

# Governance and remuneration at Landis+Gyr

February 2019

- Landis+Gyr at a glance
- Business model, strategy and mid-term targets
- Corporate governance
- Remuneration framework
- Sustainability / CSR
- Q&A

## Global leader in smart metering solutions...



Swiss HQ with offices in 30+ countries worldwide



120 Years of service to customers as a trusted partner to utilities



Serving 3'500+ utilities worldwide



Nearly USD 1b of self-funded R&D investment since 2011



Over 90 million connected intelligent devices deployed



More than 15 million meter points under managed services



The largest installed base with 300+ million devices globally



Frost & Sullivan Global AMI Company of the Year 2017 - the 4<sup>th</sup> consecutive year

## ... serving three regional segments

Landis+Gyr Group: 1'738m Net Revenues in FY17

Asia-Pacific (8%)  
USD 138m



Americas<sup>1</sup> (56%)  
USD 972m

EMEA (36%)  
USD 627m

- North America, robust smart metering business
- EMEA, on track for return to profitability
- Asia-Pacific, positioned for long term growth

<sup>1</sup>Including Japan

# Landis+Gyr has established leadership in smart metering and continues to strengthen and build its core business

*Landis+Gyr continues to strengthen core offering*

## Smart meters



Residential



Commercial



Industrial

## Communication networks



Network gateway



Network bridge

## Software & Services for data aggregation and management



Head-end systems



Meter data analytics



Meter data management

**#1 in smart meters with more than 90 million installed connected intelligent devices**

# Industry disruption drives need for grid edge intelligence

## Traditional power grid



- Central one-way power system
- Focus on safe, reliable and affordable power

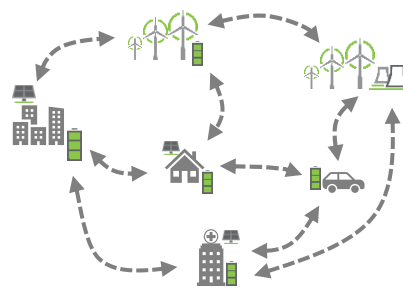


## “3-D” drivers of industry disruption

- **Decarbonization, decentralization and digitalization** disrupting the utility industry
- Rise of **distributed and intermittent resources** to be integrated
- New level of **flexibility, resilience and security** needed
- Distributed energy resources increasingly raising the game on **customer engagement** and new offerings



## Decentralized power grid



- Distributed two-way power flows
- Mobile energy resources
- Multiple energy players



## Grid edge intelligence

- **Distributed intelligence** at each endpoint (**grid edge**)
- Near real time **energy measurement and control**
- **Data flows** via flexible communications networks
- **Enhanced capabilities** for processing throughout the network

Grid edge intelligence is the evolution of smart metering to enable the digital energy revolution

# Three platforms for growth with attractive addressable market sizing and dynamics

## 1 | Smart metering

Smart electricity, gas and heat meters  
Communication Network  
Software and services

## 2 | Grid edge intelligence

Distribution management before the meter (on the grid)  
Behind the meter applications in home energy management

## 3 | Smart infrastructure

Multi-Utility infrastructure  
Smart street lighting Infrastructure

Addressable market 2017 USD 5.6b

USD 3.2b

USD 3.8b

CAGR 17-21

7%

19%

11%



Three growth platforms represent an addressable market of USD 12.6b  
growing at more than 11% CAGR through 2021

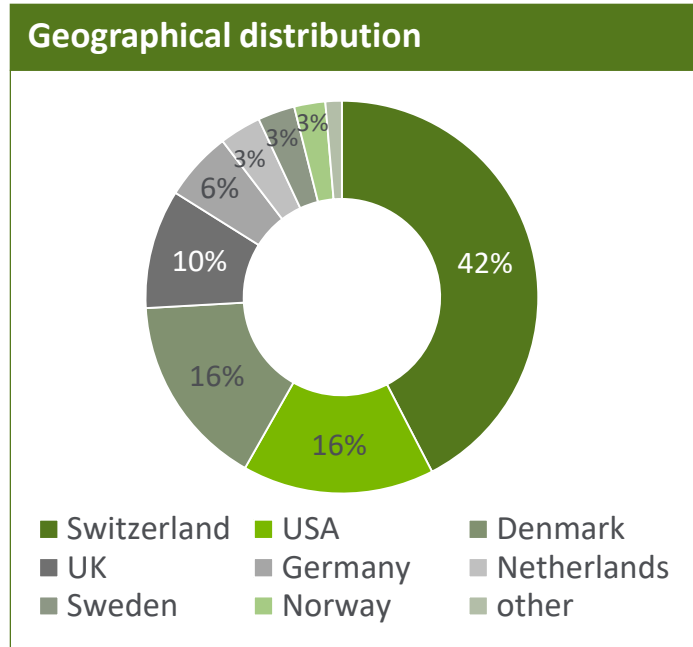
Sources: Company analysis, Navigant Research, Northeast Group, IHS Markit, CSIL

