

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 2017 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 on 31 December 2017 and Bucher Industries AG's articles of association.

Remuneration policy Bucher Industries provides a remuneration policy 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 interests 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 available market data of similar listed companies within the European mechanical engineering industry every three to five years and, if necessary, revised by the board at the request of the compensation committee.

Annual general meeting In accordance with art. 26 of Bucher Industries' articles of association, the annual general meeting approves the overall remuneration to be awarded to the board of directors for the period of office following the annual general meeting, the overall fixed remuneration sum for group management for the financial year following the annual general meeting and the overall sum for the variable remuneration for group management for the past, completed 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 of the company's articles of association, as well as on the Bucher website in the summary of the internal rules of organisation. 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.
www.bucherindustries.com/en/investor-relations/corporate-governance

Election and term of office The annual general meeting of 19 April 2017 elected Claude Cornaz, Anita Hauser and Valentin Vogt to the compensation committee until the next 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 share plan, and notes the remuneration sum for senior management. The compensation committee will also set before the board of directors proposals to be presented to the annual general meeting for prospective approval of the total fixed remuneration for the board of directors and group management, as well as retrospective approval of 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 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 year 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 5 meetings in the reporting year. The committee's focus was on succession planning and the promotion of new talent. 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 remuneration 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 end-of-year price for the reporting year.

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 business year by the board of directors. The determination takes into account the Group's long-term targets, results for the past year, budget for the current year and the general economic conditions. 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 share plan to remunerate group management members and senior managers. 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 remuneration system for members of group management is structured as follows:

	Fixed remuneration		Variable remuneration		
	Base salary	Cash bonus		In shares	
		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.

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 managers 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 determination takes into account the Group's long-term targets, results for the past year, budget for the current year and the general economic conditions. 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 of shares to be awarded is calculated and evaluated using the end-of-year share price for the reporting year. 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 Share Plan participants. The level of target achievement ranges from 0 to a maximum of 1.5 times the value for full target achievement. 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 year.

Remuneration in the 2017 reporting year

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 1.055 million (2016: CHF 1.094 million) and was within the total sum of CHF 1.150 million approved by the 2017 annual general meeting. The remuneration paid out and the share options held at the end of the reporting year are set out in a table on pages 63 and 65 of this annual report.

The remuneration components for the board of directors were unchanged for the reporting year. The base compensation for the chairman was CHF 340 000, for the vice chairman CHF 105 000 and for the other members of the board of directors CHF 90 000. The flat-rate expenses remuneration for the chairman was CHF 12 000 and for the other members 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 396.00 for the reporting period. The shares awarded are subject to a three-year vesting period.

Group management The overall remuneration of group management was 2% below that of the previous year and was CHF 6.837 million (2016: CHF 6.989 million). The total variable remuneration amounts paid out and proposed in the reporting year, the interests held by the CEO and other group management members, and the total for group management at the end of 2017 are set out in tables on pages 64 and 65 of this annual report.

Fixed remuneration Fixed remuneration awarded to group management totalled CHF 4.351 million (2016 CHF 4.747 million) and was within the total sum of CHF 5.000 million approved by the 2016 annual general meeting. The decrease in the fixed remuneration awarded to group management was 8% and is mainly attributable to the overlapping personnel occupancy contained in the figure for the previous year.

Variable remuneration The variable remuneration of group management was 11% over that of the previous year and totalled CHF 2.485 million (2016: CHF 2.242 million). The primary reason for the change was the greater target achievement. 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 in the reporting year to 40% of base salary. The variable remuneration sum of CHF 2.386 million paid out to group management in the reporting year for the 2016 financial year is below the overall amount of CHF 2.500 million retrospectively approved by the 2017 annual general meeting.

In 2017, the level of target achievement for the performance-related cash bonus was between 94% and 125% and the level of target achievement for the Bucher Share Plan was 122% (2016: 89%). The level of target achievement in percentage terms was in most cases above that of the previous year. The number of shares granted under the Bucher Share Plan was calculated and evaluated using the end-of-year share price for the year of CHF 396.00. The number granted under the Bucher Share Plan for the CEO and the other members of the group management was 26% below the number for the previous year due to the higher share price. The cash value of all the shares awarded under the new Bucher Share Plan was 17% higher than the previous year.

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.

The following pages 63 to 65 are subject to examination by the auditors.

