

# REMUNERATION REPORT

**Bossard attaches great importance to recruiting, retaining, motivating and fostering well-qualified employees at all levels. This is crucial where positions impacting strongly on company management and performance are to be filled. Compensation should generate incentives that will enhance the company's long-term development.**

According to the level of responsibility, individual performance evaluation is based on the results of the entire group and/or of a specific business segment. The performance evaluation of managers and employees at all levels is based on quantitative and qualitative assessment criteria. The quantitative criteria derive from the current business results as well as from the longer-term value added drivers, which are decisive for Bossard's future results and profitability. This evaluation is closely linked with Bossard's management approach of sustainability and of generating economic value added. The qualitative criteria used to assess individual performance derive from Bossard's strategic targets. Thus, compensation is intended to reflect the sustainable success of the company; however, it also depends on the contribution made by each individual. The board introduced a management participation plan in the form of a Restricted Stock Unit Plan (RSU) in order to gain long-term middle and top management support for the company's sustainable development and to allow them to participate in this development.

## COMPENSATION FOR BOARD MEMBERS

The board lays down the form of compensation, the target value and the components included in total compensation. In an average year, total compensation for a member of the board of directors should be in the region of CHF 100,000 and, apart from a fixed component of some 60 percent, should also include a variable component. The fixed basic payment of CHF 55,000 is intended to adequately compensate the members of the board for the time invested; serving on one of the board committees is compensated separately to a maximum of CHF 15,000. The profit-linked component corresponds to 0.2 percent of consolidated net income and, in addition, is linked to a factor based on the return on capital employed (ROCE). No variable component is paid out if the return on capital employed is below 6 percent. With a return on capital of more than 10.9 percent, the upper limit of this variable compensation is CHF 75,000. Special regulations apply for the employee representative and the chairman of the board. The chairman is not present when the board determines his compensation. The fixed compensation component is CHF 185,000. The chairman's profit-linked compensation and the share plan is in line with the regulations applicable for all board members. The employee representative receives a maximum of CHF 15,000 in fixed compensation and a profit-linked component with a ceiling of CHF 30,000. In 2011, the chairman's variable compensation component was 40 percent (2011: 40 percent) of the fixed component. For the other board members the variable compensation component ranged from 136 percent to 200 percent (2011: 136 – 200 percent). Detailed information on the compensation paid in the reporting and the prior year is set out on page 59 in note 26 of the notes to the consolidated financial statements.

## COMPENSATION PAID TO CURRENT MEMBERS OF THE BOARD OF DIRECTORS

IN CHF		FIXED	VARIABLE	COMMITTEE WORK	TOTAL
Dr. Thomas Schmuckli	Chairman, NCC <sup>1)</sup> , AC, <sup>2)</sup>	185,000	75,000	–	260,000
Anton Lauber	Deputy chairman, NCC	55,000	75,000	15,000	145,000
Urs Fankhauser	Representing holders of bearer shares, NCC	55,000	75,000	15,000	145,000
Erica Jakober-Tremp	Employee Representative	15,000	30,000	–	45,000
Dr. Beat E. Lüthi	AC	55,000	75,000	15,000	145,000
Prof. Dr. Stefan Michel	AC	55,000	75,000	15,000	145,000
Helen Wetter-Bossard	NCC	55,000	75,000	15,000	145,000
<b>2012</b>		<b>475,000</b>	<b>480,000</b>	<b>75,000</b>	<b>1,030,000</b>

1) Nomination and compensation committee  
2) Audit committee

IN CHF		FIXED	VARIABLE	COMMITTEE WORK	TOTAL
Dr. Thomas Schmuckli	Chairman, NCC, AC	185,000	75,000	–	260,000
Anton Lauber	Deputy chairman, NCC	55,000	75,000	15,000	145,000
Urs Fankhauser	Representing holders of bearer shares, NCC	55,000	75,000	15,000	145,000
Erica Jakober-Tremp	Employee Representative	15,000	30,000	–	45,000
Dr. Beat E. Lüthi	AC	55,000	75,000	15,000	145,000
Prof. Dr. Stefan Michel	AC	55,000	75,000	15,000	145,000
Helen Wetter-Bossard	NCC	55,000	75,000	15,000	145,000
<b>2011</b>		<b>475,000</b>	<b>480,000</b>	<b>75,000</b>	<b>1,030,000</b>

