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COMPENSATION REPORT 2017

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# COMPENSATION REPORT

The compensation report describes the compensation principles and programs as well as the governance framework related to the compensation of the board of directors and the members of the executive committee of Bossard Holding AG. The report also provides details around the compensation awarded to those two bodies in the 2017 fiscal year.

The compensation report has been prepared in compliance with the Ordinance against Excessive Compensation in Listed Companies (VegüV), the standard relating to information on Corporate Governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

## 1. Compensation philosophy and principles

The compensation philosophy of Bossard Holding AG reflects the commitment to recruit, retain, motivate and develop well-qualified employees and executives at all levels in the organization. Compensation programs are designed to motivate executives to achieve the business objectives and to create long-term and sustainable value for the company. They are based on the following principles:

<b>Pay for performance</b>	A portion of compensation is directly linked to the sustainable success of the company and to individual contributions
<b>Alignment to shareholders' interests</b>	The compensation system strengthens the link of manager- and shareholders' interests through the delivery of part of the compensation in the form of shares or sharebased compensation
<b>Balanced system</b>	There is a healthy balance between fixed and variable performance-based compensation (no excessive leverage of variable compensation, capped at 100 percent of fixed compensation)
<b>Market competitiveness</b>	Compensation levels are market competitive in order to attract and retain individuals with the required skill sets and leadership capabilities
<b>Simplicity and transparency</b>	Compensation programs are straightforward and transparent

## 2. Compensation Governance

### 2.1. Articles of association

In line with the requirement of VegüV, the articles of association of Bossard Holding AG summarize the compensation principles and include the following provisions:

- Compensation principles (articles 36 to 40): the compensation of the members of the board of directors and the executive committee consists of fixed and variable compensation. Variable compensation is measured primarily
  - for the board of directors: on the EBIT of the Bossard Group
  - for the CEO: on the EBIT of the Bossard Group and on the achievement of further, purely qualitative objectives (discretionary power of the board of directors)

- for the other members of the executive committee: on the EBIT for which the person has managerial responsibility, as well as on the EBIT of the Bossard Group and by the achievement of further, purely qualitative objectives (discretionary power of the board of directors)

In addition, members of the executive committee may be awarded restricted stock units (management participation plan) at the discretion of the board of directors with regard to achieved goals.

- Binding vote on compensation amounts of the board of directors and the executive committee (article 11.8): the annual general meeting of shareholders approves separately the maximum aggregate amounts of compensation payable to the board of directors and to the executive committee:
  - for the board of directors: for the period until the next annual general meeting of shareholders;
  - for the executive committee: for the following financial year.

In addition, the annual general meeting of shareholders has the opportunity to express its opinion on the compensation report in a consultative vote (article 43).

Until the changes to the articles of association were approved by the annual general meeting of shareholders on April 10, 2017, the total amount of the maximum compensation payable to the board of directors and the executive committee were approved for the period from May 1 to April 30 of the following year (for further details regarding the changes to the articles of association, please see the chapter "Changes to the articles of Association" in the Corporate Governance Report).

- Additional amount for payments to members of the executive committee appointed after the vote on compensation at the annual general meeting of shareholders (article 42): to the extent that the maximum aggregate compensation amount as approved by the annual general meeting of shareholders does not suffice, an amount of up to 30 percent of the maximum aggregate compensation amount approved for the executive committee is available, without further approval, for the compensation of the members of the executive committee who have been appointed after the annual general meeting of shareholders.
- Loans, credit facilities and post-employment benefits for members of the executive committee (article 41): upon proposal of the compensation committee, the board of directors may, in justified cases, grant to members of the executive committee and persons related to them 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.

