

**Compensation Report 2019**

The Compensation Report was prepared in compliance with SIX Exchange Regulation on Corporate Governance and the provisions of the Ordinance against Excessive Remuneration in Listed Companies (Ordinance). It is structured as follows:

Introductory	90
Compensation principles	91
Compensation policy – Board of Directors	91
Compensation policy – Executive Management	92
Compensation to governing bodies in 2019 (audited)	95
Compensation governance	98
Report of the statutory auditor	101

## Compensation Report 2019

### 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 Management of Schweiter Technologies AG. It also provides information on the compensation awarded in the financial year 2019.

The aggregate compensation of the Board of Directors for 2019 was lower than the previous year since the Board of Directors had only four members after the 2019 ordinary General Meeting as opposed to five members the previous year. The compensation system and the individual amounts for the members of the Board remained unchanged in the year under review.

The compensation programs are reviewed and assessed at regular intervals in order to ensure that they are appropriate and in accordance with the interests of our shareholders.

In the year under review 2019, the compensation programs did not change from the previous year. In the business year 2018 the Compensation Committee conducted a review of the short-term and long-term variable incentive programs of Management and decided on the following adjustments:

- Payment of the short-term variable compensa-

tion of the CEO in cash and restricted shares (instead of cash only);

- Introduction of malus and clawback provisions on the share-based compensation for the CEO;
- Implementation of a new LTI plan for the period 2018–2020 in form of deferred cash.

In accordance with the Articles of Incorporation, the Compensation Committee performed its regular activities such as setting the performance objectives for the members of Management at the beginning of the year, evaluating the performance achievement at year end, determining the compensation of the members of the Board of Directors and of Management, preparing the Compensation Report as well as the say-on-pay votes for the ordinary General Meeting.

As in previous years, the Compensation Report will be submitted to a consultative vote at the ordinary General Meeting on 8 April 2020. Shareholders will also be asked to vote on the maximum aggregate compensation to be awarded to the Board of Directors for the 2020–2021 term and on the maximum aggregate compensation of Management for the business year 2021.

### Compensation highlights – Board of Directors

(in CHF)	2019	2018
Number of members	4 <sup>1)</sup>	5
Aggregate compensation	552 000	609 000
Maximum aggregate compensation amount approved by General Meeting <sup>2)</sup>	630 000	630 000

<sup>1)</sup> Five members until Annual General Meeting 2019

<sup>2)</sup> Maximum aggregate compensation amount for the board term from Annual General Meeting (AGM) to AGM

### Compensation highlights – Executive Management

(in CHF)	2019	2018
Number of members	2 <sup>1)</sup>	3
Aggregate compensation	2.24 m	2.42 m
Maximum aggregate compensation amount approved by General Meeting	4.0 m	4.0 m

<sup>1)</sup> Three members until retirement of one member of Management on 31 March 2019

**Compensation principles**

The objective of the compensation policy applicable to the Board of Directors is to attract qualified members with the required expertise and relevant experience, as well as to reinforce their focus on the long-term strategy of the company and their independence towards Management in exercising their supervisory duties.

The objective of the compensation policy for Management is to attract and motivate qualified executives with the required expertise and relevant experience and to develop a long-term working relationship with them using simple, transparent and attractive compensation programs. The compensation policy is built along the following principles:

**Compensation principles**

<b>Alignment with business strategy:</b>	<b>Performance orientation:</b>
Compensation programs support the long-term and sustainable success of the company and they promote the company values.	Executives are rewarded for business success and their individual contributions. Further, they have the opportunity to participate in the company's long-term success.
<b>Market competitiveness:</b>	<b>Simplicity:</b>
Compensation is in line with market practice and is appropriate.	Compensation programs are simple and transparent.

**Compensation policy – Board of Directors**

In line with the principles mentioned above, members of the Board of Directors receive fixed compensation only, without any performance-related component, the aim being to reinforce their focus on the long-term strategy and strengthen their independence.

The compensation is awarded for the term of office, which is from one ordinary General Meeting to the next. It is paid in cash at the end of the term.

