

Axpo Holding AG

Annual Report 2019/20



Finances

CHF million	2019/20	2018/19	2017/18	2016/17	2015/16
Total income					
Total income	4 808	4 856	4 850	5 567	5 416
of which revenues from energy sales and grid usage	4 639	4 725	4 764	5 330	5 169
EBIT					
Earnings before interest and tax (EBIT)	791	850	348	269	− 1 226
as % of total income	16.5%	17.5%	7.2%	4.8%	−22.6%
Result for the period					
Result for the period	570	865	131	310	− 1 252
as % of total income	11.9%	17.8%	2.7%	5.6%	−23.1%
Cash flow and investments					
Cashflow from operating activities	594	146	474	175	361
Net investment in non-current assets (excl. loan receivables)	−275	−418	−198	−294	−890
Free cash flow	319	−273	276	−119	−529
Balance sheet					
Total assets	21 674	20 806	22 216	19 023	18 588
Equity (including non-controlling interests)	6 734	5 900	4 979	4 884	4 634
Equity ratio in %	31.1%	28.4%	22.4%	25.7%	24.9%
Net financial assets	−1 181	−1 257	−586	−777	−683
Employees (full-time equivalents)					
Average number of employees	5 115	4 653	4 357	4 231	4 293
Number of employees at balance sheet date	5 350	4 958	4 441	4 222	4 294

Energy business¹⁾

	2019/20 in million kWh	2018/19 in million kWh	Change year on year in %
Procurement			
Nuclear power plants	19 235	19 656	−2
Hydro power plants	9 966	9 644	+3
Conventional thermal power plants	6 449	8 470	−24
New energies (incl. other associates)	1 511	1 335	+13
From third-party companies and trading	16 169	25 482	−37
Gas (excl. gas-based electricity generation)	14 227	11 019	+29
Total	67 557	75 606	−11
Sales			
Electricity sales	52 681	63 826	−17
Gas sales	14 227	11 019	+29
Losses/own use	240	220	+9
Direct sales from other associates	409	541	−24
Total	67 557	75 606	−11

¹⁾ The sales and procurement figures shown here relate only to the marketing of Axpo’s own production output and to the SME sales business. They do not include origination business served using energy procured on the market.

Robust Axpo achieves strong results in demanding environment

Dear Readers

The Axpo Group proved to be robust in the 2019/20 financial year (1 October 2019 to 30 September 2020) and achieved strong results, despite the challenges posed by the COVID-19 pandemic. An exceptional performance in international trading was complemented by solid profit contributions from all other areas: Intelligent cross-linking of the production, trading and customer businesses proved effective, even in a challenging environment.

An exceptional performance in international trading was complemented by solid profit contributions from all other areas

Axpo’s total income in the 2019/20 financial year remained stable year-on-year at CHF 4,808 million, while earnings before interest and tax (EBIT) amounted to CHF 791 million (previous year: CHF 850 million). Adjusted for reversals of impairment losses in the previous year and fluctuations in funds for decommissioning and disposal of nuclear power plants (STENFO), earnings before interest and tax increased by CHF 332 million year-on-year to CHF 826 million. Axpo benefitted from slightly higher hedged electricity prices and took advantage of the opportunities offered by energy market volatility.

Overall results for the period were CHF 570 million. The previous year’s reported results of CHF 865 million included reversals of impairment losses of CHF more than 300 million. The positive operating profit was underscored by the significantly higher free cash flow of CHF 319 million (previous year: CHF −273 million).

In view of the good earnings performance and high cash flow, the Board of Directors will propose to shareholders that a dividend of CHF 80 million be paid out one year earlier than originally planned.

Rapid and effective response to outbreak of the COVID-19 pandemic
From March 2020 onwards, the financial year was dominated by the COVID-19 pandemic. Axpo implemented effective measures at an early stage to protect its employees from the disease and ensure that operations in all areas could be maintained without restrictions at all times. The lockdowns imposed by the governments of many countries in the spring to combat the pandemic led to a significant decline in economic output and thus also to a drop in the demand for energy. Uncertainty about the pandemic’s effects and how it would progress also resulted in high volatility on the energy markets and subdued investment activity.



“Land art” in Toulouse: The largest urban solar plant ever built was designed by the artist Damien Aspe, built by Axpo and co-financed by the local community.

Trading & Sales delivers exceptionally good results

The Trading & Sales business continued its successful growth of recent years in 2019/20. Earnings before interest and tax (EBIT) rose on the previous year to CHF 498 million (previous year: CHF 198 million). Axpo is active in customer business and energy trading in 40 markets and 30 countries. Market proximity and disciplined risk management enabled the proprietary and asset-backed trading businesses to benefit from a buoyant market environment and achieve exceptional results. Market uncertainty also led to higher customer demand for customised risk management solutions. The trend towards long-term supply contracts (Power Purchase Agreements or PPAs) in the renewable energy sector, in which Axpo is one of the leading suppliers in Europe, continues unabated. Particularly significant are the PPA with the Green Investment Group for two wind farms in Norway, and a ten-year PPA with the Spanish photovoltaic developer Solaria.

Demand for natural gas, which will play a key role in the transition to a CO₂-free energy future in many parts of the world, has also increased. Axpo has further strengthened its market position in this business through various measures, including the opening of a new office in Singapore.

Sustained growth in renewable energies

Of all Switzerland’s energy companies, Axpo is the biggest investor in new renewable energies and has the highest capacity in this area. The photovoltaic business has performed positively following the acquisition of Urbasolar in 2019, with the total capacity of PV systems increasing from 249 MW to 373 MW. The construction of a further 250 MW is planned for the current financial year and the entire project pipeline amounts to more than 1,000 MW. Together with a partner, a long-term supply contract was concluded with the operating company of the three Paris airports, Paris-Charles de Gaulle, Orly and Le Bourget. In connection with this, Axpo is building three solar plants with a capacity of 40 MW, which will start operating in 2021.

