

Remuneration report

Remuneration, shareholdings and loans

Remuneration system Bucher Industries operates 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. Directors are generally not remunerated on a performance basis, the chairman of the board being the only director who additionally participates in the performance-related long-term bonus plan. Group management and senior management are rewarded for a healthy focus on performance with performance-related remuneration. As the objective is also 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, the bonus plan, the long-term bonus plan and the share option plan. Performance-related components are paid out in the spring of the next year after the board of directors has approved the financial statements for the reporting year. The remuneration of directors and group management is reported on an accrual basis.

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. In addition, the base salary is compared to an internationally accepted grading system every three to five years and adjusted by the compensation committee, if necessary, at the request of the chief executive officer.

Bonus plan The annual bonus is a performance-related component of remuneration paid in cash to the members of group management and the Group's senior management. The amount of the bonus depends on the achievement of the annual financial targets set for the Group and divisions by the compensation committee. In addition, personal annual targets are agreed between the chairman of the board and the chief executive officer and between the chief executive officer and each group management member. The annual bonus ranges from 0% to 75% of base salary for the chief executive officer and from 0% to 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 annual bonuses for the chief executive officer and chief financial officer are the Group's "profit for the year" and its "net 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 bonus plan The long-term bonus is a share-based component of remuneration linked to performance over a three-year period for the

chairman of the board and 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 compensation committee at the request of the chief executive officer before the beginning of the next three-year assessment period. The long-term bonus plan ranges from 0% to 150% of the shares allotted, depending on the level of target achievement. The value of shares awarded may not exceed a ceiling of CHF 400 000 for the chairman of the board, CHF 900 000 for the chief executive officer 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 50% of base salary for the chairman of the board, 80% for the chief executive officer and 10% to 20% for the other group management members. This system will be used from the 2008 to 2010 assessment period. The old system of awarding a fixed number of shares still applies for the assessment periods 2006 to 2008 and 2007 to 2009.

Share option plan Options are granted under the share option plan. In addition to the members of group management, the Group's and divisions' senior management also participate in the share option plan. The compensation committee determines the participants and the number of options annually at the request of the chief executive officer. The price of options granted is determined based on the average closing share price over the 20 trading days preceding the annual grant date. Once determined, the grant 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 the reporting year. If employment is terminated for any reason other than termination by the employee or employer, the annual bonus and long-term bonus 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 bonus plan and all unvested options will lapse. Exercisable options must be exercised within six months after termination of employment.

Responsibility The compensation committee periodically reviews the remuneration system and individual components and submits proposals to the board of directors for any adjustments that may be necessary. Each year, the compensation committee submits a proposal for the remuneration of the chairman and other directors to the board of directors. Under the remuneration system, the compensation committee annually determines the individual components, their criteria and the level of remuneration for the chief executive officer. At the request of the chief executive officer, the compensation committee annually specifies the individual components, their criteria and the levels of remuneration for the members of group management and, at the request of the chief executive officer, decides which members of senior management will participate in the share option plan and the number of options to be granted.

Directors' remuneration Directors receive a non-performance-related fee, which is proposed by the compensation committee and determined by the full board every year. The fee comprises a base amount in the form of share awards plus cash allowances for service on committees and for expenses. In addition to the base amount, the chairman also receives a base salary plus share awards under the performance-related long-term bonus plan. The base amount is determined annually and remained unchanged last 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 based on the average share price of CHF 213.96 during the reporting year and were valued at the year-end price of CHF 105.00. The shares awarded are subject to a three-year vesting period. The remuneration paid to directors last year and their interests in shares at the end of the year are shown on pages 27 and 28 of this annual report. The cash allowances paid to directors remained unchanged last year. However, due to the 8% higher average share price in 2008, 8% fewer shares were awarded than in 2007 and their cash value decreased by 63% because the year-end share price was lower. The base salary of the chairman of the board remained unchanged at CHF 120 000. Under the long-term bonus plan, he was awarded 726 shares (2007: 815 shares). Together with the lower year-end share price, the cash value of the shares awarded under the long-term bonus plan decreased by 64% to CHF 76 230.