## Mid-term guidance (FY 2021)

- Mid single digit annual net revenue growth
- Adjusted EBITDA margin between 13.5% and 14.5%
- Free Cash Flow (excl. M&A) above USD 150 million
- Dividend payout of at least 75% from Free Cash Flow (excl. M&A)
- Net debt to remain below 1.5x adjusted EBITDA

# Strong anchor investors and diversified shareholder base

Top shareholders	% of capital
KIRBKI Invest A/S	15.06%
Rudolf Maag	10.17%
Franklin Resources, Inc	6.19%
Fir Tree Capital Management	3.84%
Nordea Investment Funds	3.11%
Credit Suisse Funds	3.08%
Approx. 11,300 registered shareholders	



Sources: SIX filings, share register as of February 2019



# Corporate Governance

# Group Executive Management



**Richard Mora** – CEO



- Former COO of Landis+Gyr
- Previously EVP, Landis+Gyr Americas and held various management positions within Siemens and GE Capital

19  
years  
with L+G



**Jonathan Elmer** – CFO



- Former CFO of Landis+Gyr EMEA and CEO of AMPY Metering

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**Prasanna Venkatesan** – Head Americas



- Previously held senior positions within Landis+Gyr and at Cellnet and Schlumberger

12



**Susanne Seitz** – Head EMEA



- Previously held senior positions within Siemens Building Technologies, BT&T Asset Management and Ernst Basler & Partners

<1



Experienced international  
management team

CEO streamlined and  
simplified the management  
team in 2018

Average tenure is over 13  
years with Landis+Gyr

Broad based industrial  
skill sets



**Andreas Umbach**



- Chairman since 2017
- No committee
- Former Exec. / non-independent

### Experience

- President and CEO/COO of Landis+Gyr Group (2002-17)
- Various managerial positions within Siemens



**Eric Elzvik**



- Lead Independ. Director (2017)
- Chair Remuneration Committee
- Audit & Finance Committee

### Experience

- CFO of ABB Ltd. (2013-17)
- Various senior positions within ABB (finance, M&A, ventures)



**Dave Geary**



- Independent Member since 2017
- Remuneration Committee

### Experience

- EVP Business Integration at Nokia Networks
- President of the Wireless Networks at Alcatel-Lucent (2009-15)



**Pierre-Alain Graf**

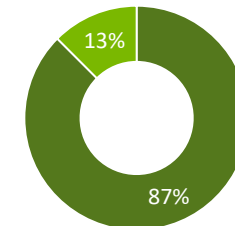


- Independent Member since 2017
- Remuneration Committee

### Experience

- Senior Vice President of ABB Ltd.
- CEO of Swissgrid (2008-15)

## Independence



- Independent
- Non-independent



**Mary Kipp**



- Independent member since 2018

### Experience

- CEO of El Paso Electric Co. (since 2015)
- Enforcement Attorney at the Federal Energy Regulatory Commission (FERC)



**Peter Mainz**



- Independent member since 2018

### Experience

- Board member of Itron (2016-18)
- President and CEO of Sensus (2008-14)



**Andy Spreiter**



- Independent Member since 2017
- Chair Audit & Finance Committee

### Experience

- CFO of Forbo (2013-17)
- CFO of Landis+Gyr Group (2002-12)



**Christina Stercken**

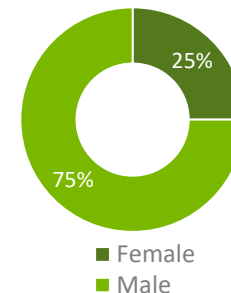


- Independent Member since 2017
- Audit & Finance Committee

### Experience

- Partner in EAC- Euro Asia Consulting
- Managing Director Corporate Finance M&A of Siemens AG (2000-2006)