Axpo is building a special solar power system at the largest visitor car park at Disneyland Paris. With an installed capacity of 30 MW, it is one of the largest solar installations on a car park roof in Europe. With the PV system, which covers an area of 24 football pitches, the leisure park on the outskirts of the French capital will meet 17% of its electricity needs. In the south of France, Axpo is building a further 37 solar power plants commissioned by Crédit Agricole with a capacity of 143 MW, 10 MW of which have already been put into operation.

Axpo also successfully continued its strategy of profitable growth in the wind energy sector. The focus this year was on further expanding the portfolio and securing future development projects. In France, Axpo won the first 2019/20 auction rounds, securing 27% of the total auction volume and winning ten projects with a total of 201.5 MW. Axpo operates 130 wind turbines with a total capacity of 300 MW. In addition, 143 wind turbines are managed for third parties. In total, Volkswind has projects with a capacity of around 4,000 MW under development.

Of all the Swiss energy companies, Axpo is the biggest investor in new renewable energies and has the highest capacity in this area

Axpo’s AlpinSolar project is a good example of why most investments in the expansion of renewable energy sources are being made abroad, due to the current framework conditions in Switzerland. The award of a building permit for the planned 2 MW solar plant on the Lake Mutt dam marked an important milestone in renewable energy. However, although customers are interested in comparatively more expensive Alpine solar power, it is not currently a viable option. Axpo is continuing to work

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The free cash flow increased to CHF 319 million.



Growth in the solar technology business field was again strong in the past financial year and was well above the market average.

towards the realisation of this pioneering project, which will offer a valuable means of supplying electricity in winter. Switzerland still lacks an adequate framework for large-scale investment in renewable energy. As part of the revision of the Energy Act, Axpo is therefore actively promoting an auctioned, floating market premium based on the market price, which is a successful standard model in many other countries. In addition, the revision lacks a risk guarantee to ensure long-term investment in existing hydropower plants. In order to better exploit the potential of renewable energies in our country, especially in view of looming winter shortages, clear incentives for investors are needed.

Swiss hydropower still economically unattractive

The Generation & Distribution business area also achieved good results. Total income increased from CHF 1,925 million to CHF 1,960 million, and earnings before interest and tax amounted to CHF 164 million. Adjusted for the reversal of impairment losses in the previous year and STENFO fluctuations, earnings before interest and tax were thus slightly higher than in the previous year. This improvement was primarily attributable to higher electricity prices compared with the previous year. In hydro power, Axpo benefited from a good hydrological year, although Swiss hydro power is still economically unattractive and investment in this form of energy is not worthwhile under current conditions. As for nuclear power, the high availability of Swiss power plants, which had few planned and no unplanned production interruptions, compensated for the reduced availability of the French power plant park. With its production of around 29 billion kilowatt hours, Axpo remains highly exposed to the risk of price fluctuations on international electricity markets.

With more than 100 power plants and electricity supply agreements, Axpo is making a substantial contribution to secure electricity supplies in Switzerland. Axpo is also currently converting its 50-kilovolt grid to 110 kilovolts, and at CHF 96 million invested more overall in its grid infrastructure than in the previous year (CHF 86 million). Overhauls of the Beznau and Leibstadt nuclear

power plants were successfully completed despite difficult conditions caused by the COVID-19 pandemic. Axpo will continue to invest in hydroelectric power and the grid infrastructure in Switzerland – where possible and if it is economically viable.

As part of the digital transformation, the Sarganserland power plant was partially converted into Switzerland’s first digital hydro power plant. Since summer 2020, fault rectification, inspections and maintenance at this power plant have largely been carried out with digital support. With the know-how gained from the pilot project, Axpo will now transform all its own hydro power plants and, as a service provider, will also support other power plant operators as they move into the digital future. Grids are also increasingly becoming a digital competence centre, carrying out tasks such as automatic repetition recognition of drone images during line checks, or virtual inspections of switching stations to retrieve information remotely.

Overhauls of the Beznau and Leibstadt nuclear power plants were successfully completed despite difficult conditions caused by the COVID-19 pandemic

New solar power plant every day

The Axpo subsidiary Centralschweizerische Kraftwerke (CKW) achieved good results, with earnings before interest and tax (EBIT) of CHF 124 million. Adjusted for special effects, this line item rose from CHF 87 million to CHF 133 million. Growth in the solar technology business was again strong during the past financial year and well above the market average. CKW connects about one new solar plant to the grid every day. Solar contracting – the construction and operation of solar plants at customer

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With a production of 29 billion kilowatt hours, Axpo is making a substantial contribution to Switzerland’s electricity supply.



premises – was also successfully expanded within a short period. CKW is already one of the leading providers of solar energy in Switzerland and is expected to further strengthen this position for the Axpo Group.

**New CEO Christoph Brand –
focus on strengths and growth areas**

Christoph Brand took up his position as CEO of Axpo Holding AG on 1 May 2020, in the middle of the coronavirus lockdown. Previously, Thomas Sieber, Chairman of the Board of Directors, had also taken on operational responsibility for the Axpo Group in a dual mandate as at 1 October 2019. Under the new management, Axpo has further developed its strategy and made a number of initial strategic decisions. Axpo will be focusing on three pillars going forward: in Switzerland, on its leading role in the transition to a CO₂-free energy future; internationally, on its customer and trading business; and the expansion of renewable energy, with battery storage and hydrogen playing a more important role in the future alongside hydro power, wind and solar energy.

