





REMUNERATION REPORT

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REMUNERATION REPORT

The Remuneration Report describes the governance framework and principles of remuneration of the Board of Directors and Executive Management of the Datwyler Group. It also provides information on remuneration plans and remuneration paid for the 2016 fiscal year.

The Remuneration Report is written in accordance with the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

Remuneration governance framework

Remuneration Committee

The Remuneration Committee generally consists of three members of the Board of Directors who are elected individually each year by the Annual General Meeting. The Remuneration Committee appoints its chairman. As at the end of 2016, the members of the Remuneration Committee were: Hanspeter Fässler (Chairman), Gabi Huber and Hanno Ulmer. In 2016 the Remuneration Committee met four times, with all members present for each meeting.

Responsibilities of the Remuneration Committee:

- Basic human resource matters (e.g. talent management, succession planning, etc.) of the Datwyler Group.
- Nominations to the Board of Directors and Executive Management.
- Preparation of the maximum compensation amounts to the Board of Directors and Executive Management to be submitted to shareholders' vote at the Annual General Meeting
- Determination of remuneration for members of the Board of Directors within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association.
- Terms of employment for members of the Executive Management.
- Determination of performance-based remuneration for members of the Executive Management within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association.
- Monitoring of structure and development of remuneration.
- Oversight of compliance by the members of the Board of

Directors and Executive Management with the provisions of the Articles of Association concerning the number of mandates in top management and supervisory bodies of legal entities outside the Datwyler Group (Art. 14 section 5 and Art. 19 section 3 of the Articles of Association) including any necessary measures.

- Compliance with regulations concerning the disclosure of remuneration of members of the Board of Directors and Executive Management.
- Preparation of the compensation report

The Remuneration Committee has written terms of reference setting out its responsibilities. The Committee generally prepares the groundwork for proposals and decision-making by the full Board. It has executive authority only within the remuneration framework already approved in principle by the Annual General Meeting or Board of Directors and where expressly provided in the Articles of Association or a policy. It meets upon invitation of its Chairman as often as necessary, but at least once a year. When the business to be transacted so requires, meetings are attended by the CEO and CFO, by invitation and in an advisory capacity. At the agenda points, where their own performance and remuneration are being discussed, the CEO and CFO do not attend. The members of the Committee receive documentation before meetings to enable them to prepare for the individual agenda items. At least two members must be present to adopt decisions. The committees pass resolutions by an absolute majority of the votes cast. In the event of a tie, the Chairman casts the deciding vote. The Remuneration Committee keeps a record of its decisions and recommendations in minutes submitted to the full Board of Directors and reports the results of its activities at the next Board meeting.

Approval levels

	Proposal	Review	Approval
Remuneration principles (articles of incorporation)	Remuneration Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration models for the Board of Directors and Executive Management	Remuneration Committee		Board of Directors
Remuneration report	Remuneration Committee	Board of Directors	Annual General Meeting (consultative vote)
Maximum aggregate amount of remuneration for Board of Directors	Remuneration Committee	Board of Directors	Annual General Meeting (binding vote)
Individual remuneration of Board of Directors members	Remuneration Committee		Board of Directors
Maximum aggregate amount of remuneration for Executive Management	Remuneration Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration CEO	Remuneration Committee		Board of Directors
Individual remuneration other members of Executive Management	CEO	Remuneration Committee	Board of Directors

Determination procedure for the remuneration system

The remuneration system is normally reviewed every three years by the Remuneration Committee and may be adjusted to reflect the evolving business environment. Such a regular review has taken place in 2015. As a result of which the Board of Directors decided to amend the design of the long-term incentive plan for Executive Management, effective from business year 2018. The resulting changes are described on page 46 under "Remuneration outlook".

The Datwyler Group's remuneration policy is compared against common standards for similar positions at comparable companies. The process for determining the elements and levels of remuneration for the Board of Directors and Executive Management is based on a periodic benchmarking analysis on the basis of remuneration surveys and of remuneration disclosures published by comparable companies in their annual reports. Comparable companies are defined as international industrial companies listed on the SIX Swiss Exchange with similar geographic scope, revenue, complexity, capitalisation and employee headcount. They include: Bucher Industries, Feintool, Forbo, Geberit, Georg Fischer, Dormakaba, Lonza, Oerlikon, Sika, Sonova and Sulzer.

