

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 0.1 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 8 percent. With a return on capital of more than 21 percent, the upper limit of this variable compensation is CHF 75,000. Special regulations apply for 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. In April of 2013, the Nomination and Compensation Committee (NCC) awarded the president a one-time compensation of CHF 30,000 for his exceptional performance in the KVT-Fastening acquisition project. In 2013, the chairman's variable compensation component was 41 percent (2012: 41 percent) of the fixed component. For the other board members the variable compensation component amounted to 136 percent (2012: 136 – 200 percent).

COMPENSATION PAID TO CURRENT MEMBERS OF THE BOARD OF DIRECTORS

IN CHF		FIXED	VARIABLE	COMMITTEE WORK	TOTAL
Dr. Thomas Schmuckli	Chairman, NCC ¹⁾ , AC ²⁾	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	30,000	160,000
Prof. Dr. Stefan Michel		55,000	75,000	-	130,000
Helen Wetter-Bossard	NCC	55,000	75,000	15,000	145,000
Maria Teresa Vacalli	AC	55,000	75,000	15,000	145,000
2013		460,000	450,000	75,000	985,000
Expenditures for AHV/ALV/IV/EO					125,415

- 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
2012		475,000	480,000	75,000	1,030,000
Expenditures for AHV/ALV/IV/EO					131,040

The compensation paid to current members of the board of directors are payments due for the 2013 business year and apply for the period of office from the annual general meeting of shareholders 2013 to the annual general meeting of shareholders 2014. 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 (from 2013: 50 percent) of the compensation may be drawn in bearer shares of Bossard Holding AG.

COMPENSATION PAID TO FORMER MEMBERS OF THE BOARD OF DIRECTORS

In 2013 Dr. Beat E. Lüthi received compensation of CHF 145,000 (CHF 70,000 fixed, CHF 75,000 variable) and Erica Jakober-Tremp CHF 45,000 (CHF 15,000 fixed, CHF 30,000 variable) for the last year in office. In 2012 no payments were made to former members of the board of directors.

All members of the board must accept at least 20 percent and may draw up to 50 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 2012 and 2011 business years:

		NUMBER OF BEARER SHARES 2012	MARKET VALUE IN CHF 2012	NUMBER OF BEARER SHARES 2011	MARKET VALUE IN CHF 2011
Dr. Thomas Schmuckli	Chairman, NCC, AC	869	136,085	800	100,080
Anton Lauber	Deputy chairman, NCC	242	37,897	552	69,055
Urs Fankhauser	Representing holders of bearer shares, NCC	485	75,951	552	69,055
Erica Jakober-Tremp	Employee representative	74	11,588	171	21,392
Dr. Beat E. Lüthi	AC	485	75,951	552	69,055
Prof. Dr. Stefan Michel	AC	242	37,897	552	69,055
Helen Wetter-Bossard	NCC	242	37,897	552	69,055
Total		2,639	413,266	3,731	466,747

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 (from 2013: 50 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. Taking into account the subscription rights of CHF 12.05, the purchase price per share for the 2012 business year was CHF 119.50 (2011: CHF 105.05).

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 of the total compensation, respectively 54 percent of the fixed compensation) at the discretion of the employer. The variable compensation of the CEO cannot exceed his or her base salary. 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 tied to the operational result of the operational business units. The second component is linked to meeting the strategic targets, which the board defines and monitors annually. In 2013 the variable part amounted to 76 percent (2012: 79 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. The variable compensation of the executive committee is tied to three components: (i) operational profitability achieved in the specific management area, (ii) consolidated net income, (iii) meeting the strategic targets set. The variable compensation of a member of the executive committee cannot exceed his or her base salary. 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 70 percent (2012: 61 percent) of the fixed basic compensation.

COMPENSATION PAID TO CURRENT MEMBERS OF THE EXECUTIVE COMMITTEE

IN CHF (GROSS)	EXECUTIVE COMMITTEE TOTAL		CEO ¹⁾	
	2013	2012	2013	2012
Fixed compensation	2,136,571	2,063,406	491,908	475,740
Variable compensation ²⁾	1,288,544	1,095,413	329,600	332,800
Management participation plan (RSU)	300,000	300,000	50,000	50,000
Other ³⁾	85,025	76,200	9,600	9,600
Total	3,810,140	3,535,019	881,108	868,140
Members of the executive committee	6	6		
Expenditures for employee benefits:				
Employee benefits	494,733	462,730	165,295	159,026
Employer contribution for AHV/ALV/IV/EO	128,803	121,549	43,866	43,198

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 2012 is the actual total payment made.