Persistent economic uncertainty dampening outlook

The COVID-19 pandemic continues to cause uncertainty, dampening economic performance and with it energy demand and investment activity. Any negative effects of the pandemic on the economy as a whole, financial markets and electricity prices over the medium term could have a negative impact on Axpo's future results. Axpo is therefore expecting lower results for the 2020/21 financial year. In this uncertain environment, Axpo is concentrating on reducing economic risks in its Swiss business and exploiting opportunities presented by the changing energy market to further expand its renewable energy activities and international customer and trading business.

Impressive resilience – thanks to employees

The ongoing COVID-19 pandemic continues to pose major challenges for our company. The fact that Axpo has so far been able to tackle these challenges convincingly is primarily down to the resilience of its employees. It was impressive how quickly and diligently, but also how pragmatically and creatively, they responded in all areas. Whether working from home, devising completely new ways of interacting with customers, or overseeing the extremely complex overhaul of nuclear power plants – our employees and management have found solutions to every problem, spurred on by a can-do spirit and teamwork.

The Board of Directors and Executive Board would like to thank all employees for their dedication in these challenging times. This constructive cooperation shown over the past few months has laid very strong foundations for our Group to continue to grow and evolve.



Thomas Sieber
Chairman of the Board of Directors
Axpo Holding AG



Christoph Brand
CEO
Axpo Holding AG

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The total capacity of the PV systems increased from 249 MW to 373 MW.

Trade as a catalyst for the shift to alternative energy sources

Fossil energy sources are being replaced by electricity. Worldwide, electricity consumption will increase dramatically by the year 2050. It will be covered primarily by renewable energies, which is why renewables are being widely expanded. Axpo is now in an excellent position throughout Europe to play a key role in this development. In Switzerland, on the other hand, the expansion of renewables is progressing slowly.

Axpo is the largest Swiss producer of renewable energy, marketing a portfolio of 16,600 MW of solar and wind power in Europe during the 2019/20 financial year. This corresponds to 16 times the capacity of the Gösgen nuclear power plant. Axpo builds power plants itself, enables third parties to invest in renewable energies through long-term purchase agreements. By networking production, trading and tailor-made customer solutions, Axpo economically successful itself but also acts as a catalyst for the shift to alternative energy sources through its energy trading activities.

To date, there is still no market model allowing investment in Swiss power plant capacity for renewables

Axpo will continue to invest in the renewable energies business in Europe and would also like to do the same in Switzerland. However, there is still no attractive market model that allows investments to be made in Swiss renewable power plant capacity. On the other hand, the European Union presented a package of measures in the 'European Green Deal' in 2020 that should significantly accelerate decarbonisation and trigger investment in sustainable investments of more than one trillion euros.

The current figures are impressive. In 2019, around 116 billion kilowatt hours (kWh) of wind power and 47 billion kWh of solar power were produced in Germany. Denmark, which is comparable with Switzerland in terms of area, produced 12 billion kWh of wind energy and 1 billion kWh of solar energy. The figures in Switzerland are, however, sobering: 0.12 billion kWh wind and 2.25 billion kWh of solar power. This is eight times less energy per capita than in Denmark.

In Switzerland there is still no consensus on how to replace nuclear power plants after they have been shut down. The 'not in my backyard' attitude and nature and landscape conservation concerns often either make construction projects more expensive or prevent them from getting off the ground at all. In addition, Switzerland, with its small size, is neither a typical wind country nor ideal for large-scale solar installations. However, if the Leibstadt nuclear power plant were to be replaced with a solar power plant, it would take up approximately the area of Lake Zurich and require additional storage and backup power plants.



The Limmern pumped storage power plant on the Lake Mutt.



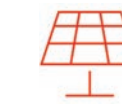
Two assumptions in the original Swiss energy strategy are now proving outdated. Firstly, electricity consumption is not falling. Although our use of electricity is becoming increasingly efficient, these savings are offset by the ever-growing demand caused by faster decarbonisation. Today, it is predicted that energy consumption will fall by 2050, but that electricity consumption will increase by around a third.

Secondly, just a few years ago it was believed that there would always be sufficient imported energy available. But there is still no agreement with the EU on an electricity treaty. So even the import capacity available to Switzerland today is by no means guaranteed in the long term. With Germany withdrawing from nuclear production and now also from coal-fired power, and other European neighbours also likely to reduce conventional production in the coming decades, Switzerland is facing a challenge to secure supply. Only if our neighbours have enough energy themselves will we be able to import from them.

Conversely, this means that the accelerated expansion of renewable energies in Europe will also make a significant contribution to security of supply in Switzerland. The fact that Axpo and numerous other Swiss energy companies have invested heavily in expanding renewable energies in Europe in recent years has not only made economic and ecological sense, but also directly benefits the Swiss economy and society through imports.

In the debate about expanding capacity and imports, the most important renewable source is often forgotten: domestic hydropower. It would be a mistake to regard today's hydropower production levels as secure. Switzerland's uniquely high levies rule out making an adequate return and are hindering investment in renewing and increasing the productivity of its power plants. Levies in the country account for 35% of the cost of hydropower. Particularly striking is the water levy. This alone saddles Swiss hydroelectric power with additional costs of CHF 550 million a year.

Although the goals of the Energy Strategy 2050 are very ambitious, achieving them will be absolutely necessary if a continued reliable and climate-friendly supply of electricity is to be ensured. Answers to this challenge include:



Stepping up the expansion of renewable energy production facilities in Switzerland. This will require attractive framework conditions to entice investors.



Strengthening existing hydropower plants by reducing the numerous conditions and charges and setting investment incentives for capital preservation. This will be the only way to attract investment in renewables and ensure that hydro capacity has a future.