The Annual General Meeting approves the proposals of the Board of Directors concerning the maximum aggregate amount for remuneration of the Board of Directors each year for the period up to the next ordinary Annual General Meeting pursuant to Art. 21b of the Articles of Association, and of remuneration for the Executive

Management for the following fiscal year pursuant to Art. 21c of the Articles of Association.

The amount of remuneration for members of the Board of Directors is based on service on the individual committees. It is determined annually by the Remuneration Committee within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association. The full Board of Directors approves the result. Members of the Board of Directors have a right to be consulted at these meetings of the Board of Directors.

The effective performance-based remuneration of members of the Executive Management is determined annually by the Remuneration Committee within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association. The full Board of Directors approves the result.

Under Art. 21a section 5 of the Articles of Association, the Company is authorised to pay an additional amount of up to 50% of the applicable aggregate amount of the applicable maximum total remuneration of the Executive Management to members of the Executive Management who join the Executive Management or assume additional duties during a period for which Executive Management remuneration has already been approved in the event that the approved maximum aggregate amount of remuneration is insufficient for this period.

The Remuneration Report is submitted to the Annual General Meeting for approval in an advisory vote.

Remuneration philosophy and principles

The remuneration philosophy, as set forth in the Articles of Association, is aligned with the business strategy of sustainable, profitable growth and aims to promote and support the four core values of the Datwyler Group:

- We are entrepreneurs.
- We excel at what we do.
- We bring value to our customers.
- We have respect for others.

Remuneration principles

Pay for performance

The variable incentive plan for Executive Management rewards the collective performance of the company and the individual contributions.

Reward long-term and sustainable value creation

Part of the remuneration of the Board of Directors and Executive Management is delivered in the form of blocked shares in order to encourage a long-term view and to create alignment with the interests of the shareholders.

Furthermore, the variable incentive plan for Executive Management has no excessive leverage and therefore does not encourage inappropriate risk-taking.

Market competitiveness

Remuneration levels are in line with competitive market practice and are designed to attract, retain and develop the best talent.

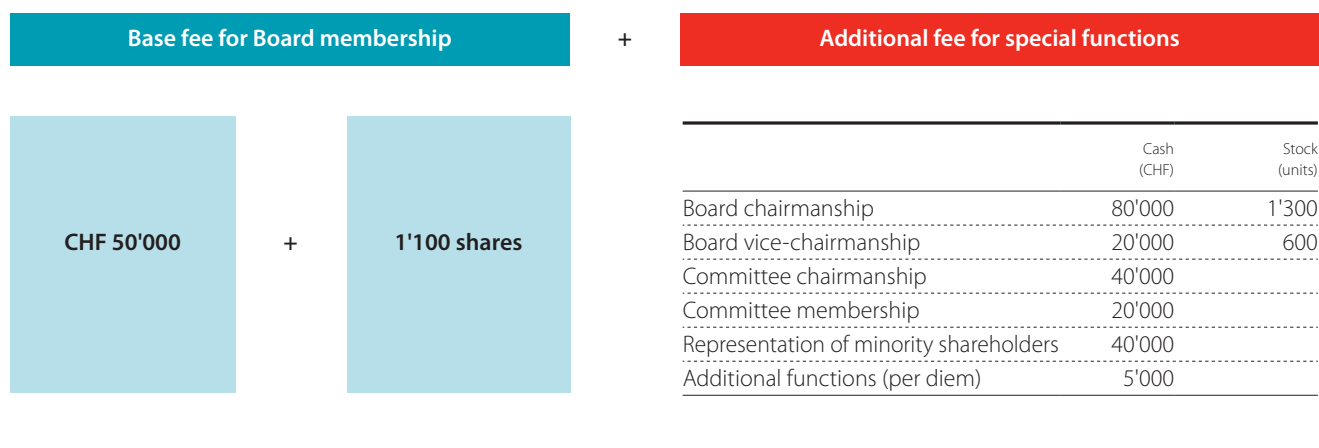
Fairness and transparency

Remuneration programs are straightforward, transparent and fair.

The framework for implementing these remuneration principles is set forth in the Articles of Association.

