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COMPENSATION REPORT 2019

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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 2019 financial year and an outlook on the changes in the compensation of the board of directors 2020/21.

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

Introduction

The compensation report contains information on the compensation policy, the compensation programs and the procedure for determining the compensation of the board of directors and the executive committee of Bossard Holding AG. The report also contains information on the compensation for these two bodies in the 2019 financial year and an outlook on the changes in the compensation of the board of directors in 2020/21.

In the reporting year, the compensation committee conducted an in-depth external review of the compensation of the board of directors in terms of marketability and competitiveness. As a result of this review, the board of directors decided on the following adjustments:

- The variable performance-related compensation for members of the board of directors will be replaced by a fixed compensation to strengthen the independence of the members of the board of directors.
- At the same time, the discount on the restricted shares will be eliminated.

These changes will lead to a freezing of the compensation of the board of directors at the level of the 2019 financial year.

Provided that the proposed revision of the articles of association is approved by the annual general meeting of shareholders in 2020, these changes will take effect as of the approval of the revision of the articles of association.

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:

Pay for performance	A portion of compensation is directly linked to the sustainable success of the company and to individual contributions
Alignment to shareholders' interests	The compensation system strengthens the link of management and shareholders' interests through the delivery of part of the compensation in the form of shares or sharebased compensation
Balanced system	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)
Market competitiveness	Compensation levels are market competitive in order to attract and retain individuals with the required skill sets and leadership capabilities
Simplicity and transparency	Compensation programs are straightforward and transparent

2. Compensation Governance

2.1. Articles of association

In line with the requirement of VegüV/OaEC, 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 four market regions 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).
- 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/

2.2. Compensation committee

In accordance with the articles of association, the organizational and business regulations of Bossard Holding AG and the compensation committee regulations, the compensation committee is composed of at least three members of the board of directors 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 2019 annual general meeting of shareholders elected again Prof. Dr. Stefan Michel (chairman) and Anton Lauber and new Patricia Heidtman 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 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
Compensation policy and principles (incl. guidelines for the pension scheme)		Proposes	Approves	
Maximum aggregate compensation amounts of the board of directors		Proposes	Reviews	Approves (binding vote)
Maximum aggregate compensation amounts of the executive committee		Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the board of directors		Proposes	Approves	
Compensation of the CEO		Proposes	Approves	
Individual compensation of members of the executive committee	Proposes	Reviews	Approves	
Compensation report		Proposes	Approves	Consultative vote

The compensation committee meets as often as business requires but at least twice a year. In 2019, it held two meetings, each lasted half a day as well as an additional meeting of two hours. All members were present at these meetings except for the two-hour meeting where one member was excused.

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 a topic 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 entire board of directors.

The compensation committee may retain external consultants to provide support in fulfilling its duties. In 2019, the compensation committee mandated Agnès Blust Consulting AG, which, in cooperation with Mercer, conducted a benchmarking study on compensation. These consulting companies do not hold any other consulting mandate of Bossard Group.

The compensation committee regularly compares compensation levels with benchmarks, reviews Bossard's compensation policies and conducts a self-assessment.

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 (i.e. every three to four years) reviews the compensation reports published by other international industrial companies that are listed in Switzerland and comparable to the Group in terms of size (market capitalization, employees, revenues), geographic scope and business complexity. In 2019, a benchmarking analysis of the compensation of the board of directors was carried out based on a comparison group of 20 Swiss industrial companies listed on the SIX Swiss Exchange, which are comparable in terms of market capitalization, employees and turnover. These included: Autoneum, BELIMO, BOBST, Burckhardt Compression, Comet, Huber+Suhner, INFICON, INTERROLL, Kardex, Komax, Landis+Gyr, LEM, Metall Zug, Phoenix Mecano, Rieter, Schweiter Technologies, Siegfried, Valora, Ypsomed and Zur Rose.

In addition, a benchmarking analysis of the compensation of the executive committee was carried out with the intention of using the same comparison group as for the compensation of the board of directors. The peer group had to be adjusted in the light that such data was not available from all these companies. The following companies were used for comparison: Archroma, Ascom, BOBST, Clariant, Comet, EMS-CHEMIE, Forbo, Franke, Gurit, Hero, Komax, Landis+Gyr, LEM, OC Oerlikon, Rieter, RUAG, Siegfried, Straumann, TEMENOS, u-blox, Valora, Ypsomed and Zimmer Biomet.

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 the Group's future results and profitability. This is aligned to the value-oriented and sustainability-focused management approach implemented by the Bossard Group. 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 in 2019 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 2019, at least CHF 30,000 of the 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 of their total compensation in shares. 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 individual choice 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. Bossard Holding AG acquires the shares required for the share plan from its own stock of treasury shares or share purchases on the market.

