

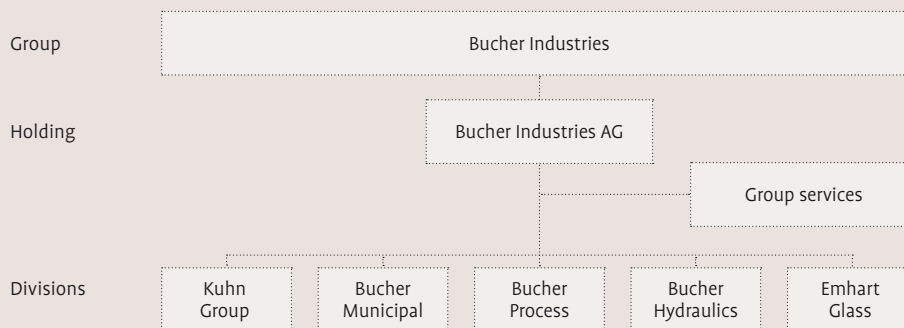
## Corporate Governance

This report complies with the SIX Swiss Exchange Corporate Governance Directive effective since 1 July 2002 and related commentaries, including updates up to 20 September 2007, where applicable to Bucher Industries. Unless otherwise stated, the information presented reflects the situation on 31 December 2008.

### Group structure and shareholders

**Operational group structure** The Bucher Industries Group is organised into five divisions operating in five business segments: specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), wine and fruit juice production equipment (Bucher Process), hydraulic components (Bucher Hydraulics) and manufacturing equipment for the glass container industry (Emhart Glass). At group level, a corporate centre provides finance and controlling, group development, legal and communications functions to support the Group and its five divisions in their activities. The Group's operational structure is shown in the chart below. Detailed segment information is presented in the notes to the consolidated financial statements on page 83 of this annual report.

**Group companies and consolidation** Bucher Industries AG incorporated in Niederweningen, Switzerland, is the Group's holding company. Its registered shares are listed on the main board of the SIX Swiss Exchange and also traded on the over-the counter markets of the Frankfurt, Stuttgart, Berlin and XETRA exchanges. Details are given in the investor relations section on pages 30 and 31 of this annual report. The consolidation includes all group companies owned directly or indirectly



by the holding company, as shown on pages 115 to 117 of this annual report. None of these companies is listed on a stock exchange.

**Shareholders** The registered shares are widely held by public shareholders. A group of shareholders organised under a shareholders' agreement and represented by Rudolf Hauser, Zurich, holds a total of 34.14% of the voting rights, as published in the Swiss Official Gazette of Commerce (SHAB) on 10 May 2005. The essence of shareholders' agreements has not been published. Bucher Industries AG and Bucher Beteiligungs-Stiftung hold a total of 5.65% of the issued share capital, the voting rights attached to such shares being suspended in accordance with art. 659a par. 1 of the Swiss Code of Obligations. Deutsche Bank, Frankfurt, held 3.09% of the voting rights. The board of Bucher Industries AG is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold more than 3% of the total voting rights.

There are no cross-shareholdings between Bucher Industries AG and other companies.

### Capital structure

**Capital** The issued share capital of Bucher Industries AG is CHF 2 113 180, divided into 10 565 900 registered shares of CHF 0.20 each. Bucher Industries AG has conditional, authorised but unissued capital up to a maximum of CHF 236 820. There is no additional authorised capital.

**Conditional authorised but unissued capital** The share capital of Bucher Industries AG may be increased by a maximum of CHF 236 820 through the issuance of up to 1 184 100 registered shares of CHF 0.20 each. The conditional authorised but unissued capital is reserved for the exercise of warrants or conversion rights attached to bonds and of rights issued to shareholders. Shareholders have no pre-emption rights. Holders of warrants, options or conversion rights are entitled to subscribe for new shares. No such rights are outstanding at present.

Warrant or conversion terms are determined by the board of directors. The Board is authorised to disapply shareholders' pre-emption rights for good cause, as provided in art. 653c par. 2 of the Swiss Code of Obligations, when issuing bonds with warrants or conversion rights. In such cases, the board is responsible for specifying the structure, life and amount of the issue as well as the warrant or conversion terms according to market conditions at the time of issue.

**Changes in capital** There were no changes in capital in the last three reporting years.

**Shares** Bucher Industries AG has an issued share capital of CHF 2113 180, divided into 10 565 900 registered shares of CHF 0.20 each. All shares are fully paid-up and rank for dividend. Each share carries one vote at general meetings of shareholders. Bucher Industries AG has not issued any participation or profit-sharing certificates.