Remuneration structure of the Board of Directors

Remuneration model for members of the Board of Directors



The remuneration of members of the Board of Directors is determined based on the responsibility and time requirements of their function and includes a base fee for Board membership and additional fees for special functions such as committee chairmanship and membership. The additional fees are cumulative in the case of multiple functions. Members of the Board of Directors receive their remuneration in the form of a fixed fee in cash and a grant of a predefined number of bearer shares of Dätwyler Holding Inc., blocked for five years. In the event of death or disability of a Board member, the shares may be subject to early un-blocking if the participant or his or her beneficiaries so choose. They remain blocked in all other instances.

Fees are paid and shares allocated in June for the current year of Board service. They are subject to regular social security contributions but are not pensionable. Members of the Board of Directors receive no additional reimbursement of business expenses beyond actual expenditures for business travel.

Remuneration structure of the Executive Management

Remuneration model for the Executive Management

	Instrument	Purpose
Fixed base salary	Monthly cash payments	To compensate for performance of duties and for qualifications required to perform the role
Variable incentive	Annual cash payment	To reward collective business performance and achievement of individual objectives in the reporting year
Share participation	Annual granting of shares blocked for five years	To drive sustainable results and create long-term alignment with shareholders' interests
Employer social insurance contributions and perquisites	Retirement pension, insurance & perquisites	To protect against risks and reimburse business expenses

The remuneration of Executive Management members is determined based on the scope and responsibilities of their position and consists of a fixed base salary, a variable incentive, the grant of a predefined number of bearer shares of Dätwyler Holding Inc. and benefits such as retirement pension, insurance and perquisites.

Fixed base salary

The amount of the fixed base salary depends on the scope of the position, the qualifications and experience required to perform the role together with the market environment. The objective is to pay fixed salaries in line with those offered by comparable companies for similar positions.

Variable incentives

The variable incentive plan rewards the collective performance of the company and the individual contributions over a time horizon of one year. It is split into a collective performance component and an individual performance component. The variable incentives are capped at 180% of the annual fixed base salary for the CEO and 120% for the other members of Executive Management.

In alignment with the overall strategy of sustainable profitable growth, the collective performance will be measured on the basis of two performance indicators weighted equally:

- Net sales growth compared to previous year, relative to a peer group of companies;
- EBIT improvement (earnings before interest and tax) compared to previous year, relative to the same peer group of companies.

Relative net sales growth and EBIT improvement are measured by an independent consulting firm that compares and ranks the performance of Datwyler against the performances of similar companies. For each of the two Datwyler divisions, a specific peer group of more than 30 companies has been determined, including industrial and distribution firms that have a comparable base of products, technology, customers, suppliers or investors and thus are exposed to similar market cycles as the corresponding Datwyler division (for the list of peer companies, please refer to page 42). The intention of measuring the performance relatively to peer companies is to neutralize the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralized, the true performance of the company can be better assessed.

The objective of the collective performance component will be to achieve the median performance of the peer group on both indicators (net sales growth and EBIT improvement), which provides for a 100% payout. The maximum payout of 200% can only be achieved if the division achieves the best ranking amongst all peer companies on both net sales growth and EBIT improvement. Should a Datwyler division perform below all peer companies on both indicators, the collective performance component of this division will be set at zero. The payout percentage for any point between the last ranking (0% payout), the median (100%) and the best ranking (200%) is determined by linear interpolation.

The Board of Directors may decide to adjust both performance indicators to reflect currency effects, extraordinary effects such as one-time costs or sale of real estate and structural changes

Overview of calculation and payout of the variable incentive

Target values in % of annual fixed base salary		CEO	CFO	COO (division heads)
Collective performance	Net sales growth relative to peers	37.5% average of both divisions	25% average of both divisions	25% own division
	EBIT improvement relative to peers	37.5% average of both divisions	25% average of both divisions	25% own division
Individual performance	Individual objectives	15%	10%	10%
Total (at target)		90%	60%	60%
Total (at maximum)		180%	120%	120%

such as acquisitions or divestments affecting divisional net sales by more than 10% of the previous year figure. In case of a negative net result of a division or the Datwyler Group, the Board of Directors reserves the right to deviate from the above mentioned calculation approach.

The assessment of the individual performance is based on personal objectives that are set as part of the annual performance evaluation process. The personal objectives are clearly measurable and may include financial indicators such as net working capital in percent of net sales, but also non-financial metrics such as customer satisfaction and employee commitment. The level of achievement for each objective corresponds to a payout percentage, which ranges from 0% to 200%.

The illustration above summarizes the performance objectives and their respective weighting in percentage of the annual fixed base salary for the CEO and the other members of Executive Management.

