgeted investments in excess of CHF 250'000;
- To decide on the issuance of public loans and other capital market transactions;
- To decide on the establishment and liquidation of subsidiaries, and the acquisition or disposal of majority shareholdings;
- To decide on the purchase, mortgaging or sale of properties where the amount of the individual transaction is in excess of CHF 1.0 million;
- To oversee the activity of the General Management and in particular the implementation of the Board's decisions;
- Where the law requires auditors to be used, to ensure that they have the requisite professional skill;
- To provide advice to the General Management in all cases where the Board of Directors or the General Management itself deem it necessary or appropriate;
- To recruit and select members of the General Management;
- To assess the members of the General Management;
- To approve employment conditions that are not related to a remuneration;
- To recruit members of the Board of Directors in view of proposals to the General Meeting of Shareholders.

In cases where it is uncertain whether an issue falls within the remit of the General Management or the Board of Directors, the question is to be put to the Board of Directors for a ruling.

As far as is legally permitted, and subject to the responsibilities mentioned above, the Board of Directors delegates all aspects of management to the CEO and President. Accordingly, the CEO is responsible for all management and representation of the company. Hence, in matters falling within his remit, he will take the final decision.

In order to form a quorum, the majority of the members of the Board of Directors must be present at a meeting. If the votes are equal, the Chairman has the casting vote.

**The Chairman of the Board of Directors** has the following duties and authorities:

- To chair the General Meeting of Shareholders and meetings of the Board of Directors;
- To represent the Board of Directors in the public and with authorities, shareholders and General Management;
- To brief the Board in a timely manner on all matters of importance to the company;
- To supervise the work of the General Management, and in particular the implementation of decisions of the Board of Directors;
- To advise the General Management;
- To carry out all tasks falling within his remit under the terms of the law, Articles of Association and Rules of Organization.

*The CEO's duties and responsibilities include overseeing the company; representing the General Management to the Board of Directors, to the public and before the authorities; submitting proposals to the Board of Directors on all matters falling within the latter's remit; and organizing and overseeing the General Management.*

*The CEO may delegate management to certain members of General Management and other employees, as well as arrange for a deputy to represent him in case of absence, although this shall not absolve him from his responsibilities.*

*The Board of Directors meets as often as necessary, but at least four times a year. During 2015, nine meetings of varying duration were held, of which two conference calls. The Board of Directors regularly invited members of General Management as well as other members of the Management to attend its meetings when the items on the agenda required their expertise. Members of General Management also attended committee meetings.*

**General Management** has the following duties and authorities:

- To manage the company in such a way as to ensure sound and sustainable development of the Tornos Group;
- To define the management tools to be used throughout the Group, in particular the planning, accounting, IT systems and internal control systems;
- To carry out regular analyses of company strategy and annual planning as well as their implementation; to submit proposals to the Board of Directors;
- To develop the corporate culture;
- To prepare all matters falling within the remit of the Board of Directors or its committees, and to implement their decisions;
- To approve job descriptions, instructions and guidelines issued within the organizational framework defined by the Board of Directors; approval of the job descriptions of members of General Management is the responsibility of the Board of Directors;
- To enter into contracts with third parties where the interests of several divisions of the company are involved or where the contracts are of importance to the Group;

- In general, to take decisions within all areas of the company's activity, within the scope of its delegated authority;
- To introduce the innovation process and examine development projects to be submitted to the Board as a whole;
- To define the portfolio of products and markets for approval by the Board of Directors;
- To examine acquisitions and disposals;
- To propose innovations to the Board of Directors for approval.

With the efficient allocation of duties in mind, the Board of Directors appointed Mr. Frank Brinken as Vice-Chairman.

All members of the Board of Directors were elected members of the Remuneration Committee by the General Meeting of Shareholders for a term ending with the next ordinary General Meeting of Shareholders. The Remuneration Committee appointed Mr. Walter Fust as its Chairman.

#### **Remuneration Committee**

Walter Fust (Chairman), François Frôté, Frank Brinken, Michel Rollier.

