

# KUDELSKI GROUP CORPORATE GOVERNANCE 2018

# CORPORATE GOVERNANCE

This report was prepared in compliance with the directive on information relating to corporate governance issued by the SIX Swiss Exchange and in compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC).

Unless otherwise stated herein, the information provided in this report reflects the situation as of 31 December 2018.

## 1. Group structure and shareholders

### 1.1. Group structure

Kudelski SA has its registered offices in Cheseaux-sur-Lausanne. The company has been structured as a holding company since 1999 and its shares have been listed on the SIX Swiss Exchange since 2 August 1999.

The structure of Kudelski SA and its affiliated companies (the “Kudelski Group” or the “Group”) is shown below – sections 1.1.1 - 1.1.3.

#### 1.1.1. Description of the issuer’s operational Group structure

From an operational point of view, the Group’s activities are split into four divisions: Digital TV (formally named iDTV for Integrated Digital Television), Public Access, Cybersecurity and Internet of Things (IoT). The Finance, Legal, Human Resources, Intellectual Property and Corporate IT departments support the entire organization.

Each division is responsible for defining research and development, marketing, sales, services and operation except Internet of Things (IoT) division which is supported directly by Digital TV in these areas.

Until the end of the first semester 2018, the Digital TV division included four Product Units, including Content and Access Security, User Experience (UEX), Internet of Things (IoT) and Cybersecurity.

During the second semester 2018, the Group created two new divisions, Cybersecurity and Internet of Things (IoT), and merged the Content and Access Security and User Experience (UEX) product units.

The Public Access division is comprised of three units: Car Access; People Access (ski); People Access (events).

The Cybersecurity division is organized around four pillars of activity: advisory services, technology resale, managed security services and proprietary research and development.

The Internet of Things (IoT) division is organized around a platform security unit and a security services unit.

Results by sector are presented in note 6 to the Kudelski Group’s 2018 financial statements.

#### Main operating companies held directly or indirectly by Kudelski SA

The list of the Group’s main operating companies is provided in note 56 to the 2018 financial statements.

Additional information is also included in the 2018 Annual Report’s key figures.

#### **1.1.2. All listed companies belonging to the issuer’s Group**

Kudelski SA, the parent company of the Group, is a Swiss holding company based in Cheseaux-sur-Lausanne in the canton of Vaud. Kudelski bearer shares are listed on the SIX Swiss Exchange (Ticker: KUD; Sec. No 001226836/ ISIN: CH0012268360). As of December 31, 2018, the market capitalization of Kudelski SA bearer shares was CHF 281 497 324.

Kudelski SA and its subsidiaries did not hold any bearer shares of Kudelski SA.

#### **1.1.3. The non-listed companies belonging to the issuer’s consolidated entities**

Information about the company name, registered office, share capital and holdings owned by non-listed Group companies included in the scope of consolidation is shown on pages 62 and 73 of the Kudelski Group’s 2018 financial statements.

## INTERNATIONAL PRESENCE\*

\* Indicates countries in which the Group maintained a representation

		Digital TV	PUBLIC ACCESS	CYBERSECURITY	IOT
<b>EUROPE</b>	Germany	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Austria	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Belgium	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Spain	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	France	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Ireland	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Italy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Norway	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	The Netherlands	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Portugal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	United Kingdom	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Russia	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Slovenia	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Sweden	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Switzerland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Turkey	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>AMERICAS</b>	Argentina	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Brazil	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Chile	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Mexico	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Peru	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	USA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Uruguay	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>AFRICA</b>	South Africa	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tunisia		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>MIDDLE EAST</b>	United Arab Emirates	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>ASIA / PACIFIC</b>	Australia	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	China	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	South Korea	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Hong Kong	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	India	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Japan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Malaysia	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Singapore	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Taiwan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 1.2. Significant shareholders

As of 31 December 2018, Kudelski SA has two significant shareholders.

The first one consists of a group of shareholders related to the Kudelski family ("Family Pool") with a total of 59.01% of the voting rights of Kudelski SA (see the table below). The Family Pool comprises Mr. André Kudelski, Mrs. Marguerite Kudelski, Mrs. Isabelle Kudelski Haldy, Mrs. Irène Kudelski Mauroux and their respective descendants. Members of the Family Pool own the shares of Kudelski SA directly or through an investment structure of which they are the beneficiaries.

The second significant shareholder ("Kudelski Family outside the Pool\*") is composed of two discretionary and irrevocable trusts, whose beneficiaries are members of the family of Mr. André Kudelski. As of December 31, 2018, the Kudelski Family outside the Pool held a total of 4.16% of the voting rights of Kudelski S.A. (see table

below). In its capacity as a protector of these trusts, Eigenmann Associés in Lausanne, Switzerland, freely exercises the voting rights of the shares held by these trusts. To the Group's knowledge, no other shareholder or group of shareholders holds more than 3% of the voting rights.

All announcements made by Kudelski SA to the SIX Swiss Exchange can be found on the SIX Swiss Exchange website at the following address:

[http://www.six-swiss-exchange.com/shares/security\\_info\\_fr.html?id=CH0012268360CHF4](http://www.six-swiss-exchange.com/shares/security_info_fr.html?id=CH0012268360CHF4) and then clicking on the "Principal shareholders" link.

## 1.3. Cross-shareholdings

The Group has no knowledge of the existence of any cross-shareholdings.

AS OF 31 DECEMBER 2018	REGISTERED SHARES	BEARER SHARES	SHARE CAPITAL HELD	VOTING RIGHTS
Family Pool	46 300 000	10 434 423	27.69%	59.01%
Kudelski Family outside the Pool*		4 000 000	7.33%	4.16%

\* On the 27<sup>th</sup> of June, 2017, the Ad hoc publicity of the SIX Swiss Exchange has advised that the trustee beneficiaries are not required to report positions held by trusts.

## 2. Capital structure

### 2.1. Amount of ordinary, authorized and conditional capital as at 31.12.2018

#### Ordinary capital

The share capital of Kudelski SA is CHF 436 326 984. It is divided into 49 910 873 bearer shares with a nominal value of CHF 8.00 per share and 46 300 000 registered shares with a nominal value of CHF 0.80 per share. Each share confers the right to one vote. All shares are fully paid up. Articles 6 to 7 of the articles of association of Kudelski SA, which can be found on the company's website at the following address: <https://www.nagra.com/investors/publications> also contain an authorized capital clause and two conditional capital clauses (see section 2.2 below).

### 2.2. Specific information concerning authorized and conditional capital

#### Authorized capital

According to Article 7 of the articles of association of Kudelski SA, the Board of Directors is authorized to increase the share capital in one or more stages until 15 March 2020 by a maximum amount of CHF 32 705 312 (representing 7.52% of the existing share capital) through the issuance of 3 768 164 bearer shares with a nominal value of CHF 8.00 per share and 3 200 000 registered shares with a nominal value of CHF 0.80 per share to be fully paid up. The issuance price, the nature of the contributions, the date from which new shares shall give entitlement to dividends and other modalities of any share issuance shall be determined by the Board of Directors. The preferential subscription rights of shareholders may

be excluded and allotted to third parties by the Board of Directors with a view to acquiring companies or parts of companies or in order to finance the whole or partial acquisition of other companies in Switzerland or abroad. The statutory restrictions on the transfer of shares applies to new registered shares issued on the basis of the authorized capital.

### **Conditional capital**

The articles of association of Kudelski SA (Articles 6 and 6bis) provide two clauses related to conditional capital for a total amount of CHF 83 223 064 (19.07% of the existing share capital) structured as follows:

- according to article 6 of the articles of association (conditional capital for option or subscription rights), the share capital of Kudelski SA can be increased by a maximum amount of CHF 3 223 064 (0.74% of the existing capital) through the issuance of a maximum of 402 883 bearer shares with a nominal value of CHF 8.00 per share, to be fully paid up, as and when the option rights or share subscription rights which will be granted to the employees of the company and of affiliated companies are exercised. There are no preferential subscription rights for shareholders. Share option or subscription conditions are determined by the Board of Directors. Issuance at a price below market conditions is authorized; and
- according to article 6bis of the articles of association (conditional capital for conversion rights), the share capital of Kudelski SA can be increased by a maximum amount of CHF 80 000 000 (18.33% of the existing capital) through the issuance of a maximum of 10 000 000 bearer shares with a nominal value of CHF 8.00 per share, to be fully paid up, as and when the conversion rights related to the convertible bonds of the company or its subsidiaries are exercised.