The compensation paid to current members of the board of directors are payments due for the 2012 business year and apply for the period of office from the annual general meeting of shareholders 2012 to the annual general meeting of shareholders 2013. Payment is made at the end of the period of office after the annual general meeting of shareholders. At least 20 percent must, at most 40 percent of the compensation may be drawn in bearer shares of Bossard Holding AG. Apart from the compensation shown, the company takes over the required employer's as well as the employee's Swiss social security contributions (AHV/IV).

## COMPENSATION PAID TO FORMER MEMBERS OF THE BOARD OF DIRECTORS

In the reporting year no payments were made to former members of the board of directors.

In 2011 the deputy chairman, Rolf E. Thurnherr, received compensation of CHF 145,000 (CHF 70,000 fixed, CHF 75,000 variable) for 2010, his last year in office.

All members of the board must accept at least 20 percent and may draw up to 40 percent of their total compensation in the form of bearer shares in Bossard Holding AG. These shares are subject to a restriction period of three years, which also applies if a member resigns from the board during this period. The shares are made available at market price less a reduction of roughly 16 percent for the three-year lockup period as provided for in Swiss tax legislation. The market value is determined in February of each year and is based on the average share price over the prior ten trading days. The shares required for the share plan are bought on the market. They may not be sold, used as collateral or transferred before the end of the lockup period.

Purchase of shares for the 2011 and 2010 business years:

		NUMBER OF BEARER SHA- RES 2011	MARKET VALUE IN CHF 2011	NUMBER OF BEARER SHARES 2010	MARKET VALUE IN CHF 2010
Dr. Thomas Schmuckli	Chairman, NCC, AC	800	100,080	950	125,733
Anton Lauber	Deputy chairman, NCC	552	69,055	522	69,087
Urs Fankhauser	Representing holders of bearer shares, NCC	552	69,055	522	69,087
Erica Jakober-Tremp	Employee representative	171	21,392	104	13,764
Dr. Beat E. Lüthi	AC	552	69,055	486	64,322
Prof. Dr. Stefan Michel	AC	552	69,055	–	–
Helen Wetter-Bossard	NCC	552	69,055	522	69,087
<b>Total</b>		<b>3,731</b>	<b>466,747</b>	<b>3,106</b>	<b>411,080</b>

Shares are acquired in accordance with the company's share plan. Members of the board of directors must draw at least 20 percent but no more than 40 percent of their total compensation in bearer shares of Bossard Holding AG. Such shares are subject to a lock-up period of three years. The purchase price of the shares relates to the market value minus a tax-deductible discount of 16 percent for the three-year restriction period. The purchase price per share for the 2011 business year was CHF 105.05 (2010: CHF 111.15).

## COMPENSATION FOR THE CEO

The mechanism governing the CEO's compensation is laid down by the board on the recommendation of the board's nomination and compensation committee (NCC). The board defines (i) the range of total compensation for the CEO and (ii) the strategic targets. The NCC evaluates the CEO's work and, within given parameters, determines the amounts for individual variable compensation. The chairman of the board is responsible for preparing this issue. The CEO's compensation is made up of a basic fixed component (approximately 65 percent of total compensation) and a performance-linked variable component (roughly 35 percent) at the discretion of the employer. The target value of the CEO's compensation is within a range that is monitored by the board annually and is set at the board's discretion. The variable compensation comprises two components. The first component is linked to the operating results in the European, American and Asian market regions. It corresponds to a fraction of the EBIT results of all the regions. The second component is linked to meeting the strategic targets, which the board defines and monitors annually. In 2012 the variable part amounted to 77 percent (2011: 70 percent) of fixed compensation.