Operating existing nuclear power plants for as long as they are safe as a climate-friendly transitional technology until renewable capacity is sufficiently developed.



Achieving further CO₂ reductions in the areas of application dominated by fossil fuels, such as transport and heating, can be achieved through sector coupling and a hydrogen strategy.



Introducing a strategic storage reserve.



Strengthening relations with the EU to ensure that import capacity is safeguarded.



In the long term, constructing green backup power plants (hydrogen and synthetic gas) – this would make the construction of fossil gas power plants unnecessary.

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Levies in Switzerland account for 35% of the cost of hydropower.

Corporate Governance

Axpo is committed to the principles of good corporate governance. These are constantly monitored by the Board of Directors and adjusted if required. Axpo is proactive in providing open and transparent information. The Sustainability Report meets internationally acknowledged standards.

Group structure and shareholders

Group structure

The Axpo Group is managed through its management structure. The Group companies that comprise the legal structure represent the legal entities in which business is transacted. They are the individual subsidiaries of Axpo Holding AG (Axpo Power AG, Axpo Solutions AG, Axpo Services AG, Centralschweizerische Kraftwerke AG and Avectris AG).

Subsidiaries:

- Axpo Power AG, Baden, 100%, CHF 360 million share capital
- Axpo Solutions AG, Baden, 100%, CHF 1,567 million share capital
- Axpo Services AG, Baden, 100% , CHF 0.1 million share capital
- Axpo AG, Baden, 100%, CHF 0.1 million share capital
- Centralschweizerische Kraftwerke AG, Lucerne, 81.1%, CHF 3 million share capital
- Avectris AG, Baden, 65.6% , CHF 0.1 million share capital

A complete list of Group companies and the main associates (joint ventures and other associates) is included in the Financial Report in Note 6.6 'Investments'.

Shareholders

The cantons and cantonal utilities of North-Eastern Switzerland own 100% of the shares of Axpo Holding AG (see table).

The shareholders of Axpo Holding AG

	In %	In CHF million
Canton of Zurich	18.342	67.9
Electricity utilities of the Canton of Zurich	18.410	68.1
Canton of Aargau	13.975	51.7
AEW Energie AG	14.026	51.9
SAK Holding AG	12.501	46.3
EKT Holding AG	12.251	45.3
Canton of Schaffhausen	7.875	29.1
Canton of Glarus	1.747	6.5
Canton of Zug	0.873	3.2
Total share capital	100.000	370.0

Cross shareholdings

There are no cross shareholdings.

Capital structure

Share capital of Axpo Holding AG

The share capital of Axpo Holding AG amounts to CHF 370 million, divided into 37,000,000 registered shares with a par value of CHF 10 each. The shares are fully paid up. Axpo Holding AG has neither authorised nor contingent capital at its disposal. Each share entitles the holder to one vote at the Annual General Meeting of Shareholders and a pro-rata share of the dividends distributed.

Shares

Registered shares may only be transferred with the approval of the Board of Directors. This restriction also applies to the establishment of a beneficial interest. As long as the required agreement to transfer is not given, ownership of the shares and all rights attaching thereto remain with the seller, subject to Art. 685c par. 3 of the Swiss Code of Obligations. Reasons for denying consent are:

- the acquisition of shareholdings by a competitor;
- the economic autonomy of the company is jeopardised by the transaction;
- the objectives of the company are jeopardised by the transaction.

Changes in equity

The share capital of Axpo Holding AG has not changed since the establishment of the company in 2001. Details of other changes in equity can be found in the Financial Report in Note 4.1 'Capital management and equity' in the case of the consolidated annual financial statements of the Axpo Group and in Note 24 'Changes in equity' in the case of the annual financial statements of Axpo Holding AG.

Board of Directors and Executive Board

Election and term of office

The Board of Directors is elected by the Annual General Meeting of Shareholders. The members of the Board are elected for a term of office of two years and re-election is possible (age restriction: 70). The current term of office runs from the 2019 Annual General Meeting of Shareholders to the 2021 Annual General Meeting of

Shareholders. With the exception of the Chairman, the members did not exercise any executive functions within the Axpo Group in the 2019/20 financial year. The Chairman took office from 1 October 2019 until 30 April 2020, also assuming the CEO function of Delegate of the Board of Directors. During this time, the Vice Chairman acted as Lead Director in accordance with Art. 3.4.2. of the Organisational Regulations. The Board of Directors met six times during the year under review. A conference call also took place.

Internal organisation

The Board of Directors constitutes itself and elected its Chairman and Vice-Chairman. In addition, the Board of Directors can appoint a secretary, who need not be a member of the Board of Directors. The Board of Directors can set up committees and confer special duties and powers on these committees. There are currently three standing committees whose task is to analyse in greater depth all business or personnel-related decisions submitted by the Executive Board. The committees report to the Board of Directors to allow it to prepare its resolutions and exercise its supervisory functions and make recommendations regarding various business and personnel-related matters. The Board of Directors retains overall responsibility for the tasks assigned to the various committees. Specifically, the committees have the following main functions:

Audit and Finance Committee:

- formulating independent assessments of the financial state of the Group, the quality of the internal and external auditing, the quality and appropriateness of the internal control systems, the annual financial statements, the interaction between internal and external auditing, the risk assessment and functioning of the risk management system, and compliance with the regulations within the Group;
- coordinating the audit plan with the internal and external auditors and assessing the financial statements;
- advising the Board of Directors on matters of financial management, transactions and investments, and corporate governance and compliance issues.