There are no preferential subscription rights for shareholders. The preferential subscription right of shareholders to the issuance of a convertible bond may be limited or excluded by decision of the Board of Directors on valid grounds, namely (a) if the convertible bonds are placed primarily in markets outside Switzerland, or (b) if the issuance proceeds contribute (i) to the financing or refinancing of acquisitions of companies or firms, (ii) to the financing of other strategic investments of the Group, or (iii) to financing the redemption of all or part of convertible bonds previously issued by the company or its subsidiaries.

If the convertible bond is not offered preferentially to shareholders, (a) the convertible bonds must be sold to the public under market conditions, (b) conversion rights must be exercised within a period of seven years from the day of issuance of the respective bond, and (c) the conversion price must be at least equivalent to market conditions at the time of the issuance of the bond.

As of December 31<sup>st</sup>, 2018, Kudelski SA had issued 26 724 bearer shares on the basis of conditional capital for option or subscription rights. These new bearer shares will be entered in the commercial register in the first three months of 2019, in accordance with Article 653h of the Code of Obligations. As of December 31<sup>st</sup>, 2018, the available amount of contingent capital for option and subscription rights was therefore CHF 3 223 064, representing a maximum of 402 883 bearer shares with a par value of CHF 8.00 each.

As at December 31<sup>st</sup>, 2018, Kudelski SA had not issued any option rights within the meaning of article 6 of the articles of association and no conversion rights related to debt obligations within the meaning of article 6bis of the articles of association. The conditional capital for option or subscription rights under article 6 of the articles of association may, however, be used in the context of the employee share purchase plan (see section 2.7 below).

### **2.3. Changes in the capital of Kudelski SA**

<b>IN THOUSAND CHF</b>	<b>31.12.18</b>	<b>31.12.17</b>	<b>31.12.16</b>
Registered share capital	37 040	37 040	37 040
Bearer share capital	398 287	398 078	396 965
Legal reserve	110 000	110 000	110 000
Capital contribution reserve	79 689	85 010	97 925
Net profit	-57 418	-49 369	44 102
Retained earnings	88 198	145 616	200 423
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>714 214</b>	<b>775 744</b>	<b>842 353</b>

*For information relating to changes in capital which have taken place in 2018, 2017 and 2016, please refer to the Group's corresponding financial statements. These reports can be found on the Kudelski SA website at [www.nagra.com/investors/publications](http://www.nagra.com/investors/publications). Information regarding the capital contribution reserve can be found under note 3.4 to the Kudelski SA financial statements in the Kudelski Group's 2018 financial statements.*

#### **2.4. Shares and participation certificates**

The structure of the share capital of Kudelski SA is described in section 2.1 above.

In compliance with section 18, 3<sup>rd</sup> paragraph of the articles of association, class A and B shareholders are represented on the Board of Directors.

Kudelski SA does not have participation certificates.

#### **2.5. Dividend-right certificates**

Kudelski SA does not have dividend-right certificates.

#### **2.6. Limitations on transferability and nominee registrations**

Shares of Kudelski SA which are listed on the stock exchange are issued to the bearer. For these shares, the exercise of shareholder rights does not depend on an entry in the share register. There are therefore no statutory restrictions on their transfer or the exercise of shareholder rights through nominees.

The registered shares of Kudelski SA are not listed on the stock exchange. As of December 31<sup>st</sup>, 2018, they were all owned by the Kudelski "Family Pool" (see section 1.2 above). Pursuant to the articles of association of Kudelski SA, subject to the provisions of the Swiss Federal Act on Intermediated Securities, registered shares may be transferred upon delivery of the endorsed share certificate, subject to the approval of the Board of Directors and registration in the share register.

Article 9 of Kudelski SA's articles of association allows the Board of Directors to refuse the approval of the transfer of registered shares in one or more of the following cases:

**a)** If there exists good cause within the meaning of Article 685b, paragraph 2, of the Swiss Code of Obligations, i.e. if admission of the acquirer as a shareholder would be incompatible with the objective of Kudelski SA or could jeopardize the economic independence of the company. This would in particular be the case if the acquirer could prejudice the company directly or indirectly, or if transfer of the shares could jeopardize the existing majorities.

**b)** If the company offers the seller of the shares to acquire the shares at their fair value at the time of the request for its own account, for the account of other shareholders or for the account of third parties.

**c)** If the acquirer does not expressly declare that he is

acquiring the shares in his own name and for his own account.

Article 9 of the articles of association also provides that if the shares are acquired by inheritance, division of an estate, marital property rights or as a result of debt enforcement proceedings, the company may only refuse its consent if it offers to acquire the shares at their fair value.

In the event of a dispute, the fair value is determined by the court having jurisdiction in the place where the company has its registered office. The company bears the costs of such valuation. The purchase offer is deemed accepted if the acquirer does not reject it within one month of having been informed of the fair value.

#### **2.7. Convertible bonds and options**

##### ***Convertible bond***

The Kudelski Group has no outstanding convertible bond.

##### ***Options***

The company has no outstanding options.

##### ***Share purchase plan***

In 2004, the Kudelski Group introduced a share purchase plan for the employees of certain companies of the Group, enabling those employees to buy Kudelski SA bearer shares on favorable terms. Each participant can subscribe annually to this plan up to a maximum amount of 7.7% of his/her gross annual salary.

The share purchase price is the closing price of the Kudelski SA share listed on the SIX Swiss Exchange on the day of subscription with a discount of up to 42%. However, the shares are subject to a three-year blocking period from the date of purchase.

A chart showing employee participation in this plan for the year 2018 can be found in note 40 to the consolidated financial statements.

### 3. Board of Directors

The Board of Directors is the highest executive body of the company. It has the non-transferable and inalienable responsibilities set forth by the law and the articles of association. As of February 27, 2019, the Board of Directors consisted of seven members elected at the Annual General Meeting of Shareholders.

Three Committees, an Audit Committee, a Strategy Committee and a Nomination and Compensation Committee, have been created by the Board of Directors and are responsible for specific tasks (see sections 3.5.1- 3.6).

Mr. Mark Beariault, who is not a member of the Board of Directors, was appointed as Corporate Secretary by the Board of Directors.

#### 3.1. Members of the Board of Directors

	YEAR OF BIRTH	NATIONALITY	EDUCATION	FIRST ELECTION	END OF TERM OF OFFICE
<b>ANDRÉ KUDELSKI*</b> Chairman of the Board and Chief Executive Officer Executive Board Member	1960	Swiss	<b>DEGREE IN PHYSICAL ENGINEERING</b> Ecole polytechnique fédérale de Lausanne (EPFL)	1987	09.04.2019
<b>CLAUDE SMADJA</b> Deputy Chairman of the Board and Lead Director Non-Executive Board Member	1945	Swiss	<b>DEGREE IN POLITICAL SCIENCE</b> University of Lausanne	1999	09.04.2019
<b>PATRICK FËTISCH</b> Non-Executive Board Member	1933	Swiss	<b>DOCTORATE IN LAW</b> University of Lausanne <b>BAR EXAM</b>	1992	09.04.2019
<b>LAURENT DASSAULT</b> Non-Executive Board Member	1953	French	<b>DEGREE IN BUSINESS LAW</b> <b>DEGREE FROM ESLSCA</b> Ecole supérieure libre des sciences commerciales appliquées, Paris	1995	09.04.2019
<b>PIERRE LESCURE</b> Non-Executive Board Member	1945	French	<b>DEGREE IN LITERATURE AND JOURNALISM</b> Centre de formation des journalistes, Paris	2004	09.04.2019
<b>MARGUERITE KUDELSKI</b> Non-Executive Board Member	1965	Swiss	<b>ENGINEERING DEGREE IN MICROTECHNOLOGY</b> <b>DOCTORATE IN MICROTECHNOLOGY</b> Ecole polytechnique fédérale de Lausanne <b>EXECUTIVE MBA</b> IMD Lausanne	2006	09.04.2019
<b>ALEXANDRE ZELLER**</b> Non-Executive Board Member	1961	Swiss	<b>DEGREE IN ECONOMICS AND SOCIAL SCIENCES</b> University of Lausanne <b>ADVANCED MANAGEMENT PROGRAM</b> Harvard Business School, Boston	2007	26.02.2019
<b>ALEC ROSS</b> Non-Executive Board Member	1971	American	<b>DEGREE IN HISTORY</b> Northwestern University, USA	2014	09.04.2019

\* André Kudelski is the only member of the Board of Directors to combine his Board duties with an executive function within the Group (Chief Executive Officer). Apart from Mr. Kudelski, no other member of the Board of Directors performed any executive function within the Group during the past three years.