**Restrictions on transferability** The company's registered shares are not subject to any restrictions on ownership or transferability. Pursuant to the articles of association of Bucher Industries, the board has established principles for the registration of nominees. Persons who do not expressly state in the application for registration that the shares are held for their own account (hereinafter "nominees") will be recorded in the share register as shareholders with voting rights up to a maximum of 2% of the share capital then outstanding, provided that such persons have previously entered into a nominee agreement with Bucher Industries AG. If the 2% threshold is exceeded, registered shares held by nominees will be entered with voting rights only if the nominee agrees in writing to disclose the names, addresses and shareholdings of the persons for whose account the nominee holds 0.5% or more of the share capital then outstanding. The 2% threshold also applies to nominees who are affiliated by capital or votes, through common management or otherwise.

**Convertible bonds and share options** Bucher Industries has no outstanding convertible bonds. Share options granted to members of the group management and division managements under the share option plan are shown on pages 27 to 29 of this annual report. The shares required to meet awards are purchased in the open market and held by Bucher Beteiligungs-Stiftung.

## Board of directors

### Members

**Kurt E. Siegenthaler** Swiss citizen, doctorate in biochemistry II University of Zurich, graduate in economics University of Basel ▶ 1969 Sandoz AG, Basel ▶ 1974 Mc Kinsey & Co., Zurich ▶ 1976 Bühler AG, Uzwil, head of finance and controlling ▶ 1985 SIG, Neuhausen, head of packaging machinery division ▶ 1993–1998 Black&Decker, Towson, USA, corporate vice president and managing director of Emhart Glass ▶ 1998–2005 Bucher Industries AG, division president of Emhart Glass ▶ **Other appointment** Director of Vittrashop Holding AG, Birsfelden.

**Thomas W. Hauser** Swiss citizen, mechanical engineer Swiss Federal Institute of Technology (ETH) Zurich, MBA INSEAD Fontainebleau ▶ 1968 Boeing, Seattle ▶ 1970–2003 Bucher Hydraulics GmbH, Klettgau, managing director ▶ 1984–2003 Bucher Hydraulics, division president. No other appointments or commitments.

**Ernst Bärtschi** Swiss citizen, lic. oec. HSG University of St. Gallen ▶ 1980 Schindler Management AG ▶ 1994 Schindler Aufzüge AG, managing director ▶ 1997 Schindler Group, chief financial officer ▶ 2002 Sika AG, Baar, chief financial officer, since 2005 chief executive officer. No other appointments or commitments.

**Thomas W. Bechtler** Swiss citizen, doctorate in law, University of Zurich, L.L.M. Harvard University ▶ 1977 Luwa AG, Zurich, division head ▶ 1982 Hesta AG and Hesta Tex AG, Zug, executive director and chief executive officer ▶ **Other appointments** Deputy chairman of Sika AG, Baar ▶ Director of Credit Suisse Group, Zurich, Swiss Re, Zurich, and Conzzeta AG, Zurich ▶ Chairman of Human Rights Watch Committee Zurich.

**Rolf Broglie** Swiss citizen, industrialist ▶ 1972 Chromos AG, Glattbrugg, managing director since 1985 ▶ 1995 Prografica AG, Glattbrugg, executive director and chief executive officer. No other appointments or commitments.

**Claude R. Cornaz** Swiss citizen, mechanical engineer Swiss Federal Institute of Technology (ETH) Zurich ▶ 1987 Contraves AG, Zurich ▶ 1989 Nestec SA, Vevey ▶ 1993 Vetropack Holding AG, Bülach, executive officer and chief executive officer since 2000 ▶ **Other appointments** Member of the board of the European Container Glass Federation ▶ Deputy chairman of H. Goessler AG, Zurich.

**Anita Hauser** Swiss citizen, lic. rer. publ. HSG University of St. Gallen, MBA INSEAD, Fontainebleau ▶ 1993–1998 Unilever, Zug and Milan, European brand manager ▶ 2000–2004 Lindt & Sprüngli (International), Kilchberg, international marketing manager, ▶ 2005 EF Education (Switzerland) AG, managing director. No other appointments or commitments.

**Heinrich Spoerry** Swiss citizen, lic. oec. HSG University of St. Gallen  
 ► 1979 Boston Consulting Group, Munich ► 1981 SFS Group, Heerbrugg, head of management services ► 1987 Stäfa Control System AG, Cerberus AG, Männedorf, member of the management ► 1998 SFS Group, Heerbrugg, chairman of the board and chief executive officer ► Other appointment Director of Mikron AG, Biel.

