

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 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 SWX Swiss Exchange and Bucher Industries AG's articles of association.

Remuneration policy and remuneration system Bucher Industries provides a remuneration system designed to align the interests of the directors and management with those of the Group, shareholders and other stakeholders. The basic principles of the remuneration package are set out in art. 23–28 of the articles of association of Bucher Industries AG. Since 2015, the remuneration 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. As the objective is to attract and retain highly qualified executives and professionals,

the remuneration system is focused 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.

Responsibility The compensation committee comprises members of the board of directors. They are elected by the annual general meeting. The duties and responsibilities of the compensation committee are described below as well as on Bucher Industries' website under <http://www.bucherindustries.com/en/node/6621> in the summary of the internal rules of organisation (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.

The remuneration package for members of group management did not change and is structured as follows:

	fix remuneration		variable remuneration				
	base salary	cash bonus	BEPP		BPP		
			in shares		in shares		
		target ¹⁾	range	target ¹⁾	range	target ¹⁾	range
CEO	100%	50%	0–75%	50%	0–75%	10%	0–15%
Other members	100%	30%	0–45%	10%	0–15%	10%	0–15%

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

Election and term of office The annual general meeting of 10 April 2014 elected Rolf Broglie, Claude Cornaz and Anita Hauser to the compensation committee until the next annual general meeting. The board of directors nominated Rolf Broglie 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 directors and group management, as well as the annual financial targets for the variable performance-related remuneration for group management and takes note of the remuneration of 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 directors and group management, as well as retrospective approval of total variable remuneration for group management, in accordance with art. 26 of Bucher Industries' articles of association. It is also charged with preparation of the remuneration report to be submitted to the board of directors. The compensation committee also assesses the proposals submitted by members of general management, in accordance with art. 29 of Bucher Industries' articles of association. Upon unanimous approval of such proposals, the committee recommends to the board of directors approval of the mandates. The compensation committee also presents the board of directors with proposal for medium- and long-term personnel planning for directors and group management. The committee presents 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 shall meet at least once a year. Meetings generally last for several hours. The CEO shall attend the meetings in an advisory capacity, except when his own remuneration is being determined. The compensation committee held ten meetings in the reporting year. At the meetings, the focus was on the search for a new CEO to take over at the time of the 2016 annual general meeting. Further tasks

were dealing with a review of the remuneration of the members of group management, succession planning for senior management, recommendations to the board for changes to the articles of association relating to the introduction of VegüV as well as the regular duties described above.

Directors' remuneration Directors receive non-performance-related remuneration, which is proposed by the compensation committee and determined by the board of directors every year. Their remuneration consists of a base fee, a base salary for the chairman and cash allowances for service on committees and for expenses. Half of the base fee is paid in cash and half in shares.

Remuneration of group management The contractual remuneration components for group management and senior management comprise a fixed base salary and variable performance-related remuneration paid both in cash and in shares under the Bucher share plans. 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 are set by the board of directors at the beginning of each financial year, taking 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. The remuneration of directors and group management is reported on an accrual basis.

Base salary 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.

Cash bonus The cash bonus is a performance-related component of remuneration paid to the members of group management and the Group's senior management. Its amount 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 has remained unchanged since 2010 and 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 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 Executive Share Plan The Bucher Executive Share Plan (BEPP) is a share-based, performance-related component of remuneration for the members of group management. The annual target for the award of shares is "earnings per share" and is set by the board of directors at the beginning of each financial year, taking 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 using the average share price for the reporting year. Upon full target achievement, the applicable percentage is 50% of base salary for the CEO and 10% for the other group management members. 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.

Bucher Share Plan The Bucher Share Plan (BPP) is a share-based, performance-related component of remuneration for the members of group management, senior managers in the divisions and selected specialists. Group management and the employees may elect at the beginning of February of the year following the reporting year to invest an amount equivalent to between 0% and a maximum of 10% of their base salary in the company's shares. If they choose to make an in-

vestment, it will be supplemented by the company. The amount of the company's investment depends on the achievement of the Group's annual financial "earnings per share" target set by the board of directors. Upon full target achievement, the company matches the employees' investments in company shares. The level of target achievement ranges from 0 to a maximum of 1.5 times the sum invested by the employee. The relevant number of shares is calculated using the average share price during the first three weeks of January in the financial year following the reporting year. The number of shares representing the employees' and company's investments is restricted for three years. Share options granted in respect of previous reporting years remain valid as originally provided and are shown in the table on page 58 of this annual report.