Remuneration of the board of directors

CHF 1 000	Base compensation in cash	Share awards		Other remuneration	Overall remuneration
		Number	Value		
					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 ¹⁾	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	1065	420.5	214.2	1055.2
Approval by the annual general meeting 2017					1150.0
					2016
Rolf Broglie, chairman ²⁾	75.0	100	25.0	9.8	109.8
Philip Mosimann, chairman ³⁾	113.3	452	113.3	33.6	260.2
Anita Hauser, deputy chairman	52.5	210	52.5	27.8	132.8
Ernst Bärtschi	45.0	180	45.0	26.1	116.1
Claude R. Cornaz	45.0	180	45.0	26.1	116.1
Michael Hauser	45.0	180	45.0	26.1	116.1
Heinrich Spoerry	45.0	180	45.0	31.1	121.1
Valentin Vogt	48.0	192	48.0	25.8	121.8
Board of directors	468.8	1674	418.8	206.4	1094.0
Approval by the annual general meeting 2016					1200.0

¹⁾ Until 19 April 2017

²⁾ Until 15 April 2016

³⁾ From 15 April 2016

The board of directors' share awards were classified as board of directors' fees. Share awards and their valuation were calculated using the end-of-year share price of CHF 396.00 (2016: CHF 250.75).

Other remuneration included social contributions, expenses and fees for service on the board committees.

Remuneration of group management

CHF 1 000	Base salary	Other remuneration	Fixed remuneration	Cash bonus	Share awards under share plans		Other remuneration	Variable remuneration	Overall remuneration	
					Number	Value				
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/proposal by the annual general meeting 2016/2018			5 000.0					2 700.0		
2016										
Jacques Sanche, CEO ¹⁾	700.0	191.9	891.9	322.0	994	249.2	46.1	617.3	1 509.2	
Philip Mosimann, CEO ²⁾	286.7	80.8	367.5	131.9	611	153.1	24.6	309.6	677.1	
Other members	2 639.5	848.2	3 487.7	726.7	1 812	453.1	135.2	1 315.0	4 802.7	
Group management	3 626.2	1 120.9	4 747.1	1 180.6	3 417	855.4	205.9	2 241.9	6 989.0	
Approval by the annual general meeting 2015/2017			5 500.0					2 500.0		

¹⁾ From 15 April 2016 CEO, designated CEO until 15 April 2016

²⁾ Until 15 April 2016

The shares awarded to group management members for the reporting year 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 year. The number of shares awarded was calculated and valued based on the end-of-year price of CHF 396.00 (2016: CHF 250.75). Other remuneration included social contributions as well as expenses.

Loans and credits As at 31 December 2017, 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.

Board of directors' interests in shares

	Number of shares	
	2017	2016
Philip Mosimann, chairman	50 425 ¹⁾	66 174
Anita Hauser, deputy chairman	439 953	439 743
Claude R. Cornaz	3 645	3 465
Michael Hauser	605 015	604 835
Heinrich Spoerry	3 633	3 453
Valentin Vogt	3 525	4 333
Board of directors	1 106 196	1 122 003

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

Group management's interests in shares and share options

		Number of shares		Number of options	
		2017	2016	2017	2016
Jacques Sanche	CEO	1 403	409	–	–
Christina Johansson	CFO	607	450	–	–
Stefan Düring	Bucher Specials	880	1 679	–	1 200
Martin Jetter	Bucher Emhart Glass	5 106	3 891	–	1 200
Thierry Krier	Kuhn Group	1 255	1 658	–	–
Aurelio Lemos	Bucher Municipal	401	152	–	–
Daniel Waller	Bucher Hydraulics	9 881	13 575	–	–
Group management		19 533	21 814	–	2 400

No share options have been granted since the 2010 financial year. The ten-year options granted from previous reporting years were fully exercised during the report-

ing period. Each option entitled the holder to purchase one share.

Report of the statutory auditor

to the annual general meeting of Bucher Industries AG, Niederweningen

We have audited the remuneration report (page 63 to 65) of Bucher Industries AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

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.

Audit opinion In our opinion, the remuneration report of Bucher Industries AG for the year ended 31 December 2017 complies with Swiss law and articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers AG



Christian Kessler
Audit expert
Auditor in charge



Fabian Schläpfer
Audit expert

Zurich, 27 February 2018