\*\* On February 26<sup>th</sup>, 2019, Alexandre Zeller resigned from the Board of Directors, following his decision to join Lombard Odier as a Managing Partner.



ANDRÉ KUDELSKI



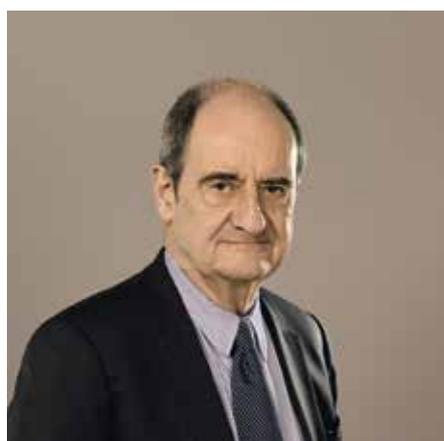
CLAUDE SMADJA



PATRICK FŒTISCH



LAURENT DASSAULT



PIERRE LESCURE



MARGUERITE KUDELSKI



ALEXANDRE ZELLER



ALEC ROSS

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## ANDRÉ KUDELSKI

André Kudelski began his career in 1984 as a Research & Development (R&D) engineer with Kudelski SA. In 1986, after an assignment for a few months in Silicon Valley, he returned to work in the family business firstly as Pay TV Product Manager, then as Director of Nagra- vision SA, a company in charge of the Pay TV sector. Mr. Kudelski then took over from his father Stefan Kudelski and from 1991 became Chairman and Chief Executive Officer of the parent company Kudelski SA.

### Current mandates Kudelski Group:

- Kudelski Corporate, Inc., in USA, Chairman and Chief Executive Officer
- Kudelski Security, Inc., in USA, Executive Chairman
- Kudelski Security Holdings, Inc., in USA, Chairman and Chief Executive Officer
- Nagra- vision SA, in Switzerland, Chief Executive Officer
- NAGRA PLUS SA, in Switzerland, Chairman and Chief Executive Officer
- Nagra USA, Inc., in USA, Chairman and Chief Executive Officer
- NagraStar LLC, in USA, Co-Chairman
- OpenTV, Inc., in USA, Chairman and Chief Executive Officer
- SKIDATA AG, in Austria, Member of the Supervisory Board
- SmarDTV SA, in Switzerland, Chairman (until 31st of January 2019)
- Nagra- vision AS, in Norway, Chairman (Conax AS was renamed Nagra- vision AS) (until September 2018)

### Important mandates outside the Kudelski Group:

- Comité d'économiesuisse, in Switzerland, member
- École polytechnique fédérale de Lausanne (EPFL), (Switzerland), Strategic Advisory Board member
- Greater Phoenix Economic Council (GPEC), in USA, member of the non-profit company
- Innosuisse, in Switzerland, Chairman
- Publicis Groupe, in France, member of the Supervisory Board, Chairman of the Remuneration Committee, member of the Nomination Committee and of the Audit Committee
- Swiss-American Chamber of Commerce, in Switzerland, Vice-Chairman
- Swiss Board Institute (Swiss foundation), member of the Strategic Advisory Board
- Aéroport International de Genève, in Switzerland, first Vice-Chairman (until 30<sup>th</sup> of November 2018)

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## CLAUDE SMADJA

After 15 years with Télévision Suisse Romande (TSR) as Deputy Editor of the Information Department, Claude Smadja joined the management of the World Economic Forum in 1987, a position that he held until 1992. He then returned to TSR as Director of Information until 1996, in which year he was appointed Managing Director of the World Economic Forum. In June 2001, Claude Smadja set up his own strategy consultancy Smadja & Smadja, a strategic advisory firm that collaborates on strategic issues with multinationals and government bodies and organizes international events.

### Main mandate outside the Kudelski Group:

- Smadja & Smadja Strategic Advisory SA, in Switzerland, Board member

Mr Smadja has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any material business relationship with Kudelski SA or any of its subsidiaries.

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## PATRICK FOETISCH

Patrick Foetisch is an independent lawyer specializing in contracts and finance at an international level. He acts as legal counsel to Group companies as and when required, bringing to bear his in-depth knowledge of their activities to provide assistance and legal advice.

### Current mandates Kudelski Group:

- Nagra- vision SA, in Switzerland, Chairman
- Nagra France SAS, Chairman
- NAGRA PLUS SA, in Switzerland, Board member
- SKIDATA AG, in Austria, member of the Supervisory Board

### Main mandate outside the Kudelski Group:

- AMRP Handels, in Switzerland, Chairman

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## LAURENT DASSAULT

After a career spanning thirteen years in the banking sector, Laurent Dassault joined the Dassault Group in 1992 where he holds important positions. Today he assumes around thirty mandates, including those of the Dassault Group, mainly in the financial, industrial and wine-producing sectors.

Current mandates Groupe Industriel Marcel Dassault SAS (France)<sup>1</sup>:

- Arqana SAS, in France, advisor to the Directoire (Managing Board)
- Artcurial Développement Sàrl, in France, Co-manager (Co-gérant)
- DASSAULT BELGIQUE AVIATION S.A, in Belgium, Board member
- DASSAULT INVESTESSEMENTS Sàrl, in France, Managing Director
- Dassault Wine Estates SASU, in France, Chairman
- Immobilière Dassault SA, in France, Chairman of the Supervisory Board
- Groupe Industriel Marcel Dassault SAS, in France, Directeur Général Délégué and Board member
- MARCEL DASSAULT TRADING CORPORATION (USA), Board member
- MIDWAY AIRCRAFT CORPORATION, in USA, Chairman
- Rond-Point Immobilier SAS, in France, member of the Supervisory Board
- SERGE DASSAULT TRADING CORPORATION (USA), Board member
- SOGITEC Industries SA, in France, Board member

Other important mandates outside the Kudelski Group:

- 21Centrale Partners SA, in France, member of the Supervisory Board
- Catalyst Investments II L.P., in Israel, Chairman of the Advisory Board
- LA MAISON SA, in Luxembourg, member of the Supervisory Board

- Laurent Dassault Rond Point (LDRP) SCI, in France, Associé gérant
- Laurent Dassault Rond Point II (LDRP II) SAS, in France, Chairman
- Lepercq, de Neufflize & Co. Inc., in United States, Board member
- L. REAL ESTATE SCA SICAR, in Luxembourg, Chairman of the Investors Committee
- PECHEL INDUSTRIES SAS, in France, member of the Monitoring Committee
- SAGARD PRIVATE EQUITY PARTNERS SAS, in France, member of the Advisory Committee
- WARWYCK Private Bank Ltd, in Mauritius, Board member
- Amis du FRAC (Fonds Régional d'Art Contemporain en Aquitaine), in France, Chairman
- Amis du Musée Centre Pompidou, Association, in France, Board member
- Association pour la Diffusion Internationale de l'Art Français (ADIAF), Board member
- Association pour la Mémoire des Enfants cachés et des Justes (AMECJ), Board member and Treasurer
- Fonds pour Paris, association, in France, Board member
- Organisation pour la prévention de la Cécité (OPC), Association, in France, Board member
- Société des Amis des musées d'Orsay & de l'Orangerie, in France, Board member

Mr. Dassault has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

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## PIERRE LESCURE

Save for a two year period (1972-1974) as a television news presenter for Antenne 2, Pierre Lescure spent the first fifteen years of his professional career with the RTL, RMC and Europe1 radio stations where he successively occupied a variety of positions, in particular Deputy Editor and Director of Programs. In 1981 he returned to television as News Director of Antenne 2. From 1984, he worked with André Rousselet on the launch project for the pay TV channel CANAL+ where he was appointed Director and then Chief Executive Officer. From 1993 to 2002, he was Chairman and Chief Executive Officer of the CANAL+ Group. From 2000 to 2002 Pierre Lescure was also co-Chief Executive Officer of Vivendi-Universal. Since 2002, he has been Chairman and Chief Executive Officer of AnnaRose Production SAS, a company active in

audio-visual and cinematographic production as well as in communication consultancy services. From 2008 to 2014, he directed the Théâtre Marigny in Paris. Since 1st July 2014, Pierre Lescure has served as President of the Cannes Festival. Since September 2014, Pierre Lescure has been a regular TV columnist for the daily show "C à vous" which is broadcast on France 5, the French TV channel.