**Erwin Stoller** Swiss citizen, mechanical engineer Swiss Federal Institute of Technology (ETH) Zurich ► 1992 Rieter Holding AG, Winterthur, head of spinning systems ► 1996 Rieter Textile Systems, Winterthur, chief executive officer ► 2002–2007 Rieter Automotive Systems, Winterthur, chief executive officer ► 2008 Chairman of Rieter Holding AG, Winterthur. No other appointments or commitments.

Name	Age	Position	Appointed	Term expires	Committees		
					Audit	Compensation	Nomination
<b>Board of directors</b>							
Kurt E. Siegenthaler	67	chairman, non-executive	2006	2009		x	x
Thomas W. Hauser	68	deputy chairman, non-executive, independent	1984	2011		x	x
Ernst Bärtschi	57	non-executive, independent	2005	2011	x		
Thomas W. Bechtler	59	non-executive, independent	1987	2010		x	x
Rolf Broglie	62	non-executive, independent	1996	2010	x		
Claude R. Cornaz	48	non-executive, independent	2002	2009			
Anita Hauser	40	non-executive, independent	2007	2010			
Heinrich Spoerry	57	non-executive, independent	2006	2009			
Erwin Stoller	61	non-executive, independent	1996	2011	x		

**Independence** All directors, with the exception of Kurt E. Siegenthaler, are independent, i.e. they have not been members of the management of Bucher Industries within the last three years and have no material business relationship with the Group. Kurt E. Siegenthaler served as non-executive chairman of the board in the reporting year, but is not considered to be independent because he held an executive position as division president of Emhart Glass until the end of 2005. From 2009, all directors are independent.

**Elections and terms of office** Directors are elected individually for staggered three-year terms. They are required to retire at the first annual general meeting of shareholders after reaching the age of 70. The articles of association place no other restrictions on tenure. Thomas W. Hauser, Ernst Bärtschi and Erwin Stoller were re-elected to the board last year.

**Internal organisation** The board determines the strategic direction and oversees the management of the company as provided in the Swiss Code of Obligations, in the articles of association and internal rules of organisation, available at [www.bucherind.com/Investor Relations/Corporate Governance](http://www.bucherind.com/Investor Relations/Corporate Governance). It meets as often as business requires, holding at least six scheduled meetings each year, which generally take place every two months. It met six times last year. The meetings are usually attended by the chief executive officer, chief financial officer and other members of group management, depending on the items on the agenda. The secretary to the board takes minutes of the proceedings and resolutions. Each meeting lasts at least half a day, and the annual strategy meeting two days.

**Committees** To assist in its duties, the board has appointed an audit committee, a compensation committee and a nomination committee from among its members. The roles and responsibilities of the committees are described on pages 16 and 17 of this annual report. The committees report to the full board on their activities, results and proposals. The board has overall responsibility for the duties assigned to the committees. Committee members hold office from one annual general meeting until the next annual general meeting. Proceedings and resolutions of committee meetings are recorded in minutes.

**Audit Committee** The audit committee is composed of Rolf Broglie (chairman), Ernst Bärtschi and Erwin Stoller. Claude Cornaz served on the committee until 15 April 2008, when he was succeeded by Ernst Bärtschi. All the committee members are non-executive and independent. The role of the audit committee is to ensure a comprehensive and effective audit programme for the Group, receive reports from the statutory and group auditors, evaluate their independence and performance, determine their remuneration and recommend their appointment. It approves the audit priorities each year, reviews the audit plan and discusses the audit findings with the auditors. In addition, the audit committee submits proposals to the board for appropriate financial control systems. Last year, these related to the establishment of the internal control system and financial management policy, the improvement of monthly internal reporting and the introduction of an internal audit function from the 2009 financial year. The chairman of the board, chief executive officer, chief financial officer and representatives of the auditors attend the meetings in an advisory capacity. The audit committee holds at least three meetings each year. Each meeting usually lasts half a day. The committee met four times last year.

**Compensation Committee** The compensation committee is composed of Kurt E. Siegenthaler (chairman), Thomas W. Bechtler and Thomas W. Hauser. The three committee members are non-executive. Two of them were independent last year and all of them have been independent since 2009. The compensation committee is responsible for determining the remuneration of group management, setting policy on senior executive remuneration and recommending the remuneration paid to directors. The chief executive officer attends the meetings in an advisory capacity, except when his own remuneration is being determined. The compensation committee holds at least one meeting each year. The meeting usually lasts half a day. The committee met once last year.

