

Strategic objectives of the Federal Council for RUAG Holding AG 2016–19

Introduction

The main purpose of RUAG Holding AG and its subsidiaries (hereafter referred to collectively as "RUAG") is to ensure that the Swiss Armed Forces are supplied with equipment (Art. 1 para. 1 of the Federal Act on State-Owned Defence Companies, BGRB, SR 934.21). The Federal Council acts as sole shareholder of the holding company on behalf of the Swiss Confederation.

It takes account of RUAG's independence as a joint stock company under Swiss law and manages RUAG with consistent longer-term objectives. These are geared primarily to the Confederation's interests as RUAG shareholder but also take due account of the Confederation's interests as a significant customer of RUAG. The Board of Directors is responsible for implementing these strategic objectives at the appropriate levels.

Orders placed with RUAG by the Confederation are subject to public procurement procedures.

1. Strategic focal areas

The Federal Council expects RUAG

- 1.1 as an industrial partner to support the Swiss Armed Forces in maintaining their systems and ensuring their readiness, and to apply appropriate and level-specific risk management for attaining this strategic objective;
- 1.2 to ensure the targeted further development of the existing capabilities of civil and military customers in Switzerland and abroad, and to exploit synergies;
- 1.3 to accord priority to DDPS contracts, continually improve the efficiency of service provision for the Swiss Armed Forces and implement the Confederation's provisions for integral security;
- 1.4 to maintain and further develop key competencies in Switzerland which are of strategic importance for the Swiss Armed Forces or the Confederation or which strengthen the core business in other ways;
- 1.5 to invest a substantial proportion of net sales in its own research and development projects while ensuring that the added value thereby generated primarily serves the purposes of a technology base that is accessible to the Confederation;
- 1.6 to take appropriate account of regional requirements in Switzerland;
- 1.7 regardless of the location of its business units to operate in compliance with the principles of Swiss foreign policy, especially with regard to the export of armaments and dual-use goods, to adopt ecologically sustainable structures and, in particular, to take appropriate measures to prevent active and passive corruption.

2. Financial objectives

The Federal Council expects RUAG

- 2.1 to achieve a level of profitability that is on a par with that of comparable technology and defence companies in Europe, and to increase its enterprise value over the long term;
- 2.2 to finance its own business from internal resources and seek to achieve a net debt ratio of less than 1.5 times EBITDA, occasional overshooting of this ratio being permissible subject to consultation with the shareholder;
- 2.3 to distribute a dividend that does not fall below 40% of reported net profit.

3. Human resource policy objectives

The Federal Council expects RUAG

- 3.1 in Switzerland and abroad to pursue a progressive HR policy which complies with national standards, is based on mutual agreements between social partners and pursues transparent and ethical principles;
- 3.2 to take an active role in Swiss vocational training, offers appropriate training positions and creates jobs which, subject to market conditions, are as attractive as possible;
- 3.3 to apply a remuneration system which is geared to the company's long-term business success and complies with the provisions of the Management Salaries Ordinance (SR 172.220.12).

4. Cooperative ventures and investments in companies

The Federal Council expects RUAG

- 4.1 to continue pursuing a reasonable internationalization strategy which is based on the group's core competencies, which strengthens RUAG's position as a Swiss company and which enlarges the technology base in line with these strategic objectives;

- 4.2 to ensure ongoing and close management of its investments and not to accept any incalculable risks or cluster risks;
- 4.3 to engage in foreign investments without undermining added value within Switzerland and in each case to examine whether, within the framework of these strategic objectives, jobs can be located in Switzerland rather than abroad;
- 4.4 to inform the shareholder in advance of any significant partnerships and investments and to provide it with assurances that the planned measures conform to the strategic objectives set out here;
- 4.5 to dispose of any business areas that are not of strategic and industrial value for the shareholder or for RUAG.

5. Reporting

- 5.1 The Federal Council expects the Board of Directors of RUAG Holding AG to inform the shareholder annually of business performance and of the attainment of these strategic objectives.
- 5.2 Quarterly discussions are held between the shareholder and the Board of Directors of RUAG Holding AG. The Federal Council may be represented in these discussions by the DDPS and the FDF.

6. Amendments

- 6.1 These strategic objectives of the Federal Council for RUAG Holding AG are valid as of 1 January 2016 and until the end of 2019.
- 6.2 The strategic objectives may be adjusted during the current 2016–19 period if required by a change in the operating environment.

Translation of the original German document