Current mandates with the Festival de Cannes<sup>1</sup>:

- Association française du festival international du film (known as "Le Festival de Cannes"), in France, Chairman
- Société de gestion d'opérations commerciales pour le festival international du film SASU, (France), Président

Current Mandates exercised for the Festival de Cannes:

- Fonds de dotation du festival international du film, in France, Chairman

Other important mandates outside the Kudelski Group:

- ANNAROSE PRODUCTIONS Sàrl, in France, Chairman and CEO
- Molotov SAS, in France, Chairman

Mr. Lescure has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

<sup>1</sup> As per section 18 of the articles of association and as described below in section 3.3, mandates for legal entities under common control are deemed to constitute a single mandate.

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## MARGUERITE KUDELSKI

Marguerite Kudelski's professional career began at the EPFL's Laboratory of Electromechanics and Electrical Machines, where she worked from 1991 to 1999. During this period she also worked as a research and development engineer within the Nagra Audio division of the Kudelski Group. In 1999, she became the Head of R&D with Précel SA in Neuchâtel (then a Kudelski Group company) before being appointed as CEO and Board member of the same company in 2000, positions that she occupied until the end of 2002. After completing a number of marketing and financial analysis projects for NagraID in 2003, she took responsibility for certain key projects for the Group within the Finance Department from 2004 to 2006.

From 2007 to 2011, Marguerite Kudelski worked as a consultant, offering services such as business development and management consulting. In December 2011, she took over the management of Nagra Audio, which was transferred by the Group to Audio Technology Switzerland SA (ATS) for which she serves as Chairman of the Board of Directors. Until the end of 2014, Marguerite Kudelski was in charge of the R&D department of ATS. Since 2017, Marguerite Kudelski is a Board member of Bovay & Partenaires SA and Wire Art Switzerland SA. She is also a member of the Expert Committee of Switzerland Innovation.

Main mandates outside the Kudelski Group:

- AudioTechnology Switzerland SA, in Switzerland, Chairman
- Bovay & Partenaires SA, in Switzerland, Board member
- Swiss Innovation Park, foundation, in Switzerland, member of the Expert Committee
- Wire Art Switzerland SA, in Switzerland, Board member

Apart from the mandates and functions mentioned above, neither Ms. Kudelski nor any organization she represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

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## ALEXANDRE ZELLER

Alexandre Zeller began his professional career in 1984 with Nestlé as a Management Auditor. Three years later, he joined Credit Suisse, where he carried out various duties in the field of loans and asset management at a Swiss and international level, while at the same time managing various branches. In 1999, he was appointed to the Executive Board and then as CEO of Credit Suisse Private Banking. In November 2002, Alexandre Zeller joined the Banque Cantonale Vaudoise as Chairman of the Executive Board. From July 2008 to February 2012, he was CEO of HSBC Private Bank (Switzerland) and, as from October 2010, Regional CEO Europe and Middle East. Since March 2012, Alexandre Zeller has served as an independent director. From May 2014 to September 2016, Alexandre Zeller was Chairman of the Board of SIX Group SA. From the 1<sup>st</sup> October 2016 to February 2019, Alexandre Zeller was Chairman of Credit Suisse (Suisse) SA and from 2017 to February 2019 he was also a member of the Board of Directors of Credit Suisse Group SA. Since February 2019, Alexandre Zeller resigned from the Board of Directors of Kudelski SA and all his mandates with the Credit Suisse and has joined Lombard Odier as a Managing Partner.

Current mandates with the Credit Suisse (until February 2019)<sup>1</sup>:

- Credit Suisse (Suisse) SA, Chairman
- Credit Suisse Group SA, in Switzerland, Board member, member of the Governance and Nominations Committee, member of the Compensation Committee and member of the Innovation and Technology Committee

Current mandates exercised for the Credit Suisse:

- Swiss Finance Council, in Switzerland, Chairman

Main mandates outside the Kudelski Group:

- Central Swiss Classic Cars SA (Suisse), Chairman
- Garage Central SA, in Switzerland, Chairman
- Maus Frères SA, in Switzerland, Board member

Mr. Zeller has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

<sup>1</sup> As per section 18 of the articles of association and as described below in section 3.3, mandates for legal entities under common control are deemed to constitute a single mandate.

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## ALEC ROSS

Alec Ross began his professional career in 1994 as a teacher with the Teach for America program in underprivileged neighborhoods of Baltimore. He joined Enterprise Community Partners (formerly Enterprise Foundation) two years later, a non-profit organization based in Columbia, Maryland, which develops affordable housing throughout the United States, where he held the position of Special Assistant to the Chairman. In 2000, Alec Ross co-founded the One Economy Corporation, a non-profit organization which organizes programs to help low-income people worldwide, for which he worked for eight years. In parallel, he joined the presidential campaign of President Barack Obama in 2007 as the Coordinator of the Technology, Media & Telecommunications Policy Committee and then as Project Manager and member of the Technology, Innovation and Government Reform Policy Group. From April 2009 to March 2013, Alec Ross was Senior Advisor for innovation to US Secretary of State Hillary Clinton.

Since then, he has been Senior Fellow at the School of International and Public Affairs of Columbia University and a Distinguished Senior Fellow at John Hopkins University, and he is the author of the New York Times bestseller "The Industries of the Future" (Simon & Schuster) published in February 2016. He also advises investors, enterprises and government officials, helping them to understand the influence of factors located at the crossroads of geopolitics, markets and disruptive technologies.

Main mandates outside the Kudelski Group:

- AmidaTechnology Solutions Inc., in USA, Advisory Board member
- Amplo (USA), Board Partner
- Andela Inc., in USA, Advisory Board member
- Jobbatical Inc., in Estonia, supervisory Board member
- Leeds Equity Partners LLC, in USA, Advisory Board member

- Teach for America, in USA, Advisory Board member
- Telerivet Inc., in USA, Board member

Mr. Ross has never been part of a management body of the Kudelski Group. Neither he nor any organization he represents has any significant business relationship with Kudelski SA or any of its subsidiaries.

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### 3.2. Other activities and vested interests

Please refer to the individual profiles of Board members under section 3.1 above.

### 3.3. Articles of association provisions on the number of permitted activities

In compliance with section 18 of the articles of association, members of the Board of Directors may exercise no more than five mandates in senior management or administrative bodies of third-party legal entities whose shares are listed on a stock exchange and no more than ten mandates in other third-party legal entities. They may also exercise up to ten mandates in senior management or administrative bodies of non-profit or charitable third-party legal entities.

A company is not considered a third-party legal entity according to this provision, and is therefore not taken into account when calculating the maximum number of mandates mentioned above, if:

1. it controls another company directly, indirectly or jointly with third parties for which a mandate is being carried out, or is controlled by such company; or
2. it does not have to be entered in the Commercial Register or in a corresponding foreign register (e.g., corporations and public entities, non-profit associations, religious foundations or family foundations); or

3. the mandate is carried out at the company's request. Mandates carried out for legal entities directly or indirectly controlled by a single individual or legal entity, or by a single group of individuals or legal entities acting in concert, or at the request of one of these individuals or legal entities, are deemed to constitute a single mandate for the purposes of this provision.

Members of the Board of Directors must notify the Chairman of positions they hold at third-party legal entities.