The compensation of the members of the Board of Directors reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them and the expected time required to fulfill their duties. The compensation consists of an annual Board fee and additional fees for the work in the committees of the Board of Directors, as illustrated in the following table:

**Board and committee fees**

(in CHF)	Annual Board fee	Additional fees for committee work
Board chair	200 000	10 000
Board member	75 000	10 000

Members of the Board of Directors are not insured under the occupational pension fund, with the exception of the Chairman of the Board of Directors. Due to his previous employment as CEO of the company, the Chairman was offered the possibil-

ity to remain insured in the collective foundation (external pension fund) where the company insures employees against risks of death, disability and retirement. No other member of the Board of Directors is insured under the pension fund, and such

## Compensation Report 2019

coverage is not available to those Board members who are not former employees of the company.

Members of the Board may be remunerated separately at market conditions for additional services (beyond their function on the Board of Directors) that are provided to the company or other

Group companies. Such services, and the related compensation, must be approved by the Board of Directors in advance. Such compensation must be covered by the total compensation amount that is subject to shareholders' approval at the General Meeting.

### Compensation policy – Executive management

In line with the principles of alignment with the business strategy and pay-for-performance, a significant portion of the compensation of Management consists of variable incentives based on performance.

The compensation therefore includes fixed compensation elements, such as base salary and

benefits, as well as variable compensation elements, such as short-term and long-term incentives. According to the Articles of Incorporation, the variable compensation is capped at 200% of the fixed compensation.

The elements of compensation of Management are summarized in the table below.

### Overview of elements of Management compensation

	Target	Instrument	Performance indicators	Performance period	Drivers	Max payout opportunity <sup>1)</sup>
Fixed base salary	Attract, retain, motivate	Cash payments	n/a	n/a	Position, skill set of the incumbent	n/a
Benefits	Protect against risks	Insurances, retirement plan	n/a	n/a	Local legislation and market practice	n/a
Short-term variable incentive	Pay for annual performance	Bonus in cash (CEO: cash and shares)	EBIT margin and individual objectives	1 year	Financial and individual performance	CEO: 143% of target Other members of Management: 185% of target
Long-term variable incentive	Reward for sustainable value creation	Deferred cash	EBIT EBIT margin (3A Composites)	3 years	Company and/or division performance	150% of target

<sup>1)</sup> Overall cap on variable compensation at 200% of fixed compensation

#### Fixed base salary

The fixed base salary is determined at the discretion of the Board of Directors based on the scope and responsibilities of the respective position and the incumbent's qualifications, skill set, and experience. It is paid in cash, typically monthly.

#### Benefits

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to safeguard employees and their dependents against the financial consequences of retirement, illness, occupational disability and death. All members of Management have a Swiss employment contract and participate in the pension plan offered to all employees in Switzerland through an external collective foundation. In addition, for the period between early retirement

and the statutory pensionable age, members of Management may receive a bridging pension up to a maximum amount of the annual fixed salary of the last year of employment prior to early retirement.

Members of Management do not receive any other benefits.

#### Short-term variable incentive

The performance-based short-term incentive (STI) rewards for both the financial results of the company and the individual contribution of the executive in a given financial year.

The performance objectives for the STI for each of the members of Management are set at the beginning of the year by the Board of Directors, based on a proposal of the Compensation Committee.

The financial objectives are based on the Group EBIT and, for the CEO, on the Group EBIT margin (EBIT as a % of net sales). These performance indicators were chosen as they reflect the Group's business strategy of profitable growth. A target

corresponding to the expected performance is defined for each indicator. There is no payout for a performance below 80% of the target (threshold), and the payout is capped for performance above 110% of the target (ceiling).

The individual performance objectives are set annually as part of the annual MBO (management by objectives) process. They consist primarily of financial and economic performance objectives based on the manager's specific function in the context of the execution of the overarching business strategy.

The target and maximum payout levels of the STI for the members of Management, as well as the performance indicators and their weighting, are illustrated in the table below. The target, threshold and ceiling of the effective performance objectives are not disclosed as such disclosure would provide insights into the forward-looking strategy of Schweiter Technologies and thus create a competitive disadvantage for the company.