### Diversity



## Skill Matrix

General	Governance	Technical/Functional	Industry Experience	Personality	Diversity
Independence	Understanding Fiduciary, Legal and Ethical duties	Strategy development, and execution	Utility Markets and Regulation	Honest, fair and diligent	Multicultural background
Financial Proficiency	Board Experience	Growth and Innovation	Utility Operations	Commitment, efficiency and effectiveness	Gender
Global / International / Emerging Markets Experience	Governance Experience	Operational Excellence	Solutions, Software and Services in Energy Management	Independent Thinking	
Leadership, General Management and P&L experience	Risk Management and oversight	Financial Expertise	Transformation and Restructuring		
	Sustainability / Environmental / Health and Safety	Digitalization incl. Cybersecurity			

## Lead Independent Director

- Provides leadership to the independent directors
- Creating a governance means to address any potential issue where the Chairman – due to his previous role as CEO of the Group – may be conflicted
- Can call Board meeting without Chairman and chairs meetings if the Chairman is indisposed or conflicted
- Includes any deliberations or decision-taking involving the assessment of the Chairman's work

## Audit & Finance Committee

- Oversight of financial reporting
- Assessing the adequacy of the Group's systems, policies, and controls regarding financial and non-financial risks.
- Compliance with legal and regulatory obligations, insurance and related matters.
- Evaluates the work of the internal control functions (e.g. Audit and Compliance) and of the external auditors.

*Comprising fully independent board members*

## Remuneration Committee

- Ensures executives and employees are paid in a way that rewards performance, innovation, and good conduct, while helping attract and retain the talent
- Establishes and reviews the compensation strategy and prepares proposals to the shareholders' meeting regarding the compensation
- Sets compensation targets for the Executive Management

*Comprising fully independent board members*

## Limitation of Board mandates

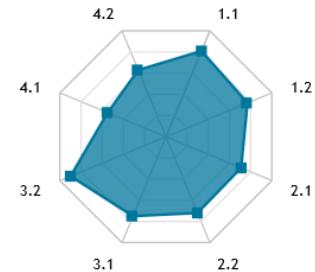
- No more than total five mandates at publicly traded companies (average: 2); limit of total four for Chairman (currently: 3)
- No member of current executive management on the Board

## Attendance / Decision making process

- Board and Committees meet every two months; holds telephone conferences on an as needed basis
- Meeting attendance in FY 2017 was 98.6% and 100% in current financial year (FY2018)
- Annual two-day strategy session
- Introduction program for new Board members

## Ranked well in third party governance study

Ranked #9 (of 176 Swiss companies) in zRating Corporate Governance study 2018



zRating

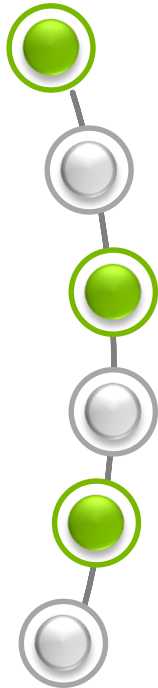
- 1.1 Shareholders
- 1.2 Capital structure and balance sheet
- 2.1 Shareholders' participation rights
- 2.2 Obligation to make an offer / change of control
- 3.1 Board of Directors
- 3.2 Executive Management
- 4.1 Remuneration and participation
- 4.2 Remuneration structure

# Remuneration Framework





## Highlights



Comprehensive remuneration governance with the Board of Directors' direct oversight of the remuneration policy at Landis+Gyr

Remuneration strategy based on the principles of performance, shareholder value, talent management and market orientation

Board of Directors remuneration system aligned with shareholder value

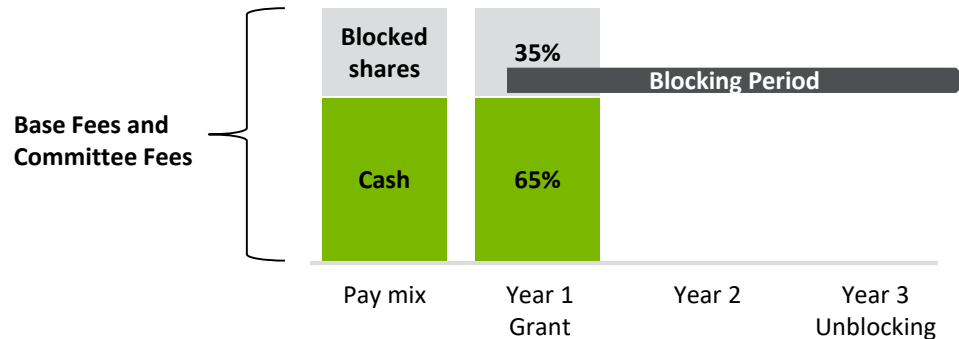
Group Executive Management (GEM) remuneration system driven by performance