### 3.4. Election and terms of office

The Board of Directors is composed of one to ten members. Board members are individually elected at the Annual General Meeting for a period of one year. The term of office ends on the day of the next Annual General Meeting. All members may be reelected. The year of the first election as well as the end of term of office for each member are mentioned under section 3.1 above.

The articles of association of Kudelski SA do not contain any special provisions regarding the election of the Chairman.

### **3.5. Internal organization structure**

The Board of Directors performs inalienable and nontransferable duties prescribed by the law (see section 3.6 below) with the support of its three committees: Audit, Strategy, and Nomination and Compensation. The internal organization of the Board of Directors is defined in the articles of association and in the bylaws. The bylaws are available on request to the Corporate Secretary of the Kudelski Group by calling +41 21 732 07 31 or by post at the following address: 22-24 route de Genève, 1033 Cheseaux-sur-Lausanne.

#### **3.5.1. Allocation of tasks within the Board of Directors**

Except for the Chairman who is elected at the Annual General Meeting, the Board of Directors establishes itself by appointing its Vice Chairman. The Board of Directors may delegate the management of the company to one of its members who shall act as Chief Executive Officer of the company. If the Chairman is elected to exercise the function of Chief Executive Officer, the Board of Directors shall also elect a "Lead Director" from among its members. The management of the company is delegated in full to the Chief Executive Officer or to the Executive Board. A Corporate Secretary may be appointed from outside of the Board of Directors.

The Chairman of the Board of Directors leads the discussions of the Annual General Meeting, ensures that the minutes are taken, is in charge of the protocol and directs meetings of the Board, informs the Board members of the business development and the company's financial results, represents the company with administrative and/or judicial authorities, subject to mandates granted by the Board of Directors to a third party, an officer or one of its members.

The Vice Chairman may call meetings of the Board of Directors. He or she shall chair Board meetings and the Annual General Meeting if the Chairman is absent.

According to Article 25 of Kudelski SA's articles of association, the Board of Directors may delegate the management of the company to the Chief Executive Officer, unless otherwise stipulated by the law. In his or her management, the Chief Executive Officer acts according to the directives issued by the Board of Directors and in the interests of the company. He or she also provides before each meeting of the Board of Directors a report outlining key aspects of the current business situation.

In the Group's current structure, Mr. André Kudelski holds the positions of Chairman of the Board of Directors and Chief Executive Officer. This situation guarantees a rapid and fluid information and decision-making process, enabling the company to respond operationally and strategically at the pace required by developments in the sectors of activity pursued by the Group. As the functions of Chairman and Chief Executive Officer are held by the same person, the Board of Directors has appointed Claude Smadja as Lead Director.

The Lead Director ensures the independence of the Board of Directors vis-à-vis the Chairman and Chief Executive Officer as well as the management of the company; he or she also chairs the Board of Directors' meetings if a conflict arises between the interests of the Chairman and Chief Executive Officer and those of the company. The Lead Director may independently call and lead a meeting of the independent members of the Board of Directors if the interest of the company requires an independent deliberation. He or she ensures a process for evaluating the performance of the Chairman of the Board of Directors and the Chief Executive Officer.

#### **3.5.2. Members list, tasks and area of responsibility for each committee of the Board of Directors**

With the exception of the Nomination and Compensation Committee, whose members are elected individually by the Annual General Meeting, the Committees are constituted by the Board of Directors which appoints their members and chairpersons. The Board Committees meet as often as is necessary. The Board of Directors delegates to its committees supervisory and preparatory tasks within their sphere of competence, subject to the provisions of the articles of association. The Committees report on a regular basis to the Board of Directors. Committee reports are used as a decision-making tool by the Board of Directors.

##### Audit Committee

The Audit Committee is composed of at least three non-executive members of the Board of Directors. At least one of the Committee members must have proven accounting experience. All members have knowledge or practical experience in the field of financial management.

The Audit Committee meets at least three times a year. The Audit Committee may at any time request detailed risk analyses of the Group's various sectors of activity or in any specific area of its choice.

	<b>AUDIT COMMITTEE</b>	<b>STRATEGY COMMITTEE</b>	<b>NOMINATION AND COMPENSATION COMMITTEE</b>
■ <i>President</i>			
■ <i>Member</i>			
André Kudelski	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Claude Smadja	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Laurent Dassault	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Patrick Fœtisch	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Marguerite Kudelski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pierre Lescure	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Alexandre Zeller*	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Alec Ross	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

\* On February 26<sup>th</sup>, 2019, Alexandre Zeller resigned from the Board of Directors, following his decision to join Lombard Odier as a Managing Partner.

The Committee calls on experts outside the Board of Directors where this is deemed necessary for the successful completion of its tasks.

The Audit Committee supervises the company's internal financial reporting process and ensures its integrity, transparency and quality. It ensures the relevance and consistency of the company's accounting methods. It reviews reports of the company's internal audit department and makes appropriate recommendations to the Board of Directors.

It assesses the quality of work of external auditors. The Audit Committee reviews the auditing fees, ensures execution of the yearly audit plan and assesses the efficiency of the auditors in identifying and solving issues related to the Group or to the financial statements. The Audit Committee provides appropriate recommendations to the Board of Directors concerning renewal of the engagement of external auditors or, where necessary, their replacement. The Committee ensures that the recommendations of external auditors are monitored and ensures their independence.

The Committee provides regular reports offering its recommendations to the Board of Directors with regards to the adequacy, effectiveness and accuracy of accounting procedures.

#### Strategy Committee

The Strategy Committee is composed of at least four members of the Board of Directors, including the Chairman and Vice Chairman. It meets at least twice a year.

The purpose of the Strategy Committee is to review and define Group strategy. It develops strategic options with a view to ensuring the long-term enhancement of the Group's competitive position and its shareholder value. To this end, the Strategy Committee examines market trends and the Group's competitive position, considers and proposes future growth initiatives, especially through investments, divestments and reorganization.

To define strategic choices, the Strategy Committee relies upon information supplied by the management, the members of the Board of Directors and, if deemed necessary, by external advisors.

The Strategy Committee periodically reviews the appropriateness of the Group's objectives, structure and organization designed to achieve the strategic objectives. The Strategy Committee makes proposals to the Board of Directors, which has ultimate decision-making power on strategy. It reviews also research and development projects and evaluates the competitiveness, value and coherence of such projects in relation to the strategic objectives.

#### Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of at least three non-executive members of the Board of Directors, who are elected individually at the Annual General Meeting upon recommendation of the Board of Directors. It meets at least twice a year.

The Nomination and Compensation Committee assists the Board of Directors in setting up and periodically reviewing the company's compensation policy and strategy, its guidelines and its performance criteria. The Committee is responsible for setting the compensation for each member of the Board of Directors and the Executive Board. The exception to this principle is the compensation of the members of the Nomination and Compensation Committee, which is fixed by the Board of Directors itself.

The Nomination and Compensation Committee also assists the Board of Directors in making proposals at the Annual General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Board (refer to section 5: Compensation, shareholdings and loans). The Committee presents proposed director nominations to the Board of Directors, which submits them to the Annual General Meeting. At the request of the Chief Executive Officer, the Committee reviews applicants for Executive Board positions or promotions and may interview candidates if desired.

### **3.5.3. Working methods of the Board of Directors and its Committees**

The cooperation and allocation of competencies between the Board of Directors and its Committees are described in section 3.5.2.

The Board of Directors meets at least four times a year, but as often as is required for the proper conduct of business. In 2018, the Board of Directors and its Committees met as follows:

Board of Directors	7 times
Strategy Committee	4 times
Audit Committee	3 times
Nomination and Compensation Committee	2 times

The participation of members of the Executive Board to the discussion and decisions of the Board of Directors are described in section 3.7 below. Average attendance at Board meetings exceeded 92%. Meetings of the Board of Directors lasted on average four hours. Most Committee meetings lasted on average three hours. The auditor in charge of the internal audit attended parts that were relevant for him of two of the Audit Committee meetings.

### **3.6. Definition of areas of responsibility**

Please see also section 3.5.1 for details of the internal organization of the Board of Directors and the position of Chief Executive Officer.