## COMPENSATION FOR THE EXECUTIVE COMMITTEE

The regulations governing compensation for the members of the executive committee are similar to those for the CEO. The compensation is made up of a fixed basic sum and a performance-linked variable component determined at the discretion of the employer. For members of the executive committee the variable part is linked to three components: (i) profitability reached in their own area of responsibility, (ii) consolidated net income, (iii) meeting the strategic targets set. In line with the Group's compensation mechanism the NCC at the CEO's request lays down the total compensation range for the members of the executive committee. In accordance with the CEO's proposals the NCC annually approves the total compensation for the various members of the executive committee. At the subsequent board meeting, the NCC informs the members about the approved total compensation. The variable part of the compensation was 63 percent (2011: 68 percent) of the fixed basic compensation.

## COMPENSATION PAID TO CURRENT MEMBERS OF THE EXECUTIVE COMMITTEE

IN CHF (GROSS)	EXECUTIVE COMMITTEE TOTAL		CEO <sup>1)</sup>	
	2012	2011	2012	2011
Fixed compensation	2,063,406	2,022,920	475,740	473,828
Variable compensation <sup>2)</sup>	1,101,500	1,121,094	322,800	288,358
Other <sup>3)</sup>	54,600	54,600	9,600	9,600
<b>Total</b>	<b>3,219,506</b>	<b>3,198,614</b>	<b>808,140</b>	<b>771,786</b>
Management participation plan (RSU)	300,000	300,000	50,000	50,000
Pension contributions	462,730	444,202	159,026	149,043
Members of the executive committee	6	6		

1) David Dean

2) The disclosed variable compensation is accrued for the reporting year. This may differ from the actual payment made in the following year. Any deviations between accruals and actual payments are recognized in the year following the reporting year for which the compensation was paid. The compensation disclosed for 2011 is the actual total payment made.

3) Private share in company vehicle

## CLAUSES ON CHANGES OF CONTROL

The employment agreement for members of the executive committee contains no clauses on changes of control. The Group does not provide for golden parachutes for the members of its senior management. The term of notice for executive committee members is between six and twelve months. During this period they are entitled to compensation and bonus payments.

Should the company change hands or go into liquidation, all share options (RSUs) held in the management participation plan fall due immediately.

The CEO as well as the other members of the executive committee may draw up to 20 percent of their total compensation in the form of bearer shares in Bossard Holding AG. These shares are subject to a restriction period of three years. This also applies if a member should withdraw from the executive committee during the lockup period. The shares are made available at market price less a reduction of roughly 16 percent for the three-year lockup period as provided for in Swiss tax legislation. The market value is determined in February of each year and is based on the average share price over the prior ten trading days. The shares required for the share plan are bought on the market. The shares may not be sold, used as collateral or transferred before the end of the lockup period.

Purchase of shares for the 2011 and 2010 business years:

		NUMBER OF BEARER SHARES 2011	MARKET VALUE IN CHF 2011	NUMBER OF BEARER SHARES 2010	MARKET VALUE IN CHF 2010
David Dean	CEO	600	75,060	500	66,175
Stephan Zehnder	CFO	900	112,590	850	112,498
Beat Grob	CEO Central Europe	1,100	137,610	1,100	145,585
Dr. Daniel Bossard	CEO Northern- & Eastern Europe	–	–	500	66,175
Steen Hansen	CEO America	–	–	–	–
Robert Ang	CEO Asia	–	–	900	119,115
<b>Total</b>		<b>2,600</b>	<b>325,260</b>	<b>3,850</b>	<b>509,548</b>

Shares are acquired in accordance with the company's share plan. Members of the executive committee may draw up to at most 20 percent of their total compensation in bearer shares of Bossard Holding AG. Such shares are subject to a lock-up period of three years. The purchase price of the shares relates to the market value minus a tax-deductible discount of 16 percent for the three-year restriction period. The purchase price per share for the 2011 business year was CHF 105.05 (2010: CHF 111.15).

## COMPENSATION PAID TO FORMER MEMBERS OF THE EXECUTIVE COMMITTEE

In 2012 and 2011 no compensation was paid to former members of the executive committee.