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

At the annual general meeting of shareholders on April 8, 2020, the board of directors will propose to the annual general meeting of shareholders to eliminate a variable compensation in the future in order to strengthen the independence of the member of the board of directors. Accordingly, each member of the board of directors shall receive a fixed compensation, supplemented by a compensation for his or her work on a committee of the board of directors. The chairmen of the board of directors or of the committees receive additional compensation. All members of the board of directors shall now receive a lump-sum expense allowance.

in CHF per year	Member	Chairman
Fixed compensation board of directors	120,000	320,000
Fixed compensation committee of board of directors	10,000	20,000
Expense allowance	8,000	8,000

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

4.1. Fixed compensation

The annual fixed compensation is 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 63 percent of total cash compensation, while the variable compensation amounts to 37 percent (or 59 percent of the annual fixed compensation) (2018: 62 percent fixed compensation and 38 percent variable compensation). For the other executive committee members, the fixed compensation ranges from 63 percent to 69 percent of total cash compensation while the variable portion ranges from 31 percent to 37 percent (2018: fixed compensation from 62 percent to 68 percent and variable compensation from 32 percent to 38 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
Financial performance 80 to 100 percent	Group	Operational results of all business areas	Operational results of all business areas, Group net income	Group net income
	Own business area			Operational results of own business area and Group
Strategic objectives 0 to 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 results. 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 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 cases of termination of employment and retirement. In case of termination following death the restriction lapses immediately. 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 individual choice to buy shares by the CEO as well as the other members of the executive committee is made the day

after the annual general meeting of shareholders. Bossard Holding AG acquires the shares required for the share plan from its own stock of treasury shares or share purchases on the market.

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. For the CEO, there is a maximum amount of CHF 100,000 and for the other members of the executive committee a maximum amount of CHF 50,000 foreseen. The conversion is carried out at market value and is based on the average share price over the last ten trading days in November. 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 board of directors.

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 instead of registered A shares of Bossard Holding AG.

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 a complete vesting at the date of termination or change of control.

4.4. Occupational benefits

The members of the executive committee participate in the benefit plans 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 284,400 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 local 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, members of the executive committee 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, respectively twelve months for the CEO. Members of the executive committee are not contractually entitled to termination payments or any change of control provisions other than the early vesting of RSU awards in specific situations mentioned previously.

5. Compensation to 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 financial years 2019 and 2018

In 2019, the members of the board of directors received a total compensation of CHF 1.459 million (2018: CHF 1.373 million) in the form of fixed compensation of CHF 0.9 million (2018: CHF 0.84 million), variable compensation of CHF 0.382 million (2018: CHF 0.367 million) and social security contributions of CHF 0.177 million (2018: CHF 0.166 million). Of the total amount, CHF 0.382 million was delivered in restricted shares (2018: CHF 0.305 million).

The higher compensation compared to the previous year is mainly due to the increase in the number of members of the board of directors from 7 to 8. In a direct year-on-year comparison, the compensation of the board of directors was at the same level as in the previous year.

The chairman's variable compensation in 2019 amounted to 17 percent of the fixed compensation (2018: 17 percent). For the other board members, the variable compensation amounted to 55 percent (2018: 58 percent).

Compensation paid to members of the board of directors for the financial year 2019

in CHF, gross		Fixed	Variable	Social costs	Total compensation	Thereof in shares ⁷⁾
Dr. Thomas Schmuckli	Chairman, chairman NC ¹⁾ , ARCC ²⁾	300,000	50,033	48,410	398,443	59,898
Anton Lauber	Deputy chairman, NC, CC ³⁾	90,000	50,033	16,952	156,985	29,949
Dr. René Cotting	Chairman ARCC	90,000	50,033	19,748	159,781	53,480
Martin Kühn	ARCC	90,000	50,033	19,748	159,781	58,828
Daniel Lippuner ⁴⁾	ARCC	30,000	18,133	6,781	54,914	59,898 ⁸⁾
Prof. Dr. Stefan Michel	Repr. of registered A shares, chairman CC, NC	90,000	50,033	19,748	159,781	59,898
Maria Teresa Vacalli ⁵⁾	ARCC	90,000	50,033	19,748	159,781	59,898
Patricia Heidtman ⁶⁾	NC, CC	60,000	31,900	12,967	104,867	-
David Dean ⁶⁾	Member	60,000	31,900	12,967	104,867	-
2019		900,000	382,131	177,069	1,459,200	381,849

1) Nomination committee (NC)

2) Audit, risk & compliance committee (ARCC)

3) Compensation committee (CC)

4) Resignation from the board of directors in April 2019

5) As at April 8, 2019 member of the audit, risk & compliance committee (ARCC)/until April 7, 2019 member of the compensation committee (CC), member of the nomination committee (NC)

6) Election to the board of directors in April 2019

7) Each member of the board of directors will get delivered at least CHF 30,000 of its 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 in shares. The shares are priced at market value, less a reduction (tax) of approximately 16 percent for the three years lockup period. For the drawn shares in 2019 the price was CHF 133.70. The draw took place one day after the annual general meeting of shareholders 2019.

