

Remuneration report

Remuneration, shareholdings and loans

Remuneration system Bucher Industries has adopted a remuneration system 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. Starting last year, directors are remunerated on a non-performance-related basis. Group management and senior management are rewarded for a reasonable focus on 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 system is focused on providing competitive remuneration with a moderate fixed component and performance-related components paid in cash and in the form of interests in the company. The contractual remuneration components include a base salary, a variable annual remuneration, the long-term incentive plan and the share option plan. Performance-related components, where the target criteria are aligned to the budget and three-year plan, are determined by the board of directors and paid out in the spring of the next year after the board has approved the financial statements for the reporting year. The remuneration of directors and group management is reported on an accrual basis. In addition, the remuneration systems for directors, group management members and senior management, which the board of directors lays down in regulations, are benchmarked against available market data of similar European industrial companies every three to five years and revised by the board, if necessary, at the request of the CEO or human resources committee.

Base salary The 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 The variable annual remuneration is a performance-related component paid in cash to the members of group management and the Group's senior management. Its amount depends on the achievement of the annual financial targets set for the Group and divisions by the human resources committee. In addition, personal annual targets are agreed between the chairman of the board and the CEO and between the CEO and each group management member. The variable annual remuneration ranges from 0% to a maximum of 90% of base salary for the CEO and from 0% to a maximum of 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 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 group management members, the financial criteria are "operating profit (EBIT)" and "net operating assets as a percentage of sales" for their respective divisions.

Long-term incentive plan The long-term incentive plan is a share-based component of remuneration linked to performance over a three-year period for the members of group management. The financial targets are based on the Group's three-year medium-term plan, and the financial criteria are "earnings per share" and "return on net operating assets (RONOA)". The number of shares to be awarded on achievement of targets and the financial targets themselves are determined annually by the human resources committee at the request of the CEO before the beginning of the next three-year assessment period. Awards under the long-term incentive plan range from 0% to a maximum of 150% of the shares allotted, depending on the level of target achievement. The value of shares awarded may not exceed a maximum ceiling of CHF 900 000 for the CEO and CHF 120 000 for all other group management members. The shares acquired are subject to a three-year vesting period. The board of directors revised the award criteria in 2007 without changing the above ceilings. The system of awarding a fixed number of shares in place at the time was replaced by a system where the number of shares to be awarded is calculated on the basis of an annually determined percentage of base salary and the average share price during the financial year preceding the assessment period. If the targets are reached, the applicable percentage is 80% of base salary for the CEO and 10% to 20% for the other group management members. In 2009 this percentage was not changed. This new system is being used for the 2008 to 2010 assessment period. The old system of awarding a fixed number of shares still applies for the 2007 to 2009 assessment period.

Share option plan Options are granted under the share option plan. In addition to the members of group management, the division managements and selected specialists participate in the plan. The human resources committee determines the participants and the number of options granted annually at the request of the CEO. The option exercise price is determined based on the average closing share price over the 20 trading days preceding the annual grant date. Once determined, the exercise price cannot be changed. The options have a life of ten years and vest in equal instalments annually over a staggered four-year period. A fixed number of options are granted according to the position and level of responsibility of the participant. Each option entitles the holder to purchase one share.

Termination benefits There are no systems for termination benefits, and none were paid during 2009. If employment is terminated for any reason other than termination by the employee or employer, the variable annual remuneration and long-term incentive will be paid on a pro rata basis in the year in which the board of directors has approved the achievement of targets. 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 long-term incentive plan 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 members of the group and division managements. 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. In addition, it prepares the medium- and long-term succession planning for directors and group management members. It recommends to the board a policy for the selection of candidates for appointment as directors and CEO and prepares the selection applying these criteria. The human resources committee determines the policy for the selection of candidates for appointment to the group management and prepares their selection applying these criteria. Before their dissolution, the compensation and nomination committees did not hold any meetings last year. The board of directors performed the functions of the human resources committee at one meeting, which focused on the regular duties of determining the remuneration of senior executives.

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 comprises a base fee, a base salary for the chairman and cash allowances for service on committees and expenses. Until 31 August 2009, the chairman also received share awards under the performance-related long-term incentive plan. In August last year, the board of directors decided to pay half of the base fee to its members in cash and half in shares from the 2009 period of office, rather than in shares as in the past, and to discontinue the chairman's participation in the long-term incentive plan. Directors will therefore be remunerated on a non-performance-related basis in future. This new rule was not applied to the two directors who left the board on 31 August 2009, Kurt Siegenthaler and Erwin Stoller. They were remunerated on a pro rata basis using the system that applied for 2008.