Group management's remuneration Group management members receive a base salary commensurate with their responsibilities and experience, an annual performance-related cash bonus, shares under the long-term bonus 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 bonus plan were valued at the year-end price of CHF 105.00. The fair value of options, determined using the Black-Scholes method, was CHF 41.77 per option in 2008 compared to CHF 100.24 in 2007.

Last year, the level of target achievement for the performance-related components was between 86% and 131%. The chief executive officer's performance-related bonus decreased by 31% and equalled 181% of his base salary, while the other group management members received a bonus of 84% of their base salary, which was 44% less than a year earlier. The total remuneration paid last year and the interests held by the chief executive officer, other group management members and the total for the group management at the end of 2008 are set out on pages 28 and 29 of this annual report. In 2008 the chief executive officer's base salary was increased by 5% to CHF 700 200 for the first time since he assumed this position in January 2002. The base salaries of the other group management members remained unchanged due to currency movements. Their individual salary adjustments in local currencies were less than the average pay increases of employees. As the targets were more challenging and higher, the levels of target achievement for the performance-related annual bonus were below the high year-earlier levels. As a result, the annual cash bonuses paid to the chief executive officer and other group management members decreased by 36% and 22% respectively. The number of shares awarded to the chief executive officer under the long-term bonus plan for the period 2006 to 2008 increased by 211% to 7 264, while their cash value decreased by 15% to CHF 762 720. In the previous year, the number of shares awarded to the chief executive officer had been limited to 3 448 shares as the monetary ceiling of CHF 900 000 was reached. The other group management members were awarded 2 178 shares with a cash value of CHF 228 690 under the long-term bonus plan. This represents a 5% increase in the number of shares awarded, but a 58% reduction in their cash value. The number of share options granted remained the same as in the previous year and their cash value, calculated using the Black-Scholes method, was 58% lower at CHF 41.77 per option.

Additional remuneration, fees and loans to members of governing bodies

Due to his previous services as executive chairman of the board until April 2007, Rudolf Hauser was awarded 1 808 shares (2007: 1 532) worth CHF 189 840 (2007: CHF 399 852), valued at the year-end price of CHF 105.00 (2007: CHF 261.00), on a pro rata basis under the long-term bonus plan. 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 1000	Year	Base salary	Share awards		Share awards under long-term bonus plan		Social security and pension benefits	Other remuneration	Total	Paid in cash
			Number	Value	Number	Value				
Kurt E. Siegenthaler, chairman	2008	120.0	561	58.9	726	76.2	21.0	13.6	289.7	133.6
	2007	90.0	606	158.2	815	212.7	43.2	13.6	517.7	103.6
Thomas W. Hauser, deputy chairman	2008	–	491	51.6	–	–	6.2	11.8	69.6	11.8
	2007	–	530	138.3	–	–	15.0	11.8	165.1	11.8
Ernst Bärtschi	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
	2007	–	455	118.8	–	–	12.0	1.8	132.6	1.8
Thomas W. Bechtler	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
	2007	–	455	118.8	–	–	13.0	11.8	143.6	11.8
Rolf Broglie	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
	2007	–	455	118.8	–	–	13.0	11.8	143.6	11.8
Claude R. Cornaz	2008	–	421	44.2	–	–	5.5	1.8	51.5	1.8
	2007	–	455	118.8	–	–	13.0	11.8	143.6	11.8
Anita Hauser	2008	–	421	44.2	–	–	5.5	1.8	51.5	1.8
	2007	–	455	118.8	–	–	12.0	1.8	132.6	1.8
Heinrich Spoerry	2008	–	421	44.2	–	–	5.5	1.8	51.5	1.8
	2007	–	455	118.8	–	–	12.0	1.8	132.6	1.8
Erwin Stoller	2008	–	421	44.2	–	–	5.5	11.8	61.5	11.8
	2007	–	455	118.8	–	–	13.0	11.8	143.6	11.8
Total for directors	2008	120.0	3 999	419.9	726	76.2	65.7	78.0	759.8	198.0
	2007	90.0	4 321	1 128.1	815	212.7	146.2	78.0	1 655.0	168.0

Share awards to directors comprise directors' fees. The shares awarded to the chairman of the board under the long-term bonus plan are based on the achievement of targets in the period 2006 to 2008 (2007: 2005 to 2007). All share awards have been valued at the year-end share price of CHF 105.00 (2007: CHF 261.00). Other remuneration includes expenses and fees for service on the board committees.

