

Remuneration report

Remuneration, shareholdings and loans

Remuneration package Bucher Industries provides a remuneration package designed to align the interests of the directors and management with those of the Group, shareholders and other stakeholders. The individual remuneration components take account of the Group's sustainable short- and long-term business development. Directors are remunerated on a non-performance-related basis. Group management and senior management are rewarded for driving performance with performance-related remuneration. All performance-related remuneration components have a ceiling. As the objective is to attract and retain highly qualified executives and professionals, the remuneration package 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.

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 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 in the spring following the board's approval of the financial statements for the reporting year. The remuneration of directors and group management is reported on an accrual basis. The remuneration packages for directors, group management and senior management, which are laid down in rules established by the board, are additionally benchmarked against available market data of similar listed companies within the European mechanical engineering industry every three to five years and revised by the board, if necessary, at the request of the CEO or human resources committee.

The remuneration package was revised last year. The fixed base salary was increased, while the variable performance-related remuneration components were reduced. In addition, new share plans were introduced. These adjustments slightly reduced the total remuneration in the case of full target achievement. The new remuneration package is structured as follows:

Base salary When the remuneration package was revised, the fixed base salary of the members of group management and senior management was increased last year to compensate in part for the lower variable 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 annual remuneration Variable annual remuneration is a performance-related component of remuneration paid in cash 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 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 range of the variable annual remuneration was reduced as part of the new remuneration package for the reporting year. It varies from 0% to a maximum of 75% (2009: 90%) of base salary for the CEO and from 0% to a maximum of 45% (2009: 60%) of base salary for all other members of group management, depending on the level of target achievement. The financial criteria used to determine the variable annual remuneration of 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 is a share-based, performance-related component of remuneration for the members of group management. It was adopted last year to replace the previous long-term incentive plan. 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, 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 Group's annual financial "earnings per share" 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% (2009: 80%) of base salary for the CEO and 10% (2009: 10% to 20%) for the other group management members. The level of target achievement ranges from 0% to a maximum of 150%. The shares awarded are restricted for three years.

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, division managements and selected specialists. It was adopted last year to replace the previous share option plan, which provided for the grant of a fixed number of share options. Under the new plan, employees may elect at the beginning of February each 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 investment, 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 150%. 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 are restricted for three years. Share options granted in respect of previous reporting years remain valid as originally provided.

Termination benefits There are no systems for termination benefits, and none were paid during 2010. 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 board of directors has approved the financial statements for the year. 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 and all unvested options will lapse. Exercisable options must be exercised within six months after termination of employment, after which they will be forfeited.

Responsibility The human resources committee prepares the Group's remuneration policy for directors and group managements members. It makes recommendations to the board for the annual remuneration of directors and the CEO, determines the remuneration of the other group management members and takes note of the remuneration of division management members and specialists. In 2010, the human resources committee held five meetings, which focused on revising the Group's remuneration package and on the regular duties of determining the remuneration of senior executives. No external consultants were used.

Directors' remuneration Directors receive non-performance-related remuneration, which is proposed by the human resources 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 expenses. Half of the base fee is paid in cash and half in shares.

The remuneration components are determined annually. The base fee remained unchanged during the year at CHF 120 000 for the chairman, CHF 105 000 for the deputy chairman and CHF 90 000 for each of the other directors. The respective share awards were granted and valued at the average share price of CHF 136.00 for the reporting period. 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 of CHF 150 000. For the period from January 2010 to the end of April 2010, the chairman's base salary of CHF 150 000 was split on a pro rata basis in the proportion of CHF 48 000 for Thomas W. Hauser (chairman until the 2010 annual general meeting) and CHF 102 000 for Rolf Broglie (chairman since the 2010 annual general meeting). The increase in directors' remuneration is due to the board having voluntarily forgone payment of one third of both their base fee and the chairman's base salary in the previous year. The remuneration paid to directors last year and their interests in shares at the end of the year are shown on pages 26 and 27 of this annual report.

