

# Compensation Report

# Compensation Report

The Compensation Report contains information on the compensation policy, compensation programs and processes for determining the compensation paid to the Board of Directors and Group Management of the Mikron Group. It also provides detailed information on compensation paid in 2018. The Compensation Report satisfies the transparency requirements set out in the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

## Compensation Policy

Overall responsibility for defining the basic principles of compensation lies with the Annual General Meeting. The Board of Directors determines compensation within the boundaries defined by the General Meeting. It approves the compensation paid to members of the Board of Directors, the Board Chairman and the entire Group Management.

The compensation policy applied to members of the Board of Directors and Group Management is described in detail on pages 65 to 66 of the Corporate Governance Report. The table below sets out the principles of this compensation policy. There are no changes in the principles compared to the prior year.

### Fair and transparent

The compensation models are simple, clearly structured and transparent. They guarantee fair remuneration that reflects responsibilities and competencies.

### Results- and performance-based

Part of the remuneration paid is linked directly to the Mikron Group's results and to individual performance.

### Long-term incentive

Part of the compensation can be paid in the form of shares subject to a lock-up period. This gives recipients a share in the company's long-term performance and ensures alignment with shareholder interests.

### Geared to the labor market

Compensation is geared to the market environment so as to attract and retain talent managers and employees.

The Articles of Association define the following structure for Group Management:

	Instrument	Purpose	Influencing factors	Performance targets
<b>Fixed annual basic salary (base compensation)</b>	Monthly cash compensation	Remuneration for function	Scope and responsibility, individual qualifications and experience	–
<b>Variable compensation in cash (short-term incentive)</b>	Annual cash compensation	Remuneration for performance	Annual company results, individual performance	Order intake, EBIT, free cash flow, quantitative and qualitative targets
<b>Share-based compensation (long-term incentive)</b>	Locked-up shares (min. 3-year lock-up period)	Share in long-term performance, geared to shareholder interests	Contribution to the Group's strategic development, measured against the financial midterm plan	Order intake, EBIT
<b>Pension, social security and benefits</b>	Pension and social security Other benefits	Protection against risks Expenses covered	Standard market practice and position	–

## Governance

The General Meeting elects individually at least two but not more than four members of the Board of Directors as members of the Remuneration Committee. The term of office of the members of the Remuneration Committee is one year and ends at the next ordinary General Meeting. Re-election is possible.

The members of the Remuneration Committee in the year under review were the Board members Patrick Kilchmann (Chairman) and Andreas Casutt.

Subject to and within the scope of the overall compensation approved by the General Meeting, the Remuneration Committee proposes to the Board of Directors the remuneration of its members and proposes or determines the remuneration of the members of Group Management.

## Compensations for the year 2018

### Compensation to members of the Board of Directors

CHF 1,000	Base compensation		Social security and other expenses			Total
	2018	2017	2018	2017	2018	2017
H. Spoerry, Chairman	71	91	20	20	91	111
E. Rikli, Vice-Chairman	62	64	11	11	73	75
P. Kilchmann, Member	55	55	5	5	60	60
A. Casutt, Member	59	59	10	10	69	69
H-M. Hauser, Member	67	59	11	10	78	69
P. Zumbühl, Member <sup>1)</sup>	59	n.a.	10	n.a.	69	n.a.
<b>Total</b>	<b>373</b>	<b>328</b>	<b>67</b>	<b>56</b>	<b>440</b>	<b>384</b>

1) P. Zumbühl received a consulting fee equal to the compensation of the members of the Board of Directors for the first four months of 2018 prior to his election as member of the Board.

Members of the Board of Directors receive a fixed remuneration. The remuneration is booked applying the accrual principle. Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. In April 2018, the General Meeting approved a total remuneration payable to the Board of Directors for the period up to the next meeting of a maximum of CHF 460,000.

### Compensation to Group Management

Group Management is composed of the CEO, CFO and the Head of the Mikron Automation business segment. These persons are employed either at Mikron Management AG, Langenthal, Mikron SA Boudry, Boudry or Mikron SA Agno, Agno.