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

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 2012 and 2011 business years:

		NUMBER OF BEARER SHARES 2012	MARKET VALUE IN CHF 2012	NUMBER OF BEARER SHARES 2011	MARKET VALUE IN CHF 2011
David Dean	CEO	-	-	600	75,060
Stephan Zehnder	CFO	440	68,904	900	112,590
Beat Grob	CEO Central Europe	825	129,195	1,100	137,610
Dr. Daniel Bossard	CEO Northern- & Eastern Europe	550	86,130	-	-
Steen Hansen	CEO America	-	-	-	-
Robert Ang	CEO Asia	-	-	-	-
Total		1,815	284,229	2,600	325,260

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. Taking into account the subscription rights of CHF 12.05, the purchase price per share for the 2012 business year was CHF 119.50 (2011: CHF 105.05).

COMPENSATION PAID TO FORMER MEMBERS OF THE EXECUTIVE COMMITTEE

In 2013 and 2012 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. Conversion is performed at the market value and is based on the closing share price on the first trading day in December. 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, yearly 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. In certain cases, settlement can also be made in cash. At that point the shares are no longer subject to any restrictions with the exception of the rules governing management transactions. The expenses for the management participation plan charged to operating earnings totaled CHF 0.7 million in 2013 (2012: CHF 0.4 million). Although the allocated values of the RSUs are fixed, they are recognized as variable components.

Number of restricted stock units (RSU) allocated:

		2013	2012
David Dean	CEO	259	432
Stephan Zehnder	CFO	259	432
Beat Grob	CEO Central Europe	259	432
Dr. Daniel Bossard	CEO Northern- & Eastern Europe	259	432
Steen Hansen	CEO America	259	432
Robert Ang	CEO Asia	259	432
Total		1,554	2,592

The market value of the RSUs allocated in the 2013 business year was CHF 192.90 (2012: CHF 125.00). The RSUs allocated in 2012 were adjusted in 2013 to the equivalent value of the subscription right after a successful capital increase.

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:

		2013	2012
Board of directors			
Dr. Thomas Schmuckli	Chairman, NCC, AC	6,300	4,800
Anton Lauber	Deputy chairman, NCC	3,287	3,516
Urs Fankhauser	Representing holders of bearer shares, NCC, AC	5,505	4,017
Prof. Dr. Stefan Michel		932	1,112
Helen Wetter-Bossard	NCC	11,279	10,555
Maria Teresa Vacalli	AC	-	-
Total		27,303	24,000
Executive committee			
David Dean	CEO	10,750	8,600
Stephan Zehnder	CFO	6,763	5,148
Beat Grob	CEO Central Europe	13,373	10,038
Dr. Daniel Bossard	CEO Northern- & Eastern Europe	2,550	1,600
Steen Hansen	CEO America	1,793	1,543
Robert Ang	CEO Asia	2,937	2,350
Total		38,166	29,279

ADDITIONAL HONORARIUMS AND REMUNERATIONS

On behalf of the Board of Directors, Dr. Thomas Schmuckli, chairman, worked on the acquisition of KVT-Fastening. For this exceptional performance, he received a one-time compensation of CHF 30,000 in the reporting year. Prof. Dr. Stefan Michel, Board Member, 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. In 2012, no further fees or payments were paid to the Board of Directors, Group management or related parties. In 2012 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, 2013, as well as at December 31, 2012, 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, held on December 6, 2013, the NCC discussed at length the ramifications on the compensation policies of the Bossard Group of the Minder-Initiative that was adopted by the Swiss electorate. The NCC subsequently decided to adhere to the compensation concept, cap the variable compensation for executive committee members at their respective base salaries, and retain the current parameters for calculating the 2014 compensation for board members: (i) 0.1 percent of the consolidated net income as a basis for the profit-linked component of compensation with (ii) at least 8 percent return on capital employed. The NCC also discussed the details for implementing the Minder-Initiative (VegüV), specifically new corporate governance for issues of compensation with new competencies for the general meeting, and the related statutory terms. The board of directors agreed to the NCC proposals in its meetings of December 13, 2013 and January 24, 2014.