

COMPENSATION REPORT

The compensation report contains details of the compensation paid to members of the board of directors and the executive committee (as per articles of association 36–42), which were previously disclosed in the corporate governance report and the financial statements of Bossard Holding AG. In view of the Ordinance Against Excessive Compensation in Listed Companies (VegüV), which entered into force on January 1, 2014, all the information concerning the compensation paid to the board of directors and the executive committee is now provided in the compensation report.

GUIDELINES, COMPENSATION PRINCIPLES AND PROCEDURES

Bossard attaches great importance to recruiting, retaining, motivating and fostering well-qualified employees at all levels. This is particularly crucial in areas that impact strongly on the company management. Compensation should create incentives which enhance the company's long-term development. The principles and systems for compensation are set out in the articles of association, Art. 36 ff.

Depending on the level of responsibility, the evaluation of individual performance takes into account the results of the entire group and/or of a business segment. The performance evaluation of managers and employees at all levels is based on quantitative and qualitative assessment criteria. The quantitative elements are derived both from the current business results and from the longer-term value drivers, which are decisive for Bossard's future results and profitability. The evaluation is closely related to the value-oriented and sustainability-focused management approach implemented by Bossard. Qualitative criteria, used to assess individual performance levels, are derived from the company's strategic targets. Compensation is therefore intended to reflect the sustainable success of the company; it also depends upon the contribution made by the individual. With the aim of gaining long-term middle and senior management support for the company's sustainable development, and to allow managers to participate in this development, the board of directors introduced a management share option plan in the form of a restricted stock unit plan (RSU).

All compensation has a defined upper limit, to avoid unexpected upward movement. As a general principle, the variable compensation component for each total compensation must be no greater than the fixed salary component (Art. 37–39, para. 1, articles of association).

The annual general meeting of shareholders approves the maximum total amount payable to the board of directors and the executive committee each year for the period from May 1, to April 30, of the following year (Art. 11 (8) of the articles of association). If new members join the executive committee, they will be remunerated according to the principles set out in Art. 42 of the articles of association.

The board of directors produces a compensation report each year, which is presented to the annual general meeting of shareholders for approval. The decision of the annual general meeting of shareholders on this matter is not binding (consultative vote, Art. 43 articles of association).

REVIEWING

The principles, the components and the target values of the compensation system for the board of directors and the executive committee as well as for the management participation plan are approved by the board of directors and reviewed annually by the nomination and compensation committee (NCC). In order to assess the compensation level, the NCC periodically takes note of compensation reports published by Swiss industrial enterprises of a comparable size. The NCC does not engage external consultants for this. The NCC meets at least twice a year. The committee chairman gives a verbal report of the business dealt with at the next meeting of the board of directors. If necessary, the target values and components of the compensation system are approved by the entire board of directors on the recommendation of the NCC. The last NCC meeting was held on November 24, 2014. The board of directors approved the NCC's proposals at its meeting on December 5, 2014.

The board of directors plans to transfer all issues of compensation in future to a compensation committee, which is managed by a non-executive board member.

COMPENSATION FOR BOARD OF DIRECTORS

The board of directors defines the content of the compensation, the target value and the components included in its total compensation as set out in Art. 37 of the articles of association. In an average year, the total compensation for a member of the board of directors should be around CHF 100,000 up to a maximum of CHF 150,000 (excluding social security contributions). It includes a fixed component and variable components. The fixed payment of CHF 75,000 is intended to adequately compensate board members for time spent serving on the board of directors and on the committees. The profit-related compensation is limited to a maximum of CHF 75,000. It corresponds to 0.1 percent of the consolidated net income and is additionally linked to a factor based on return on capital employed (ROCE). No variable compensation component is paid if the return on capital employed is lower than 8 percent. The maximum variable component of CHF 75,000 is contingent on a return on capital of more than 18 percent.

Compensation for the chairman of the board of directors is determined by the board in the absence of the chairman. The fixed component of his compensation is CHF 200,000. His profit-related compensation is subject to a maximum of CHF 75,000; this and the share plan are in line with the rules applicable for all board members. The chairman's variable compensation component in 2014 was 38 percent of the fixed component (2013: 41 percent). For the other board members the variable compensation component came to 100 percent (2013: 136 percent).