CHF 1,000	B. Cathomen, CEO Total compensation of Group Management			
	2018	2017	2018	2017
Base compensation	399	399	949	993
Variable compensation in cash	115	125	240	300
Share-based compensation	27	29	59	52
Pension, social security and benefits	146	129	381	359
<b>Total approved by previous General Meetings</b>	<b>687</b>	<b>682</b>	<b>1,629</b>	<b>1,704</b>
Share-based compensation to be approved by General Meeting 2019	65	0	139	0
Social security	4	0	10	0
<b>Total to be approved by General Meeting</b>	<b>69</b>	<b>0</b>	<b>149</b>	<b>0</b>
<b>Total compensation</b>	<b>756</b>	<b>682</b>	<b>1,778</b>	<b>1,704</b>

Members of Group Management receive a fixed remuneration paid in 13 instalments and a performance-related variable remuneration. The variable remuneration is set by the Board of Directors within the boundaries approved by the Annual General Meeting. The table below shows the figures as a percentage of the fixed compensation:

	Effective	Maximum set by Board of Directors	Maximum allowed as per Articles of Association
<b>B. Cathomen, CEO</b>			
Variable compensation in cash	40%	44%	
Share-based compensation	16%	56%	
<b>Total</b>	<b>56%</b>	<b>100%</b>	<b>100%</b>
<b>Other members</b>			
Variable compensation in cash	26%	28%	
Share-based compensation	12%	41%	
<b>Total</b>	<b>38%</b>	<b>69%</b>	<b>75%</b>

Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. Payments are made in cash. Expenditure for social security and pension includes employer contributions to social insurance and to the pension fund and senior management pension fund.

In April 2017, the Annual General Meeting approved a total fixed and performance-related remuneration which may be paid to the Group Management during the 2018 financial year of maximum CHF 2,100,000. In April 2018, the amount of CHF 1,800,000, excluding the long-term incentive plan with separate approval, was approved, which may be paid out during the 2019 financial year.

An additional variable compensation in the form of shares in the company may be provided to the members of Group Management. A total of 10,000 shares were distributed during the year 2018 as approved by the Shareholders Meeting. From 2018 on, a long-term-incentive plan has been established. This replaces the fixed numbers of shares to be distributed with a performance-based quantity, measured against the financial mid-term financial plan. The shares are transferred to the members after approval by the General Meeting and are blocked for a period of at least three years. The Board of Directors will propose to the next General Meeting to approve an allocation of 20,610 shares to the members of Group Management (of which 9,661 shares to the CEO) as long-term-incentive compensation 2018. The share price for the valuation at year-end was CHF 6.76.

## Shares held by members of the Board of Directors and by Group Management

	31.12.2018		31.12.2017	
	Number of shares	Voting power	Number of shares	Voting power
<b>Board of Directors</b>				
H. Spoerry, Chairman	13,675	0.08%	13,675	0.08%
E. Rikli, Vice-Chairman	21,500	0.13%	21,500	0.13%
P. Zumbühl, Member	43,290	0.26%	n.a.	n.a.
<b>Group Management</b>				
B. Cathomen, CEO	40,580	0.24%	35,580	0.21%
R. Rihs, COO	30,000	0.18%	33,000	0.20%
J. Perez Freije, CFO	5,500	0.03%	n.a.	n.a.
M. Blom, CFO (until 12 April 2018)	n.a.	n.a.	22,000	0.13%

These figures include shares held by related parties of these persons.

# Report of the Statutory Auditor



## **Report of the statutory auditor to the General Meeting of Mikron Holding AG**

### **Biel**

We have audited the compensation report of Mikron Holding AG (pages 74 to 78) for the year ended 31 December 2018.

#### **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 Mikron Holding AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Norbert Kühnis  
Audit expert  
Auditor in charge

René Jenni  
Audit expert

Bern, 18 March 2019

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