Share participation

The share participation programme established in 2007 gives Executive Management members an ownership interest in Dätwyler Holding Inc. and participation in the long-term performance of the Datwyler Group. The number of shares granted depends on the respective role and may reach up to 100% of the fixed base salary, pursuant to Art. 21c section 3 of the Articles of Association. The shares are granted at their market value on the first trading day of the month of June and are blocked for five years. In the event of termination due to death or disability, the shares may be subject to early un-blocking if the participant or his or her beneficiaries so choose. They remain blocked in all other instances.

The share participation programme for Executive Management has been reviewed and amended effective from the 2018 business year. The new long-term incentive plan will be entirely based on future performance of Datwyler. The changes are described on page 46 in the section "Remuneration outlook".

Peer groups of companies to measure the collective performance

Technical Components division

Company	Country		
ams AG	AT	Esprinet SpA	IT
Analog Devices (Europe)	US	Flextronics	US
Arrow Electronics (EMEA)	US	Ingram Micro Inc.	US
ASBISc Enterprises Plc	CY	Logitech International SA	CH
Atea ASA (Products)	NO	LPKF Laser & Electronics AG	DE
Avnet (Europe)	US	Metro AG (Europe)	DE
Bechtie (IT e-commerce)	DE	S&T AG	AT
CML Microsystems plc	UK	Scanfil Oyj	FI
Concurrent Technologies plc	UK	Schweizer Electronic AG	DE
Densitron Technologies plc	UK	Sequans Communications S.A.	FR
Eaton Corporation (Electrical Production)	IE	Solid State Plc	UK
Electrocomponents (Continental Europe)	UK	Sonel SA	PL
Elektronikgruppen BK AB	SE	STMicronics NV	
Elma Electronic AG	CH	(Embedded Processing Solutions)	CH
ELMOS Semiconductor AG	DE	Texas Instruments	US
		Vivanco	DE
		Würth (Industry)	DE
		Yleiselektroniikka Oyj	FI

Sealing Solutions division

Company	Country		
Anhui Zhongding Sealing Parts	CN	Hexpol AB	SE
Antares Pharma Inc.	US	Johnson Control	US
Aptargroup (Food & Beverages)	US	Parker-Hannifin (Diversified Industrial, America and International)	US
Aptargroup (Pharma)	US	Retractable Technologies Income	US
Atrion Corp.	US	RPC Group PLC	UK
Becton Dickinson & Company (Diagnostics)	US	Semperit AG Holding	AT
Becton Dickinson & Company (Medical)	US	Shandong Pharmaceutical Glass Company	CN
Bioteque Corp.	TW	Shandong Weigao Group Medical (Single Use Medical Device Products)	CN
Bridgestone Corporation	JP	Stomil Sanok SA	PL
Continental (Chassy & Safety)	DE	Terumo (General Hospital Use Products)	JP
Continental (ContiTech)	DE	Trelleborg (Sealing Solution)	SE
Continental (Interior)	DE	Valeo SA	FR
Continental (Powertrain)	DE	West Pharmaceutical (Pharmaceutical Packaging Systems)	US
Delphi Automotive	UK	ZF Friedrichshafen	DE
Fukoku Company Limited	JP		
Gerresheimer (Plastics & Devices)	DE		
Gerresheimer (Primary Packaging Glass)	DE		

Employer social insurance contributions

Members of the Executive Management participate in the regular employee pension plan provided by Datwyler to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to the sixfold of the maximal retirement pension of the Swiss Governmental Old-Age, Survivors' and Disability Insurance (AHV) and a supplementary plan in which earnings in excess of this limit are insured up to a maximum of the tenfold of the upper limiting amount according to the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG). The benefits provided under the pension fund exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are in line with typical market practice of other industrial companies in Switzerland.

Perquisites

Members of Executive Management do not receive any particular executive benefits. They are entitled to a company car and a fiscally approved entertainment allowance, in accordance with the expense rules applicable to all employees at management levels employed in Switzerland. Since representation allowance represent a reimbursement of expenses, they are not included in the remuneration tables on page 43.

Employment contracts

Employment contracts with members of Executive Management stipulate a notice period of 6 to 12 months and of 12 months for the CEO. They contain neither a severance provision in the event of termination of employment, nor any change of control clauses. The employment contracts of Executive Management members contain a clawback clause allowing the company, where necessary under applicable Swiss law and the Articles of Association, to recover remuneration already paid, insofar as and to the extent that such remuneration was paid before approval by the Annual General Meeting and the next Annual General Meeting fails to approve the proposals of the Board of Directors.