#### STI: target and maximum payout, performance objectives

	Objectives	Weight	Target STI	Maximum STI
CEO	EBIT	36%		
	EBIT margin	36%	35% of fixed salary	143% of target
	MBO	28%		
Other members of Management <sup>1)</sup>	EBIT	79%		
	MBO	21%	69% of fixed salary	185% of target

<sup>1)</sup> The compensation for a member of Management with a part-time employment contract was limited to fixed compensation and did not include any performance-based variable compensation elements. This member of Management (CTO) retired on 31 March 2019

The achievement of the financial and individual objectives is assessed at the end of the financial year and the STI payout determined accordingly.

In the event of voluntary resignation by the member of Management, there is no entitlement to the portion of the STI related to the EBIT performance. The MBO portion of the STI may be paid based on the achieved performance at the termination date. In case of termination by the company, the STI (EBIT and MBO) may be paid on a pro-rata basis on the basis of the performance achieved at the termination date. The STI is paid in cash in March of the following year.

For the CEO, the STI is granted 50% in cash and 50% in shares subject to a one-year vesting period. In case of voluntary resignation or termination for good reasons during the vesting period, the shares are forfeit. In case of retirement, the shares are subject to a pro-rata vesting at the regular vesting date. In case of death or disability, the shares are subject to an accelerated pro-rata vesting.

The share portion of the STI is subject to clawback and malus provisions that allow the company to reduce the number of shares to vest (malus) and/or to recover shares already allocated (clawback) in case of material restatement of the financial ac-

## Compensation Report 2019

counts of the company or in case of violation of law or internal rules.

### Long-term variable incentive

The Board of Directors may grant a long-term incentive award (LTI) as a long-term oriented component of compensation for members of Management and selected key employees. The purpose of an LTI is to strengthen the identification with the Group and to link compensation with sustainable value creation.

In 2018, the Board of Directors decided to grant an LTI award for members of Management and selected key employees within the Group. The LTI covers a three-year performance period from 2018 to 2020. The LTI payout depends on the achievement of performance conditions and on continuous employment until the payout date.

The performance conditions of the LTI are cumulative EBIT and EBIT margin (each weighted

50%) of the 3A Composites division over the three-year vesting period. EBIT and EBIT margin were chosen because they reflect the business strategy of profitable growth, they will be measured on the 3A Composites division, which is the only remaining operational division of the Group.

For each objective, a target level of expected performance, a threshold level (below which there is no payout), and a ceiling (above which the payout is capped at 150% of target) are determined. The level of payout between threshold, target, and ceiling is calculated by linear interpolation.

Performance targets (including thresholds and ceilings) cannot be adjusted during the term of the plan.

The target and maximum payout levels of the LTI for the members of Management, as well as the performance indicators and their weighting, are illustrated in the table below.

### LTI 2018–2020: targets

	Threshold (no payout)	Target (100% payout)	Ceiling (150% payout)
Cumulative EBIT of 3A Composites division (in CHF)	75% of target	100% of target	125% of target
EBIT margin of 3A Composites division (as a % of sales)	Target minus 1% point	Target	Target plus 1% point

### LTI: Performance objectives, target and maximum payout

	Objectives	Weight	Target LTI	Maximum LTI
CEO	Cum. EBIT	50%	125% of fixed salary	150% of target
	EBIT margin	50%		
Other members of Management <sup>1)</sup>	(3A Composites)		109% of fixed salary	150% of target

<sup>1)</sup> The compensation for a member of Management with a part-time employment contract was limited to fixed compensation and did not include any performance-based variable compensation elements. This member of Management (CTO) retired on 31 March 2019

The target, threshold, and ceiling of the performance objectives are not disclosed as such disclosure would provide insights into the forward-looking strategy of Schweiter Technologies and thus create a competitive disadvantage for the company.

The achievement level for each performance objective will be measured at the end of the performance period. The LTI will be paid out in cash in March 2021 according to the achievement of performance objectives.

### Employment agreements

Employment agreements with the members of Management are, in principle, agreed for an unlimited term. The notice period may not exceed 12 months. Where, by way of exception, employment

agreements have a fixed term, this may not exceed one year. Employment agreements do not contain clauses on change of control or non-competition clauses.

### Compensation to governing bodies in 2019 (audited)

This section is audited according to article 17 of the Ordinance against Excessive Remuneration in Stock Listed Corporations.

#### Compensation of the Board of Directors

The following tables show the compensation paid to members of the Board of Directors for 2019 and 2018.