#### **Board of Directors**

The Board of Directors:

- is responsible for the overall management of the company and issues all necessary directives;
- determines the organization of the company;
- determines the organization of the accounting, financial control and financial planning systems as required for management of the company;
- appoints and dismisses persons entrusted with managing and representing the company;
- exercises overall supervision of the persons entrusted with managing the company, in particular with respect to compliance with the law, articles of association, regulations and directions given;
- prepares the Compensation report;
- compiles the annual report, prepares the Annual General Meeting and implements its resolutions;
- takes decisions on further capital calls with respect to shares that are not fully paid up (article 634a of the Code of Obligations);

- takes decisions regarding the assessment of an increase in capital and relevant changes to the articles of association (articles 651 para. 4, 651a, 652a, 652g, 652h, 653g, 653h of the Code of Obligations); and
- notifies the court in the event that the company is over-indebted.

#### **Executive Board**

The Board of Directors has delegated full management of the company to the Chief Executive Officer, subject to legal requirements and the above-mentioned internal organizational structure. The Chief Executive Officer therefore coordinates the operations of the Group companies.

### **3.7. Information and control instruments vis-à-vis the Executive Board**

Because of the nature of the industry, mechanisms for controlling Group management and information feedback systems are very important. The Kudelski Group has therefore put in place information and control instruments, at different levels, which it improves on a continuous basis. These instruments concern strategy, operations, finance, legal, intellectual property, human resources and information management.

#### **Supervision**

- The Chief Executive Officer submits a report to the Board members prior to each meeting outlining key aspects of the current business situation (key contracts, sales trends, market trends, human resources) for each Group entity and activity.
- Board members receive weekly or quarterly press digests concerning the Group, depending on the amount of relevant newsflow; they may also receive other informative documents concerning the Group and its entities, as well as a message from the Chief Executive Officer whenever the CEO deems it necessary.
- At least twice a year, members of the Executive Board are invited to present their activities to the members of the Board of Directors. Members of the Board of Directors may also ask questions directly to company executives as and when they see fit.
- At each Board meeting, if justified by the business situation and depending on the agenda, members of the Executive Board, top managers of the companies of the Group or in charge of specific areas, as well as outside

experts, are invited to present specific subjects to the Board of Directors.

### **Operations and strategy**

- Executive Board members coordinate their action and take decisions related to the management of the Group during “Executive Board Committee” meetings, the frequency and duration of which are tailored to the needs of the Group. This committee generally met once every two weeks for an average of three hours in 2018.
- Management of the three divisions Digital TV, Cybersecurity and IoT is supported by an “Executive Board Group Operations” committee composed of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Marketing Officer (CMO), the Chief Operating Officer (COO), as well as senior members of each division. This committee meets in principle twice a month for 2.5 hours and reviews in particular selected relevant topics for each division. In addition, the members of the Executive Board and the General Counsel, Head of Legal Affairs and Corporate Secretary, the Senior Vice President, Head of Human Resources, the Senior Vice President, Intellectual Property and the Senior Vice President Executive Affairs meet once a month for at least thirty minutes as part of the “Executive Board Group Functions” committee to discuss relevant topics relating to these functions and not directly related to operations. Finally, the synchronization between the Executive Board and the “Executive Board Group Operations” and the “Executive Board Group Functions” committees is achieved within the “Executive Board Group Management” committee which meets every month for at least one hour.
- Management of the Public Access division is supported by the Supervisory Board which includes a Kudelski Group Board member, the Chairman and CEO of the Group, the CFO of the Group and a non-executive member (currently, Mr. Charles Egli, a former Executive Board member) who is Chairman of this Supervisory Board. This Supervisory Board supervises the whole division. The Supervisory Board meets at least four times a year for an average of 3.5 hours and reviews the specific and pertinent topics for the Public Access division. Senior Managers of the Public Access division establish regular reports for the Supervisory Board and, depending on the topics, are invited to take part in Board meetings.
- For certain specialized activities of the Group, ad hoc committees composed of a cross-disciplinary team

of internal experts may be created to evaluate market, strategic, operational, legal and financial risks and opportunities. These ad hoc committees manage processes relating to the evaluation of such risks and opportunities, propose actions and monitor implementation of their decisions. There are several committees such as the security committee, privacy committee and innovation committee. Decisions, activities, information and comments arising from these committees are conveyed to the Executive Board members and other top managers of the Group as appropriate.

### **Finance**

- The Controlling group conducts regular financial and operational analyses intended to identify operational and financial risks throughout the value chain of the various activities of Group companies and proposes and coordinates necessary improvements and corrective actions. This entity makes available a platform of analytical services to the Executive Board and operational departments.
- Every month, the Controlling group prepares a number of reports which are made available to the management. Those reports are then adapted and sent to each regional head and business unit with the corresponding analytical metrics. The reports include: a report providing an overview of the Group’s profit and loss broken down by activity and showing profit trends and budget over-runs/shortfalls, with adaptations based on quarterly revisions of the annual forecast by entity, as well as their operational indicators; a sales report including region, client and sales type-specific analysis as well as their respective margins; a report on the operational cost trends broken down by cost center, a report on the financial development of key projects and a monthly and quarterly report on the cash-flow situation for the Group and for each segment for the current year and the coming year.
- In addition, the Group has an internal control system based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) reference system. This system aims at providing “reasonable assurance” as regards the performance and efficiency of operations, the reliability of financial information and reporting, and compliance with laws and regulations in force. A team is in charge of internal controls. The various processes are periodically reviewed and analyzed by the external auditors (PricewaterhouseCoopers SA).

### **Legal**

- The Legal Department provides advice and consultation as part of the Group's decision-making processes and as part of the activities of all Group departments in order to better mitigate and manage legal risks as well as to ensure appropriate levels of compliance with the Group's policies.
- The Legal Department is involved with the negotiation and approval of contracts entered into by Group companies and maintains contract management and electronic archiving tools to ensure efficient tracking of contracts.
- The Legal Department is also responsible for overseeing litigation, government investigations and other regulatory matters for Group companies.

### **Intellectual Property**

- The Intellectual Property Department is responsible for protecting, developing, managing and licensing the Group's technologies and intellectual property portfolio. In connection with this responsibility, the Intellectual Property Department briefs senior management on operational and strategic matters in the field of intellectual property that impact Group activities.

### **Human Resources**

- The HR Department is responsible for recruiting the talent necessary for the Group's needs, developing and promoting high performing employees and ensuring successions. In particular, it maintains a catalog of training tailored to the needs of the Group, managers and employees.
- The Human Resources Department is in charge of the processes and the implementation of performance evaluation tools related to the objectives of the Group, the different departments and each employee.
- In respect of the Group's values, the Human Resources Department advises employees and senior managers from all Group departments on a daily basis in matters relating to human resources.

### **Information Management**

- The Corporate IT department has developed and implemented a series of policies and procedures concerning IT security (for the use of computer systems, data protection, monitoring, systems management back-up, etc.) to set appropriate risk limits and to provide a reliable Information System environment.
- The Corporate IT department regularly reviews the infrastructure of its systems to ensure their evolution in accordance with the new standards and rules that apply to them.
- The information systems infrastructure is monitored 24/7 by the teams of the Cyber Fusion Center of Kudelski Security.

### **Main identified risks and treatment**

The main identified risks are listed below. The various information and control instruments of the Board of Directors with respect to the Executive Board described above in section 3.7 are used and allow monitoring of each risk appropriately and according to its criticality for the Group. The communications of the Chairman and Chief Executive Officer to the Board of Directors ensure regular and appropriate information flow and the activities of the committees of the Board of Directors guarantee appropriate supervision by the members of the Board of Directors of the decisions of the Executive Board.

- The business segments in which the Kudelski Group's Digital TV division operate are evolving rapidly and constantly require the Kudelski Group to offer products and services that are flexible enough to respond quickly to the commercial and technological changes of the digital media industry.
- The Public Access business demonstrates significant seasonality, including for example within its mountain segment, with the highest revenues typically generated in the last two months of the year. Many of the factors that impact the timing of the segment's revenue generation are outside the control of the Group, including factors such as weather conditions, changes to project scope and customer budget

decisions. To the extent these factors impact the timing of customer orders and projects, particularly in the last quarter of the year, the results of operations of the Public Access business for the year can be materially impacted.