8) The share purchase in the amount of CHF 59,898 is based on the total compensation from the annual general meeting of shareholders 2018 to the annual general meeting of shareholders 2019.

Compensation paid to members of the board of directors for the financial year 2018

in CHF, gross		Fixed	Variable	Social costs	Total compensation	Thereof in shares ⁷⁾
Dr. Thomas Schmuckli	Chairman, chairman NC ¹⁾ , ARCC ²⁾	300,000	52,433	48,745	401,178	30,170
Anton Lauber ⁴⁾	Deputy chairman, ARCC, NC, CC ³⁾	90,000	52,433	17,234	159,667	38,680
Dr. René Cotting	Chairman ARCC	90,000	52,433	20,096	162,529	38,680
Martin Kühn ⁵⁾	ARCC	60,000	36,267	13,583	109,850	-
Daniel Lippuner	ARCC	90,000	52,433	20,096	162,529	59,954
Prof. Dr. Stefan Michel	Repr. of registered A shares, chairman CC, NC	90,000	52,433	20,096	162,529	38,680
Maria Teresa Vacalli	NC, CC	90,000	52,433	20,096	162,529	59,954
Helen Wetter-Bossard ⁶⁾	NC, CC	30,000	16,167	6,513	52,680	38,680
2018		840,000	367,032	166,459	1,373,491	304,798

1) Nomination committee (NC)

2) Audit, risk & compliance committee (ARCC)

3) Compensation committee (CC)

4) As at April 9, 2018 member of the compensation committee (CC), member of the nomination committee (NC)/ until April 8, 2018 member of the audit, risk & compliance committee (ARCC)

5) Election to the board of directors in April 2018

6) Resignation from the board of directors in April 2018

7) Each member of the board of directors will get delivered at least CHF 30,000 of its 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 in shares. The shares are priced at market value, less a reduction (tax) of approximately 16 percent for the three years lockup period. For the drawn shares in 2018 the price was CHF 193.40. The draw took place one day after the annual general meeting of shareholders 2018.

In 2019, the annual general meeting of shareholders approved a maximum compensation amount for the board of directors of CHF 1,600,000 for the period from the annual general meeting of shareholders 2019 until the next annual general meeting of shareholders 2020. As this compensation period has not yet ended, the final amount will be disclosed in the compensation report for financial year 2020.

In 2018, 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 2018 until the next annual general meeting of shareholders 2019. The compensation of the board of directors for this term of office augmented to CHF 1,389,160 and remains therefore within the approved compensation payable to the board of directors.

Payments to former members of the board of directors

Daniel Lippuner, who resigned from his position as member of the board of directors at the annual general meeting of shareholders 2019, received compensation in 2019. Daniel Lippuner purchased shares in the amount of CHF 59,898 based on the total compensation from the annual general meeting of shareholders 2018 to the annual general meeting of shareholders 2019. For his services as a member of the board of directors for the period from January 1, 2019 to April 7, 2019, the total compensation amounted to CHF 54,914.

Helen Wetter-Bossard, who resigned from her position as member of the board of directors at the annual general meeting of shareholders 2018, received compensation in 2018. The total compensation for the period from January 1, 2018 to April 8, 2018 amounted to CHF 52,680 of which drawn in shares with a value of CHF 38,680.

Payments to related parties of members of the board of directors

In 2019, as well as in 2018, 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, 2019 as well as of December 31, 2018 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 financial years 2019 and 2018

In 2019, the members of the executive committee received a total compensation of CHF 5.33 million (2018: CHF 6.17 million) in the form of fixed compensation of CHF 2.793 million (2018: CHF 2.832 million), variable compensation of CHF 1.283 million (2018: CHF 1.85 million), other benefits of CHF 0.076 million (2018: CHF 0.093 million), RSU grant of CHF 0.32 million (2018: CHF 0.45 million) and social security/pension contributions of CHF 0.857 million (2018: CHF 0.945 million). Of the total amount, CHF 0.354 million was delivered in restricted shares (2018: CHF 0.12 million).

The lower compensation compared to the previous year is due to the reduction in the number of members of the executive committee from 7 to 6 (from May 2019), on one hand, and to the decrease in the variable compensation, which is due to the decline of the EBIT by 12.1 percent compared to the 2018 financial year, on the other hand.

In 2019, the variable component of the fixed compensation amounted to 52 percent of fixed compensation for the CEO Dr. Daniel Bossard (since May 1, 2019) (2018: 82 percent) and to 45 percent on average for the other executive committee members (2018: 61 percent). The board of directors refrains from disclosing a maximum or a range with regard to the ratio between the variable and the fixed compensation. The total expenses for the management participation plan offered to the executive committee and specified middle and senior managers amounted to CHF 1.832 million in 2019 (2018: CHF 1.079 million).

