

Remuneration report

The remuneration report describes the remuneration policy and remuneration system of Bucher Industries and provides information about the annual remuneration of the members of the board of directors and group management. The 2018 remuneration report is based on the Ordinance against Excessive Compensation in Listed Corporations (VegüV) as well as the Directive on Information relating to Corporate Governance (RLCG) published by the SIX Swiss Exchange valid on 31 December 2018 and Bucher Industries AG's articles of association.

Remuneration policy Bucher Industries provides a remuneration system designed to align the interests of the board of directors and management with those of the Group, shareholders and other stakeholders. The basic principles of the remuneration system are set out in art. 23 to 28 of the articles of association of Bucher Industries AG. Since 2015, the overall remuneration of the board of directors has been subject to approval by the annual general meeting of shareholders. The individual components of the remuneration system take account of the Group's sustainable short- and long-term business development. Directors are remunerated on a non-performance-related basis. Members of group management and top management receive, in addition to their non-performance-related base salary, performance-related remuneration in recognition of their performance-oriented approach. All performance-related components of remuneration are subject to an upper limit. The objective of the remuneration system is to attract and retain highly qualified managers and specialists. The focus is on providing competitive remuneration with a fixed base salary and performance-related components paid in cash and in the form of shares in the company. At the request of the compensation committee, the board of directors issues rules and regulations relevant to the remuneration system, which are additionally benchmarked against publicly available information about similar listed companies within the European mechanical engineering industry every three to five years and revised by the board if necessary, also at the request of the compensation committee.

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Annual general meeting In accordance with art. 26 of the articles of association of Bucher Industries AG, the annual general meeting approves the total remuneration to be awarded to the board of directors for the period of office following the annual general meeting, the total amount of fixed remuneration for group management for the financial year following the annual general meeting and the total amount of variable remuneration for group management for the previous financial year. Additionally, the annual general meeting of shareholders takes note of the remuneration report on a non-binding and consultative basis.

Compensation committee

Responsibility The compensation committee comprises three to five members of the board of directors who are individually elected by the annual general meeting. The duties and responsibilities of the compensation committee are described in art. 20 and following of the company's articles of association, as well as in the summary of the internal rules of organisation that is publicly available. The compensation committee reports to the board of directors on its activities, findings and proposals. Overall responsibility for the tasks assigned to the compensation committee rests with the board of directors.

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Election and term of office The annual general meeting of 18 April 2018 elected Claude Cornaz, Anita Hauser and Valentin Vogt to the compensation committee until the next annual general meeting. The board of directors nominated Valentin Vogt as chairman of the committee.

Tasks and responsibilities The compensation committee develops the remuneration policy and sets before the board of directors a proposal for a remuneration system, together with the appropriate corporate rules and regulations, for the directors, group management and senior management. It makes recommendations to the board for the annual remuneration of the board of directors and group management, the participants in the Bucher Share Plan, and takes note of the total remuneration for senior management. The compensation committee also sets before the board of directors proposals to be presented to the annual general meeting for the prospective approval of the total fixed remuneration for the board of directors and group management, as well as the retrospective approval of the total variable remuneration for group management, in accordance with art. 26 of the articles of association of Bucher Industries AG. It is also charged with the preparation of the remuneration report to be submitted to the board of directors. The compensation committee also reviews proposals to take on external directorships submitted by members of group management, in accordance with art. 29 of the articles of association of Bucher Industries AG. If agreement is unanimous, the committee recommends to the board of directors approval of the external mandates. The compensation committee also presents the board of directors with proposals for medium- and long-term remuneration planning for the board of directors and group management. The committee provides the board of directors with proposals regarding the basic principles of the process for selecting candidates for the board of directors and group management and prepares selections based on these criteria.

Meetings and activities in the reporting period The compensation committee meets at least twice a year. The meetings usually last for several hours. The chairman of the board of directors and the CEO attend the meetings in an advisory capacity, except when their own remuneration is being determined. The compensation committee held four meetings in the reporting period. The committee's focus was on succession planning, the promotion of new talent and the supplemental pension provision for group management. The compensation committee also examined the remuneration of the board of directors and of the members of group management and dealt with the regular duties described above.