Details available at:

[www.bossard.com/en/about-us/investor-relations/corporate-governance/articles-of-association.aspx](http://www.bossard.com/en/about-us/investor-relations/corporate-governance/articles-of-association.aspx)

## 2.2. Compensation committee

In accordance with the articles of association, the organizational rules of Bossard Holding AG and the compensation committee regulations, the compensation committee is composed of at least three members of the board of di-

rectors that are elected individually by the annual general meeting of shareholders for a period of one year. Subject to the approval of the annual general meeting of shareholders, the representative of registered A shares is entitled to be a member of the compensation committee. The 2017 annual general meeting of shareholders elected again Prof. Dr. Stefan Michel (chairman), Helen Wetter-Bossard and Maria Teresa Vacalli as members of the compensation committee. All three members are independent in accordance with the regulations.

It is the responsibility of the compensation committee to:

- develop and regularly review the compensation policy and principles applicable to the board of directors and the executive committee, including the design of compensation programs and retirement benefits plans; and, if necessary, proposing any changes to the board of directors;
- propose to the board of directors the maximum aggregate amounts of compensation of the board of directors and of the executive committee to be submitted to the shareholders' vote at the annual general meeting of shareholders;
- propose to the board of directors the individual compensation for the members of the board of directors, the CEO and the other members of the executive committee, within the limits approved by the annual general meeting of shareholders;
- review and approve the employment contracts of the executive committee members;
- develop and regularly review the guidelines governing the structure of the occupational pension scheme for the executive committee;
- prepare the compensation report;
- if the compensation committee (CC) considers necessary: the assignment, the supervision and the critical evaluation of the results of advisers or the comparison with third party companies regarding the compensation practices.

The levels of authority between the CEO, the compensation committee (CC), the board of directors (BoD) and the annual general meeting of shareholders (AGM) are summarized in the table below:

	CEO	CC	BoD	AGM
<b>Compensation policy and principles (incl. guidelines for the pension scheme)</b>		Proposes	Approves	
<b>Maximum aggregate compensation amounts of the board of directors</b>		Proposes	Reviews	Approves (binding vote)
<b>Maximum aggregate compensation amounts of the executive committee</b>		Proposes	Reviews	Approves (binding vote)
<b>Individual compensation of members of the board of directors</b>		Proposes	Approves	
<b>Compensation of CEO</b>		Proposes	Approves	
<b>Individual compensation of members of the executive committee</b>	Proposes	Reviews	Approves	
<b>Compensation report</b>		Proposes	Approves	Consultative vote

The compensation committee meets as often as business requires but at least twice a year. In 2017, it held two meetings, each lasted half a day. All members were present at these meetings.

As a general rule, the CEO participates in the meetings of the compensation committee in an advisory capacity. Other members of the board of directors may attend the committee meetings (without voting rights) and other executives may be invited in an advisory capacity as well. However, the other members of the board of directors and the executives abstain from voting when their own performance and/or compensation are being discussed. After each meeting, the chairman of the compensation committee reports to the board of directors on its topics and recommendations. The minutes of the compensation committee meetings are available to the full board of directors.

The compensation committee may retain external consultants to provide support in fulfilling its duties. In 2017, no such external advisors were engaged. The chairman of the compensation committee discussed also in 2017 with different proxy advisors the compensation principles of Bossard Group. The compensation committee performs a self-evaluation at regular intervals.

### **2.3. Method of determination of compensation**

**Benchmarking:** in order to assess the market competitiveness of compensation and to determine appropriate compensation levels for the members of the board of directors and of the executive committee, the compensation committee periodically reviews the compensation reports published by other international industrial companies that are listed in Switzerland and comparable to Bossard in terms of size (market capitalization, employees, revenues), geographic scope and business complexity. Such benchmarking analysis was conducted at the end of 2015 on the basis of the Ethos study “annual general meetings 2015, compensation and corporate governance in SPI companies”, published in October 2015. The SPI companies ranking 49 to 100 in terms of market capitalization (excluding financial sector) were selected as peer group. The result of the benchmark analysis led to some structural changes in the compensation of the board of directors and the executive committee what has been explained more in details in the compensation report 2016.