GEM Remuneration balances short-term and long-term performance drivers

GEM shareholding guidelines to better align interests of GEM members and shareholders

# Board of Directors remuneration system: aligned with shareholder value



- The remuneration of the Board of Directors is fixed and does not contain any performance-based variable component. This provides for the Board of Directors' independence in fulfilling its supervisory duties.
- Except for the Chairman, who receives a fixed annual base fee covering all activities, Directors are also entitled to committee membership fees.
- The amounts of the base fee and committee membership fee reflect the responsibility and time requirement inherent to the function and are paid 65% in cash and 35% in Landis+Gyr's shares, which are blocked for sale for a period of three years following grant.



As announced at the IPO, the share component was introduced as of term of office 2018/2019 to further strengthen the alignment with shareholder interests.

- Due to his previous employment relationship, the Chairman was offered the possibility to remain in the company's collective pension scheme. However, all contributions, including the employer contributions, are funded by the Chairman himself; his base fee payment is reduced accordingly by the amount of employer contributions which the company remits directly to the pension fund on behalf of the Chairman.

# Group Executive Management remuneration system: driven by performance

Year 1	Year 2	Year 3	
<b>Base salary</b>			<ul style="list-style-type: none"> <li>Fixed compensation reflecting the scope and responsibilities of the role, qualifications and experience required to perform the role and market value of the role in the location in which the company competes for talent, skills and expertise.</li> </ul>
<b>Benefits</b>			<ul style="list-style-type: none"> <li>Defined considering local market practice as well as legal requirements and covering pension benefits, fringe benefits, etc.</li> </ul>
<b>Short-term incentive</b> 0-200% of target value			<ul style="list-style-type: none"> <li>Annual cash incentive for Group and (if relevant) regional performance</li> <li>Target of up to 80% of base salary</li> <li>Payout capped at 200% of target amount</li> </ul>
 Annual performance			
<b>Long-term incentive</b> 2018+: 0-200% of number of granted PSUs			<ul style="list-style-type: none"> <li>Performance Share Units (PSUs)</li> <li>Settled in Landis+Gyr shares subject to performance achievement (TSR and EPS)</li> <li>Grant value of up to 80% of base salary converted into PSUs at grant</li> <li>Settlement in shares capped at 200% of number of granted PSUs</li> </ul>
 3 year performance-based award			
<b>Shareholding guidelines</b>	300% base salary for CEO 200% base salary for other GEM members		<ul style="list-style-type: none"> <li>Guidance on share retention to build up within 5 years and hold as long as in office</li> </ul>

**There are no other incentives nor any guaranteed amounts paid to Group Executive Management**

# Group Executive Management remuneration system: Details on short-term incentive plan

## Purpose:

- Annual cash incentive plan with focus on Landis+Gyr's one-year operational and financial performance
- Designed to motivate participants to deliver effective performance and increased contribution to the company's success
- Financial performance targets are set by the Board of Directors at the beginning of each financial year and correlate with the mid-term plan and long-term strategy and are aligned with business priorities, with the aim of achieving sustainable profitability and growth in alignment with shareholder's interests.

## Design:

Illustrative

Individual *target* short-term incentive



Target incentive payout factor (0-200%)



Individual *actual* short-term incentive

*Performance achievement determines payout as % of individual target*

KPI	Weight
Net sales	30%
Adjusted EBITDA	40%
Operating Cash Flow less tax paid	30%

*Performance targets recommended by the RemCo and determined by the Board of Directors annually and which correlate with the long-term business strategy*

Threshold performance levels, below which payout is 0% of target incentive, and maximum performance levels, at which payout is capped at 200% of target incentive, apply.

Linear interpolation applies between threshold, target and maximum performance.