The Audit and Finance Committee met six times during the year under review. The Committee assessed the quarterly financial reports, the annual financial statements and the Group's financial planning. It also reviewed the (semi-annual and annual) compliance reports and the internal control system. It studied the semi-annual risk report to obtain an overview of the current risk situation of the Axpo Group. It also discussed the audit plan and reports submitted by the internal and external auditors. Management regularly updated the Committee as part of the progress review process on the progress made with the implementation of the measures proposed by the internal auditor. During the reporting year, the Committee also assessed various investments and submitted reports to the Board of Directors.

Remuneration and Nominations Committee:

- formulating criteria for the selection and re-election of candidates to the Board of Directors in the form of a recommendation to shareholders;
- discussing the selection of candidates with shareholders;
- preparing the nomination of the members of the Board of Directors and the Executive Board;
- promoting diversity;
- preparing proposals for the remuneration and expenses regulations of the members of the Board of Directors; also taking the final decision on the remuneration of the members of the Executive Board in compliance with the salary system for senior management adopted by the Board of Directors;
- supporting the selection and assessment of candidates for the Executive Board;
- ensuring that the total remuneration packages are in line with the market and employee performance and that Axpo remains competitive on the labour market;
- advising the Board of Directors on all personnel issues and personnel management proposals by the CEO of Axpo Holding AG;
- formulating an opinion and recommendations on the Group's personnel policy and strategy as well as the pension plans.

The Remuneration and Nominations Committee met three times in the reporting year (including one conference call). It dealt with the annual process for determining the remuneration of members of the Board of Directors and Executive Board as well as the implementation of talent management and succession planning in the Axpo Group. The committee also conducted the interviewing, selection and nomination processes for the succession arrangements for the Executive Board function of the CEO.

In addition, the committee prepared a review of the remuneration of Axpo's management and the regulations governing the remuneration of the Board of Directors. It also defined the extended requirements for succession planning at the Axpo Group.

Strategy Committee:

This body deals with all strategic issues of the Group.

The Strategy Committee held four meetings in the year under review. The topics it dealt with included Group strategy, strategic and energy-related projects, energy policy issues and governance.

Responsibilities and authority

The duties of the Board of Directors are based on the provisions of the Swiss Code of Obligations. The Board of Directors is responsible for defining the corporate strategy, ensuring top-level management of the company and supervising the executive management. In particular, it is responsible for establishing organisational structures, arranging the accounting system, overseeing financial controlling and financial planning, appointing the members of the Executive Board and determining their salaries, drafting the management report, and preparing for the Annual General Meeting and implementing its resolutions.

The Board of Directors deals with all matters that have not been assigned to another governing body of the company by law, the articles of association or the organisational rules. In addition, the

Board of Directors of Axpo Holding AG decides on the strategic principles and planning of the major companies of the Group and also on measures in connection with corporate performance.

The powers and responsibilities of the Board of Directors and the Executive Board are set out in the organisational rules of 1 July 2020 and in the management and organisation manual of the Axpo Group. The organisational rules and the management and organisation manual describe the non-transferable duties of the Board of Directors. Responsibility for the overall management of the Axpo Group is delegated to the Chief Executive Officer, who is supported by the Executive Board. The CEO bears overall responsibility vis-à-vis the Board of Directors. The Executive Board, chaired by the CEO, coordinates and supervises the business operations of the Axpo Group. The responsibilities and powers of the CEO and of the Executive Board are also defined in both the organisational rules and the management and organisation manual and in the financial responsibilities statement of 1 July 2020.

The company can only be bound legally by way of joint signature with a minimum of two signatures.

Tools for monitoring and overseeing the Executive Board

The CEO regularly updates the Board of Directors on business performance and important events. The Board has the following main tools at its disposal for monitoring and overseeing the Executive Board:

- internal quarterly, semi-annual and annual reports;
- strategic planning (Group strategy and goals);
- long-term financial planning (planning horizon: ten years);
- annual budget (as well as 'Budget plus' for two additional years);
- comprehensive auditors' report to the Board of Directors;
- semi-annual risk reports;
- annual corporate compliance reports (semi-annually to the Audit and Finance Committee);
- reports of the CEO;
- semi-annual legal report.

The Board of Directors has entrusted PricewaterhouseCoopers with the internal audit function. Its activities are guided by the audit plan approved by the Chairman of the Board of Directors in agreement with the Audit and Finance Committee. The internal audit by PricewaterhouseCoopers covers all Group companies. The Board of Directors is also represented on the Corporate Risk Council. The Corporate Risk Council met twice in the reporting year.

Remuneration, shareholdings and loans

The Remuneration and Nominations Committee reviews the fees paid to the members of the Board of Directors and the committees and submits requests for changes if required. The Board of Directors determines the fee to be paid to its members. The members of the Board of Directors receive a fixed fee which differs in terms of amount for the positions of Chairman, Vice-Chairman, chairs of the committees, the members of the committees and the other members of the Board of Directors. Axpo Holding AG does not generally make severance payments to members of the Board of Directors or Executive Board who resign. The remuneration of the members of the Executive Board consists of a fixed basic salary and a variable salary component of up to 75% or up to 200% (depending on the function) of the basic salary, which depends on the degree of attainment of the financial and thematic objectives defined by the Board of Directors, as well as pension benefits and benefits in kind. There are no other forms of remuneration.

Remuneration, shareholdings and loans to members of the Board of Directors and the Executive Board are disclosed in the Financial Report in Note 26 'Compensation for the Board of Directors and Executive Committee'. There are no long-term contractual ties with members of the Board of Directors or the Executive Board.

Shareholders’ rights of participation

The property and participation rights of the shareholders are regulated by law and by the company’s articles of association. Axpo Holding AG has issued only registered shares. The company maintains a share register. So far as the company is concerned, only those whose names are entered in the share register are deemed to be shareholders.