In the year under review, The Board of Directors consisted of five members until the 2019 Annual General Meeting, thereafter of four members.

The amount of compensation paid to the individual members of the Board of Directors for 2019 was the same as for 2018.

In the year under review and in the previous year, none of the members of the Board of Directors received compensation for additional consultancy services.

Compensation paid to the Board of Directors for 2019						
(in CHF 1000s)	Function	Fee (Board)	Fee (Committee)	Benefits <sup>3)</sup>	Total	
Beat Siegrist <sup>1) 2)</sup>	Chairman	200	17	36	253	
Dr. Lukas Braunschweiler <sup>1)</sup>	Member	75	10	6	91	
Vanessa Frey <sup>2)</sup>	Member	75	10	6	91	
Jan Jenisch <sup>2) 4)</sup>	Member	21	3	2	26	
Dr. Jacques Sanche <sup>2)</sup>	Member	75	10	6	91	
<b>Total compensation for Board of Directors</b> (5 members until 2019 AGM)		<b>446</b>	<b>50</b>	<b>56</b>	<b>552</b>	

<sup>1)</sup> Member of the Audit Committee

<sup>2)</sup> Member of the Compensation Committee

<sup>3)</sup> Employer's contribution to social insurance, for the Chairman of the Board to the pension fund as well

<sup>4)</sup> Member of the Board until the 2019 AGM

The reported compensation of the Board of Directors for the 2019 financial year is allocated pro-rata to the two respective terms of office as follows:

#### Compensation of the Board of Directors in 2019

(in CHF 1000s)

Pro-rata 1.1.2019 – 11.4.2019	168
Pro-rata 12.4.2019 – 31.12.2019	384

The total maximum compensation amount of CHF 630 000 as approved by the General Meeting 2019, which may be paid to the Board of Directors for the term of office from the 2019 General Meeting to the 2020 General Meeting, was therefore not exceeded during the portion of the term of office up to the cut-off date of this Annual Report (12.4.2019–31.12.2019). A conclusive assessment for the entire term of office will be included in the Compensation Report 2020.

## Compensation Report 2019

The compensation of the Board of Directors for the term of office from the 2018 General Meeting to the 2019 General Meeting was CHF 605 000. The total maximum compensation amount of CHF 630 000 as

approved by the General Meeting 2018, which may be paid to the Board of Directors for the term of office from the 2018 General Meeting to the 2019 General Meeting, was therefore not exceeded.

### Compensation paid to the Board of Directors for 2018

(in CHF 1000s)	Function	Fee (Board)	Fee (Committee)	Benefits <sup>3)</sup>	Total
Beat Siegrist <sup>1)</sup>	Chairman	200	10	35	245
Dr Lukas Braunschweiler <sup>1)</sup>	Member	75	10	6	91
Vanessa Frey <sup>2)</sup>	Member	75	10	6	91
Jan Jenisch <sup>2)</sup>	Member	75	10	6	91
Dr Jacques Sanche <sup>2)</sup>	Member	75	10	6	91
<b>Total compensation for Board of Directors</b> (5 members)		<b>500</b>	<b>50</b>	<b>59</b>	<b>609</b>

<sup>1)</sup> Member of the Audit Committee

<sup>2)</sup> Member of the Compensation Committee

<sup>3)</sup> Employer's contribution to social insurance, and for the Board Chairman to the pension fund as well

### Compensation of Management

The table below shows the compensation paid to members of Management for the 2019 and 2018 business years.

(in CHF 1000s) <sup>1)</sup>	2019		2018	
Management	2 members since Q2 2019 <sup>2)</sup>	<sup>3)</sup> of whom highest individual compensation	3 members	<sup>3)</sup> of whom highest individual compensation
Fixed basic compensation in cash	1 095	800	1 278	800
Performance-based compensation in cash	580	338	389	239
Long-term Incentive plan (2018–2020) <sup>4)</sup>	247	190	299	230
Pension benefits <sup>5)</sup>	314	196	453	280
<b>Total compensation of Management</b>	<b>2 236</b>	<b>1 524</b>	<b>2 419</b>	<b>1 549</b>

<sup>1)</sup> The amounts are gross figures

<sup>2)</sup> 3 members until one Management member retired on 31 March 2019

<sup>3)</sup> CEO Schweiter Technologies: Dr Heinz O. Baumgartner

<sup>4)</sup> Long-term Incentive Plan 2018–2020: for details see page 94. Disclosure is based on the accrued and annually updated amounts over the three-year term of the plan. The above-mentioned amounts for the cash portion of the LTI 2018–2020 thus contain the second third of the cash payments on expiry of the three-year plan period, as anticipated from the present point of view. For 2020, the remaining third will be disclosed after adjustment for current expectations of performance and the corresponding future payout amounts.