In 2014, the annual general meeting of shareholders authorized a maximum compensation budget for compensation of the board of directors of CHF 1,200,000 for the period from May 1, 2014 to April 30, 2015. The board of directors (5 board members) was paid a total of CHF 996,558 in 2014 (2013: CHF 1,173,142).

All members of the board of directors must draw for at least 20 percent and may draw up to 50 percent of their total compensation in registered A shares of Bossard Holding AG. The shares are subject to a restriction period of three years. This also applies if a member resigns from the board of directors in that time. The shares are priced at market value, less a reduction of approximately 16 percent for the three-year lockup period as permitted under Swiss tax law. The market value is determined at the end of February of each year and is based on the aver-

age share price over the previous ten trading days. The decision on the proportion of compensation to be paid in shares (20–50 percent) is made the day after the annual general meeting of shareholders. The shares required for the share plan are purchased on the market by Bossard Holding AG. The shares may not be sold short, used as collateral or transferred before the end of the lockup period.

COMPENSATION FOR THE CEO

The mechanism for compensation of the CEO is established by the board of directors on the recommendation of the nomination and compensation committee (NCC) as set out in Art. 38 of the articles of association. The board of directors defines (i) the range of total compensation for the CEO and (ii) the strategic targets. The NCC evaluates the CEO's work and determines the variable compensation amount within the defined parameters. The CEO's compensation consists of a fixed basic salary (around 65 percent of the total compensation) and a performance-related, variable component, at the discretion of the employer (approx. 35 percent of total compensation or 54 percent of the fixed compensation). The CEO's variable compensation cannot exceed the level of his or her fixed salary. The target value of the CEO's compensation is within the range reviewed annually by the board of directors and set at its discretion. The variable compensation is divided into two components. The first component is tied to the operational result of the operational business units, and the second component is linked to the achievement of strategic targets, which are defined and reviewed annually by the board of directors. The variable component of the compensation came to 70 percent of fixed compensation in 2014 (2013: 76 percent).

COMPENSATION FOR THE EXECUTIVE COMMITTEE

The procedures for compensation of the members of the executive committee are similar to those for the CEO. In Art. 39 of the articles of association the principles are set out. The compensation consists of a fixed basic salary and a performance-related, variable element paid at the employer's discretion. The variable element of the executive committee's compensation is linked to three components: (i) operational profitability achieved in his or her own management area, (ii) consolidated net income and

(iii) the achievement of strategic targets. The variable compensation of an executive committee member cannot exceed the level of his or her basic salary. In accordance with the Bossard Group's compensation mechanism the NCC, at the request of the CEO, defines the range of total compensation for the executive committee's members. As recommended by the CEO, the NCC annually approves the total compensation for the individual members of the executive committee. The NCC informs the board of directors of the total authorized compensation at the following meeting. The variable component of the compensation came to 72 percent of fixed compensation in 2014 (2013: 75 percent).

In 2014, the annual general meeting of shareholders authorized a compensation budget for compensation of the executive committee of CHF 4,900,000 for the period from May 1, 2014 to April 30, 2015. The executive committee was paid a total of CHF 4,544,114 in 2014 (2013: CHF 4,447,305).

The CEO and the other members of the executive committee may draw up to 20 percent of their total compensation in registered A shares of Bossard Holding AG. The shares are subject to a restriction period of three years. This also applies if a member resigns from the executive committee in that time. The shares are priced at market value, less a reduction of approximately 16 percent for the three-year lockup period as permitted under Swiss tax law. The market value is determined at the end of February of each year and is based on the average share price over the previous ten trading days. The decision on the proportion of compensation to be paid in shares (0–20 percent) is made the day after the annual general meeting of shareholders. The shares required for the share plan are purchased on the market. The shares may not be sold short, used as collateral or transferred before the end of the lockup period.

MANAGEMENT PARTICIPATION PLAN

The main features of a management participation plan (Restricted Stock Unit plan, RSU) are set out in Art. 40 of the articles of association. The finer details are recorded in the plan rules.

This long-term management participation plan is offered by the Bossard Group to specified middle and senior managers of the Group. The board of directors

may not participate in this plan. At the discretion of the board of directors, and in addition to his or her total compensation for services rendered, the manager annually receives a fixed sum which is converted into RSUs on registered A shares in Bossard Holding AG. The conversion is carried out at market value in November and is based on the average share price over the previous ten trading days. The additional compensation converted into RSUs is locked up for three years, during which time the RSUs may not be traded or used as collateral. After three years, every year one third of the allocated RSUs is delivered to the manager as registered A shares provided the beneficiary is still with the company and is not working out his or her notice at the time of delivery. For compliance reasons, the payment may also be made in cash. From that point, the shares are no longer subject to any restrictions other than the rules governing management transactions. The total expenses for the management participation plan charged to operating earnings came to CHF 1.0 million in 2014 (2013: CHF 0.7 million). Even though the allocated values of the RSUs are fixed, they are considered to be variable components.