Remuneration system

Board of directors The members of the board of directors receive non-performance-related remuneration, which is proposed by the compensation committee and submitted for approval to the annual general meeting by the board of directors every year. Their remuneration consists of a base fee and cash allowances for service on committees and for expenses. Half of the base fee is paid in cash and half in shares. All cash components of the remuneration are paid out to the board of directors on a monthly basis. The allocation of shares takes place on the day after the annual general meeting for the previous period of office. The number and valuation of the shares is calculated using the year-end price for the reporting period. The shares awarded are subject to a three-year vesting period.

Group management Group management members receive a fixed remuneration amount in the form of a base salary commensurate with their responsibilities and experience, and performance-related remuneration paid out as a cash bonus and shares under the Bucher Share Plan. Other benefits comprise a representation expense allowance and contributions to a voluntary pension plan. In addition, the members of group management are provided with a mid-range company car. The fixed and variable components of remuneration specified in the employment contracts of the members of group management are conditional on the approval of the annual general meeting. The annual financial targets for the variable, performance-related components of remuneration are determined at the start of the financial year by the board of directors. These targets take into account the Group's long-term targets, the results for the previous year, the budget for the current year and the general economic environment. Variable remuneration is paid following the retrospective approval by the annual general meeting in the following spring.

Fixed remuneration The fixed base salary of group management members is determined by reference to market benchmarks for the specific position in the country concerned, based on the level of individual responsibility and experience of the person concerned.

Variable remuneration The performance-related components of the variable remuneration sum comprise a cash bonus and the Bucher Share Plan to remunerate group management members and senior management. The variable remuneration depends on their base salary, the achievement of the annual financial targets set for the Group and divisions by the board of directors and the achievement of individual non-financial annual targets. The level of target achievement ranges from 0 to a maximum of 1.5 times the value for full target achievement.

The remuneration system for members of group management is structured as follows:

	Fixed remuneration		Variable remuneration		
	Base salary		Cash bonus	Bucher Share Plan	
		Target ¹⁾	Range	Target ¹⁾	Range
CEO	100%	50%	0 – 75%	50%	0 – 75%
Other members	100%	30%	0 – 45%	20%	0 – 30%

¹⁾ 100% target achievement, all percentage numbers are based on base salary.

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Cash bonus The remuneration system for the cash bonus for members of group management is structured as follows: The financial targets are weighted at 80% and individual targets at 20%. The individual annual targets are agreed between the chairman of the board of directors and the CEO and between the CEO and each group management member. The cash bonus for full target achievement is 50% of base salary for the CEO and 30% of base salary for all other members of group management. The range of the cash bonus varies, depending on target achievement, from 0 to a maximum of 1.5 times the value for full target achievement. The financial criteria used to determine the cash bonus for the CEO and CFO are the Group's "profit for the year" and its "net operating assets as a percentage of sales". For the other members of group management, the financial criteria are "operating profit (EBIT)" and "net operating assets as a percentage of sales" for their respective divisions.

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, senior management and selected specialists. The financial target for awarding shares is "earnings per share" and is set by the board of directors at the beginning of each financial year. The target takes into account the Group's long-term targets, the results for the previous year, the budget for the current year and the general economic environment. Awards of shares are based on a percentage of base salary and depend on the achievement of the "earnings per share" financial target. The number and valuation of shares to be awarded are calculated using the year-end share price for the reporting period. Upon full target achievement, the applicable percentage is 50% of base salary for the CEO, 20% for the other group management members and 10% for other Bucher Share Plan participants. The shares awarded are restricted for three years.

Termination of employment If employment is terminated for any reason other than termination by the employee or employer, the variable annual remuneration and awards under the Bucher Share Plan will be paid on a pro-rata basis after the retrospective approval of the annual general meeting in the following spring. If employment is terminated by the employee or employer, all rights under the Bucher Share Plan will lapse. The period of notice for members of group management is twelve months.