GEM function	Group Results	Region Performance
CEO, CFO	100%	-
Region EVPs	30%	70%

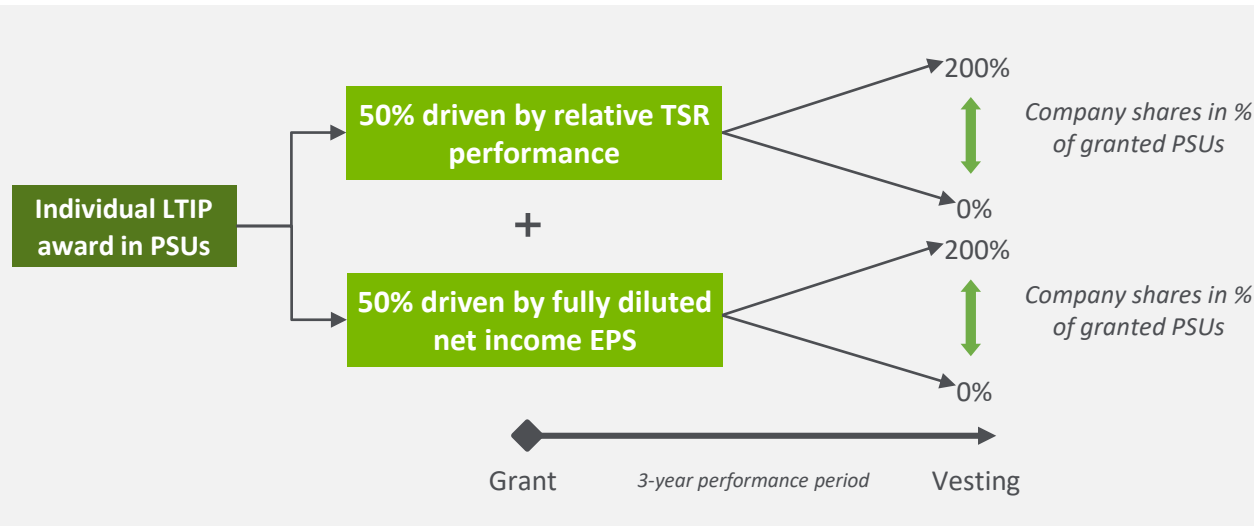
# Group Executive Management remuneration system: Details on long-term incentive plan

## Purpose:

- To support long-term value creation for the company by providing the members of the GEM and other eligible key managers with a possibility to participate in the future long-term success and prosperity of Landis+Gyr, and
- To further align the long-term interests of the management with those of the shareholders.

## Design:

Illustrative



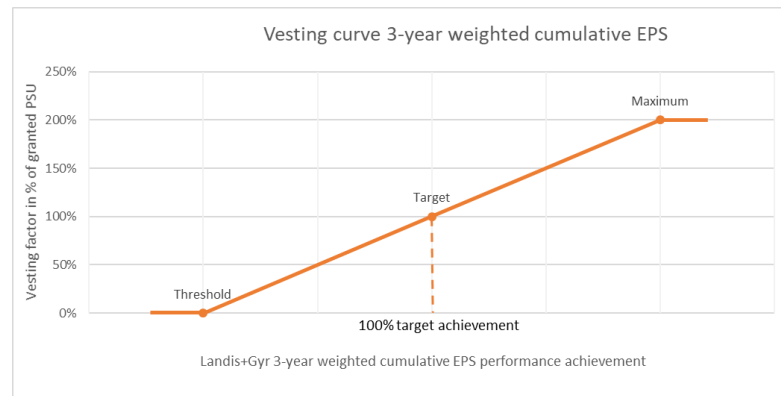
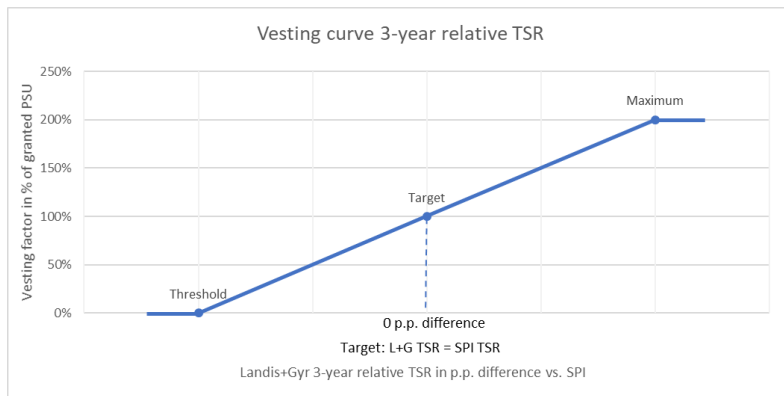
# Group Executive Management remuneration system: Details on long-term incentive plan