Under article 8.2 of the Rules of Organization of Tornos Holding Ltd, the Remuneration Committee has the following duties:

- Definition and periodic review of the remuneration policy and principals, of goals and allowance criteria of further remuneration related to the results; periodic review in terms of their implementation and submission of related proposals and recommendations to the Board of Directors;
- Submission of proposals to the Board of Directors concerning the grant of remunerations to members of the Board of Directors and General Management within the meaning of article 14 al. 2 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares;
- Submission of proposals to the Board of Directors regarding the participation plan;
- Reviewing and putting together the remuneration report and presenting it to the Board of directors as a whole;
- Defining and setting terms and conditions for the recruitment and compensation of members of General Management;
- Defining the annual remuneration increases for the members of General Management;
- Recommendations to the Board of Directors for the compensation arrangements of the Chairman of the Board and other directors;

The Remuneration Committee has to consist of at least two non-executive directors. The CEO is a permanent invitee of the Committee with consultative vote, and, lastly, the CFO may be invited to participate, with a consultative vote, either fully or partly in the Committee, depending on the decisions of the CEO. With respect to decisions, the rules also stipulate that in the event of an equally split vote on a decision, the Committee Chairman shall henceforth have the casting vote.

The Committee convened four times in the course of 2015.

Mr. Michael Hauser (CEO) attended all meetings as a permanent guest.

In particular, the following subjects were covered:

- Identification of the individuals to participate in the "Management and Board Participation Plan 2007 (MBP 07)";
- Benchmarking the remuneration for the General Management against a peer group of 20 publicly listed small and mid cap Swiss industrial companies;
- Assessment and review of Management and senior staff salaries for 2016;

The minutes of committee meetings were distributed to the Directors, who are all committee members.

#### **Audit Committee**

Frank Brinken (Chairman), Walter Fust, Michel Rollier, François Frôté.

Under article 9.2 of the Rules of Organization of Tornos Holding Ltd., the Audit Committee has the following powers and duties:

- Recommendation to the Board of Directors concerning the appointment of auditors;
- Definition and interpretation of accounting standards;
- Reviewing and putting together the annual and semi-annual reports and presenting them to the Board as a whole;
- Reviewing and structuring capital market transactions for submission to the Board as a whole;
- Overseeing the compliance with the SIX Swiss Exchange directives;
- Overseeing the work of the auditors;
- On the instructions of the Board of Directors, monitoring particular operational or financial matters of the Group;
- Recommendation to the Board of Directors concerning the financial and dividend policy of the Tornos Group;
- Reporting to the Board of Directors on the work of the Audit Committee.

The Audit Committee has to consist of at least two non-executive directors, the other members of the Board of Directors and the CEO are permanent invitees of the Committee with consultative votes, and, lastly, the CFO may be invited to participate, with a consultative vote, either fully or partly in the Committee, depending on the decisions of the CEO. If required, the auditors may participate with a consultative vote. The Committee meets as often as necessary, but at least once a year. With respect to decision, the rules also stipulate that in the event of an equally split vote on a decision, the Committee Chairman shall henceforth have the casting vote.

The Committee met six times in 2015, including once via conference call.

Michael Hauser (CEO and permanent guest) attended all meetings, together with Luc Widmer (CFO and guest, attending until May 5, 2015) or Bruno Edelmann (CFO and guest, attending as from May 6, 2015).

In particular, the following main topics were discussed:

- Review of the financial statements and annual report for 2014;
- Review of the Group auditor's report to the Audit Committee;
- Periodic review of the utilization of the authorized capital and the conditional capital of Tornos Holding Ltd.;
- Review of the financial plan 2015–2017;

- Periodic review of impairment tests and extraordinary amortization and depreciation relating to the strategic and operational reorientation of the Group;
- Periodic review of the Group's financing and lines of credit;
- Review of the intermediate financial statements on June 30 and the half-year report 2015;
- Review of the risk management map;
- Monitoring of future changes in the field of corporate governance and financial regulations;
- Review of the internal control system of the Tornos Group;
- Review of the audit plan.

The Audit Committee also reviewed the quarterly financial results, the forecast for 2015 and the detailed budget for 2016. It reviewed the information to be released to the financial community prior to publication. It examined certain specific points related to financial, accounting and taxation issues, as well as the interpretation, adaptation and implementation of accounting standards for the Group, Swiss GAAP FER and the SIX Swiss Exchange directives as they relate to the preparation and publication of the Group's financial statements. The Committee examined and followed up with numerous operational questions potentially having a significant impact on the Group's financial statement. It also assessed the performance of the auditors and its own work.

At each Board meeting, the Chairman of the Audit Committee gave an account of the Committee's work and submitted proposals for decision.

The minutes of committee meetings were distributed to the Directors, who are all committee members.



