

# 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 2018 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

### Nomination and Compensation Committee

The Nomination and Compensation Committee generally consists of three members of the Board of Directors who are elected individually each year by the Annual General Meeting. The Nomination and Compensation Committee appoints its chairman. At the end of 2018, the members of the Nomination and Compensation Committee were: Hanspeter Fässler (Chairman), Gabi Huber and Claude R. Cornaz. In 2018 the Nomination and Compensation Committee met five times. All members were present at all meetings.

Responsibilities of the Nomination and Compensation 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 remuneration report.

The Nomination and Compensation 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 Nomination and Compensation 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 Association)	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration models for the Board of Directors and Executive Management	Nomination and Compensation Committee		Board of Directors
Remuneration Report	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (consultative vote)
Maximum aggregate amount of remuneration for Board of Directors	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (binding vote)
Individual remuneration of Board of Directors members	Nomination and Compensation Committee		Board of Directors
Maximum aggregate amount of remuneration for Executive Management	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration CEO	Nomination and Compensation Committee		Board of Directors
Individual remuneration other members of Executive Management	CEO	Nomination and Compensation Committee	Board of Directors

### Determination procedure for the remuneration system

The remuneration system is normally reviewed every three years by the Nomination and Compensation Committee and may be adjusted to reflect the evolving business environment.

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 Nomination and Compensation 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 Nomination and Compensation 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 consultative 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 is paid in the form of blocked shares for the Board of Directors and in the form of performance share units for the Executive Committee 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 programmes 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

Base fee for Board membership		Additional fee for special functions	
		Cash (CHF)	Blocked shares (CHF)
CHF 50'000 in cash	CHF 150'000 in blocked shares		
		Board chairmanship	80'000 180'000
		Board vice-chairmanship	20'000 80'000
		Committee chairmanship	40'000
		Committee membership	20'000
		Representation of minority shareholders	40'000
		Additional functions (per diem)	5'000

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 bearer shares of Dätwyler Holding Inc., blocked for five years. The number of bearer shares granted is calculated from the fixed amount and the average price on the 20 trading days prior to the grant date. 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
<b>Fixed base salary</b>	Monthly cash payments	To compensate for performance of duties and for qualifications required to perform the role
<b>Variable incentive</b>	Annual cash payment	To reward collective business performance and achievement of individual objectives in the reporting year
<b>Long-term incentive plan</b>	Annual granting of performance share units with a vesting period of three years	To drive sustainable results and create long-term alignment with shareholders' interests
<b>Employer social insurance contributions and perquisites</b>	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, a long-term incentive plan with performance share units 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 47). The intention of measuring the performance relatively to peer companies is to neutralise 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 neutralised, 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 among 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.

## Overview of calculation and payout of the variable incentive

Target values in % of annual fixed base salary		CEO	CFO	COO (division heads)
<b>Collective performance</b>	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
<b>Individual performance</b>	Individual objectives	15%	10%	10%
<b>Total (at target)</b>		90%	60%	60%
<b>Total (at maximum)</b>		180%	120%	120%

## Peer groups of companies to measure the collective performance

### Technical Components division

#### Company

ams AG  
Arrow Electronics – EMEA  
ASBISc Enterprises Plc  
Atea ASA – Products  
Avnet – Europe  
Bechtle – IT e-commerce  
Eaton Corporation – Electrical Production  
Elma Electronic AG  
Elmos Semiconductor AG  
Esprinet SpA  
Flex Ltd.  
Ingram Micro Inc  
Logitech International SA  
LPKF Laser & Electronics AG  
S&T AG  
Scanfil Oyj  
Schweizer Electronic AG  
STMicroelectronics NV – Microcontrollers and Digital ICs  
Texas Instruments