Group management's remuneration Group management members receive a base salary commensurate with their responsibilities and experience, a performance-related variable annual cash remuneration and shares under the Bucher share plans. Other benefits comprise a representation expense allowance and contributions to a voluntary pension plan. In addition, division presidents are provided with a middle class company car. The number of shares awarded under the Bucher Executive Share Plan was calculated using the average share price of CHF 136.00 for the year and those under the Bucher Share Plan using the average share price of CHF 185.00 during the first three weeks of January 2011. The shares awarded under the Bucher share plans were valued at a share price of CHF 185.00. The base salaries of group management members were increased in comparison with the previous year solely to compensate in part for the reduction in variable remuneration components. Last year, the level of target achievement for the performance-related variable annual remuneration was between 84% and 134% and the level of target achievement for the Bucher share plans was 150%. As the cost-saving programmes had an impact during the year, most of the targets were achieved, and some exceeded, in the still difficult economic environment. As a result, the level of target achievement for the performance-related variable annual remuneration was well above the low year-earlier levels. During the year, the share option plan was replaced by the Bucher Share Plan and no share options were granted. The number of shares awarded to the CEO under the Bucher share plans increased from 4 960 to 5 906 and the aggregate awarded to the other group management members from 3 476 to 5 797. The increase in the number of shares awarded is due to the replacement of the share option plan by the new Bucher Share Plan and to the higher level of target achievement. For this reason and because of the 75% higher share price, the cash value of the shares awarded rose considerably year on year. The total remuneration paid last year and the interests held by the CEO, other group management members and the total for group management at the end of 2010 are set out on pages 27 and 28 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 and interests of directors and group management members

Directors' remuneration

CHF 1 000	Base salary	Share awards		Share awards under share plans		Social security and pension benefits	Other remuneration	Total	Paid in cash
		Number	Value	Number	Value				
2010									
Rolf Broglie, chairman ¹⁾	191.5	423	57.5	–	–	19.7	13.3	282.0	204.8
Thomas W. Hauser, deputy chairman ¹⁾	71.0	404	55.0	–	–	13.0	12.7	151.7	83.7
Ernst Bärtschi	45.0	331	45.0	–	–	10.1	12.0	112.1	57.0
Thomas W. Bechtler	45.0	331	45.0	–	–	10.1	12.0	112.1	57.0
Claude R. Cornaz	45.0	331	45.0	–	–	9.1	2.0	101.1	47.0
Anita Hauser	45.0	331	45.0	–	–	10.1	12.0	112.1	57.0
Heinrich Spoerry	45.0	331	45.0	–	–	10.1	12.0	112.1	57.0
Directors	487.5	2 482	337.5	–	–	82.2	76.0	983.2	563.5
2009									
Thomas W. Hauser, chairman ²⁾	47.3	347	36.7	–	–	9.0	12.7	105.7	60.0
Rolf Broglie, deputy chairman ²⁾	54.3	300	31.8	–	–	8.6	12.7	107.4	67.0
Ernst Bärtschi	30.0	284	30.1	–	–	7.1	12.0	79.2	42.0
Thomas W. Bechtler	30.0	284	30.1	–	–	7.1	12.0	79.2	42.0
Claude R. Cornaz	30.0	284	30.1	–	–	6.1	2.0	68.2	32.0
Anita Hauser	30.0	284	30.1	–	–	6.1	2.0	68.2	32.0
Heinrich Spoerry	30.0	284	30.1	–	–	6.6	7.0	73.7	37.0
Kurt E. Siegenthaler ³⁾	110.0	800	84.7	675	71.5	22.6	11.8	300.6	121.8
Erwin Stoller ³⁾	–	600	63.5	–	–	7.4	11.2	82.1	11.2
Directors	361.6	3 467	367.2	675	71.5	80.6	83.4	964.3	445.0

¹⁾ Since 15 April 2010.

²⁾ Since 1 September 2009.

³⁾ Until 31 August 2009.