### **Information and control methods for oversight of management**

*At its meetings, the Board of Directors is regularly kept verbally informed by General Management on the progress of business. In addition, a periodic management information system is in place, distributed to all members of the Board, whereby the most important indicators are compared on a weekly basis (orders received) and on a monthly basis written reports are issued, containing information on order intake, financials, supply chain management, and operations. Twice a year, General Management establishes a forecast that is to be approved by the Audit Committee. General Management also identifies and quantifies risks on an annual basis, defining appropriate preventive measures. The Audit Committee submits this document to the Board for approval.*

### **Members of General Management**

*In accordance with the Group's organizational structure described above, General Management consists of three members plus Mr Michael Hauser, who also acts as Chief Executive Officer.*

*In 2015 General Management was enlarged to three members plus the CEO by appointing a Head of Global Supply Chain Management.*

### **Other activities and interest groups**

*No member of General Management has a permanent or temporary managerial, supervisory or consultative role in any significant undertakings or interest groups, other than those mentioned on page 89. No member holds an official function or political office.*

### **Management contracts**

*There are no management contracts with companies or individuals outside the Group.*

### **Guidelines**

*The compensation paid to the members of the Board of Directors and General Management during the 2015 financial year is shown in the remuneration report. It gives a complete picture of the principles and elements applied by the Tornos Group, and of the structure and responsibilities relating to compensation. It contains detailed information about the remuneration, shares and loans of the Board of Directors and General Management.*

# General Management



Michael Hauser	Bruno Edelmann
Luc Widmer	Bruno Allemann

**Michael Hauser (1961), Swiss, German**

*Chief Executive Officer | Appointed in 2011*

Training – final qualification on completion of studies: Diplom-Kaufmann, University of Mannheim, 1988 | Current directorship: none | Other professional bodies: SWISSMEM, Council member and chairman of the “Machine tools and manufacturing technology” division; CECIMO “European Committee for Cooperation of the Machine Tool Industries”, Board member and Vice-Chairman (Chairman from 2009 to 2011) | Previous professional activities: Mikron Ltd., Nidau (CH): Managing Director (from 1996 to 2000); Agie Charmilles Group (CH): Head of Milling Division [Mikron Agie Charmilles Ltd. (CH), Bostomatic Inc. (US), Step Tec AG (CH)] and Group Management member (from 2000 to 2008); Georg Fischer Ltd. (CH): President of GF AgieCharmilles and Member of the Executive Committee (from 2008 to 2010)

**Luc Widmer (1969), Swiss**

*Head of Global Supply Chain Management*

*Appointed in 2015 (CFO from 2012 - 2015)*

Training – final qualification on completion of studies: Business economist, University of Applied Sciences, Olten, 1998 | Current directorship: none | Previous professional activities: ALSTOM (Suisse) Ltd.: Chief Financial Officer Gas Segment Manufacturing (from 2001 to 2002); Managing Director Gas Turbine Logistics (from 2003 to 2004); Mikron Technology Group (CH): Division Controller (2005); Forteq Group (CH): Chief Financial Officer (from 2006 to 2012)

**Bruno Edelmann (1966), Swiss**

*Chief Financial Officer | Appointed in 2015*

Training – final qualification on completion of studies: Swiss Certified Accountant at vocational business school, Biel, 1993; Swiss Certified Public Accountant at Swiss Institute of Certified Accountants, Bern, 1996 | Current directorship: none | Previous professional activities: Ernst & Young Ltd., Biel (CH): Senior Manager Audit (from 1992 to 2001); Feldschlösschen Beverages Ltd., Rheinfelden (CH): Head of Controlling (from 2001 to 2002); Saia-Burgess Group, Murten (CH): Project leader / Controller (from 2005 to 2006); Feintool Group, Lyss (CH): Head of Group Finance and Controlling (from 2002 to 2005 and from 2006 to 2015)

**Bruno Allemann (1965), Swiss**

*Head of Sales & Marketing | Appointed in 2013*

Training – final qualification on completion of studies: Diploma SME-HSG, University of St. Gallen, 2004 | Current directorship: none | Previous professional activities: Mikron Ltd., Nidau (CH): Head of Regional Sales, Head of Sales (from 1990 to 1998), Sales Director Switzerland (from 1999 to 2000); Agie Charmilles Group: Mikron Sales Ltd. (CH): Managing Director (from 2001 to 2007); Agie Charmilles GmbH (Germany): Managing Director (from 2007 to 2011); GF AgieCharmilles (CH): Head of Marketing & Sales Support Milling (from 2011 to 2013)

# Participation rights of shareholders

## Limitation and representation of voting rights

*In accordance with Article 10 of the Articles of Association, there are no voting restrictions, with each share entitling its owner to one vote. Under the Articles of Association, shareholders may only be represented at General Meetings of Shareholders by their legal representative, another shareholder with voting rights or the independent proxy.*

- the increase of the share capital through equity, against contribution in kind or for acquisition of assets and the granting of special rights;
- the limitation or waiver of preferential subscription rights;
- the transfer of the company's headquarters;
- the dissolution of the company.