## MANAGEMENT PARTICIPATION PLAN (RESTRICTED STOCK UNIT PLAN – RSU)

This management participation plan with its long-term orientation is offered by Bossard Group to specified middle and top management personnel. Members of the board of directors may not participate in this plan. At the board's discretion and in addition to his/her total compensation and for services he/she rendered, the manager annually receives a defined sum which is converted into RSUs on Bossard Group bearer shares. The conversion is undertaken at market prices and is based on the average share price over the prior ten trading days in November. The additional compensation converted into RSUs is locked up for three years. The RSUs can not be traded nor used as collateral. After three years, one third of the allocated RSUs is passed on to the manager provided that at the time of delivery he/she has not left the company or been given notice. At that point the shares are no longer subject to any restrictions with the exception of the rules governing management transactions. At its retreat in 2011, the board commissioned a detailed plan to be drawn up and, at the request of the NCC, approved the plan on December 2, 2011. It has been applied for the first time for the business year 2011. The expenses for the management participation plan charged to operating earnings totaled CHF 1.1 million in 2012 (2011: 1.0 Mio. CHF). Although the allocated values of the RSUs are fixed, they are recognized as variable components.

Number of restricted stock units (RSUs) allocated:

		2012	2011
David Dean	CEO	400	493
Stephan Zehnder	CFO	400	493
Beat Grob	CEO Central Europe	400	493
Dr. Daniel Bossard	CEO Northern- & Eastern Europe	400	493
Steen Hansen	CEO America	400	493
Robert Ang	CEO Asia	400	493
<b>Total</b>		<b>2,400</b>	<b>2,958</b>

The market value of the RSUs allocated in the 2012 business year was CHF 125.00 (2011: CHF 101.40).

## SHARE HOLDINGS

At December 31, the individual members of the board of directors and of the executive committee (including persons closely associated with them) held the following shares in the company:

		2012	2011
<b>Board of directors</b>			
Dr. Thomas Schmuckli	Chairman, NCC, AC	4,800	4,000
Anton Lauber	Deputy chairman, NCC	3,516	2,964
Urs Fankhauser	Representing holders of bearer shares, NCC	4,017	3,465
Erica Jakober-Tremp	Employee representative	1,171	1,000
Dr. Beat E. Lüthi	AC	3,285	2,733
Prof. Dr. Stefan Michel	AC	1,112	560
Helen Wetter-Bossard	NCC	10,555	10,003
<b>Total</b>		<b>28,456</b>	<b>24,725</b>
<b>Executive committee</b>			
David Dean	CEO	8,600	8,000
Stephan Zehnder	CFO	5,148	4,248
Beat Grob	CEO Central Europe	10,038	8,938
Dr. Daniel Bossard	CEO Northern- & Eastern Europe	1,600	3,100
Steen Hansen	CEO America	1,543	1,543
Robert Ang	CEO Asia	2,350	2,350
<b>Total</b>		<b>29,279</b>	<b>28,179</b>

## ADDITIONAL HONORARIUMS AND REMUNERATIONS

In the reporting year no further honorariums or other remunerations were paid to members of the board of directors, the executive committee or to persons closely associated with them.

## LOANS TO GOVERNING BODIES

At December 31, 2012, as well as at December 31, 2011, there were no loans outstanding to members of governing bodies currently in office.

## REVIEWING

The principles, the components and the target values of the compensation system for the board and the executive committee as well as for the management participation plan are approved by the board of directors and reviewed annually by the NCC. In order to assess the compensation level, the NCC periodically notes the published compensation reports of Swiss industrial enterprises comparable in size to Bossard Group. The NCC does not employ external consultants for this. The NCC meets at least twice a year. At the following board meeting, the chairman of the NCC gives an oral account of the business dealt with at the last NCC meeting. Where necessary, and on the basis of the recommendations made by the NCC, the entire board approves the target values and the components of the compensation system. During the last review, which took place on November 30, 2012, the NCC decided to grant the board of directors an adjustment to the parameters for calculating the 2013 compensation for board members (in the future, this will be: (i) 0.1 percent of the consolidated net income as a basis for the profit-linked component of compensation with (ii) at least an 8 percent return on capital employed). The board of directors agreed to this adjustment in its meeting on December 14, 2012.