Group management remuneration

CHF 1 000	Year	Base salary	Bonus	Share awards under long-term bonus plan		Share options under option plan		Social security and pension benefits	Other remuneration	Total	Paid in cash
				Number	Value	Number	Value				
				Philip Mosimann, CEO	2008	700.2	392.1				
	2007	665.0	616.8	3 448	899.9	3 600	360.9	229.7	19.2	2 791.5	1 301.0
Other members	2008	2 148.3	998.3	2 178	228.7	14 400	601.5	839.1	30.0	4 845.9	3 176.6
	2007	2 144.4	1 276.1	2 076	541.9	14 400	1 443.4	785.5	30.0	6 221.3	3 450.5
Total for group management	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
	2007	2 809.4	1 892.9	5 524	1 441.8	18 000	1 804.3	1 015.2	49.2	9 012.8	4 751.5

The shares awarded to the group management under the long-term bonus plan are based on the achievement of targets in the period 2006 to 2008 (2007: 2005 to 2007). All share awards have been valued at the year-end share price of CHF 105.00 (2007: CHF 261.00). The share options had a fair value of CHF 41.77 (2007: CHF 100.24) at the grant date, measured using the Black-Scholes valuation model.

Directors' interests in shares at 31 December

	Number of shares	
	2008	2007
Kurt E. Siegenthaler, chairman	15 168	12 943
Thomas W. Hauser, deputy chairman	1 069 569	979 039
Ernst Bärtschi	2 073	1 618
Thomas W. Bechtler	2 278	4 273
Rolf Broglie	11 618	11 163
Claude R. Cornaz	7 393	7 713
Anita Hauser	100 455	130 000
Heinrich Spoerry	1 147	692
Erwin Stoller	10 568	10 113
Total for directors	1 220 269	1 157 554

The directors did not hold any share options on 31 December 2008.

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

		Number of shares		Number of options	
		2008	2007	2008	2007
Philip Mosimann	CEO	30 676	26 778	11 700	8 550
Roger Baillod	CFO	10 291	9 865	6 600	7 200
Jean-Pierre Bernheim	Bucher Process	7 631	7 455	11 475	10 275
Michael Häusermann	Bucher Municipal	3 596	2 950	10 500	8 700
Martin Jetter	Emhart Glass	596	250	7 800	5 400
Michel Siebert	Kuhn Group	1 221	875	8 250	5 850
Daniel Waller	Bucher Hydraulics	4 236	3 590	10 500	8 400
Total for group management		58 247	51 763	66 825	54 375

		Number of options						
Grant year		2008	2007	2006	2005	2004	2000	Total
Exercise price (CHF)		149.00	221.00	116.00	108.00	46.80	52.40	
Staggered vesting over 4 years		2009–2012	2008–2011	2007–2010	2006–2009	2005–2008	2001–2004	
Life (years)		10	10	10	10	5	10	
Philip Mosimann	CEO	3 600	3 600	2 700	1 800	–	–	11 700
Roger Baillod	CFO	2 400	2 400	1 200	600	–	–	6 600
Jean-Pierre Bernheim	Bucher Process	2 400	2 400	2 400	2 400	1 200	675	11 475
Michael Häusermann	Bucher Municipal	2 400	2 400	2 400	2 400	900	–	10 500
Martin Jetter	Emhart Glass	2 400	2 400	1 800	1 200	–	–	7 800
Michel Siebert	Kuhn Group	2 400	2 400	1 800	1 200	450	–	8 250
Daniel Waller	Bucher Hydraulics	2 400	2 400	2 400	2 400	900	–	10 500
Total for group management		18 000	18 000	14 700	12 000	3 450	675	66 825

Each option entitles the holder to purchase one share.