Share awards to directors comprised directors' fees. Share awards were granted and valued at the average share price of CHF 136.00 for the year (2009: CHF 105.90). Other remuneration included expenses and fees for service on the board committees.

Group management remuneration

CHF 1 000	Base salary	Bonus	Share awards under share plans		Share options under option plan		Social security and pension benefits	Other remuneration	Total	Paid in cash
			Number	Value	Number	Value				
2010										
Philip Mosimann, CEO	860.0	561.6	5 906	1 006.6	–	–	373.1	19.2	2 820.5	1 440.8
Other members	2 554.8	948.5	5 797	914.1	–	–	896.9	30.0	5 344.3	3 533.3
Group management	3 414.8	1 510.1	11 703	1 920.7	–	–	1 270.0	49.2	8 164.8	4 974.1
2009										
Philip Mosimann, CEO	700.2	267.6	4 960	525.3	3 600	131.2	256.6	19.2	1 900.1	987.0
Other members	2 129.8	676.7	3 476	368.1	14 400	524.7	811.8	30.0	4 541.1	2 836.5
Group management	2 830.0	944.3	8 436	893.4	18 000	655.9	1 068.4	49.2	6 441.2	3 823.5

The shares awarded to group management members for the reporting year are based on the new 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 was calculated using the average share price of CHF 136.00 for the year and those under the Bucher Share Plan using a share price of CHF 185.00, representing the average share price during the first three weeks of January 2011. All shares awarded were valued at CHF 185.00.

Directors' interests in shares at 31 December

	Number of shares	
	2010	2009
Rolf Broglie, chairman	12 239	12 039
Thomas W. Hauser, deputy chairman	1 070 407	1 070 060
Ernst Bärtschi	2 778	2 494
Thomas W. Bechtler	2 160	4 061
Claude R. Cornaz	4 648	7 814
Anita Hauser	101 160	100 876
Heinrich Spoerry	1 852	1 568
Directors	1 195 244	1 198 912

The directors did not hold any share options on 31 December 2010.

Group management's interests in shares and share options at 31 December

		Number of shares		Number of options	
		2010	2009	2010	2009
Philip Mosimann	CEO	42 900	37 940	15 300	15 300
Roger Baillod	CFO	10 964	10 054	7 800	9 000
Jean-Pierre Bernheim	Bucher Vaslin	8 018	7 994	11 680	12 000
Michael Häusermann	Bucher Municipal	5 169	4 859	12 000	12 000
Martin Jetter	Emhart Glass	1 019	959	8 400	10 200
Michel Siebert	Kuhn Group	3 576	1 844	10 200	10 200
Daniel Waller	Bucher Hydraulics	4 909	4 599	11 400	12 000
Group management		76 555	68 249	76 780	80 700

Grant year	Number of options					Total	
	2009	2008	2007	2006	2005		
Exercise price (CHF)	115.00	149.00	221.00	116.00	108.00		
Staggered vesting over 4 years	2010-2013	2009-2012	2008-2011	2007-2010	2006-2009		
Life (years)	10	10	10	10	10		
Philip Mosimann	CEO	3 600	3 600	3 600	2 700	1 800	15 300
Roger Baillod	CFO	2 400	2 400	2 400	600	–	7 800
Jean-Pierre Bernheim	Bucher Vaslin	2 400	2 400	2 400	2 400	2 080	11 680
Michael Häusermann	Bucher Municipal	2 400	2 400	2 400	2 400	2 400	12 000
Martin Jetter	Emhart Glass	2 400	2 400	2 400	1 200	–	8 400
Michel Siebert	Kuhn Group	2 400	2 400	2 400	1 800	1 200	10 200
Daniel Waller	Bucher Hydraulics	2 400	2 400	2 400	2 400	1 800	11 400
Group management		18 000	18 000	18 000	13 500	9 280	76 780

The previous share option plans were replaced by the new Bucher Share Plan last year so no share options were granted for 2010. Share options granted in respect of previous reporting years remain valid as originally provided. Each option entitles the holder to purchase one share.