LOANS, CREDIT AND PENSION PAYMENTS

As set out in Art. 41 of the articles of association at the request of the nomination and compensation committee, the board of directors may, in justified cases for members of the executive committee and persons related to them, grant:

- _ mortgage-backed loans or credit up to a maximum of CHF 1 million per person
- _ unsecured loans or credit up to a maximum of CHF 0.5 million per person
- _ pension benefits outside the occupational pension scheme up to a maximum of CHF 0.5 million (one-time) per person

COMPENSATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

BOARD OF DIRECTORS

COMPENSATION PAID TO CURRENT MEMBERS OF THE BOARD OF DIRECTORS FOR THE BUSINESS YEAR 2014

IN CHF		FIXED ³⁾	VARIABLE	SOCIAL COSTS	TOTAL COMPENSATION	IN SHARES ⁴⁾
Dr. Thomas Schmuckli	Chairman, NCC ¹⁾ , AC ²⁾	200,000	75,000	37,626	312,626	126,560
Anton Lauber	Deputy Chairman, NCC	75,000	75,000	20,983	170,983	72,320
Prof. Dr. Stefan Michel	Repr. of registered A shares, NCC	75,000	75,000	20,983	170,983	64,907
Helen Wetter-Bossard	NCC	75,000	75,000	20,983	170,983	72,320
Maria Teresa Vacalli	AC	75,000	75,000	20,983	170,983	72,320
2014		500,000	375,000	121,558	996,558	408,427

1) Nomination and compensation committee (NCC)

2) Audit committee (AC)

3) The compensation of the committee work is now included in the fixed compensation.

4) Members of the board of directors must draw at least 20 percent, but may draw up to 50 percent of their total compensation in registered A shares of Bossard Holding AG (according to article 37 of the articles of association). The shares are priced at market value, less a reduction of approximately 16 percent for the three years lockup period. The purchase price was 90.40 CHF and took place one day after the annual general meeting of shareholders 2014.

COMPENSATION PAID TO CURRENT MEMBERS OF THE BOARD OF DIRECTORS FOR THE BUSINESS YEAR 2013

IN CHF		FIXED	VARIABLE	COMMITTEE- WORK	SOCIAL COSTS	TOTAL COMPENSATION	IN SHARES ³⁾
Dr. Thomas Schmuckli	Chairman, NCC, AC	185,000	75,000	30,000 ¹⁾	39,679	329,679	103,846
Anton Lauber	Deputy Chairman, NCC	55,000	75,000	15,000	20,284	165,284	28,919
Urs Fankhauser	Repr. of bearer shares, NCC, AC	55,000	75,000	30,000	22,327	182,327	57,958
Prof. Dr. Stefan Michel		55,000	75,000	15,000 ²⁾	20,284	165,284	28,919
Helen Wetter-Bossard	NCC	55,000	75,000	15,000	20,284	165,284	28,919
Maria Teresa Vacalli	AC	55,000	75,000	15,000	20,284	165,284	0
2013		460,000	450,000	120,000	143,142	1,173,142	248,561

1) On behalf of the board of directors, Dr. Thomas Schmuckli worked on the acquisition of KVT-Fastening. For this exceptional performance, he received a one-time compensation of CHF 30,000.

2) Prof. Dr. Stefan Michel provided consulting on behalf of the board of directors of Bossard Group for the project "Branding@Bossard". For this work, he received a compensation of CHF 15,000.

3) Members of the board of directors must draw for at least 20 percent, but may buy up to 50 percent of their total compensation in registered A shares of Bossard Holding AG (according to article 37 of the articles of association). The shares are subject to a restriction period of three years. The shares are priced at market value, less a reduction of approximately 16 percent for the lockup period. The purchase price was CHF 59.75 and took place one day after the annual general meeting of shareholders 2013.

PAYMENTS TO FORMER BOARD MEMBERS

In 2014, Urs Fankhauser received a compensation of CHF 182,327 (CHF 85,000 fixed, CHF 75,000 variable, CHF 22'327 social costs) for his final year in office, 2013/2014.