Shareholders holding at least 10% of the share capital can request that the Board of Directors convene an extraordinary general meeting. The request must be submitted in writing and contain the reasons for the meeting. The written notice must contain the agenda as well as the motions of the Board of Directors and the shareholders who requested the calling of the meeting or who exercised their right to add an item to the agenda.

The Annual General Meeting carries out its elections and passes its resolutions with the absolute majority of the votes present and represented, unless a qualified majority for ratifying resolutions is required by law (Art. 704 of the Swiss Code of Obligations). The articles of association do not contain any provisions on a required quorum for voting. The shareholders registered in the share register are entitled to vote at the Annual General Meeting. There are no restrictions on voting rights. A shareholder can be represented at the Annual General Meeting by a third party, who need not be a shareholder him/herself, bearing a written power of attorney. The company also maintains regular contact with the owners.

Risk management

It is the task of Axpo’s risk management team to present the Group’s risk situation in transparent terms, manage the Group-wide risk potential within the guidelines defined by the Board of Directors, and promote a risk culture within the Group. Axpo defines risk as deviations from the original plan that can be negative as well as positive. According to its mission statement and vision, the Group does not limit its risk assessment to purely financial aspects, but uses a holistic approach to assess the following three risk dimensions:

- Finances@risk assesses the financial impact of risks that could cause a deviation from the budgeted result;
- Environment@risk analyses the impact of risks on threats to people and the environment;
- Reputation@risk assesses the impact on the Group’s reputation.

Systematic risk management process

Axpo’s risk management process has been in place for many years. As part of this process, Axpo identifies the risks every six months and assesses them according to probability of occurrence and impact. The overall risk is determined by aggregating the individual risks using Monte Carlo simulation. The results of this Group-wide risk analysis are compiled every six months in a risk report and discussed in the Corporate Risk Council. The Corporate Risk Council consists of the Executive Board, representatives of various Group functions and a representative of the Board of Directors of Axpo Holding AG. The risk report is subsequently discussed by the Audit and Finance Committee as well as the Board of Directors.

Compliance

Compliance ensures the implementation of the compliance strategy and objectives of the Axpo Group by managing, implementing and continuously developing a Group-wide compliance management system (Compliance Programme). Key components of this Compliance Programme are the identification, limitation and monitoring of compliance risks and the sensitisation of management and employees through consulting, ongoing training and coaching.

The Compliance function is the central specialist unit for the enforcement of comprehensive compliance and a contact point for reporting suspected violations of laws, the code of conduct and other internal regulations and for other concerns or suggestions. Axpo has an ethics hotline and also accepts anonymous reports.

At Axpo, Compliance reports directly to the General Counsel. It has direct access to both the CEO and the Chairman of the Board

of Directors, as well as to the Audit and Finance Committee of Axpo Holding. On the basis of the annual Corporate Compliance Report (submitted semi-annually to the Audit and Finance Committee), the Board of Directors is accountable for whether the applicable compliance principles are sufficiently known and whether they are followed in day-to-day business.

External audit

KPMG AG, Zurich, is the auditor for Axpo Holding AG, the Axpo Group and its subsidiaries. The audit mandate was given to KPMG for the first time for the 2003/04 financial year. The statutory auditor is elected for a period of one year by the Annual General Meeting of Shareholders. The current lead auditor has exercised his function since 2018. The Audit and Finance Committee of the Board of Directors periodically reviews compliance with the audit plan agreed with the statutory auditor.

Axpo paid KPMG AG a total of around CHF 2.6 million in the 2019/20 reporting year (previous year: approx. CHF 2.7 million) for services related to the auditing of the annual financial statements of Axpo Holding AG, the Axpo Group and the subsidiaries audited by KPMG globally. KPMG AG was also paid CHF 0.6 million (previous year: around CHF 0.6 million) for other services provided.

Internal audit

Axpo paid PricewaterhouseCoopers AG a total of CHF 0.6 million in the 2019/20 reporting year (previous year: CHF 0.5 million) for services related to the internal auditing of Axpo Holding AG, the Axpo Group and the Group companies audited by it.

Information policy

Axpo actively, openly and transparently issues information on the Group, its objectives and specific events. Dialogue with the public enhances credibility and promotes an understanding of the Group’s business policies. Axpo attaches importance to communication that meets the needs of the target groups. It provides its shareholders with information at the Annual General Meeting as well as through the shareholders’ newsletter published in June.

The Axpo media office sent out to the media around 50 media releases regarding current events and developments at the Group and its subsidiaries in the reporting year. The media office also organised various plant visits, background discussions and media briefings to provide information, share expertise and cultivate direct contacts with journalists. The dossiers on the axpo.com website are also part of the company’s media relations work. They provide background information on the production, transmission and trading of electrical energy.

Executive bodies of Axpo Holding AG

Board of Directors

Chairman of the Board of Directors
Thomas Sieber, Stäfa
Vice Chairman
Roland Eberle, Weinfelden

Members

Dorothee Deuring, Zurich
Hanspeter Fässler, Bergdietikon
Martin Keller, Nussbaumen AG
Stefan Kessler, Jenins
Peter Kreuzberg, Borken/Germany
Stephan Kuhn, Schaffhausen
Roger Wüthrich-Hasenböhler, St. Gallenkappel

Executive Board

Christoph Brand, CEO
Andy Heiz, Deputy CEO and Head of the Generation & Distribution business area
Domenico De Luca, Head of the Energy Trading & Sales business area
Martin Schwab, CEO CKW
Joris Gröflin, CFO

Auditors

KPMG AG, Zurich

Board of Directors



Thomas Sieber
Chairman and Delegate (1 October 2019-30 April 2020) of the Board of Directors,
Born 1962, Swiss national

Thomas Sieber, lic. oec. University of St. Gallen, has been Chairman of the Board of Directors since March 2016 and was also Delegate of the Board of Directors from October 2019 until the end of April 2020, and is currently a member of the Remuneration and Nominations Committee and the Strategy Committee. From 2016 to January 2018, he was also a member of the Audit and Finance Committee. From 2012 to the end of 2015, Thomas Sieber was Chairman of Salt Mobile SA, which he headed from 2009 to 2012 as CEO. He previously held senior management positions for Hewlett Packard Inc. and Fujitsu Siemens Computers AG. Other BoD mandates: Sierra Wireless and HCL Technologies.