Termination benefits There are no systems for termination benefits either for the board of directors or group management, and none were paid during the reporting period.

Remuneration in 2018

The remuneration of the board of directors and group management is reported here on an accrual basis.

Board of directors The overall remuneration awarded to the board of directors rose to CHF 1.191 million (2017: CHF 1.055 million) and was within the total amount of CHF 1.400 million approved by the 2018 annual general meeting for the period of office. The remuneration paid out and the shares held at the end of the reporting period are set out in tables on pages 68 and 70 of this annual report. The remuneration for the chairman of the board of directors remained unchanged, while for other board members the base compensation was increased by CHF 20 000. All other components of the remuneration remained unchanged. The base compensation for the chairman remained unchanged at CHF 340 000, for the deputy chairman it increased to CHF 125 000 (CHF 105 000) and for the other members of the board of directors it increased to CHF 110 000 (CHF 90 000). The flat-rate expenses remuneration for the chairman was unchanged at CHF 12 000 and for the other members at CHF 6 000. For work in committees, committee members were awarded CHF 10 000, while chairmen received an additional payment of CHF 5 000. The respective share awards were granted and valued at the year-end share price of CHF 264.40 for the reporting period.

Group management The total remuneration of group management was 11% over that of the previous year and amounted to CHF 7.603 million (2017: CHF 6.837 million). The total variable remuneration paid out and proposed in the reporting period, the shares held by the CEO and other group management members, and the total for group management at the end of 2018 are set out in tables on pages 69 and 70 of this annual report.

Fixed remuneration The fixed remuneration awarded to group management totalled CHF 5.111 million (2017: CHF 4.351 million), an increase of 17%. This is mainly attributable to the change of CFO. The total amount of fixed remuneration was 6% above the total amount of CHF 4.800 million approved by the 2017 annual general meeting, but well within the maximum range of an additional 40% that is available to the board of directors on the basis of art. 28 of the articles of association in the case of new appointments to group management.

Variable remuneration The variable remuneration of group management was in line with the previous year and amounted to CHF 2.492 million (2017: CHF 2.485 million). In the first few years of the Bucher Share Plan, the percentage allocated to the CEO has been below the target value of 50%, amounting to 40% of base salary in the reporting period. The variable remuneration of CHF 2.519 million paid out to group management in the reporting period for the 2017 financial year is below the overall amount of CHF 2.700 million retrospectively approved by the 2018 annual general meeting. In 2018, the level of target achievement for the performance-related cash bonus was between 96% and 130% and the level of target achievement for the Bucher Share Plan was 113% (122%). The level of target achievement in percentage terms was similar to the previous year. The number and value of shares granted under the Bucher Share Plan was calculated using the year-end share price of CHF 264.40. The number of shares granted under the Bucher Share Plan to the CEO and the other members of the group management was 42% above the number for the previous year due to the lower share price. The cash value of all the shares awarded under the Bucher Share Plan was 5% lower than the previous year due to the lower target achievement.

Additional remuneration, fees and loans to members of governing bodies No current or former members of the board of directors, group management members or persons connected with them received any additional remuneration, fees or loans during the year.

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The following pages 68 to 70 are subject to audit by the statutory auditors.

Remuneration of the board of directors

CHF 1 000	Base compensation in cash	Share awards		Other remuneration	Total remuneration
		Number	Value		
					2018
Philip Mosimann, chairman	170.0	643	170.0	59.5	399.5
Anita Hauser, deputy chairman	59.2	224	59.2	33.0	151.4
Claude R. Cornaz	51.7	196	51.7	31.0	134.4
Michael Hauser	51.7	196	51.7	31.0	134.4
Martin Hirzel ¹⁾	36.7	139	36.7	21.3	94.7
Heinrich Spoerry	51.7	196	51.7	32.1	135.5
Valentin Vogt	54.7	207	54.7	31.5	140.9
Board of directors	475.7	1 801	475.7	239.4	1 190.8
Approval by the annual general meeting 2018					1 400.0
					2017
Philip Mosimann, chairman	170.0	430	170.0	59.5	399.5
Anita Hauser, deputy chairman	52.5	133	52.5	31.3	136.3
Ernst Bärtschi ²⁾	15.0	38	15.0	8.9	38.9
Claude R. Cornaz	45.0	114	45.0	29.3	119.3
Michael Hauser	45.0	114	45.0	24.9	114.9
Heinrich Spoerry	45.0	114	45.0	30.6	120.6
Valentin Vogt	48.0	122	48.0	29.7	125.7
Board of directors	420.5	1 065	420.5	214.2	1 055.2
Approval by the annual general meeting 2017					1 150.0

