

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 2019 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 SIX Swiss Exchange valid on 31 December 2019 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 and group management 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 senior 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 and comprise a cash bonus and shares in the company. The objective of the remuneration system is to attract and retain highly qualified managers and specialists. The focus is on providing competitive remuneration comprising a fixed base salary and performance-related components. 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 17 April 2019 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 and the participants in the Bucher Participation 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 three meetings in the reporting period. The committee's focus was on succession planning, development of the employees and the structuring of variable remuneration. 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. Starting with the 2019/2020 term of office, the number of the shares will be determined based on the price on the day of the annual general meeting, whereas in previous years the year-end price was used. The shares awarded are subject to a three-year vesting period.

Group management Members of group management 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 Participation Plan. Other benefits comprise a representation expense allowance and contributions to a supplementary pension plan. In addition, the members of group management may be 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 objectives, the results for the previous year, the budget for the current year and the general economic environment. Variable remuneration is paid after retrospective approval by the annual general meeting in the following spring.

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

	Fixed remuneration		Variable remuneration		
	Base salary	Cash bonus		Bucher Participation Plan	
		Target ¹⁾	Range	Target ¹⁾	Range
CEO	100%	50%	0 – 75%	50%	0 – 75%
Other members	100%	40% ²⁾	0 – 60% ²⁾	30% ²⁾	0 – 45% ²⁾

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

²⁾ From 2020 the target for the cash bonus was increased to 40% and the target for the Bucher Participation Plan to 30%. The ranges were adjusted accordingly.

Fixed remuneration The fixed base salary of the members of group management is determined with 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 of the members of group management and senior management comprise a cash bonus and shares under the Bucher Participation Plan. Variable remuneration depends on the 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 zero to a maximum of 1.5 times the value for 100% target achievement.

– **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 100% target achievement is 50% of base salary for the CEO and 40% of base salary for all other members of group management. The range of the cash bonus varies, depending on target achievement, from zero to a maximum of 1.5 times the value for 100% 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 Participation Plan** The Bucher Participation Plan is a share-based, performance-related component of remuneration for the members of group management, senior management and selected specialists. The financial target determining the share awards 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. Share awards are based on a percentage of base salary and depend on the achievement of the "earnings per share" financial target. For 100% target achievement, the applicable percentage is 50% of base salary for the CEO, 30% for the other group management members and 10% for other Bucher Participation Plan participants. From the 2019 financial year, the number and valuation of shares awarded are determined based on the share price on the day of the annual general meeting, whereas in previous years the year-end price was used. The shares awarded are subject to a three-year vesting period.

Termination of employment If employment is terminated for any reason other than by normal notice of termination, the cash bonus and awards under the Bucher Participation 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 normal notice of termination, all rights under the Bucher Participation Plan lapse. The period of notice for members of group management is twelve months.

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

Remuneration in 2019

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 totalled CHF 1.272 million (2018: CHF 1.191 million) and was within the total of CHF 1.500 million approved by the 2019 annual general meeting for that term of office. The remuneration paid out and the shares held at the end of the reporting period are set out in a table on page 65 of this annual report. The remuneration components for the board of directors were unchanged for the reporting period. The base compensation for the chairman was CHF 340'000, for the vice chairman CHF 125'000 and for the other members of the board of directors CHF 110'000. The flat-rate expense allowance was CHF 12'000 for the chairman and CHF 6'000 for the other board members. For their work in committees, committee members were each awarded CHF 10'000, with committee chairmen receiving an additional CHF 5'000. The corresponding share allocations are based on the share price on the day of the annual general meeting.

Group management The total remuneration of group management was 8% less than in the previous year and amounted to CHF 6.972 million (2018: CHF 7.603 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 2019 are set out in a table on page 66 of this annual report.

Fixed remuneration Fixed remuneration awarded to group management totalled CHF 4.608 million (2018: CHF 5.111 million) and was within the total of CHF 5.000 million approved by the 2018 annual general meeting. The fixed remuneration awarded to group management was down 10% on the high figure of the previous year, mainly due to the change of CFO.

Variable remuneration The variable remuneration awarded to group management was 5% less than in the previous year and amounted to CHF 2.364 million (2018: CHF 2.492 million). In the first few years, the percentage under the Bucher Participation Plan allocated to the CEO is below the target of 50%. In the reporting period it was 45% of base salary. For the other members of group management, the percentages for the cash bonus and the Bucher Participation Plan were 30% and 20% respectively. These will be gradually increased over the next few years to 40% and 30% of base salary respectively. The variable remuneration of CHF 2.782 million paid out to group management in the reporting period for the 2018 financial year was less than the total amount of CHF 2.800 million approved retrospectively by the 2019 annual general meeting. In the reporting period, the target achievement determining the performance-related cash bonus was between 86 and 121%, and the target achievement for the Bucher Participation Plan was 105% (113%). The target achievement in percentage terms was thus slightly less than in the previous year. The number of shares granted under the Bucher Participation Plan is calculated using the share price on the day of the annual general meeting. Shares are allocated after approval by the annual general meeting. The cash value of all the shares awarded under the Bucher Participation Plan was 2% lower than in the previous year due to the lower level of target achievement.