Termination benefits There are no systems for termination benefits, and none were paid during the reporting year. If employment is terminated for any reason other than termination by the employee or employer, the variable annual remuneration and awards under the Bucher Executive Share Plan will be paid on a pro rata basis after the retrospective approval of the annual general meeting in the following spring. Options granted under the share option plan may be exercised until the expiration of the option term. If employment is terminated by the employee or employer, all rights under the Bucher Share Plans will lapse. Exercisable options must be exercised within six months after termination of employment, after which they will be forfeited. The period of notice for members of group management is twelve months.

Responsibility The human resources committee prepares the Group's remuneration policy for directors and group management members. It makes recommendations to the board for the annual remuneration of directors and the CEO, as well as the annual financial targets for the variable performance-related remuneration components for group management and senior management, determines the remuneration of the other group management members and takes note of the remuneration of division management members and specialists. In the reporting year, the human resources committee held three meetings, which focused on reviewing the remuneration of the members of group management, succession planning for senior management and the regular duties described above. Specialist management

consultants with international experience were engaged to determine the remuneration benchmarks.

Directors' remuneration in the reporting year The components of remuneration for the board of directors remained unchanged in the reporting year. The base fee for the chairman amounted to CHF 150 000, for the deputy chairman CHF 105 000, and for the other directors CHF 90 000. The base salary of the chairman also remained unchanged at CHF 150 000. The respective share awards were granted and valued at the average share price for the reporting period of CHF 268.95 (2013: CHF 226.00). The shares awarded are subject to a three-year vesting period. The cash allowances paid to directors for service on committees and expenses remained unchanged during the year, as did the chairman's base salary. The remuneration paid to directors in the reporting year and their interests in shares at the end of the year are shown on pages 56 and 58 of this annual report.

Group management's remuneration in the reporting year Group management members receive a base salary commensurate with their responsibilities and experience, a performance-related cash bonus and shares under the Bucher share plans. 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 CEO, CFO and one further member of group management did not avail themselves of this option.

Fixed remuneration The base salary of the CEO has remained unchanged since 2010, that of other group management members was increased in line with general rises customary in the country as well as on the basis of contractually agreed increases for new members of group management.

Variable remuneration The number of shares granted under the Bucher Executive Share Plan was calculated using the average share price for the year of CHF 268.95 (2013: CHF 226.00), and the number granted under the Bucher Share Plan (BPP) using the average share price during the first three weeks of January 2015 of CHF 235.80 (CHF 266.00). All shares awarded under the Bucher share plans were valued at a price of CHF 235.80 (CHF 266.00). In the reporting year, the level of target

achievement for the performance-related cash bonus was between 75% and 110% and the level of target achievement for the Bucher share plans was 104% (124%). The level of target achievement in percentage terms was in most cases below that of the previous year when the Group achieved the highest profitability in its history. The number of shares awarded to the CEO and the other members of group management under the Bucher Executive Share Plan as a consequence of the 19% (2013: 30%) higher share price and the lower target achievement was 24% lower than the previous year's level. In the case of the Bucher Share Plan, the share price was 11% down on the previous year as a result of the fall in exchange rates following the Swiss National Bank's decision to discontinue the minimum euro rate; this, coupled with lower target achievement, led to a decrease in the share awards by 10%. In keeping with the 11% fall in the share price, which affected the valuation of the allocated shares, the cash value of all the shares awarded under the Bucher share plans was 29% lower than the previous year. Accordingly, the overall remuneration of the CEO decreased compared with the previous year by 16%. Together with the remuneration for the new head of Kuhn Group, as an additional member of group management for three months following the change of leadership at Kuhn Group, the overall remuneration for the other members of group management decreased by 2%. The total remuneration paid in the reporting year and the interests held by the CEO, other group management members and the total for group management at the end of 2014 are set out on pages 106 and 107 of this annual report.

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

Remuneration, loans and credits to directors and members of group management

The following pages 56 to 57 are subject to examination by the auditors.

Directors' remuneration

CHF 1 000	Base salary	Share awards		Social security and pension benefits	Other remuneration	Total	Paid in cash
		Number	Value				
							2014
Rolf Broglie, chairman	225.0	279	75.0	24.1	14.0	338.1	239.0
Anita Hauser, deputy chairman	52.5	196	52.5	11.6	12.0	128.6	64.5
Ernst Bärtschi	45.0	168	45.0	10.1	12.0	112.1	57.0
Claude R. Cornaz	45.0	168	45.0	10.1	12.0	112.1	57.0
Michael Hauser	45.0	168	45.0	10.1	12.0	112.1	57.0
Heinrich Spoerry	45.0	168	45.0	10.1	12.0	112.1	57.0
Valentin Vogt ¹⁾	34.5	129	34.5	7.0	–	76.0	34.5
Directors	492.0	1 276	342.0	83.1	74.0	991.1	566.0
							2013
Rolf Broglie, chairman	225.0	332	75.0	24.1	14.0	338.1	239.0
Anita Hauser, deputy chairman	52.5	233	52.5	11.6	12.0	128.6	64.5
Ernst Bärtschi	45.0	200	45.0	10.1	12.0	112.1	57.0
Claude R. Cornaz	45.0	200	45.0	10.1	12.0	112.1	57.0
Michael Hauser	45.0	200	45.0	10.1	12.0	112.1	57.0
Heinrich Spoerry	45.0	200	45.0	10.1	12.0	112.1	57.0
Directors	457.5	1 365	307.5	76.1	74.0	915.1	531.5