**Nomination Committee** The nomination committee is composed of Kurt E. Siegenthaler (chairman), Thomas W. Bechtler and Thomas W. Hauser. The three committee members are non-executive. Two of them were independent last year and all of them have been independent since 2009. The nomination committee determines the selection policy for directors and the chief executive officer, carries out the selection procedure, and nominates and recommends candidates to the full board of directors. No other persons attend the meetings of this committee. For the appointment of other group management members, the nomination committee delegates the selection procedure to the chief executive officer and, at his request, makes recommendations to the board for appointments to group management. The nomination committee holds at least one meeting each year. The meeting usually lasts half a day. The committee met once last year.

**Authority and responsibility** The board has delegated the Group's operational management to the chief executive officer and group management. Their authority and responsibilities are set out in the internal rules of organisation. An abridged version of the rules of organisation is available as a PDF document on the Bucher Industries website at [www.bucherind.com/Investor Relations/Corporate Governance](http://www.bucherind.com/Investor%20Relations/Corporate%20Governance). The Board's role is to monitor and control the operational management.

**Information and control systems relating to group management** As part of the management reporting system, the board receives monthly key figures, quarterly consolidated financial statements and management comments from group management, providing information on operational performance and key performance indicators within the Group, divisions and major group companies. Variances from the budget and the three-year medium-term financial plan are analysed based on overall market conditions, and action taken by management is evaluated. At each meeting, the board is also informed about the course of business, important projects and risks. Once a year it conducts an in-depth assessment of the Group's risk situation on the basis of a risk report. Written proposals are prepared for any major projects requiring a board decision. In 2008, the board decided at the request of the audit committee to establish a group-wide internal control system and to introduce an internal audit function to start operating in 2009. Last year was the first time that the external auditors verified the existence of an internal control system. They will report on this to the audit committee and board of directors once a year, starting in March 2009.



## Group management

### Members

**Philip Mosimann** Swiss citizen, age 54, mechanical engineer Swiss Federal Institute of Technology (ETH) Zurich ► **1980** Sulzer Innotec AG, Winterthur  
 ► **1993** Sulzer AG, Winterthur, division president of Sulzer Thermtec  
 ► **1997** Sulzer AG, Winterthur, division president of Sulzer Textil  
 ► **2001** Bucher Industries AG, chief executive officer since 2002  
 ► **Other appointment** Director of Conzzeta AG, Zurich.

**Roger Baillo** Swiss citizen, age 49, graduate in business economics FH Olten, certified public accountant Kammerschule Zurich ► **1984** ATAG Ernst & Young AG, Zurich ► **1993** Dietsche Holding AG, Zug, head of finance and accounting ► **1995** Benninger AG, Uzwil, head of corporate services  
 ► **1996** Bucher Industries AG, chief financial officer ► **Other appointment** Member of the board of Migros-Genossenschafts-Bund, Zurich.

**Jean-Pierre Bernheim** French citizen, age 59, mechanical engineer Ecole des Mines, Paris, doctorate in engineering University of Marseille  
 ► **1977** Groupe Vallourec, Paris ► **1980** Bucher Vaslin SA, managing director  
 ► **1998** Bucher Process, division president. No other appointments or commitments.

**Michael Häusermann** Swiss citizen, age 47, graduate of Business School Zurich ► **1983** Kran + Hydraulik AG, Tagelswangen ► **1988** Bucher-Guyer AG, head of Bucher Transport Technology, Rolba Kommunaltechnik AG and Bucher-Guyer AG Municipal Vehicles ► **2000** Bucher Municipal, division president. No other appointments or commitments.



Daniel Waller



Philip Mosimann



Roger Baillod



Jean-Pierre Bernheim



Michel Siebert

Michael Häusermann



Martin Jetter

**Martin Jetter** German citizen, age 52, engineer University of Cooperative Education Stuttgart ► 1978 Robert Bosch GmbH, Schwieberdingen ► 1980 Jetter AG, Ludwigsburg, chief executive officer ► 2005 Emhart Glass AG, division president since 2006 ► Other appointment Jetter AG, Ludwigsburg, chief executive officer.

**Michel Siebert** French citizen, age 59, graduate of Institute of Business Administration Nancy ► 1976 Charbonnages de France, Nancy ► 1979 Kuhn SA, head of sales and member of division management ► 1999 Kuhn Group, division president. No other appointments or commitments.