- The two new divisions (Cybersecurity and Internet of Things) are in an early phase of development and as such both fields of activities bring substantial losses. The Group has identified attractive opportunities in these markets. However, while the Group believes it has unique assets to profitably address these fields of activities, it will take an extended period of time for these activities to reach break even. Given the nature and degree of maturity of these activities, there is no assurance that the relevant strategies will be successful.
  - The markets in which the Group operates and the customers to whom the Group sells its products and services are subject to significant regulation by governmental agencies around the world, particularly in the areas of data privacy, consumer protection, media content distribution and cybersecurity. Significant changes to or uncertainty regarding government regulations may affect our business, our product development decisions and the willingness of market participants to adopt our products and services.
  - The Group provides its products and services in many countries with different currencies, but payments are made mainly in US dollars and Euros. The Group's suppliers are paid in different currencies. Fluctuations in foreign exchange rates may affect the Group's results of operations and financial position.
  - Kudelski Group's results could be impacted if the security provided by its products is compromised and if the Group fails to put in place adequate counter-measures.
  - The operating results and growth of the Kudelski Group could decrease if the customer base of the Group's customers does not continue to increase.
- The Group's success depends on its ability to attract and retain qualified personnel. Competition for hiring and retaining highly qualified personnel is high.
  - A leak of confidential, proprietary or personal information held by the Group could adversely affect the Group's activities.

## 4. Executive Board

### 4.1. Executive Board members



	<b>DATE OF BIRTH</b>	<b>NATIONALITY</b>	<b>POSITION</b>	<b>EDUCATION</b>
<b>ANDRÉ KUDELSKI</b>	1960	Swiss	<b>Chairman and Chief Executive Officer (CEO) of the Group</b>	<b>Degree in Physical Engineering</b> Ecole polytechnique fédérale de Lausanne (EPFL)
<b>MAURO SALADINI</b> Executive Vice President of the Group	1966	Swiss	<b>Chief Financial Officer (CFO)</b>	<b>Degree in Electrical Engineering</b> Ecole polytechnique fédérale de Zurich <b>MBA, INSEAD, France</b>
<b>PIERRE ROY</b> Executive Vice President of the Group	1952	Swiss	<b>Chief Marketing Officer (CMO), Digital TV</b>	<b>Degree in Business Management</b> Hautes études commerciales (HEC) de l'Université de Lausanne
<b>MORTEN SOLBAKKEN</b> Executive Vice President of the Group	1970	Norwegian	<b>Chief Operating Officer (COO), Digital TV</b>	<b>Master of Science</b> Norwegian University of Science and Technology (NTNU)

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## ANDRÉ KUDELSKI

Please refer to section 3.1 above

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## MAURO SALADINI

Mauro Saladini started his professional career in 1990 as a financial services consultant with Accenture. In 1995, he joined Thema Consulting, where he set up the Zurich subsidiary and took responsibility for cash-flow and risk management activities. In 1997, he joined McKinsey & Co, where he became a partner in 2001. He worked in particular on corporate finance and strategy projects relating to various industries, mainly media and telecommunications. In addition, Mauro Saladini was in charge of the Swiss Media Practice and joint-head of the European Media Practice. He has been the Chief Financial Officer and Executive Vice President of the Kudelski Group since 1 February 2003.

Current mandates Kudelski Group:

- Nagravision AS, in Norway, Board member (formerly named Conax AS)
- iWedia, in Switzerland, Chairman
- Kudelski Corporate, Inc., in USA, Board member
- Kudelski Corporate Holding, Inc., in USA, Board member
- Kudelski Norway AS, Board of Directors, Chairman
- Kudelski Security Inc., in USA, Board member
- Kudelski Security Holdings, Inc., in USA, Board member
- Nagra IP, Inc., in USA, Board member
- Nagra Media Beijing Ltd., in China, Supervisor
- Nagra Media Germany GmbH, in Germany, Executive Board member
- Nagra Media UK Limited, in United Kingdom, Board member
- Nagra USA, LLC., in USA, Board member
- OpenTV, Inc., in USA, Board member
- SKIDATA AG, in Austria, Vice Chairman of the Supervisory Board
- Nagravision SA, in Switzerland, Executive Board member (until 18<sup>th</sup> of January 2017)

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## PIERRE ROY

Pierre Roy began his professional career with Procter & Gamble as a Financial Analyst in 1975. Following this early experience, he joined IBM in 1977 as a Sales Engineer. In 1979, he began his international career with Digital Equipment Corporation, where he fulfilled various management positions at the European headquarters in Geneva and also abroad, in the Finance and Administration, Marketing and Business Management departments. He joined Kudelski SA in 1992 as Managing Director of Nagra Audio, Business Development Director of Nagravision and Managing Director of Précel (at the time a Kudelski Group company). In 1999 he started his own corporate consultancy firm working in the telecommunications sector while continuing to collaborate on strategic projects for Nagravision. In 2003, he was appointed Chief Operating Officer for the Digital Television sector of the Kudelski Group and Executive Vice President. On January 1, 2018, Pierre Roy was appointed Chief Marketing Officer (CMO), Digital TV.

Current mandates Kudelski Group:

- Nagravision AS, in Norway, Board member (formerly named Conax AS)
- Kudelski Security, Inc, in USA, Board member
- Kudelski Security Holdings, Inc., in USA, Board member
- Kudelski Corporate, Inc., in USA, Board member
- Nagravision India Private Limited, in India, Board member
- Nagra Media Germany GmbH, in Germany, Board member
- Nagra Media UK Ltd, in the United Kingdom, Board member
- Nagravision Italia s.r.l., in Italy, Board member
- Nagravision Iberica SL, in Spain, Board member
- Nagra USA LLC., in USA, Board member
- Nagravision Asia Pte Ltd., in Singapore, Board member
- Nagra Media Korea LLC, in South Korea, Board member
- Nagra Media Pvt Ltd, in India, Board member
- Nagra Media (Taiwan) Co. Ltd, Board member
- Nagra Media Beijing Ltd, in China, CEO
- Nagra Media Beijing Ltd., Shanghai Branch, in China, Director
- Nagra Media Japan KK, in Japan, Board member
- Nagra Media Australia Pty. Ltd., in Australia, Board member
- Nagravision SA, in Switzerland, Board member and Executive Board member
- NexGuard Labs B.V., in Netherlands, Board member
- NexGuard Labs Netherlands B.V., in Netherlands, Board member
- NexGuard Labs France S.A.S., in France, Board member
- NexGuard Labs USA, Inc., in USA, Board member
- OpenTV Australia Holdings Pty Ltd, in Australia, Board member
- OpenTV, Inc., in USA, Board member
- SmarDTV SA, in Switzerland, Director

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## MORTEN SOLBAKKEN

Morten Solbakken started his professional career in 1995 as a satellite system engineer in Telenor International. From there on, he held numerous positions in the Telenor structure dealing in particular with strategy and business development around the pay TV assets as well as the management of Telenor's ownership in international satellite organizations. From 2007 to 2011, he was Chief Strategy Officer in Telenor Broadcast Holding AS (owner of Canal Digital, Telenor Satellite, Norkring and Conax). In March 2011, Solbakken was appointed COO at Telenor Broadcast Holding, and Chairman of the Boards of Conax, Telenor Satellite and Norkring. Morten Solbakken joined Conax as acting CEO in September 2011 and was made CEO from December 2011 – driving a transformation of the company including the process which led to the acquisition of Conax by the Kudelski Group in April 2014. He became COO, Digital TV and Executive Vice President of the Kudelski Group on the 1<sup>st</sup> of January 2018.

Current mandates Kudelski Group:

- Nagravisio AS, in Norway, Board member and CEO (formerly named Conax AS)
- Digital Video Holding AS, in Norway, Chairman of the Board
- Digital Video Drift AS, in Norway, Chairman of the Board
- Digital Video Health AS, in Norway, Chairman of the Board
- NexGuard Labs B.V., in Netherlands, Director
- NexGuard Labs Netherlands B.V., in Netherlands, Director
- NexGuard Labs France S.A.S., in France, Director
- Kudelski Corporate, Inc., in USA, member of the Board of Directors
- Kudelski Norway AS, in Norway, executive Board Member and Managing Director
- Nagra USA, LLC., in USA, member of the Board of Directors
- Open TV, Inc., in USA, member of the Board of Directors

- SmarDTV SA, in Switzerland, member of the Board of Directors
- Techno Venture AS, in Norway, Chairman of the Board and Managing Director
- Conax Access Systems Pvt Ltd, in India, Chairman of the Board (until December 31<sup>st</sup>, 2017)

Other mandates:

- Telenor Satellite AS, in Norway, Member of the Board of Directors

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### 4.2. Other activities and vested interests

Please refer to the individual profiles of members of the Executive Board under section 4.1 above.