**Performance management:** the actual compensation effectively paid out in a given year to the executive committee members depends on their individual performance. 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 area. The performance evaluation 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. This is aligned to the value-oriented and sustainability-focused management approach implemented by Bossard. Qualitative criteria are derived from the company’s strategic targets. Therefore, compensation reflects both the sustainable success of the company and the individual contributions.

### 3. Compensation structure – board of directors

The compensation of the board of directors includes a fixed component and a variable component. The fixed component adequately compensates members of the board of directors for their time spent serving on the board of directors and on the committees. It amounts to CHF 300,000 for the chairman and to CHF 90,000 for the other members of the board of directors. The variable component corresponds to 0.05 percent of the Group EBIT and is capped for all members of the board of directors to a maximum of CHF 60,000. Those amounts are exclusive of social security contributions.

Effective for the period of office starting at the annual general meeting of shareholders in 2017, at least CHF 30,000 of the total compensation (2016: 20 percent of total compensation) is paid in the form of registered A shares of Bossard Holding AG. Members of the board of directors may elect to receive up to CHF 60,000 (in total) of their total compensation in shares (2016: up to 50 percent of total compensation). The shares are subject to a restriction period of three years during which they can not be sold, transferred or pledged. The restriction period also applies in case of termination of mandate, except in case of termination following death where the restriction immediately lapses. The shares are priced at their market value, determined at the end of February of each year based on the average share price over the previous ten trading days, less a discount of approximately 16 percent for the three-year restriction period as permitted under Swiss tax law.

The decision on the proportion of compensation to be paid in shares (at least CHF 30,000 up to CHF 60,000 of total compensation) 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.

in CHF per year	Fixed compensation	Variable compensation
<b>Chairman of the board of directors</b>	300,000	0.05 percent of EBIT, maximum 60,000
<b>Members of the board of directors</b>	90,000	0.05 percent of EBIT, maximum 60,000

### 4. Compensation structured – Executive committee

According to the compensation principles defined in section 1, the compensation of the executive committee includes the following elements:

- Fixed compensation
- Variable compensation
- Management participation plan
- Occupational benefits

Structure of compensation of the executive committee:

	Purpose	Drivers	Performance measures	Vehicle
<b>Fixed compensation</b>	Attract & retain	Position, skills and experience		Monthly cash payments
<b>Variable compensation</b>	Pay for performance	Annual performance	EBIT, Group net income, strategic goals	Annual bonus in cash
<b>Management participation plan</b>	Align to shareholders' interests, retain	Overall result of Bossard Group, achieved strategic goals		RSU with five-year staged vesting period
<b>Occupational benefits</b>	Protect against risks, attract & retain	Market practice and position		Retirement plan, insurance, perquisites

#### 4.1. Fixed compensation

The annual fixed compensation is a fixed remuneration paid in cash on a monthly basis. It reflects the scope and responsibilities of the role, the skills required to perform the role and the profile of the jobholder in terms of experience and capabilities.

#### 4.2. Variable compensation

The variable compensation rewards the achievement of annual financial goals and of individual strategic objectives agreed within the annual objective-setting process and evaluated at the end of a year.

The fixed compensation and the expected variable compensation (assuming 100 percent achievement of all performance objectives) form the so-called total cash compensation. The target value of the total cash compensation of the CEO and the other executive committee members is reviewed annually based on the scope of the role, competitive market practice, individual profile and performance, as well as the company's affordability.

For the CEO, the fixed compensation amounts to 59 percent of total cash compensation, while the variable compensation amounts to 41 percent (or 68 percent of the annual fixed compensation). For the other executive committee members, the fixed compensation ranges from 61 percent to 66 percent of total cash compensation while the variable portion ranges from 34 percent to 39 percent. In order to maintain compensation at a reasonable level and to not encourage excessive risk taking or a focus on short-term decisions to the expense of the company's sustainable success, the variable compensation is capped at 100 percent of the annual fixed compensation.