**Daniel Waller** Swiss citizen, age 47, mechanical engineer Swiss Federal Institute of Technology (ETH) Zurich ► 1987 Rittmeyer AG, Zug ► 1996 Carlo Gavazzi AG, Steinhausen ► 1999 Bucher Hydraulics AG Frutigen, managing director ► 2004 Bucher Hydraulics, division president. No other appointments or commitments.

Group services **Vanessa Ölz** Swiss citizen, graduate in law University of Zurich ► 1989 Sulzer AG, Winterthur, legal counsel ► 1997 Sulzer Medica, Winterthur, secretary to the board ► 2002 Bucher Industries AG, head of legal and communications, secretary to the board.

**Stefan Düring** Swiss citizen, lic. oec. HSG University of St. Gallen, certified public accountant Board of Accountancy, New Hampshire, chartered financial analyst Association for Investment Management and Research, Charlottesville ► 1998 PricewaterhouseCoopers, Zurich ► 2006 Bucher Industries AG, head of group development.

**Management contracts** Bucher Industries AG has not entered into any management contracts with third parties.

### Remuneration, shareholdings and loans

These disclosures are presented in the remuneration report on pages 23 to 29 of this annual report.

## Shareholders' participation rights

**Voting rights and representation restrictions** There are no restrictions on voting rights or proxy voting.

**Required quorums** Resolutions at general meetings of shareholders are passed by an absolute majority of the votes of the shares represented. At least two-thirds of the votes represented and an absolute majority of the par value of the shares represented are required for special resolutions as prescribed in art. 704, par. 1 of the Swiss Code of Obligations.

**Convocation of the general meeting of shareholders** There are no rules that differ from the law for the convocation of general meetings of shareholders. As provided in the articles of association, notice of a meeting is given to shareholders at least 20 days before the meeting. The notice convening the meeting sets out the agenda and resolutions to be proposed by the board and by shareholders who have requested an item to be added to the agenda. To be entitled to vote at a general meeting, shareholders must be registered in the share register three working days before the date of the meeting. Extraordinary general meetings are called as and when required, in particular in the cases provided by law. Shareholders representing at least one tenth of the share capital may at any time request that a meeting be convened, stating the business to be transacted and resolutions proposed.

**Requests for additions to the agenda** Shareholders representing shares with a combined par value of CHF 20 000 may request that an item be added to the agenda. Requests for additions to the agenda must be submitted at least six weeks before a general meeting of shareholders.

**Obligation to make an offer and clauses on changes of control** The annual general meeting of shareholders held on 26 April 2005 adopted an opting-up clause in the articles of association, requiring a purchaser of shares to make a public tender offer when reaching or crossing the threshold of 40% of the voting rights in accordance with art. 32 and 52 of the Federal Stock Exchange and Securities Trading Act. There are no change of control clauses benefiting directors or group management members.

## Auditors

**Duration of the engagement and lead auditor's tenure** PricewaterhouseCoopers AG, Zurich, or its predecessor companies, has served as statutory and group auditors of Bucher Industries AG since 1984. The lead auditor, Beat Inauen, has been responsible for the audit engagement since 2007.

**Audit fees and non-audit fees** For last year, Bucher Industries was charged CHF 1 598 000 by PricewaterhouseCoopers and approximately CHF 841 000 by other auditors for services rendered in connection with the audit of the financial statements of Bucher Industries AG and its group companies and the audit of the consolidated financial statements of Bucher Industries. In addition, PricewaterhouseCoopers charged Bucher Industries a fee of approximately CHF 678 000 for non-audit services, comprising financial, tax and due diligence services.

**Supervisory and control instruments pertaining to the audit** The audit committee reviews the auditing concept, audit priorities and audit plan every year and discusses the audit findings with the auditors. Every year, the audit committee subsequently assesses the performance, fees and independence of the auditors.

## Information policy

Bucher Industries publishes the results of operations in an annual report (including a financial, corporate governance and remuneration report) and an interim report. These publications and the notice of the general meeting of shareholders are made available at the appropriate time on the company's website at [www.bucherind.com/investor-relations/Bucher Group publications and investor relations/annual general meeting](http://www.bucherind.com/investor-relations/Bucher-Group-publications-and-investor-relations/annual-general-meeting). The Group issues press releases announcing its full year, first quarter and third quarter sales. It holds an annual press conference and annual analyst conference to present full year results and hosts a conference call to discuss first half results. Significant events are announced in compliance with the directive on ad hoc publicity issued by the SIX Swiss Exchange. A calendar of forthcoming release dates scheduled for the current and next financial year is set out in the investor relations section on page 31 of this annual report. All news releases published over the past two years as well as contact addresses can be found at [www.bucherind.com/investor-relations/archive and contact](http://www.bucherind.com/investor-relations/archive-and-contact). The company's website at [www.bucherind.com](http://www.bucherind.com) also provides a facility to subscribe free of charge to an e-mail service to receive press releases published by Bucher Industries.