Compensation paid to members of the executive committee

in CHF	Executive committee total		Dr. Daniel Bossard, CEO ⁶⁾	David Dean ⁷⁾
	2019 ⁵⁾	2018	2019	2018
Fixed compensation	2,793,313	2,832,161	400,871	540,000
Variable compensation ¹⁾	1,283,000	1,850,100	210,000	444,000
Other benefits ²⁾	75,900	92,770	16,800	9,600
Subtotal (compensation)	4,152,213	4,775,031	627,671	993,600
Management participation plan (RSU) ³⁾	320,000	450,000	80,000	150,000
Social and pension costs	857,389	944,514	167,567	242,412
Total	5,329,602	6,169,545	875,238	1,386,012
Thereof in shares ⁴⁾	354,305	120,488	53,480	-
Members of the executive committee	6 ⁸⁾	7		

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 2018 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 2019 financial year was CHF 165.30 (2018: CHF 156.60).

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 (tax) 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 2019 the price was CHF 133.70 (2018: CHF 193.40).

5) Change in the function of the CEO end of April 2019. The total compensation includes the contractually owed fixed compensation and the corresponding variable compensation for 2019 financial year (pro rata temporis). In addition, it also includes compensation for untaken vacation days as of April 30, 2019.

6) Takeover of the function as CEO since May 1, 2019

7) Resignation as CEO end of April 2019

8) Until end of April 2019 7 members

In 2018, the annual general meeting of shareholders authorized a maximum compensation amount for the executive committee of CHF 6,300,000 for the period from January 1, 2019 to December 31, 2019. The total compensation of CHF 5,329,602 paid to the executive committee in 2019 remains within the approved compensation payable to the executive committee for 2019.

In 2019, 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, 2020 to December 31, 2020.

Compensation paid to former members of the executive committee

In 2019, as well as in 2018, no compensation was paid to former members of the executive committee.

Compensation paid to related parties of members of the executive committee

In 2019, as well as in 2018, 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, 2019, as well as of December 31, 2018, 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, 2019

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		2019	2018
Dr. Thomas Schmuckli	Chairman, chairman NC, ARCC	14,429	13,981
Anton Lauber	Deputy chairman, CC, NC	6,007	6,783
Dr. René Cotting	Chairman ARCC	1,900	1,500
Martin Kühn	ARCC	450	10
Daniel Lippuner ¹⁾	ARCC	-	1,888
Prof. Dr. Stefan Michel	Representative of registered A shares, chairman CC, NC	1,058	1,478
Maria Teresa Vacalli	ARCC	3,656	3,208
Patricia Heidtman ²⁾	NC, CC	-	-
David Dean ²⁾	Member	1,200	-
Total		28,700	28,848

1) Resignation from the board of directors in April 2019

2) Election to the board of directors in April 2019

Executive committee		2019	2018
Dr. Daniel Bossard ¹⁾	CEO	4,703	3,854
David Dean ²⁾		-	1,701
Stephan Zehnder	CFO	12,689	13,640
Beat Grob	CEO Central Europe	37,041	34,842
Dr. Frank Hilgers ³⁾	CEO Northern & Eastern Europe, CCO	2,760	2,312
Steen Hansen	CEO America	2,485	2,036
Robert Ang	CEO Asia	13,133	11,784
Total		72,811	70,169

1) Takeover as CEO in May 2019, CEO Northern & Eastern Europe until end of April 2019

2) Resignation as CEO in April 2019

3) CCO, takeover as CEO Northern & Eastern Europe in May 2019

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

		2019	2018
Dr. Daniel Bossard ¹⁾	CEO	1,432	1,397
David Dean ²⁾		-	3,208
Stephan Zehnder	CFO	1,190	1,397
Beat Grob	CEO Central Europe	1,190	1,397
Dr. Frank Hilgers ³⁾	CEO Northern & Eastern Europe, CCO	1,190	1,396
Steen Hansen	CEO America	1,190	1,397
Robert Ang	CEO Asia	1,190	1,397
Total		7,382	11,589

1) Takeover as CEO in May 2019, CEO Northern & Eastern Europe until end of April 2019

2) Resignation as CEO in April 2019

3) CCO, takeover as CEO Northern & Eastern Europe in May 2019

Shareholding

The compensation committee annually reviews and assesses the shareholding of each member of the executive committee.

REPORT OF THE STATUTORY AUDITOR on the compensation report



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

We have audited the compensation report of Bossard Holding AG for the year ended December 31, 2019. 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 72 to 75 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, 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Häfliger
Audit expert
Auditor in charge

Remo Waldispühl
Audit expert

Zurich, February 28, 2020

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