### Sealing Solutions division

#### Company

Amgen  
Aptargroup – Food & Beverages  
Aptargroup – Pharma  
Atrion Corp.  
Becton Dickinson & Company – Life Sciences  
Becton Dickinson & Company – Medical  
Bridgestone Corporation  
Continental – Chassis & Safety  
Continental – Powertrain  
Continental – Interior  
Continental – ContiTech  
Delphi Technologies (formerly Delphi)  
Aptiv (formerly Delphi)  
Gerresheimer – Plastics & Devices  
Gerresheimer – Primary Packaging Glass  
Hexpol AB  
Johnson Controls International PLC  
Parker-Hannifin - Diversified Industrial (America and International)  
Sanok (Stomil Sanok)  
Semperit AG Holding  
Trelleborg – Sealing Solutions  
Valeo  
West Pharmaceutical  
ZF Friedrichshafen

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 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 at the top of page 47 summarises 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.

### Long-term incentive plan

With the 2018 financial year, Datwyler replaced the previous share participation for the Executive Board with a long-term incentive plan. The performance is now measured relative to comparable peer companies. This is intended to neutralise 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 neutralised, the true performance of the Company can be better assessed.

Share-based remuneration will be awarded under a long-term incentive plan in future in the form of performance share units (PSUs). A PSU is a conditional right to receive shares of the Company subject to the fulfilment of certain conditions during a three-year vesting period. 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).

As a basis for the allocation of PSUs, a target amount for the long-term incentive plan was determined for each member of the Executive Management. This target amount is based on the previous share participation and the relevant compensation benchmarks.

At grant date (1 January), 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
- Relative total shareholder return (TSR), with one-third weight

Datwyler's performance on all three indicators will be compared with 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.

### Peer group

The peer group consists of the following companies:

Amgen	ams AG
Aptargroup	Aptiv
Arrow Electronics	ASBISc Enterprises Plc
Atea ASA	Atrion Corp.
Avnet	Bechtle
Becton Dickinson & Company	Bridgestone Corporation
Continental	Delphi Technologies
Eaton Corporation	Elma Electronic AG
Elmos Semiconductor AG	Esprinet SpA
Flex	Hexpol AB
Gerresheimer AG	Johnson Control
Ingram Micro Inc	LPKF Laser & Electronics AG
Logitech International SA	S&T AG
Parker-Hannifin	Scanfil Oyj
Sanok Rubber Company	Semperit AG Holding
Schweizer Electronic AG	Texas Instruments
STMicroelectronics NV	Valeo
Trelleborg	ZF Friedrichshafen
West Pharmaceutical	

The peer group is confirmed by the Board prior to the annual grant of PSUs and may be adjusted if required.

The total number of shares transferred to the participant after the vesting period will be calculated as follows:

$$\begin{array}{|c|} \hline \text{Number of PSUs originally} \\ \text{granted to the participant} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Combined payout factor} \\ \text{(0–200\%)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Number of shares transferred} \\ \hline \end{array}$$

### Reward for long-term performance

With the long-term incentive plan, a significant portion of compensation of Executive Management is linked to the long-term company's performance. This strengthens the alignment to shareholders' interests. Datwyler's relative performance will be expressed as a percentile rank, which determines a payout factor between 0% and 200%:

- Ranking < 25% of the peer group (threshold): 0% payout
- Ranking at the median of the peer group: 100% payout
- Ranking > 75% of the peer group (cap): 200% payout
- Linear interpolation between those points

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) over the three-year vesting period. An independent external specialist will calculate the level of relative performance achievement and the combined payout factor. If Datwyler reports a negative profit after tax (i.e. a loss) from continuous operations during the last year of 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.

In the case of someone leaving, PSUs are usually forfeited, except in the case of retirement, death, disability or change of control of the company where they are converted into shares for the number of months up to the time of leaving based on the payout factor achieved (pro-rata vesting).

In the event of death, the pro-rata payout is made at the time of leaving (accelerated vesting). It follows the regular vesting schedule in the other cases.