The variable compensation is based on two components:

- The financial performance of the Group as a whole and/or its businesses;
- The achievement of individual strategic goals that are defined and reviewed annually by the board of directors.



The approximate weighting of those components is illustrated in the following table. The weightings are defined as ranges because the system shall remain flexible enough to reflect specific strategic priorities for any business area in any given year.

Components		CEO	CFO	Other members of the executive committee
<b>Financial performance</b> 80–100 percent	<b>Group</b>	Operational results of all business areas	Operational results of all business areas, Group net income	Group net income
	<b>Own business area</b>			Operational results of own business area and Group
<b>Strategic objectives</b> 0–20 percent		Individually determined	Individually determined	Individually determined

The financial objectives always include a measurement of profitability, such as Group net income or business area and Group operating profit, because profitability is absolutely critical to the long-term success of the company. In addition, financial objectives may also include a measurement of growth, such as revenue or gross profit growth, depending on the strategic priorities of the respective business area. For each financial objective, an expected level of performance is determined, either on the basis of the annual financial plan or of the previous year's achievements. In addition, a threshold level of performance, below which the payout factor is zero, and a maximum level of performance, above which the payout factor is capped, are determined as well.

The strategic objectives are linked with the strategic initiatives of Bossard Group and the goals 2020 of the Bossard Group; these objectives include more qualitative goals related to innovation, key project management and leadership.

Due to the commercial sensitivity of financial and strategic objectives, the board of directors abstains from such a disclosure in the compensation report. However, the actual payout level of the variable compensation in the reporting year is explained and commented on in section 5.

The CEO and the other members of the executive committee may opt to buy up to 20 percent of their total cash compensation in the form of registered A shares of Bossard Holding AG. The shares are subject to a restriction period of three years during which they can not be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in case of termination following death where the restriction immediately lapses. The shares are priced at their market value, determined at the end of February of each year, based on the average share price over the previous ten trading days, less a discount of approximately 16 percent for the three-year restriction period as permitted under Swiss tax law. The decision to buy shares by the CEO or the other members of the executive committee 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.

### 4.3. Management participation plan

The objectives of the management participation plan are to strengthen the link between management and shareholders' interests, to foster the participants' long-term motivation and identification with the group, to let participants directly participate in the long-term shareholder value created through share price appreciation, and to enable the company to retain and motivate highly-qualified employees.

The long-term management participation plan is offered to selected members of the management of the Group in the form of restricted stock unit (RSU) awards. At the beginning of the vesting period, a number of RSUs are granted to each participant, which is based on a monetary amount. The conversion is carried out at market value and is based on the average share price over the last ten trading days in November. For the CEO, there is a maximum amount of CHF 150,000 and for the other members of the executive committee a maximum amount of CHF 50,000 foreseen. The condition for a grant is the achievement of the overall results of the Bossard Group and the strategic objectives defined by the board of directors. For other participants, the grant size is determined at the discretion of the CEO.

Each RSU is a conditional right to receive one registered A share of Bossard Holding AG after the vesting period. The RSUs vest conditionally if she or he is employed at the time of the vesting date and according to the following vesting schedule: one third of the RSUs vest three years after the grant date, one third vest four years after the grant date and the last third vest five years after the grant date. At the respective vesting date, the vested RSUs are converted into registered A shares of Bossard Holding AG. The shares are not subject to any further restrictions other than the general rules governing management transactions. In circumstances where the allocation of shares may be unsuitable or impractical, the award may be settled in cash.

Vesting period:



In case of termination of employment, the RSUs forfeit without any compensation, except in the cases of retirement, death, disability or change of control, where the RSUs are subject to an accelerated vesting at the date of termination or change of control.