## Statutory quorum

*Apart from the quorums specified in Article 704 CO, Article 11 of the Articles of Association provides for a qualified quorum of at least two-thirds of the votes represented and an absolute majority of the nominal value of the shares represented in the case of a vote on the limitation of the exercise of voting rights or any change or cancellation of such limitation.*

- the modification of the purpose;
- the introduction of shares with privileged voting rights;
- the restriction of the transferability of registered shares;
- the restriction of the exercise of the right to vote and any modification to or waiver of such restriction;
- the increase in authorized or conditional share capital;

## Convening General Meetings of Shareholders

*Convening General Meetings according to Article 8 of the Articles of Association must comply with statutory prescriptions.*

## Entry of items on the agenda

*Shareholders representing a nominal value of CHF 1'000'000 or more may demand that an item for discussion be entered on the agenda. They must submit their request at least 45 days before the General Meeting of Shareholders in writing, quoting the items to be discussed and the motions.*

## Entries in the share register

*Entries in the share register (register closing date) must be made at least 11 days before the General Meeting of Shareholders.*

# Control and warding-off mechanisms

## **Obligation to submit an offer**

*The legal thresholds apply with regard to the obligation to submit a public offer.*

## **Takeover clauses**

*In the event of a takeover, the lock-in period stipulated for shares and options under the employee share option schemes will become null and void. There are no other clauses relating to takeovers in favor of members of the Board of Directors and members of General Management.*

# Auditors

Since financial year 2006, the auditors of the holding company and Group have been PricewaterhouseCoopers Ltd., Neuchâtel.

## Term of office of the auditors and of the senior auditor responsible

The auditors are appointed annually by the General Meeting of Shareholders. Mr. Olivier Kuntze, Chartered Public Accountant, is the auditor responsible since 2013. Every three to five years a call for tenders is issued to duly qualified accountants. The decision is based on the quality of the bid, its presentation by the auditors who will be leading the assignment, and the proposed audit fee. Audit services provided are evaluated on the basis of the written and oral reports provided by the auditors to the Audit Committee, and by feedback from management on the way the audits are conducted. The same procedure applies to the evaluation of additional non-audit services supplied.

## Audit and additional fees

The audit fees paid to PricewaterhouseCoopers Ltd. are as follows:

in CHF	2015	2014
Auditing	160'100.00	179'750.00
Other services	21'085.00	46'143.00

Other services include legal and tax services.

## Means of receiving information from the external auditors

The Audit Committee monitors the external auditors on behalf of the Board of Directors. The audit plan is submitted by the auditors to the Audit Committee for approval of the areas to be the object of particular scrutiny in the year under review. The Audit Committee also asks the auditors to carry out reviews of specific areas that are not included in the audit plan but for which particular reassurance is sought. PricewaterhouseCoopers Ltd. keeps the Audit Committee regularly advised of its activity, and participates in meetings of the Committee as required. It is kept informed of the work of the Audit Committee by receiving a copy of the minutes. In 2015, the auditors attended one meeting of the Audit Committee and submitted two reports to the members of the Audit Committee and the members of the Board of Directors respectively. At the end of the year, the Audit Committee examines, together with the auditors and in the presence of the CEO and CFO, the annual accounts of the holding and Group company together with the financial report.

# Information and disclosure policy

Tornos keeps its shareholders informed of the state of business and events relevant to the stock exchange through the annual and half-yearly reports and by way of media releases to the media. As announced by way of a media release on November 3, 2015, the publication of quarterly results will be discontinued as from 2016. All important information can be consulted on the company's website at [www.tornos.com](http://www.tornos.com). The annual report as well as the financial report containing information relating to the remuneration of members of the Board of Directors and General Management may be ordered from Tornos Ltd., Investor Relations, rue Industrielle 111, CH-2740 Moutier.

**The Corporate Governance report is only available in English.**

## Contact addresses

For enquiries relating to shareholders, investors and financial matters, please contact:

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