Roland Eberle
Vice Chairman (since 18 January 2019)
Born 1953, Swiss national

Roland Eberle, Ing. Agr. (agricultural engineer) ETH, has been a member of the Board of Directors since March 2012, Vice Chairman since January 2019 and also served as Lead Director from October 2019 until the end of April 2020. From 2012 to March 2015, he was also a member of the Audit and Finance Committee. In March 2015, he switched to the Strategy Committee, which he has chaired since 2016. He was the SVP representative of the Canton of Thurgau in the Council of States from 2011 to 2019. From 2006 to 2011, he served as CEO of sia Abrasives Holding AG. In 1994, he was elected to the Government of the Canton of Thurgau, prior to which he spent ten years as head of the Thurgau Farmers' Association. Other BoD mandates and functions: Groupe Mutuel, Kibag Holding AG, HRS Holding AG (Chairman), Schönholzer Transport AG, as well as Chairman of the Kartause Ittingen Foundation.



Dorothee Deuring
Born 1968, Austrian national

Dorothee Deuring, M. Sc. Chemistry and MBA INSEAD, has been a member both of the Board of Directors and the Audit and Finance Committee since March 2017. She has worked as an independent consultant for corporate finance and mergers & acquisitions since 2014. She previously spearheaded Corporate Finance Group Europe at UBS AG and was Managing Director in Investment Banking at Sal. Oppenheim jr. & Cie. In the period from 2003 to 2007, she was Vice Director of the Corporate Finance, Mergers & Acquisitions department at Hoffmann-La Roche AG. Other mandates: Bilfinger SE (Supervisory Board member, member of the Audit Committee), Piquar Therapeutics AG (Board of Directors member), Lonza Group Ltd (Board of Directors member, Audit Chair), Elementis plc (Board of Directors member and Audit and Compensation Committee member).



Peter Kreuzberg
Born 1964, German national

Peter Kreuzberg, economics graduate and Dr. rer. pol., has been a member of the Board of Directors, the Audit and Finance Committee and the Corporate Risk Council since March 2017. Since 2013, he has worked as an independent senior advisor in energy and finance. From 2004 to 2012, he was a member of the Board of Managing Directors of RWE Supply & Trading, with commercial responsibility in the fields of asset optimisation and energy trading. Between 2002 and 2004, he headed commodity risk management for the RWE Group. He was previously responsible as a director for trade with structured products at Enron Europe Ltd in London.



Stephan Kuhn
Born 1957, Swiss national

Stephan Kuhn, lic. oec. University of St. Gallen, has been a member of the Board of Directors since January 2018 and a member of the Audit and Finance Committee since January 2019. Prior to that, he was a member of the Remuneration and Nominations Committee until June 2019. Since 2015, he has worked as an independent senior advisor for selected multinational companies. From 2002 to 2015, Stephan Kuhn worked for Ernst&Young (EY). There he was most recently Head of Tax and Legal Consulting at EY in EMEA (Europe, Middle East, India and Africa) and in parallel from 2011 to 2014 responsible for the consulting and auditing of financial institutions (banks, insurance companies and asset managers) in Switzerland. Prior to that, Kuhn was active as a member of the Board of Managing Directors and, in particular, as Tax and Transaction Consultant at Arthur Andersen. He also lectures in tax law at the University of St. Gallen. Kuhn's other mandates are currently limited to charitable foundations, associations and international organisations in the fields of education and culture.



Hanspeter Fässler
Born 1956, Swiss national

Hanspeter Fässler, dipl. Masch.-Ing.(mechanical engineer) ETHZ/Dr. sc. techn., has been a member of the Board of Directors since March 2017. He is also member of the Strategy Committee and has been Chairman of the Remuneration and Nominations Committee since January 2018. He has worked as an independent board member since 2015. Prior to that, he was with ABB for about 25 years, during which he assumed various national and international responsibilities, including CEO of ABB Switzerland. Other BoD mandates: ANYbotics AG (Chairman), Dätwyler Infra IT AG (President), Dätwyler Holding AG (Vice Chairman) and Hatebur Umformmaschinen AG.



Martin Keller
Born 1965, Swiss national

Martin Keller, dipl. civil engineer HTL/SIA, has been a member of the Board of Directors since April 2019 and a member of the Remuneration and Nominations Committee since June 2019. Since July 2018 he has been Managing Director of Sika Schweiz AG. Before that he worked in the construction industry and for eight years in the cement industry. From 2008 to 2019, he was a member of the Grand Council of the Canton of Aargau and the Commission for Environment, Construction, Transport, Energy and Spatial Planning, and was its Chairman from 2009 to 2013. Other BoD mandates: Eduard Meier AG, Tägerhard Kies AG, MOT Transport AG and Association Chairman of cement-aargau.ch.