If Datwyler is required to prepare an accounting/financial restatement, clawback and malus provisions will apply to PSUs or shares awarded under the long-term incentive plan. Datwyler shall have the right to forfeit (malus provision) and/or to obtain reimbursement (claw-back provision) of any PSU or shares that were granted or allocated to the participant in the case that fraud or misconduct by the participant has led to the booking correction.

### Transition rules

In order to facilitate the transition from the former long-term incentive plan (fixed number of restricted shares) to the new long-term incentive plan that is fully performance-based, specific transition rules have been determined for current members of the Executive Management.

First of all, the individual grant value in the transition years 2018, 2019 and 2020 will be multiplied by a factor of 1.75, 1.5 and 1.25 respectively. This is to compensate for the fact that in each of those years, neither shares will be allocated under the former share participation programme (discontinued) nor under the new long-term incentive plan (no vesting before the year 2020).

Secondly, the vesting schedule for the awards granted in the transition years 2018, 2019 and 2020 is subject to an upper limit, but also a lower limit as follows:

- PSUs granted in 2018: the vesting in 2020 will range from a minimum of 80% to a maximum of 120%
- PSUs granted in 2019: the vesting in 2021 will range from 50% to 150%
- PSUs granted in 2020: the vesting in 2022 will range from 25% to 175%

The Board of Directors has decided to introduce a lower upper limit during the transition period. This is due to the introduction of the above mentioned factor, which could lead to all too high payout values. However, the Board of Directors also decided that the introduction of an upper limit would at the same time be supplemented by a symmetrical lower limit for reasons of fairness. This ensures that the payout values remain in a reasonable range within the transitional phase between the two systems. PSUs granted to current Executive Management members from 2021 onwards will follow the regular plan rules. The same applies to new Executive Management members who are hired after 1 January 2018.

### 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 50.

### 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 2018

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 to 4 have been audited by the statutory auditors.

**Table 1: Remuneration Executive Management in 2018 (in CHF)**

Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross <sup>2</sup>	Performance Share Units <sup>3</sup>		Employer social insurance contributions <sup>1</sup>	Perquisites	Total remuneration
				Number	Grant value			
Dirk Lambrecht <sup>1</sup>	CEO	720'000	540'000	3'630	650'060	297'409	9'520	2'216'989
<b>Total for Executive Management</b>		<b>1'942'000</b>	<b>1'340'400</b>	<b>7'821</b>	<b>1'400'585</b>	<b>992'255</b>	<b>35'280</b>	<b>5'710'520</b>

<sup>1</sup> Highest remuneration.

<sup>2</sup> Best estimate at the time of publication of the annual report.

<sup>3</sup> The performance share units of the long-term incentive plan were granted on 1 January 2018 based on the Datwyler bearer share price of CHF 179.08 (average closing price 20 trading days prior to the grant date).

**Table 2: Remuneration Executive Management in 2017 (in CHF)**

Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross <sup>2</sup>	Share participation <sup>3</sup>		Employer social insurance contributions <sup>1</sup>	Perquisites	Total remuneration
				Number	Fair value			
Dirk Lambrecht <sup>1</sup>	CEO	726'000	635'069	4'000	663'200	332'274	9'120	2'365'663
<b>Total for Executive Management</b>		<b>2'080'509</b>	<b>1'645'548</b>	<b>8'500</b>	<b>1'409'300</b>	<b>1'082'490</b>	<b>54'914</b>	<b>6'272'761</b>

<sup>1</sup> Highest remuneration.

<sup>2</sup> The variable incentives paid to the Executive Management in 2018 reporting year and relating to the 2017 fiscal year were in total CHF 542,444 lower than the estimate published in the 2017 Annual Report.

<sup>3</sup> The shares were granted on 1 June 2017 at a daily closing price of CHF 165.80.