Remuneration in 2016

The remuneration to current and former members of the Board of Directors and Executive Management and persons connected with them are presented below. Tables 1 and 2 have been audited by the statutory auditors.

Table 1: Remuneration in 2016

in CHF								
Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross ¹	Share participation ²		Employer social insurance contributions	Perquisites	Total remuneration
				Number	Fair value			
Directors								
Graf Ulrich ³	Chairman	150'000	0	2'400	355'440	27'786	0	533'226
Rüegg Hans R.	Deputy Chairman	110'000	0	1'700	251'770	19'199	0	380'969
Fässler Hanspeter	Director	90'000	0	1'100	162'910	16'397	0	269'307
Fedier Jürg	Director	110'000	0	1'100	162'910	17'862	0	290'772
Huber Gabi	Director	70'000	0	1'100	162'910	14'932	0	247'842
Lienhard Ernst	Director	90'000	0	1'100	162'910	13'303	0	266'213
Odermatt Ernst	Director	70'000	0	1'100	162'910	11'938	0	244'848
Ulmer Hanno	Director	70'000	0	1'100	162'910	13'295	0	246'205
Zhang Zhiqiang	Director	50'000	0	1'100	162'910	13'235	0	226'145
Total for Directors		810'000	0	11'800	1'747'580	147'947	0	2'705'527
Executive Management								
Hälg Paul J. ³	CEO	770'004	931'200	3'300	488'730	349'259	6'720	2'545'913
Total for Executive Management		2'046'004	1'866'280	7'800	1'155'180	1'062'788	37'860	6'168'112

¹ Best estimate at the time of publication of the annual report.

² The shares were awarded on 1 June 2016 at a daily closing price of CHF 148.10.

³ Highest remuneration

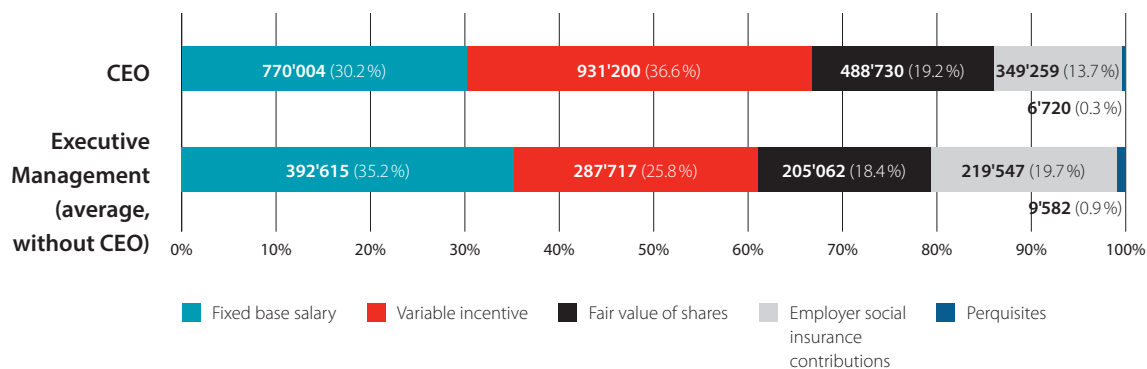
Table 1: Remuneration in 2015

in CHF								
Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross	Share participation ¹		Employer social insurance contributions	Perquisites	Total remuneration
				Number	Fair value			
Directors								
Graf Ulrich ²	Chairman	170'000	0	2'400	319'680	26'981	0	516'661
Rüegg Hans R.	Deputy Chairman	110'000	0	1'700	226'440	18'058	0	354'498
Fässler Hanspeter	Director	90'000	0	1'100	146'520	15'481	0	252'001
Fedier Jürg	Director	70'000	0	1'100	146'520	13'785	0	230'305
Huber Gabi	Director	70'000	0	1'100	146'520	14'005	0	230'525
Lienhard Ernst	Director	90'000	0	1'100	146'520	12'571	0	249'091
Odermatt Ernst	Director	70'000	0	1'100	146'520	11'196	0	227'716
Ulmer Hanno	Director	50'000	0	1'100	146'520	35'189	0	231'709
Total for Directors		720'000	0	10'700	1'425'240	147'266	0	2'292'506
Executive Management								
Hälg Paul J. ²	CEO	770'004	475'470	3'300	439'560	307'645	6'720	1'999'399
Total for Executive Management		1'952'004	1'412'055	7'800	1'038'960	939'479	37'530	5'380'028

¹ The shares were awarded on 1 June 2015 at a daily closing price of CHF 133.20.