### 4.4. Occupational benefits

The executive committee members participate in the benefits plan available in the country of their employment contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, risk of disability, death and health. The members of the executive

committee with a Swiss employment contract participate in the pension plan of Bossard (Bossard Personalstiftung, Zug) offered to all employees in Switzerland, in which a base compensation up to an amount of CHF 282,800 per annum is insured, as well as a supplementary plan in which earnings in excess of this limit are insured up to the maximum amount permitted by law. Bossard's pension benefits exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and are in line with what other international industrial companies offer. Members of the executive committee under foreign employment contracts are insured commensurately with market conditions and with their position. Each plan varies in line with the local competitive and legal environment and are, as a minimum, in accordance with the legal requirements of the respective country.

In addition, executive committee members are also eligible to standard perquisites, such as a company car, seniority awards, child allowance and other benefits in kind, according to competitive market practice in their country of contract. The monetary value of these other elements of compensation is evaluated at fair value and is disclosed in the compensation tables.

#### **4.5. Employment contracts**

The members of the executive committee are employed under employment contracts of unlimited duration with a notice period of six months, or twelve months for the CEO. Executive committee members are not contractually entitled to termination payments or any change-in-control provisions other than the early vesting of RSU awards in specific situations mentioned previously.

### **5. Compensation to the members of the board of directors and of the executive committee**

#### **5.1. Compensation paid to current members of the board of directors for the fiscal years 2017 and 2016**

In 2017, the members of the board of directors received a total compensation of CHF 1.3 million (2016: CHF 1.3 million) in the form of fixed compensation of CHF 0.8 million (2016: CHF 0.8 million), variable compensation of CHF 0.3 million (2016: CHF 0.3 million) and social security contributions of CHF 0.2 million (2016: CHF 0.2 million). Of the total amount, CHF 0.3 million was delivered in restricted shares (2016: CHF 0.4 million).

The chairman's variable compensation in 2017 amounted to 15 percent of the fixed compensation (2016: 18 percent). For the other board members, the variable compensation amounted to 51 percent (2016: 58 percent).

## Compensation paid to members of the board of directors for the fiscal year 2017

in CHF		Fixed	Variable	Social costs	Total compensation	Thereof in shares <sup>4)</sup>
Dr. Thomas Schmuckli	Chairman, chairman NC <sup>1)</sup> , ARCC <sup>2)</sup>	300,000	45,417	47,458	392,875	43,815
Anton Lauber	Deputy chairman, ARCC	90,000	45,417	16,208	151,625	29,940
Dr. René Cotting	Chairman ARCC	90,000	45,417	19,012	154,429	55,791
Daniel Lippuner	ARCC	90,000	45,417	19,012	154,429	59,881
Prof. Dr. Stefan Michel	Repr. of registered A shares, chairman CC <sup>3)</sup> , NC	90,000	45,417	19,012	154,429	59,881
Maria Teresa Vacalli	NC, CC	90,000	45,417	19,012	154,429	59,881
Helen Wetter-Bossard	NC, CC	90,000	45,417	19,012	154,429	36,513
<b>2017</b>		<b>840,000</b>	<b>317,919</b>	<b>158,726</b>	<b>1,316,645</b>	<b>345,702</b>

1) Nomination committee (NC)

2) Audit, risk & compliance committee (ARCC)

3) Compensation committee (CC)

4) Each member of the board of directors will get delivered at least CHF 30,000 of its total compensation (2016: 20 percent of total compensation) in registered A shares of Bossard Holding AG. Members of the board of directors are entitled to draw up to CHF 60,000 of their total compensation (2016: up to 50 percent of total compensation) in shares. The shares are priced at market value, less a reduction (tax) of approximately 16 percent for the three years lockup period. The purchase price was CHF 146.05. The draw took place one day after the annual general meeting of shareholders 2017.