## 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	<b>289.7</b>	133.6
	2007	90.0	606	158.2	815	212.7	43.2	13.6	<b>517.7</b>	103.6
Thomas W. Hauser, deputy chairman	2008	–	491	51.6	–	–	6.2	11.8	<b>69.6</b>	11.8
	2007	–	530	138.3	–	–	15.0	11.8	<b>165.1</b>	11.8
Ernst Bärtschi	2008	–	421	44.2	–	–	5.5	11.8	<b>61.5</b>	11.8
	2007	–	455	118.8	–	–	12.0	1.8	<b>132.6</b>	1.8
Thomas W. Bechtler	2008	–	421	44.2	–	–	5.5	11.8	<b>61.5</b>	11.8
	2007	–	455	118.8	–	–	13.0	11.8	<b>143.6</b>	11.8
Rolf Broglie	2008	–	421	44.2	–	–	5.5	11.8	<b>61.5</b>	11.8
	2007	–	455	118.8	–	–	13.0	11.8	<b>143.6</b>	11.8
Claude R. Cornaz	2008	–	421	44.2	–	–	5.5	1.8	<b>51.5</b>	1.8
	2007	–	455	118.8	–	–	13.0	11.8	<b>143.6</b>	11.8
Anita Hauser	2008	–	421	44.2	–	–	5.5	1.8	<b>51.5</b>	1.8
	2007	–	455	118.8	–	–	12.0	1.8	<b>132.6</b>	1.8
Heinrich Spoerry	2008	–	421	44.2	–	–	5.5	1.8	<b>51.5</b>	1.8
	2007	–	455	118.8	–	–	12.0	1.8	<b>132.6</b>	1.8
Erwin Stoller	2008	–	421	44.2	–	–	5.5	11.8	<b>61.5</b>	11.8
	2007	–	455	118.8	–	–	13.0	11.8	<b>143.6</b>	11.8
<b>Total for directors</b>	<b>2008</b>	<b>120.0</b>	<b>3 999</b>	<b>419.9</b>	<b>726</b>	<b>76.2</b>	<b>65.7</b>	<b>78.0</b>	<b>759.8</b>	<b>198.0</b>
	<b>2007</b>	<b>90.0</b>	<b>4 321</b>	<b>1 128.1</b>	<b>815</b>	<b>212.7</b>	<b>146.2</b>	<b>78.0</b>	<b>1 655.0</b>	<b>168.0</b>

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	7 264	762.7	3 600	150.4	275.1	19.2	<b>2 299.7</b>	1 111.5
	2007	665.0	616.8	3 448	899.9	3 600	360.9	229.7	19.2	<b>2 791.5</b>	1 301.0
Other members	2008	2 148.3	998.3	2 178	228.7	14 400	601.5	839.1	30.0	<b>4 845.9</b>	3 176.6
	2007	2 144.4	1 276.1	2 076	541.9	14 400	1 443.4	785.5	30.0	<b>6 221.3</b>	3 450.5
<b>Total for group management</b>	<b>2008</b>	<b>2 848.5</b>	<b>1 390.4</b>	<b>9 442</b>	<b>991.4</b>	<b>18 000</b>	<b>751.9</b>	<b>1 114.2</b>	<b>49.2</b>	<b>7 145.6</b>	<b>4 288.1</b>
	<b>2007</b>	<b>2 809.4</b>	<b>1 892.9</b>	<b>5 524</b>	<b>1 441.8</b>	<b>18 000</b>	<b>1 804.3</b>	<b>1 015.2</b>	<b>49.2</b>	<b>9 012.8</b>	<b>4 751.5</b>

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
<b>Total for directors</b>	<b>1 220 269</b>	<b>1 157 554</b>

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
<b>Total for group management</b>		<b>58 247</b>	<b>51 763</b>	<b>66 825</b>	<b>54 375</b>

		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
<b>Total for group management</b>		<b>18 000</b>	<b>18 000</b>	<b>14 700</b>	<b>12 000</b>	<b>3 450</b>	<b>675</b>	<b>66 825</b>

Each option entitles the holder to purchase one share.