² Highest remuneration.

Structure of 2016 remuneration for members of Executive Management



Remuneration mix

The chart above illustrates the remuneration mix for members of Executive Management for the remuneration related to 2016 and includes the fixed cash salary in 2016, the variable incentive that will be paid out in 2017 related to performance year 2016, the number of shares granted in 2016, and the value of benefits received in 2016.

Remuneration paid to members of the Board of Directors and Executive Management

The fixed remuneration for members of the Board of Directors and for the Executive Management remained unchanged compared to the previous year. For the members of the Board of Directors, the fixed base salary depends on membership of the various committees. Two members of the Board of Directors (representatives in accordance with SCO 709) receive higher remuneration in consideration of their efforts in favour of bearer shareholders.

The Executive Management's variable incentive for the 2016 reporting year was calculated according to a new model described in detail on pages 40 and 41.

The following provisional figures for the collective performance component are based on the available revenue and profit figures of the peer group and the Datwyler Group as at mid-December 2016. In terms of the aggregate value of net revenue growth and EBIT improvement, the Sealing Solutions Division and the Technical Components Division outperformed 66.25% and 51% of the peer group's companies respectively. Both indicators – net

revenue growth and EBIT improvement – are afforded the same weighting as far as their aggregate value is concerned, taking into account the operational performance of the two divisions excluding one-time effects.

An external, independent specialist calculated the provisional figures for net revenue growth and EBIT improvement relative to peer groups of similar companies. Based on the annual reports published by peer companies, the same specialist will ascertain the definitive figures in April 2017 before the date on which the collective performance component is paid out.

In terms of the individual performance component for members of the Executive Management, the Board of Directors envisages values between 1.8% and 30% of the annual fixed base salary for the year under review, with the definitive figures to be calculated on the basis of the annual financial statements.

Overall, this equates to a variable incentive of 120% of the annual fixed base salary for the CEO in 2016 (target: 90%; maximum rate: 180%). For the members of the Executive Management excluding the CEO, the average variable incentive corresponds to 73.3% of the annual fixed base salary (target: 60%; maximum rate: 120%). In absolute terms, the variable incentive for the entire Executive Management increased in 2016 to CHF 1.9 million (best estimate on the date of publication of this remuneration report; previous year: CHF 1.4 million). Another factor to take into account in this regard, other than the favourable business performance within the Sealing Solutions division, is that, owing to the succession plan, the Executive Management comprised an extra person for three months in the year under review.

If the variable incentive that is ultimately paid out differs significantly from the amount shown in the remuneration table on p. 43, the remuneration report of the following year will state this.

The share participation for the year 2016 was determined by the Remuneration Committee and approved by the Board of Directors in accordance with the maximum aggregate amount approved by the Annual General Meeting and Art. 21b of the Articles of Association. The shares awarded on 1 June 2016 at the then market value of CHF 148.10 are blocked over a period of five years. After the end of this period, the shares are at the free disposal of the beneficiary or his or her legal successor regardless of death, disability or termination. The number of shares awarded per functional level remained unchanged for the Board of Directors and for Executive Management in the year under review. The market value of the share in the year under review was CHF 14.90 higher than in the previous year, which increased the fair value of the equity participation accordingly.

The heading employer social insurance contributions includes all employer expenditures for pension plans and social security contributions. Perquisites reflect the employer's contribution to private use of business vehicles and child allowances.

The total remuneration of the Board of Directors and the Executive Management is below the maximum total remuneration figures of CHF 2.8 million and CHF 7.7 million respectively, which the shareholders approved for the 2016 fiscal year at the 2015 Annual General Meeting.

Remuneration of former members of the Board of Directors and Executive Management

No remuneration was paid to former members of the Board of Directors or Executive Management in the year under review, nor was any non-arm's length remuneration paid to persons connected with current or former members of the Board of Directors or Executive Management.

Loans and credits

The Articles of Association do not allow for the possibility to grant loans and/or credits to current or former members of the Board of Directors or Executive Management or persons connected with them.