¹⁾ From 10 April 2014

Directors' share awards were classified as directors' fees. Share awards and their valuation were calculated using the average share price for the year of CHF 268.95 (2013: CHF 226.00). Other remuneration included expenses and fees for service on the board committees.

Group management remuneration

CHF 1 000	Base salary	Cash bonus	Share awards under share plans			Social security and pension benefits	Other remuneration	Total	Paid in cash
			BEPP	BPP	Value				
			Number	Number					
2014									
Philip Mosimann, CEO	860.0	438.6	1 663	380	481.7	328.7	19.2	2 128.2	1 317.8
Other members	2 927.0	890.4	1 611	1 056	628.8	928.8	45.0	5 420.0	3 862.4
Group management	3 787.0	1 329.0	3 274	1 436	1 110.5	1 257.5	64.2	7 548.2	5 180.2
2013									
Philip Mosimann, CEO	860.0	494.5	2 360	401	734.4	439.1	19.2	2 547.2	1 373.7
Other members	2 718.4	906.1	1 958	1 192	837.9	1 017.5	30.0	5 509.9	3 654.5
Group management	3 578.4	1 400.6	4 318	1 593	1 572.3	1 456.6	49.2	8 057.1	5 028.2

The shares awarded to group management members for the reporting year are based on the Bucher share plans. The shares awarded represent a fixed percentage of base salary and the level of target achievement during the year. The number of shares awarded under the Bucher Executive Share Plan (BEPP) was calculated using the average share price for the year of CHF 268.95 (2013: CHF 226.00), and those under the Bucher Share Plan (BPP) using a share price of CHF 235.80 (CHF 266.00), representing the average share price during the first three weeks of January 2015. All shares awarded were valued at CHF 235.80 (CHF 266.00).

Loans and credits There were no outstanding loans or credits to active or former members of the board of directors or group management nor to persons close to them as per 31 December 2014.

Directors' and group management members' interests in shares

Directors' interests in shares

	Number of shares	
	2014	2013
Rolf Broglie, chairman	13 776	13 444
Anita Hauser, deputy chairman	439 315	439 082
Ernst Bärtschi	719	2 628
Claude R. Cornaz	5 698	5 498
Michael Hauser	604 468	604 268
Heinrich Spoerry	3 086	3 036
Valentin Vogt	1 050	170
Directors	1 068 112	1 068 126

The directors did not hold any share options on 31 December 2014.

Group management's interests in shares and share options

		Anzahl Aktien		Anzahl Optionen	
		2014	2013	2014	2013
Philip Mosimann	CEO	61 508	55 642	–	10 800
Roger Baillod	CFO	8 938	11 135	4 200	5 400
Stefan Düring	Bucher Specials	1 048	849	1 200	3 300
Michael Häusermann	Bucher Municipal	7 505	6 894	1 800	5 400
Martin Jetter	Bucher Emhart Glass	2 050	2 121	1 200	3 000
Thierry Krier	Kuhn Group	749	1 989	–	4 100
Daniel Waller	Bucher Hydraulics	9 066	7 116	10 030	11 400
Konzernleitung		90 864	85 746	18 430	43 400

Grant year	Number of options					Total
	2009	2008	2007	2006	2005	
Exercise price (CHF)	115.00	149.00	221.00	116.00	108.00	
Roger Baillod	2 400	1 800	–	–	–	4 200
Stefan Düring	1 200	–	–	–	–	1 200
Michael Häusermann	600	1 200	–	–	–	1 800
Martin Jetter	–	–	1 200	–	–	1 200
Daniel Waller	2 400	2 400	2 400	2 400	430	10 030
Group management	6 600	5 400	3 600	2 400	430	18 430

No share options have been granted since the 2010 financial year. Share options with a term of ten years granted in respect of previous reporting years remain

valid as originally provided and can be exercised at any time. Each option entitles the holder to purchase one share.

Report of the statutory auditor

To the General Meeting Bucher Industries AG,
Niederweningen

We have audited the accompanying remuneration report (pages 56 to 57) of Bucher Industries AG for the year ended 31 December 2014.

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 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Christian Kessler
Audit expert
Auditor in charge



Ralf Zwick
Audit expert

Zürich, 27 February 2015