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 directors who left the board on 31 August 2009 received the entire base fee in shares on a pro rata basis, while all the other directors received half in shares and half in cash. Last year, the respective share awards were based on and valued at the average share price of CHF 105.90 for the year. Until 2008, the shares were valued at the year-end share price. The cash allowances paid to directors for service on committees and expenses also remained unchanged during the year. The chairman of the board's base salary was increased by CHF 30 000 to CHF 150 000 as partial compensation for the discontinued remuneration under the long-term incentive plan. Thomas Hauser, the chairman, and Rolf Broglie, nominated to serve as chairman from the 2010 annual general meeting, decided to split the chairman's base salary of CHF 150 000 on a

pro rata basis for the period from September 2009 to the end of April 2010 in the proportion of CHF 48 000 for the chairman and CHF 102 000 for the nominated chairman. Due to the difficult business environment, the board of directors decided to forgo payment of one third of the directors' base fee and chairman's base salary last year. The remuneration paid to directors last year and their interests in shares at the end of the year are shown on pages 29 and 30 of this annual report.

The directors who left the board on 31 August 2009 were paid their remuneration on a pro rata basis in accordance with the rules applying until 31 August 2009. They did not receive any termination benefits. Under the long-term incentive plan, Kurt Siegenthaler was awarded 675 shares (2008: 726 shares). The cash value of the shares awarded under the long-term incentive plan remained virtually constant at CHF 71 483 (2008: CHF 76 230).

Group management's remuneration Group management members receive a base salary commensurate with their responsibilities and experience, a performance-related variable annual cash remuneration, shares under the long-term incentive plan and options under the share option plan. Other benefits include a representation expense allowance, a middle class company car for division presidents and contributions to a voluntary pension plan. Shares awarded under the long-term incentive plan were valued at the average share price of CHF 105.90 for the year. Until 2008, the shares were valued at the year-end share price. Last year, the fair value of options was determined using the Enhanced American model for the first time and was CHF 36.44 (2008 using the Black-Scholes method: CHF 41.77) per option. During the year, the level of target achievement for the performance-related variable annual remuneration was between 43% and 100% and the level of target achievement for the long-term incentive plan for the period 2007 to 2009 was 124%, with the very good financial years of 2007 and 2008 more than making up for the lower profit for the reporting year. The CEO's performance-related variable annual remuneration decreased by 29% and equalled 128% (2008: 181%) of his base salary, while that of the other group management members equalled 73% (2008: 84%) of their base salary and decreased by 14% year on year. The base salaries of the group management members remained constant in local currencies, with marginal changes due solely to currency movements. Because of the economic crisis, the challenging targets were only partially reached, and the levels of target achievement for the performance-related variable annual remuneration were well below the year-earlier levels. As a result, the variable annual cash remuneration paid to the CEO and other group management members fell by 32%. The number of shares awarded to the CEO under the long-term incentive plan for the period 2007 to 2009 decreased by 32% to 4 960 and their cash value dropped by 31% to CHF 525 264. The other group management members were awarded 3 476 shares with a cash value of CHF 368 117 under the long-term incentive plan. This represents a 60% increase in the number of shares awarded and a 61% rise in their cash

value. The number of share options granted remained the same as in the previous year and their cash value was 13% lower at CHF 36.44 per option. 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 2009 are set out on pages 30 and 31 of this annual report.

Additional remuneration, fees and loans to members of governing bodies

Rudolf Hauser was awarded 276 shares (2008: 1 808) worth CHF 29 228, valued at the average share price of CHF 105.90 for the year, on a pro rata basis under the long-term incentive plan for his previous service as executive chairman of the board until April 2007. No current or other 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	Year	Base salary	Share awards		Share awards under long-term incentive plan		Social security and pension benefits	Other remuneration	Total	Paid in cash
			Number	Value	Number	Value				
Thomas W. Hauser, chairman ¹⁾	2009	47.3	347	36.7	–	–	9.0	12.7	105.7	60.0
	2008	–	491	51.6	–	–	6.2	11.8	69.6	11.8
Rolf Broglie, deputy chairman ¹⁾	2009	54.3	300	31.8	–	–	8.6	12.7	107.4	67.0
	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
Ernst Bärtschi	2009	30.0	284	30.1	–	–	7.1	12.0	79.2	42.0
	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
Thomas W. Bechtler	2009	30.0	284	30.1	–	–	7.1	12.0	79.2	42.0
	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
Claude R. Cornaz	2009	30.0	284	30.1	–	–	6.1	2.0	68.2	32.0
	2008	–	421	44.2	–	–	5.5	1.8	51.5	1.8
Anita Hauser	2009	30.0	284	30.1	–	–	6.1	2.0	68.2	32.0
	2008	–	421	44.2	–	–	5.5	1.8	51.5	1.8
Heinrich Spoerry	2009	30.0	284	30.1	–	–	6.6	7.0	73.7	37.0
	2008	–	421	44.2	–	–	5.5	1.8	51.5	1.8
Kurt E. Siegenthaler ²⁾	2009	110.0	800	84.7	675	71.5	22.6	11.8	300.6	121.8
	2008	120.0	561	58.9	726	76.2	21.0	13.6	289.7	133.6
Erwin Stoller ²⁾	2009	–	600	63.5	–	–	7.4	11.2	82.1	11.2
	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
Total for directors	2009	361.6	3 467	367.2	675	71.5	80.6	83.4	964.3	445.0
	2008	120.0	3 999	419.9	726	76.2	65.7	78.0	759.8	198.0