## Compensation paid to members of the board of directors for the fiscal year 2016

in CHF		Fixed	Variable	Social costs	Total compensation	Thereof in shares <sup>4)</sup>
Dr. Thomas Schmuckli	Chairman, chairman NC <sup>1)</sup> , ARCC <sup>2)</sup>	266,667	49,000	43,867	359,534	53,690
Anton Lauber	Deputy chairman, ARCC	85,000	49,000	18,704	152,704	28,662
Dr. René Cotting	Chairman ARCC	85,000	49,000	18,704	152,704	71,697
Daniel Lippuner	ARCC	85,000	49,000	18,704	152,704	71,697
Prof. Dr. Stefan Michel	Repr. of registered A shares, chairman CC <sup>3)</sup> , NC	85,000	49,000	18,704	152,704	71,697
Maria Teresa Vacalli	NC, CC	85,000	49,000	18,704	152,704	71,697
Helen Wetter-Bossard	NC, CC	85,000	49,000	18,704	152,704	43,365
<b>2016</b>		<b>776,667</b>	<b>343,000</b>	<b>156,091</b>	<b>1,275,758</b>	<b>412,505</b>

1) Nomination committee (NC)

2) Audit, risk & compliance committee (ARCC)

3) Compensation committee (CC)

4) Based on the former system, each member of the board of directors had to draw at least 20 percent, but could have drawn up to 50 percent of its total compensation (according to the compensation rules applicable for the term of office until the annual general meeting of shareholders in 2016) 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 (tax) of approximately 16 percent for the three years lockup period. The purchase price was CHF 82.60. The draw took place one day after the annual general meeting of shareholders 2016.

In 2016, the annual general meeting of shareholders authorized a maximum compensation amount for the board of directors of CHF 1,500,000 for the period from May 1, 2016 to April 30, 2017. The compensation of the board of directors for this term of office augmented to CHF 1,267,554 and remains therefore within the approved compensation payable to the board of directors.

In 2017, the annual general meeting of shareholders approved a maximum compensation amount for the board of directors of CHF 1,500,000 for the period from

the annual general meeting of shareholders 2017 until the next annual general meeting of shareholders 2018.

#### **Payments to former members of the board of directors**

In 2017, as well as in 2016, no compensation was paid to former members of the board of directors.

#### **Payments to related parties of members of the board of directors**

In 2017, as well as in 2016, no compensation was paid to related parties of present or former members of the board of directors.

#### **Loans and credits to present or former members of the board of directors or to related parties**

As of December 31, 2017 as well as of December 31, 2016 no such loans or credit payments existed to present or former members of the board of directors, or to related parties of present or former members of the board of directors.

### **5.2. Compensation paid to current members of the executive committee for the fiscal years 2017 and 2016**

In 2017, the members of the executive committee received a total compensation of CHF 6.0 million (2016: CHF 5.6 million) in the form of fixed compensation of CHF 2.8 million (2016: CHF 2.7 million), variable compensation of CHF 1.8 million (2016: CHF 1.6 million), other benefits of CHF 0.1 million (2016: CHF 0.1 million), RSU grant of CHF 0.5 million (2016: CHF 0.5 million) and social security/pension contributions of CHF 0.9 million (2016: CHF 0.8 million). Of the total amount, CHF 0.6 million was delivered in restricted shares (2016: CHF 0.4 million).

The increase in compensation compared to the previous year is due to the following factors: Due to the strong result improvements compared to the previous year based on the EBIT (23.6 percent) as well as the net income (28.4 percent), the variable compensation of the executive committee augmented disproportionately by 15.8 percent. Individual qualitative objectives were exceeded overall as well.

In 2017, the variable component of the fixed compensation amounted to 75 percent of fixed compensation for the CEO (2016: 69 percent) and to 64 percent on average for the other executive committee members (2016: 57 percent). The total expenses for the management participation plan offered to the executive committee and specified middle and senior managers amounted to CHF 1.7 million in 2017 (2016: CHF 1.5 million).