**Table 3: Remuneration Board of Directors in 2018 (in CHF)**

Surname and first name	Function	Fixed base salary, gross	Share participation <sup>2</sup>		Employer social insurance contributions <sup>1</sup>	Total remuneration
			Number	Fair value		
Hälg Paul <sup>1</sup>	Chairman	150'000	1'736	344'075	30'834	524'909
Fässler Hanspeter	Vice Chairman	110'000	1'210	239'822	22'162	371'984
Cornaz Claude R.	Director	70'000	789	156'380	14'473	240'853
Fedier Jürg	Director	130'000	789	156'380	19'047	305'427
Huber Gabi	Director	70'000	789	156'380	14'633	241'013
Ulmer Hanno	Director	70'000	789	156'380	14'129	240'509
Zhang Zhiqiang	Director	50'000	789	156'380	13'162	219'542
<b>Total for Directors</b>		<b>650'000</b>	<b>6'891</b>	<b>1 365'797</b>	<b>128'440</b>	<b>2'144'237</b>

<sup>1</sup> Highest remuneration.

<sup>2</sup> The shares were valued on 1 June 2018 at a daily closing price of CHF 198.20.

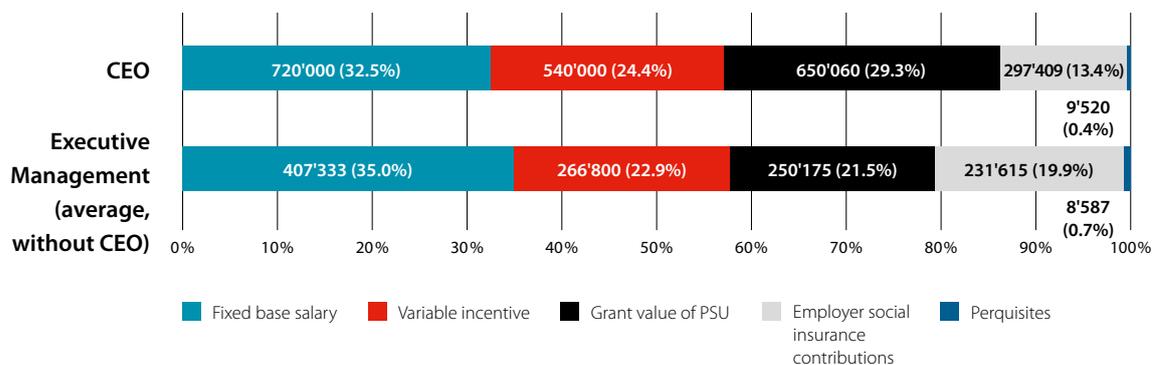
**Table 4: Remuneration Board of Directors in 2017 (in CHF)**

Surname and first name	Function	Fixed base salary, gross	Share participation <sup>2</sup>		Employer social insurance contributions	Total remuneration
			Number	Fair value		
Hälg Paul <sup>1</sup>	Chairman	150'000	2'400	397'920	33'992	581'912
Fässler Hanspeter	Vice Chairman	110'000	1'700	281'860	24'375	416'235
Fedier Jürg	Director	130'000	1'100	182'380	20'395	332'775
Huber Gabi	Director	70'000	1'100	182'380	16'000	268'380
Odermatt Ernst	Director	70'000	1'100	182'380	12'933	265'313
Ulmer Hanno	Director	70'000	1'100	182'380	13'385	265'765
Zhang Zhiqiang	Director	50'000	1'100	182'380	14'535	246'915
<b>Total for Directors</b>		<b>650'000</b>	<b>9'600</b>	<b>1'591'680</b>	<b>135'615</b>	<b>2'377'295</b>

<sup>1</sup> Highest remuneration.

<sup>2</sup> The shares were awarded on 1 June 2017 at a daily closing price of CHF 165.80.

Structure of 2018 remuneration for members of Executive Management (in CHF)



Remuneration mix

The chart above illustrates the remuneration mix for members of Executive Management for the remuneration related to 2018 and includes the fixed cash salary in 2018, the variable incentive that will be paid out in 2019 related to performance year 2018, the number of performance share units granted in 2018, and the value of benefits received in 2018.