Performance / vesting levels	Relative TSR <sup>1</sup>	Weighted cumulative EPS <sup>2</sup>
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**Target performance: 100% vesting of granted PSUs**    Landis+Gyr TSR is equivalent to SPI TSR    EPS target is achieved

**Vesting between threshold, target and maximum performance**

Linear interpolation



1. If Landis+Gyr's absolute TSR attributable to the respective 3-year performance period is negative, the relative TSR vesting factor is set at zero, regardless of Landis+Gyr's performance relative to the SPI
2. EPS target will not be disclosed on a prospective basis as it represents commercially sensitive information

# Actions taken in response to investor feedback

During the 2018 financial year, the Board of Directors conducted a **thorough review of investor concerns and feedback**, as a result of which the following changes and improvements were or will be made:

- ✓ Implementation of **clawback provisions** in variable remuneration plans
- ✓ More detailed disclosure regarding **variable short- and long-term incentive plan structure and design, target setting and performance measurement** to be included in 2018 Remuneration Report
- ✓ More detailed disclosure of **LTIP forfeiture provisions** to be included in 2018 Remuneration Report
- ✓ A review of the **LTIP rTSR performance reference group** will be undertaken for the 2019 grant
- ✓ The respective breakdown will be shown of the **fixed and variable components of the maximum aggregate amount of remuneration for executives** requested for shareholder approval at the 2019 AGM
- ✓ The disclosure in the 2018 Remuneration Report regarding the **Chairman pension arrangement** will be extended to include more details on the rationale