<sup>5)</sup> Employer's contribution to social insurance and the pension fund, incl. estimated amounts on the disclosed portions of the LTI 2018–2020

**Explanatory notes on the compensation table:**

- As of April 1, 2019, Management consisted of two members, the CEO and the CFO (2018: three members: CEO, CFO and CTO).
- One member (CTO) worked part-time, i.e. 75% since 2018.
- The fixed compensation of the CEO and CFO were unchanged from the previous year. The CTO retired on 31 March 2019.
- The payment of the short-term variable compensation for 2019 for Management corresponds to between 0 and 88% of the fixed salary (previous year: between 0 and 55%). For the CEO it corresponded to 42% (previous year: 30%). The difference between the two years is related to the difference in the achievement of performance objectives.
- The LTI value disclosed corresponds to one third of the grant value of the LTI 2018–2020 based on a current assessment of performance. The remaining third for the 2020 business year will be disclosed in the corresponding year, based again on the up-to-date assessment of performance.
- No bridging pension was paid to members of Management either in 2019 or in 2018.

For the financial year 2019, the members of Management were awarded an aggregate total compensation of CHF 2.236 million, which is within the maximum aggregate compensation amount of CHF 4.0 million that was approved by the shareholders at the ordinary General Meeting 2018.

Georg Reif, CTO, retired on 31 March 2019 and stepped down as a member of Management of Schweiter Technologies. He continued to exercise his function as Managing Director of the Schweiter Pension Fund in 2019 on an external mandate basis. The total compensation for this mandate in 2019 came to CHF 20 000 gross.

**Compensation to former members of governing and executive bodies or related parties**

No compensation was paid to former members of governing and executive bodies during the year under review other than the sum set out in the section “Compensation paid to Management”. In the previous year, no compensation was paid to former members of governing and executive bodies or related parties.

**Loans and credits to members or former members of governing and executive bodies or related parties**

In accordance with the Articles of Incorporation, the company may not grant loans, credits or pension benefits other than from the occupational pension plans to members of the Board of Directors or Management or related parties. Advance payments of lawyer fees, court fees and similar cost up to a maximum of CHF 1.0 million in connection with a defense against corporate liability claims are not subject to this provision. No such claims were asserted in the reporting year.

**Shareholdings of members of the Board of Directors and Management**

Information on the shares held by members of the Board of Directors and Management can be found on page 85 of the notes to the 2019 annual financial statements.

## Compensation Report 2019

### Compensation Governance

#### Role of shareholders

The role of shareholders in compensation matters has been strengthened in recent years. Specifically, shareholders annually approve the aggregate compensation amounts for the Board of Directors and Management by way of binding votes at the General Meeting. Shareholders also annually elect the

members of the Compensation Committee of the Board of Directors. Additionally, the compensation principles are defined in the Articles of Incorporation, which are also subject to shareholders' approval ([www.schweiter.ch/s1a127/corporate-governance/statuten.html](http://www.schweiter.ch/s1a127/corporate-governance/statuten.html), available in German only):