¹⁾ Since 1 September 2009.

²⁾ Until 31 August 2009.

Under the remuneration regulations in force for 2008, the directors who resigned from the board on 31 August 2009 received a pro rata fee for 2009 and were not paid termination benefits.

Share awards to directors comprised directors' fees. The shares awarded under the long-term incentive plan to the chairman who resigned from the board during the year are based on the achievement of targets in the period 2007 to 2009 (2008: 2006 to 2008). In 2009, the share awards were based on and valued at the average share price of CHF 105.90 for the year. Until 2008, the shares were valued at the year-end share price. Other remuneration included expenses and fees for service on the board committees.

Group management remuneration

CHF 1 000	Year	Base salary	Bonus	Share awards under long-term incentive plan		Share options under option plan		Social security and pension benefits	Other remuneration	Total	Paid in cash
				Number	Value	Number	Value				
Philip Mosimann, CEO	2009	700.2	267.6	4 960	525.3	3 600	131.2	256.6	19.2	1 900.1	987.0
	2008	700.2	392.1	7 264	762.7	3 600	150.4	275.1	19.2	2 299.7	1 111.5
Other members	2009	2 129.8	676.7	3 476	368.1	14 400	524.7	811.8	30.0	4 541.1	2 836.5
	2008	2 148.3	998.3	2 178	228.7	14 400	601.5	839.1	30.0	4 845.9	3 176.6
Total for group management	2009	2 830.0	944.3	8 436	893.4	18 000	655.9	1 068.4	49.2	6 441.2	3 823.5
	2008	2 848.5	1 390.4	9 442	991.4	18 000	751.9	1 114.2	49.2	7 145.6	4 288.1

The shares awarded to group management under the long-term incentive plan are based on the achievement of targets in the period 2007 to 2009 (2008: 2006 to 2008). In 2009, the share awards were based on and valued at the average share price of CHF 105.90 for the year. Until 2008, the shares were valued at the year-end share price. In the reporting year, the share option plans were valued using the so-called Enhanced American model (EA model) for the first time. They were previously valued using the Black-Scholes model. The average fair value of all share options at the grant date was CHF 36.44 (2008: CHF 41.77). As the exercise of options is staggered over a four-year period, their fair values range between CHF 34.20 for the first tranche and CHF 38.33 for the fourth tranche.

Directors' interests in shares at 31 December

	Number of shares	
	2009	2008
Thomas W. Hauser, chairman	1 070 060	1 069 569
Rolf Broglie, deputy chairman	12 039	11 618
Ernst Bärtschi	2 494	2 073
Thomas W. Bechtler	4 061	2 278
Claude R. Cornaz	7 814	7 393
Anita Hauser	100 876	100 455
Heinrich Spoerry	1 568	1 147
Total for directors	1 198 912	1 194 533

The directors did not hold any share options on 31 December 2009.

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

		Number of shares		Number of options	
		2009	2008	2009	2008
Philip Mosimann	CEO	37 940	30 676	15 300	11 700
Roger Baillod	CFO	10 054	10 291	9 000	6 600
Jean-Pierre Bernheim	Bucher Process	7 994	7 631	12 000	11 475
Michael Häusermann	Bucher Municipal	4 859	3 596	12 000	10 500
Martin Jetter	Emhart Glass	959	596	10 200	7 800
Michel Siebert	Kuhn Group	1 844	1 221	10 200	8 250
Daniel Waller	Bucher Hydraulics	4 599	4 236	12 000	10 500
Total for group management		68 249	58 247	80 700	66 825

		Number of options					
Grant year		2009	2008	2007	2006	2005	Total
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	1 200	600	9 000
Jean-Pierre Bernheim	Bucher Process	2 400	2 400	2 400	2 400	2 400	12 000
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	1 800	1 200	10 200
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	2 400	12 000
Total for group management		18 000	18 000	18 000	14 700	12 000	80 700

Each option entitles the holder to purchase one share.