In 2013, Dr. Beat E. Lüthi received a compensation of CHF 164,358 (CHF 70,000 fixed, CHF 75,000 variable, CHF 19'358 social costs) and Erica Jakober-Tremp CHF 51,530 (CHF 15,000 fixed, CHF 30,000 variable, CHF 6'530 social costs) both for their final year in office, 2012/2013.

PAYMENTS TO RELATED PARTIES OF BOARD MEMBERS

In 2014, as well as in 2013 no compensation was paid to related parties of present or former members of the board of directors.

EXECUTIVE COMMITTEE

COMPENSATION PAID TO CURRENT MEMBERS OF THE EXECUTIVE COMMITTEE

IN CHF	EXECUTIVE COMMITTEE TOTAL		DAVID DEAN, CEO	
	2014	2013	2014	2013
Fixed compensation	2,193,589	2,136,571	499,992	491,908
Variable compensation ¹⁾	1,273,495	1,302,173	301,000	325,100
Other benefits ²⁾	99,158	85,025	9,600	9,600
Subtotal (salary)	3,566,242	3,523,769	810,592	826,608
Management participation plan (RSU) ³⁾	300,000	300,000	50,000	50,000
Social and pension costs	677,872	623,536	225,614	209,161
Total	4,544,114	4,447,305	1,086,206	1,085,769
Share payment ⁴⁾	567,712	216,893	160,008	-
Members of the executive committee	6	6		

1) 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 following reporting year for which the compensation was paid. The compensation disclosed for 2013 is the actual total payment made.

2) Private share in company vehicle, child allowances, anniversary bonus

3) The market value of the RSUs allocated in the 2014 business year was CHF 102.10 (2013: CHF96.45).

4) Members of the executive committee may draw up to 20 percent of their total compensation in registered A shares of Bossard Holding AG of the previous year (according to article 38 and 39 of the articles of association). The shares are priced at market value, less a reduction of approximately 16 percent for the three years lockup period. The draw always takes place one day after the annual general meeting of shareholders. For the drawn shares in 2014 the price was CHF 90.40 (2013: CHF 59.75).

COMPENSATION PAID TO FORMER MEMBERS OF THE EXECUTIVE COMMITTEE

In 2014, as well as in 2013 no compensation was paid to former members of the executive committee.

COMPENSATION PAID TO RELATED PARTIES OF MEMBERS OF THE EXECUTIVE COMMITTEE

In 2014, as well as in 2013 no compensation was paid to related parties of present or former members of the executive committee.

LOANS AND CREDITS

PRESENT AND FORMER MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

As of December 31, 2014 as well as of December 31, 2013 no such loans or credits payments existed to present or former members of the board of directors and the executive committee.

RELATED PARTIES OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

As of December 31, 2014 as well as of December 31, 2013 no such loans or credits existed to related parties of present or former members of the board of directors and the executive committee.

PARTICIPATIONS

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 numbers of registered A shares of Bossard Holding AG:

		2014	2013
Board of directors			
Dr. Thomas Schmuckli	Chairman, NCC, AC	14,000	12,600
Anton Lauber	Deputy chairman, NCC	7,374	6,574
Prof. Dr. Stefan Michel	Representative of registered A shares, NCC	2,582	1,864
Helen Wetter-Bossard	NCC	22,358	22,558
Maria Teresa Vacalli	AC	800	-
Total		47,114	43,596
Executive committee			
David Dean	CEO	23,270	21,500
Stephan Zehnder	CFO	15,026	13,526
Beat Grob	CEO Central Europe	28,006	26,746
Dr. Daniel Bossard	CEO Northern & Eastern Europe	5,120	5,100
Steen Hansen	CEO America	3,586	3,586
Robert Ang	CEO Asia	7,004	5,874
Total		82,012	76,332

At December 31, the individual members of the executive committee held the following numbers of awarded restricted stock units (RSU):

		2014	2013
David Dean	CEO	2,936	2,446
Stephan Zehnder	CFO	2,936	2,446
Beat Grob	CEO Central Europe	2,936	2,446
Dr. Daniel Bossard	CEO Northern & Eastern Europe	2,936	2,446
Steen Hansen	CEO America	2,936	2,446
Robert Ang	CEO Asia	2,936	2,446
Total		17,616	14,676

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