¹⁾ From 18 April 2018

²⁾ Until 19 April 2017

The board of directors' share awards are part of the board of directors' fees. Share awards and their valuation were calculated using the year-end share price of CHF 264.40 (2017: CHF 396.00). Other remuneration included social security contributions, expenses and fees for service on the board committees.

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Remuneration of group management

CHF 1 000	Base salary	Other remuneration	Fixed remuneration	Cash bonus	Share awards under share plan		Other remuneration	Variable remuneration	Total remuneration
					Number	Value			
									2018
Jacques Sanche, CEO	800.0	227.5	1 027.5	436.0	1 368	361.7	65.2	862.9	1 890.4
Other members	3 063.3	1 019.9	4 083.2	868.6	2 241	592.5	168.4	1 629.5	5 712.7
Group management	3 863.3	1 247.4	5 110.7	1 304.6	3 609	954.2	233.6	2 492.4	7 603.1
Approval/proposal by the annual general meeting 2017/2019			4 800.0¹⁾					2 800.0	
									2017
Jacques Sanche, CEO	750.0	203.8	953.8	431.3	925	366.3	65.5	863.1	1 816.9
Other members	2 555.6	842.0	3 397.6	800.0	1 610	637.6	184.4	1 622.0	5 019.6
Group management	3 305.6	1 045.8	4 351.4	1 231.3	2 535	1 003.9	249.9	2 485.1	6 836.5
Approval by the annual general meeting 2016/2018			5 000.0					2 700.0	

¹⁾ Taking into account art. 28 of the articles of association the maximum range amounts to CHF 6.720 million.

The shares awarded to group management members for the reporting period are based on the Bucher Share Plan. The shares awarded represent a fixed percentage of base salary and the level of target achievement during the reporting period. The number of shares awarded was calculated and valued using the year-end share price of CHF 264.40 (2017: CHF 396.00). Other remuneration included social security contributions as well as expenses.

Loans and credits As at 31 December 2018, there were no outstanding loans or credits to current or former members of the board of directors or group management nor to persons connected with them.

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Board of directors' interests in shares

	Number of shares	
	2018	2017
Philip Mosimann, chairman	47 355	50 425 ¹⁾
Anita Hauser, deputy chairman	440 086	439 953
Claude R. Cornaz	3 759	3 645
Michael Hauser	605 129	605 015
Martin Hirzel	–	n.a.
Heinrich Spoerry	3 747	3 633
Valentin Vogt	4 647	3 525
Board of directors	1 104 723	1 106 196

¹⁾ Of which 3 500 shares were reserved for written call options

Group management's interests in shares

		Number of shares	
		2018	2017
Jacques Sanche	CEO	2 328	1 403
Manuela Suter	CFO	356	n.a.
Stefan Düring	Bucher Specials	1 100	880
Martin Jetter	Bucher Emhart Glass	5 384	5 106
Thierry Krier	Kuhn Group	2 333	1 255
Aurelio Lemos	Bucher Municipal	621	401
Daniel Waller	Bucher Hydraulics	10 170	9 881
Group management		22 292	18 926



Report of the statutory auditor to the annual general meeting of Bucher Industries AG Niederweningen

We have audited the remuneration report of Bucher Industries AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 68 to 70 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Bucher Industries AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'C. Kessler', written in a cursive style.

Christian Kessler
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'Oliver Illa', written in a cursive style.

Oliver Illa
Audit expert

Zurich, 25 February 2019

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