Stefan Kessler
Born 1973, Swiss national

Stefan Kessler, lic. iur. University of St. Gallen, LL.M., lawyer, has been a member of the Board of Directors since January 2018 and Chairman of the Audit and Finance Committee since January 2019. Stefan Kessler has worked as an independent consultant since 2017, with a focus on interim management and M&A transaction management (Kreis2 AG) and as a member of the Board of Directors. Prior to that, he worked for the Graubünden energy company Repower in various senior management positions for around 12 years, most recently as CFO and thus also a member of Executive Management, during which time he had a significant impact at Repower. He previously worked as a legal counsel for a bank and as an attorney at a large commercial law firm in Zurich. Other mandates: Member of the municipal council and chairman of the school commission of the municipality of Jenins.



Roger Wüthrich-Hasenböhler
Born 1961, Swiss national

Roger Wüthrich-Hasenböhler, Electrical Engineering HTEI, Executive MBA University of St. Gallen, has been a member of the Board of Directors since March 2017. He is also member of the Strategy Committee and has been Chairman of the Remuneration and Nominations Committee since January 2020. He has been a member of the Swisscom AG Executive Board since 2011, responsible for the SME business and, as Chief Digital Officer, responsible for Swisscom's digital business since 2016. Other BoD mandates: Swisscom Directories AG (Chairman), SwissSign Group AG and others.

Executive Board



Christoph Brand
Chief Executive Officer,
Born 1969, Swiss national

Christoph Brand has been Chief Executive Officer (CEO) since 1 May 2020 and holds a degree in economics from the University of Bern. He also completed the Advanced Management Programme at INSEAD. From 2012 to 2020, he was CEO of TX Markets, which includes the companies Ricardo, Tutti, Jobs and Homegate. Previously, he was CEO of the software company Adcubum, CEO of the telecom company Sunrise and CEO of Bluewin and held leading positions at Swisscom, most recently as Chief Strategy Officer and a member of the Executive Board.

Christoph Brand is a member of the following Boards of Directors: Centralschweizerische Kraftwerke AG (Chairman), Scout24 AG. He is also a member of the Board of Directors of the gfm Swiss Society for Marketing.



Andy Heiz
Deputy CEO and Head of
Generation & Distribution,
Born 1968, Swiss national

Andy Heiz, dipl. El.-Ing. (electrical engineer) ETH and MBA INSEAD, has been Head of the Generation & Distribution business area since November 2014 and Deputy CEO and member of the Executive Board of Axpo Holding AG since 1 October 2019. From 2007 to September 2014, he worked for ABB, first as Head of Corporate Strategy, and, from 2011, as Head of Product Group Renewables. Prior to this, he held various management positions (most recently Association Principal) for McKinsey & Company in the USA as well as for ABB Alstom Power in Malaysia and ABB Power Generation in Switzerland.

Andy Heiz is a member of the Board of Directors in the following companies: Axpo Power AG, Kernkraftwerk Leibstadt AG (Chairman), Kernkraftwerk Gösgen AG (Vice Chairman) and a member of the Commission for the Decommissioning and Waste Disposal Fund for Nuclear Facilities.



Domenico De Luca
Head of Trading & Sales,
Born 1966, Swiss and Italian national

Domenico De Luca, M. Sc. Mechanical Engineering and Chartered Financial Analyst, has an MBA and since October 2014 has been Head of the Trading & Sales business area as well as a member of the Executive Board of Axpo Holding AG. From 2009 to 2014, he was responsible for operations in the field of International Trading & Origination for Axpo Trading AG (up to 2012 EGL AG; since 2018 Axpo Solutions AG) and a member of their executive management. Between 2007 and 2009, he was CEO of EGL Italia and from 2001 to 2007 Managing Director of EGL España. Prior to that he worked for Mixpac Systems AG and ABB SAE SADELMI.

Domenico De Luca is a member of the Board of Directors in the following companies: Axpo AG (Chairman), Axpo Solutions AG and Axpo Italia SpA. He is also on the Board of Managers of Axpo U.S. LLC.



Joris Gröflin
Chief Financial Officer,
Born 1977, Swiss and Dutch national

Joris Gröflin, lic. oec. University of St.Gallen and CEMS Master, has been Chief Financial Officer (CFO) and a member of the Executive Board of Axpo Holding AG since 1 April 2019. Since 2006 he has held management roles at Rieter Holding AG in Winterthur – from 2011 to 2019 as Chief Financial Officer and a member of the Executive Board. From 2001 to 2006, he worked in various roles (most recently as manager) at A.T. Kearney in Switzerland.

Joris Gröflin is a member of the following Boards of Directors: Axpo Power AG (Chairman), Axpo Services AG (Chairman), Axpo Solutions AG (Chairman) and Centralschweizerische Kraftwerke AG.



Martin Schwab
Chief Executive Officer CKW,
Born 1966, Swiss national

Martin Schwab has been Chief Executive Officer (CEO) of Centralschweizerische Kraftwerke AG since April 2018 and a member of the Executive Board of Axpo Holding AG since February 2011. He holds a degree in Business Administration HF, is an expert in accounting and financial controlling and has an MBA from the University of Rochester, N.Y. From February 2011 to March 2018, he was Chief Financial Officer (CFO) of Axpo Holding AG. From 2005 to the end of 2010, he was CFO of the Selecta Group. Prior to that, he was the Finance Director and Deputy Managing Director of the Compass Group (Switzerland) AG and Management Reporting Manager of the Compass Group in London. From 1999 to 2002, he was the CFO of Selecta AG and previously commercial director at Dr. Siegrist AG.

Martin Schwab is a member of the Board of Directors in the following companies: CKW Conex AG (Chairman) and Kraftwerk Göschenen AG (Chairman). He is also Vice Chairman of the Board of Trustees of PKE Vorsorgestiftung Energie and a member of the Board of Directors of the Central Switzerland Chamber of Commerce and Industry (IHZ).

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