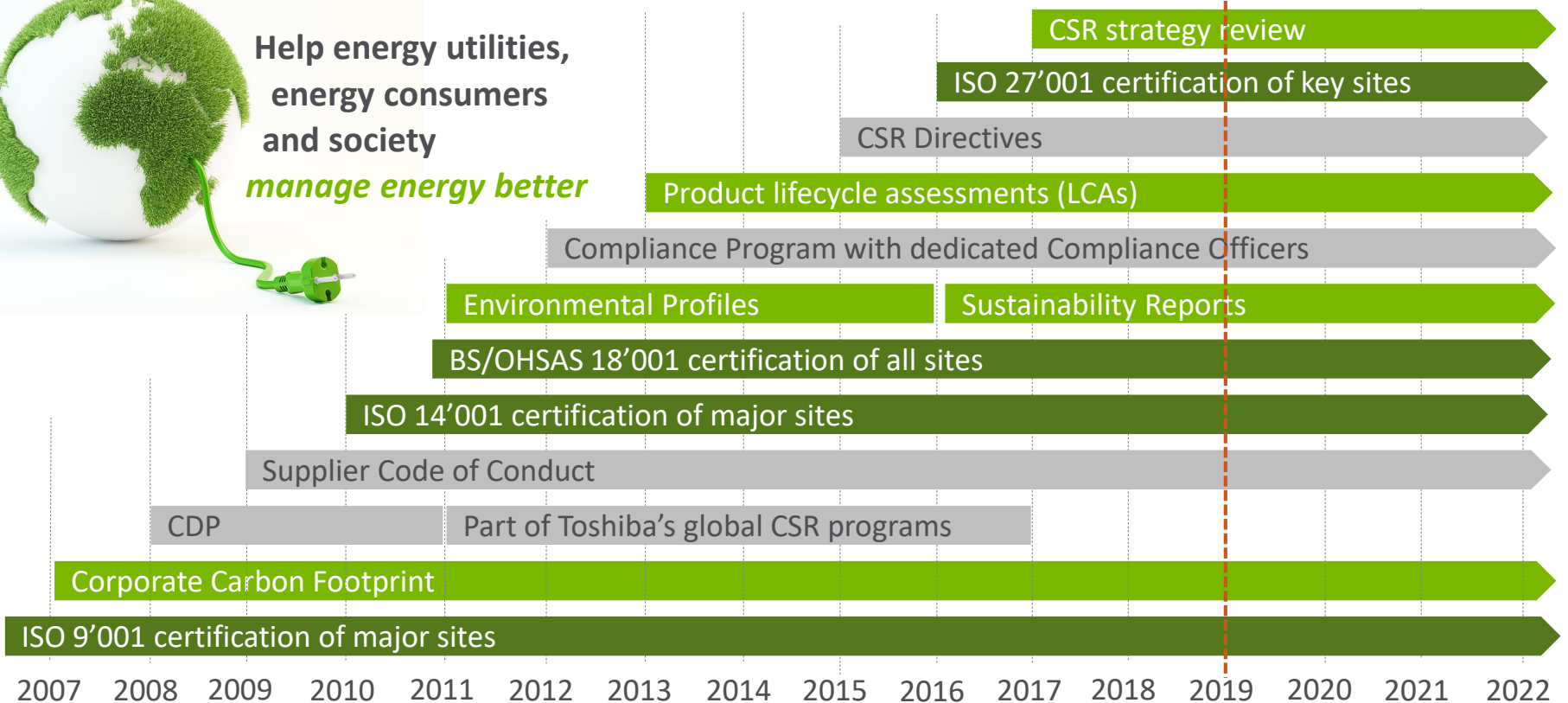
# Sustainability / CSR



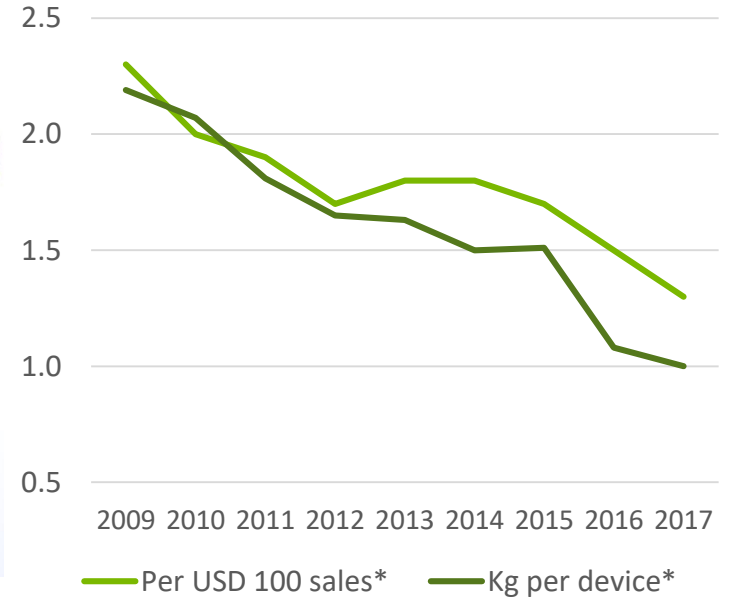
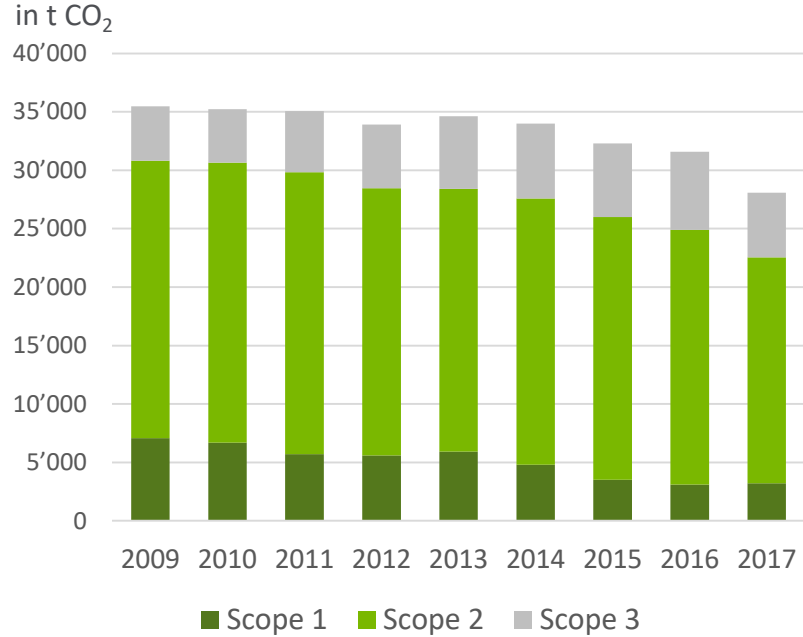
# Our CSR journey started in 2007