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

Pages 65 and 66 are subject to audit by the statutory auditors.

Remuneration of the board of directors

CHF 1'000	Base compensation in cash	Compensation in shares	Other remuneration	Total remuneration
				2019
Philip Mosimann, chairman	170.0	170.0	53.9	393.9
Anita Hauser, deputy chairman	62.5	62.5	34.0	159.0
Claude R. Cornaz	55.0	55.0	32.0	142.0
Michael Hauser	55.0	55.0	32.0	142.0
Martin Hirzel	55.0	55.0	32.0	142.0
Heinrich Spoerry	55.0	55.0	34.5	144.5
Valentin Vogt	58.0	58.0	32.5	148.5
Board of directors	510.5	510.5	250.9	1'271.9
Approval by the annual general meeting 2019				1'500.0
				2018
Philip Mosimann, chairman	170.0	170.0	59.5	399.5
Anita Hauser, deputy chairman	59.2	59.2	33.0	151.4
Claude R. Cornaz	51.7	51.7	31.0	134.4
Michael Hauser	51.7	51.7	31.0	134.4
Martin Hirzel ¹⁾	36.7	36.7	21.3	94.7
Heinrich Spoerry	51.7	51.7	32.1	135.5
Valentin Vogt	54.7	54.7	31.5	140.9
Board of directors	475.7	475.7²⁾	239.4	1'190.8
Approval by the annual general meeting 2018				1'400.0

¹⁾ From 18 April 2018

²⁾ The number of shares was determined based on the 2018 year-end share price and the allocation occurred after the approval of the annual general meeting of shareholders in 2019. As a result of the increase in the share price between the year end and the annual general meeting, the effective remuneration was CHF 120'000 higher than reported, and was within the approved amount.

The board of directors' share awards are part of the board of directors' fees. Starting from the 2019 financial year, the number of shares to be awarded is determined based on the share price on the day of the annual general meeting. Thus the monetary value of the allocated shares remains fixed. In the reporting period, 1'708 shares were allocated at a share price of CHF 359.60 for the 2018/2019 term of office. Other remuneration included social security contributions, expenses and fees for service on the board committees.

Board of directors' interests in shares

	Number of shares	
	2019	2018
Philip Mosimann, chairman	47'924	47'355
Anita Hauser, deputy chairman	440'295	440'086
Claude R. Cornaz	3'943	3'759
Michael Hauser	605'313	605'129
Martin Hirzel	184	-
Heinrich Spoerry	3'931	3'747
Valentin Vogt	4'841	4'647
Board of directors	1'106'431	1'104'723

Remuneration of group management

CHF 1'000	Fixed remuneration			Variable remuneration			Total remuneration	
	Base salary	Other remuneration	Total	Cash bonus	Remuneration in shares	Other remuneration		
							2019	
Jacques Sanche, CEO	800.0	226.6	1'026.6	400.0	378.0	58.2	836.2	1'862.8
Other members	2'690.6	890.4	3'581.0	819.4	558.7	150.1	1'528.2	5'109.2
Group management	3'490.6	1'117.0	4'607.6	1'219.4	936.7	208.3	2'364.4	6'972.0
Approval/proposal by the annual general meeting 2018/2020			5'000.0				2'500.0	
							2018	
Jacques Sanche, CEO	800.0	227.5	1'027.5	436.0	361.7	65.2	862.9	1'890.4
Other members	3'063.3	1'019.9	4'083.2	868.6	592.5	168.4	1'629.5	5'712.7
Group management	3'863.3	1'247.4	5'110.7	1'304.6	954.2²⁾	233.6	2'492.4	7'603.1
Approval by the annual general meeting 2017/2019			4'800.0¹⁾				2'800.0	

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

²⁾ The number of shares was determined based on the 2018 year-end share price and the allocation occurred after the approval of the annual general meeting of shareholders in 2019. As a result of the increase in the share price between the year end and the annual general meeting, the effective remuneration was CHF 290'000 higher than reported, and was within the approved amount.

The monetary value of the shares awarded represents a fixed percentage of base salary and the level of target achievement during the reporting period. Starting from the 2019 financial year, the number of shares granted under the Bucher Participation Plan is calculated based on the share price on the day of the annual general meeting. Thus the reported monetary value remains fixed. For the 2018 financial year, 3'369 shares were allocated in the reporting period at a share price of CHF 359.60. Other remuneration included social security contributions and expenses.

Group management's interests in shares

		Number of shares	
		2019	2018
Jacques Sanche	CEO	3'696	2'328
Manuela Suter	CFO	618	356
Stefan Düring	Bucher Specials	1'337	1'100
Martin Jetter	Bucher Emhart Glass	5'698	5'384
Thierry Krier	Kuhn Group	2'796	2'333
Aurelio Lemos	Bucher Municipal	938	621
Daniel Waller	Bucher Hydraulics	10'578	10'170
Group management		25'661	22'292

Loans and credits As at 31 December 2019, 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.

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 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on pages 65 to 66 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 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Christian Kessler
Audit expert
Auditor in charge



Oliver Illa
Audit expert

Zürich, 28 February 2020

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