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

The fixed remuneration for members of the Board of Directors 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. One member of the Board of Directors (representatives in accordance with SCO 709) received higher remuneration in consideration of his efforts in favour of bearer shareholders.

The Executive Management's variable incentive for the 2018 reporting year was calculated according to the model described in detail on pages 46 to 48.

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 2018. The Sealing Solutions division outperformed 37.2% of the peer group in net revenue growth and 55.3% in EBIT improvement. The Technical Components division surpassed 4.6% of the peer group in net revenue growth and 0.2% in EBIT improvement. Both indicators – net revenue growth and EBIT improvement – are afforded the same weighting as far as their aggregate value is concerned.

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 2019 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 achievements between 15% and 85% 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 75% of the annual fixed base salary for the CEO in 2018 (target: 90%; maximum rate: 180%). For the members of the Executive Management excluding the CEO, the average variable incentive corresponds to 65.5% of the annual fixed base salary (target: 60%; maximum rate: 120%). In absolute figures, the variable incentive for the entire Executive Management in 2018 was CHF 305,148 or 18.5% below the previous year's figure paid out (best estimate on the date of publication of this remuneration report). This is the direct result of the revenue and EBIT development. Compared to the peer group, both divisions performed worse than in the strong previous year. If the variable incentive that is ultimately paid out differs significantly from the amount shown in the remuneration table on page 50, the Remuneration Report of the following year will state this.

The share participation for the members of the Board of Directors for the year 2018 was determined by the Nomination and Compensation 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. For the first time, the grant of bearer shares as of 1 June 2018 was based on a fixed amount and the average share price of the 20 trading days prior to the grant date (CHF 190.13). As a result of this new calculation method, the number of granted shares was significantly reduced in the year under review. The granted shares continue to be blocked for 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. For members of Executive Management, the share participation was replaced in the year under review by the new long-term incentive plan (for details see pages 48 and 49). The performance share units were granted on 1 January 2018 based on the Datwyler bearer share price of CHF 179.08 (average closing price 20 trading days prior to the grant date). The grant value of the granted performance share units is slightly lower than the market value of the share participation in the previous year.

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 significantly below the maximum total remuneration figures of CHF 3.1 million and CHF 9.7 million respectively, which the shareholders approved for the 2018 fiscal year at the 2017 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 2019 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2020 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2020 fiscal year:

- Board of Directors (new eight instead of seven members): CHF 2'400'000, of which CHF 800'000 for cash remuneration plus CHF 1'600'000 for granting of Dätwyler Holding Inc. bearer shares. The maximum amounts proposed have not changed compared to the previous year, although the Board of Directors will have one more member as of the 2019 Annual General Meeting.
- Executive Management (unchanged four members): CHF 8'800'000, of which CHF 6'500'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 2'300'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

Furthermore, due to the renewed market segmentation and the focus on Custom Production of Electromechanical Goods (CPE) in the Technical Components division, the Board of Directors adjusted the peer group for the variable incentives in this division with effect from the 2019 business year.

## Report of the statutory auditor on the Remuneration Report



# Report of the Statutory Auditor

To the General Meeting of Dätwyler Holding AG, Altdorf

We have audited the accompanying remuneration report of Dätwyler Holding AG for the year ended 31 December 2018. 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 to 4 on pages 50 to 51 and page 53 of the remuneration report.

### Responsibility of the Board of Directors

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

### Other matter

The remuneration report of Dätwyler Holding AG for the year ended 31 December 2017 was audited by another auditor who expressed an unmodified opinion on that report on 2 February 2018.

KPMG AG

Toni Wattenhofer  
Licensed Audit Expert  
Auditor in Charge

Manuel Odoni  
Licensed Audit Expert

Zürich, 4 February 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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