Remuneration outlook

The Board of Directors will propose the following maximum total sums to the 2017 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2018 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2018 fiscal year:

- Board of Directors: CHF 3'100'000, of which CHF 800'000 for cash remuneration plus CHF 2'300'000 for granting of Dätwyler Holding Inc. bearer shares.
- Executive Management: CHF 9'700'000, of which CHF 6'600'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 3'100'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

The remuneration system is reviewed by the Remuneration Committee at three-year intervals, to take account of the evolution of the business environment, in which the company operates. The last regular review has taken place in 2015. As a result of which the Remuneration Committee reviewed the compensation system applicable to the Executive Management and proposed amendments to the share-based compensation which were approved by the Board of Directors and will enter into force as of fiscal year 2018.

Share-based compensation will be awarded under a long-term incentive plan in the form of performance share units (PSUs). A PSU is a conditional right to receive shares of the company after a vesting period, during which certain conditions must be met. The vesting conditions will include both the achievement of predetermined performance objectives ("performance conditions") and continuous employment at the end of the vesting period ("service condition").

The following is a summary of how the long-term incentive plan works. The 2018 remuneration report will provide a more detailed description once the plan has been implemented.

At the beginning of the vesting period, a target long-term incentive amount will be determined for each member of the Executive Management on the basis of two factors. Firstly, the value delivered under the current share-based compensation plan will be taken into account in order to ensure a smooth transition from the existing plan to the new plan. Secondly, the relevant compensation benchmarks will be considered.

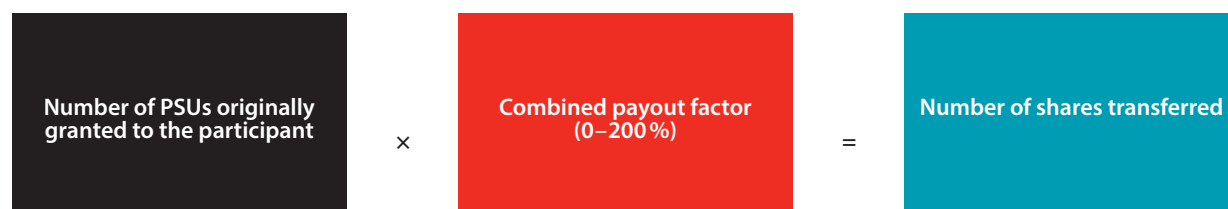
At grant date, the target incentive amount will be converted to a number of PSUs on the basis of the average closing share price during the twenty trading days before the grant date. The PSUs will be subject to a three-year vesting period, conditional on continued service within the company and on the following performance targets being achieved:

- Relative net sales growth, with one-third weight;
- Relative ROCE growth, with one-third weight; and
- Relative total shareholder return (TSR), with one-third weight.

Datwyler's performance on all three indicators will be compared to a peer group of companies. The peer group is a consolidation of the peer companies that are already considered for the calculation of the annual variable incentive. Datwyler's relative performance will be expressed as a percentile rank, which results in a payout factor between 0% and 200%:

The combined payout factor is a weighted average of the payout factors for relative sales growth (one-third weight), relative ROCE growth (one-third weight) and relative TSR (one-third weight). An independent external specialist will calculate the level of relative performance achievement and as well as the combined payout factor.

Calculation of the total number of shares transferred to the participant after the vesting date:



If Datwyler reports a negative profit after tax (i.e. a loss) from continuous operations during the three-year vesting period, or if the Board of Directors believes that an adequate dividend cannot be paid out to shareholders, the Board of Directors reserves the right to determine whether and to what extent the PSUs for this period should be forfeited, irrespective of the combined payout factor achieved.

If Datwyler is required to prepare an accounting/financial restatement, clawback and malus provisions will apply on PSUs or shares awarded under the long-term incentive plan.

The new long-term incentive plan rewards Datwyler's long-term performance and sustained success, and is well aligned to the interests of shareholders.

Report of the Statutory Auditor on the Remuneration Report



Report of the statutory auditor to the General Meeting of Dätwyler Holding Inc.

Altdorf

We have audited the remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2016. 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 tables 1 and 2 on page 43 and pages 44 and 45 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration 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 remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger

Audit expert
Auditor in charge

Josef Stadelmann

Audit expert

Zürich, 3 February 2017

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