## Compensation paid to members of the executive committee

in CHF	Executive committee total		David Dean, CEO	
	2017	2016	2017	2016
Fixed compensation	2,757,700	2,664,353	540,000	540,000
Variable compensation <sup>1)</sup>	1,823,680	1,587,184	404,000	371,000
Other benefits <sup>2)</sup>	94,209	96,305	9,600	9,600
Subtotal (compensation)	4,675,589	4,347,842	953,600	920,600
Management participation plan (RSU) <sup>3)</sup>	450,000	450,000	150,000	150,000
Social and pension costs	874,411	791,845	225,894	234,944
<b>Total</b>	<b>6,000,000</b>	<b>5,589,687</b>	<b>1,329,494</b>	<b>1,305,544</b>
Thereof share payment <sup>4)</sup>	629,476	398,215	175,260	-
<b>Members of the executive committee</b>	<b>7</b>	<b>7</b>		

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 2016 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 2017 fiscal year was CHF 224.55 (2016: CHF 137.65).

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 2017 the price was CHF 146.05 (2016: CHF 82.60).

In 2017, the annual general meeting of shareholders authorized a maximum compensation amount for the executive committee of CHF 6,000,000 for the period from January 1, 2017 to December 31, 2017 and a maximum compensation amount of CHF 6,200,000 for the period from January 1, 2018 to December 31, 2018. The total compensation of CHF 6,000,000 paid to the executive committee in 2017 remains within the approved compensation payable to the executive committee for 2017.

### Compensation paid to former members of the executive committee

In 2017, as well as in 2016, no compensation was paid to former members of the executive committee.

### Compensation paid to related parties of members of the executive committee

In 2017, as well as in 2016, no compensation was paid to related parties of present or former members of the executive committee.

### Loans and credits to present or former members of the executive committee or to related parties

As of December 31, 2017 as well as December 31, 2016 no such loans or credit payments existed to present or former members of the executive committee, or to related parties of present or former members of the executive committee.

## 6. Participations of members of the board of directors and of the executive committee at December 31, 2017

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:

Board of directors		2017	2016
Dr. Thomas Schmuckli	Chairman, chairman NC, ARCC	13,825	14,150
Anton Lauber	Deputy chairman, ARCC	7,083	8,041
Dr. René Cotting	Chairman ARCC	1,300	918
Daniel Lippuner	ARCC	1,278	868
Prof. Dr. Stefan Michel	Representative of registered A shares, chairman CC, NC	3,680	4,270
Maria Teresa Vacalli	NC, CC	2,898	2,488
Helen Wetter-Bossard	NC, CC	23,103	22,853
<b>Total</b>		<b>53,167</b>	<b>53,588</b>

Executive committee		2017	2016
David Dean	CEO	5,735	11,166
Stephan Zehnder	CFO	10,651	13,444
Beat Grob	CEO Central Europe	34,053	32,174
Dr. Daniel Bossard	CEO Northern & Eastern Europe	3,015	4,147
Steen Hansen	CEO America	1,447	1,168
Robert Ang	CEO Asia	10,372	8,663
Dr. Frank Hilgers	CCO	1,521	900
<b>Total</b>		<b>66,794</b>	<b>71,662</b>

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

		2017	2016
David Dean	CEO	3,039	3,350
Stephan Zehnder	CFO	1,867	2,623
Beat Grob	CEO Central Europe	1,867	2,623
Dr. Daniel Bossard	CEO Northern & Eastern Europe	1,867	2,623
Steen Hansen	CEO America	1,867	2,623
Robert Ang	CEO Asia	1,867	2,623
Dr. Frank Hilgers	CCO	1,868	2,266
<b>Total</b>		<b>14,242</b>	<b>18,731</b>

# REPORT OF THE STATUTORY AUDITOR on the Compensation Report



Report of the statutory auditor  
to the General Meeting of  
Bossard Holding AG  
Zug

## Report of the statutory auditor on the compensation report

We have audited the compensation report of Bossard Holding AG for the year ended December 31, 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the note 5 on pages 67 to 70 of the compensation report.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the compensation report of Bossard Holding AG for the year ended December 31, 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Häfliger  
Audit expert  
Auditor in charge

Roger Leu  
Audit expert

Zurich, February 23, 2018



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