**Help energy utilities,  
energy consumers  
and society  
*manage energy better***



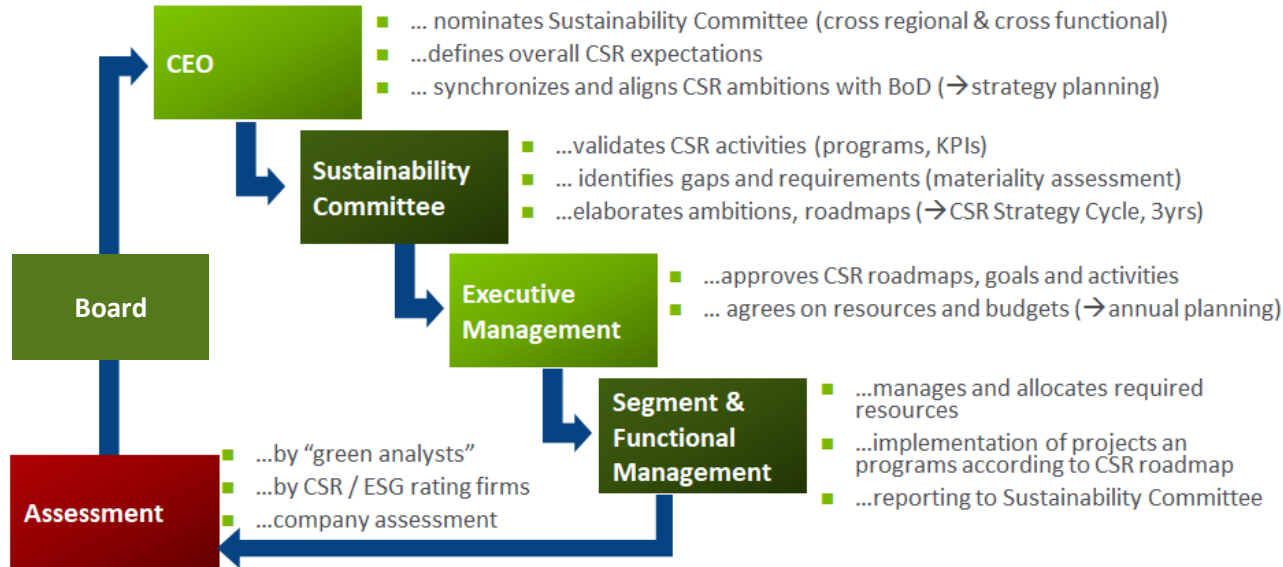
# Transforming from Carbon Footprint...



\* kilogram CO<sub>2</sub> equivalent (Scope 1 & 2) per USD 100 turnover; respectively per device manufactured  
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# ...into a comprehensive CSR Program

## Our CSR Management Approach

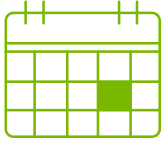


Materiality assessment has identified the following topics:

- Energy Efficiency and climate Protection
- Resource Efficiency
- Strategic Responsible Sourcing
- Employee Motivation
- Occupational Health and Safety
- Fair Labor Practices
- Community Engagement
- Business Integrity
- Data Security and Privacy.



**Thank you for your attention**



## Important Dates

**Release of FY2018 Results:**  
May 29, 2019

**Annual General Assembly:**  
June 25, 2019 - Zug

**Release of H1 FY2019 Results:**  
October 25, 2019

## Contact Investor Relations

**Stan March**  
SVP Group Communications &  
Investor Relations  
Phone +1 678 258 1321  
[Stan.March@landisgyr.com](mailto:Stan.March@landisgyr.com)

**Christian Waelti**  
Phone +41 41 935 6331  
[Christian.Waelti@landisgyr.com](mailto:Christian.Waelti@landisgyr.com)

## Contact Address

Investor Relations  
Landis+Gyr Group AG  
Theilerstrasse 1  
CH-6301 Zug  
+41 41 935 6000  
[ir@landisgyr.com](mailto:ir@landisgyr.com)  
[www.landisgyr.com/investors](http://www.landisgyr.com/investors)