### 4.3. Articles of association on the number of permitted activities

In accordance with section 25 of the articles of association, members of the Executive Board may exercise no more than two mandates in senior management or administrative bodies of third-party legal entities whose five mandates in other third-party legal entities. They may also exercise up to ten mandates in senior management or administrative bodies of non-profit or charitable third-party legal entities.

A company is not considered a third-party legal entity according to this provision, and is therefore not taken into account when calculating the maximum number of mandates mentioned above, if:

1. it controls the company directly, indirectly or jointly with third parties, or is controlled by it; or
2. it does not have to be listed in the Commercial Register or in a corresponding foreign register (e.g., corporations and public entities, non-profit associations, religious foundations or family foundations); or
3. the mandate is carried out at the company's request.

Mandates carried out for legal entities directly or indirectly controlled by a single individual or legal entity, or by a single group of individuals or legal entities acting in concert, or at the request of one of these individuals or legal entities, are deemed to constitute a single mandate for the purposes of this provision.

For members of the Executive Board who are also members of the Board of Directors, the maximum number of mandates in the senior management or administrative bodies of third-party legal entities is governed exclusively by Article 18, paragraphs 7 to 10 and as mentioned above in section 3.3 of this report.

### 4.4. Management contracts

As of December 31<sup>st</sup>, 2018, Kudelski SA and its subsidiaries had not entered into any management contract with companies outside the Group.

## 5. Compensation, shareholdings and loans

For details relating to the compensation, shareholdings and loans to members of the Board of Directors and Executive Board of Kudelski SA, please refer to the 2018 compensation report.

## 6. Shareholders' participation rights

The provisions of the articles of association governing the participation rights of shareholders are in compliance with the law as set out in the Swiss Code of Obligations. The articles of association of Kudelski SA may be found on the Kudelski Group website via the following link: <https://www.nagra.com/investors/publications>

### 6.1. Voting rights restrictions and representation

**6.1.1.** In accordance with the articles of association of Kudelski SA, there are no restrictions on voting rights and no statutory Group clauses or rules on granting exceptions.

**6.1.2.** There are currently no statutory provisions on granting instructions to an independent representative or on any form of participation in the General Meeting by electronic means.

### 6.2. Quorum required by the articles of association

The articles of association of Kudelski SA do not impose any majority higher than contemplated by law for resolutions of the General Meeting of Shareholders.

The General Meeting is validly constituted regardless of the number of shareholders present and/or the number of shares represented.

### 6.3. Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders must be called at least 20 days before the date of the meeting. The notice of the General Meeting is published in the Swiss Official Gazette of Commerce.

### 6.4. Inclusion of items on the agenda

Items on the agenda are mentioned in the notice. Regarding rules for adding items to the agenda, the articles of association of Kudelski SA do not contain provisions that differ from the Swiss Code of Obligations, namely Art. 699 CO, which provides that "shareholders who represent shares totaling a nominal value of CHF 1 million\* may request that an item be included in the agenda.

The calling and the inclusion of an item on the agenda must be requested in writing listing the items and motions".

\* This represents 0.23% of the capital of Kudelski SA or 0.13% of the voting rights.

## 6.5. Entries in the share register

Kudelski SA shares that can be traded on the SIX Swiss Exchange are bearer shares; consequently there is no register of shareholders for this category of shares.

## 7. Changes of control and defense measures

### 7.1. Duty to make an offer

Kudelski SA has no provision in its articles of association on "opting-out" within the meaning of Article 125 para. 3 or 4 of the Federal Act on Financial Market Infrastructure (FMIA) or «opting-up» within the meaning of Article 135 para. 1 LIMF. This means that if a shareholder reaches the limit laid down by the Swiss Financial Market Infrastructure Act (art. 135 LIMF: 33<sup>1/3</sup>% of the voting rights), he will be required by the same law to submit a takeover bid on all bearer shares of the company that it does not yet hold, at the minimum price defined in article 135 para. 2 LIMF.

### 7.2. Clauses on changes of control

To the knowledge of the Group, no such agreement exists.

## 8. Auditors

### 8.1. Duration of the mandate and term of office of the lead auditor

The auditors of Kudelski SA are PricewaterhouseCoopers SA (Lausanne). Some companies affiliated with the Group are audited by other auditors. The auditors were reappointed by the Annual General Meeting of Shareholders of Kudelski SA of 15 March 2018 for a statutory period of one year. The PricewaterhouseCoopers SA mandate began in 1985. It has been under the responsibility of Mr. Luc Schulthess since 1 January 2017. The auditor in charge is replaced at the latest seven years after the year in which he/she first occupied this position, as specified in Article 730a paragraph 2 of the Swiss Code of Obligations.

## 8.2. Auditing fees

The Kudelski Group paid PricewaterhouseCoopers for auditing services for the year 2018 the sum of CHF 1 150 000. Auditing services are understood to mean the work required each year to examine the consolidated accounts of the Group and its subsidiaries and to prepare the reports required under the laws of each country.

## 8.3. Additional fees

The Kudelski Group paid PricewaterhouseCoopers for additional services for the year 2018 the sum of CHF 455 000 representing CHF 413 846 for tax advisory services and CHF 41 154 for other additional services. Additional services mean in particular services such as the occasional accounting review of transactions and other services such as review of new or modified accounting methods.

## 8.4. Information instruments pertaining to the external audit

The aim of the Audit Committee of the Board of Directors is to provide effective and regular supervision of the company's financial reporting processes in order to ensure their integrity, transparency and quality. To this end, it is responsible for monitoring the work, including additional services, of the external auditors.

PricewaterhouseCoopers provides the Audit Committee with a detailed report before each Committee meeting regarding the execution and results of its work for the Kudelski Group, proposals to correct or improve identified problems and the implementation status of decisions made by the Audit Committee.

The auditor's representatives, including the auditor in charge of the Group's audit, are regularly invited to take part in meetings of the Audit Committee as external participants.

Representatives from PricewaterhouseCoopers were invited this year to all three meetings of the Audit Committee. They do not participate in any discussions and decisions of the Audit Committee regarding the auditors. For more information on the Audit Committee, and particularly on the selection, evaluation and independence criteria please refer to sections 3.5.2 and 3.5.3 above.

## 9. Information policy

The Kudelski Group keeps investors regularly informed of the following developments:

- progress of business and major new contracts;
- changes in the management of the Group;
- acquisitions or sales of companies; and
- half-year and annual financial results.

Press releases are issued in compliance with the rules in force of the SIX Swiss Exchange concerning factual publicity and are available on the Group's website simultaneously with their publication. A link on the home page of the Group's web site allows direct access to press releases. The Group communicates as often as necessary in this manner. Press releases are generally published in French and in English. In certain specific cases, a German version is also provided. They are available in these languages on the website.

Persons wishing to receive Kudelski Group press releases may subscribe to a mailing list using a form available on the Kudelski Group website <https://www.nagra.com/media/subscription>.

Financial results are presented to investors and financial analysts during a press conference held twice a year. Persons invited can also follow the conference by audio webcast.

The Group's website is a regularly updated source of information. The Investor Relations section contains a list of the principal dates of the corporate calendar (publication of results, Annual General Meeting and presence at major trade shows) as well as the Group's main publications (annual report and half-year report). Mr. Santino Rumasuglia is in charge of the investor relations (+1 480 430 9952, +41 79 373 66 71, [santino.rumasuglia@nagra.com](mailto:santino.rumasuglia@nagra.com)).

The Group's main website links and e-mail addresses are on the last page of this report.

### Important dates

- 9 April 2019: Annual General Meeting, Cheseaux-sur-Lausanne;
- 21 August 2019: Publication of the Interim Financial Report and Press Conference.



# KUDELSKI SA

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