#### Articles of Incorporation: provisions on compensation

Principles governing compensation for members of the Board of Directors (Article 27a)	The members of the Board of Directors receive fixed compensation in cash for their services on the Board of Directors and its committees, as well as potentially a fee for consulting services.
Principles governing compensation for members of Management (Articles 27b, 27c, 27d and 27e)	Compensation of the members of Management consists of a fixed and a performance-based component, which may amount to a maximum of 200% of the fixed component. The performance objectives to be achieved for the performance-based compensation component are set by the Board of Directors, acting on the proposal of the Compensation Committee, for each member of Management, due consideration being given to Group-wide and individual criteria. In order to encourage individual key employees to remain with the Group long-term, the Board of Directors may decide that the fixed and/or performance-based compensation component can be fully or partly paid out in shares of the company. The Board of Directors determines what proportion is to be paid in shares as well as the value of the shares at the time of allocation. The shares are restricted for a period of at least one year and no more than five years.
Loans, advances and pension benefits (Article 27h)	No loans, credits or pension benefits other than from occupational pension plans are granted to members of the Board of Directors or Management.
Vote on the maximum total compensation amounts for the Board of Directors and Management (Article 10a)	The Board of Directors submits to the General Meeting for approval a proposal regarding the maximum total compensation amount for the Board of Directors that may be paid for the period until the subsequent ordinary General Meeting. The Board of Directors will also submit to the General Meeting for approval a separate proposal regarding the maximum total compensation amount for Management that may be paid for the subsequent financial year.
Provisions for new members of Management (Article 10b)	In the event that new members are appointed to the Management and if the total amount of compensation for Management approved by the General Meeting for the current and/or subsequent financial year is not sufficient, an additional compensation amount may be paid to the new members for the compensation periods already approved by the General Meeting. The additional amount for all new members in total may not exceed 50% of the respective total compensation amount for Management approved by the General Meeting. Schweiter Technologies AG may grant new members of Management a compensation payment in the form of cash or shares to offset financial disadvantages resulting from the change of position.

**Role of the Board of Directors and the Compensation Committee**

The Compensation Committee consists of at least three members of the Board of Directors who are elected annually by the General Meeting to serve on the committee. The term of office of the members of the Compensation Committee is one year ending with the conclusion of the subsequent ordinary General Meeting. Re-election is possible.

In accordance with the Articles of Incorporation and the organizational regulations, the Compensation Committee has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

- Submitting to the Board of Directors proposals concerning the definition of the principles of compensation applicable to Management, including the proportion to be paid in shares and the valuation of these shares;
- Submitting to the Board of Directors proposals on the motions to the General Meeting, concerning

the total compensation amounts of the Board of Directors and Management;

- Submitting to the Board of Directors proposals concerning the individual levels of compensation of the members of the Board of Directors and Management within the respective aggregate compensation amounts approved by the General Meeting;
- Submitting to the Board of Directors proposals on the motions to the General Meeting concerning amendments to the Articles of Incorporation with regard to the compensation system applicable to the Board of Directors and Management.

The Compensation Committee acts in preparatory capacity, while the Board of Directors retains final authority on compensation matters (except for the aggregate compensation of the Board of Directors and of Management, which are subject to shareholders' approval).

**Decision authority on compensation matters**

Level of responsibility	Recommendation	Review	Approval
Compensation policy and programs	Compensation Committee		Board of Directors
Aggregate compensation amounts for Board of Directors and Management	Compensation Committee	Board of Directors	General Meeting
Individual compensation of members of the Board of Directors	Compensation Committee		Board of Directors <sup>1)</sup>
Individual CEO compensation	Compensation Committee		Board of Directors
Individual compensation of members of Management	CEO	Compensation Committee	Board of Directors

<sup>1)</sup> In the event of a conflict of interests, the concerned member abstains from voting

## Compensation Report 2019

At the ordinary General Meeting of 11 April 2019, Jacques Sanche and Vanessa Frey were individually re-elected as members of the Compensation Committee for a term of office of one year. In addition, Beat Siegrist was elected as a new member of the Compensation Committee for a term of office of one year. Jacques Sanche took on the chairmanship of the Compensation Committee until the next ordinary General Meeting.

In the year under review, the Compensation Committee held two meetings.

After each meeting, the Chair of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they do not attend the meetings or the part of the meetings when their own compensation is being discussed and determined. Likewise, other members of Management who are invited to the meetings are not present during the meetings, or the part thereof, when their own compensation is being discussed.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. The Board of Directors made no use of external consultants in the year under review.

### Process for determining the compensation for the Board of Directors and Management

#### Benchmarking

The Compensation Committee periodically reviews the target compensation of members of the Board of Directors and Management whenever it sees need for action. In the year under review no separate analysis was performed.

#### Performance management

The actual compensation paid to the individual members of Management in a given financial year is based on the company's results and on personal performance. Individual performance is assessed as part of the annual management by objectives (MBO) process.

The objectives for the CEO and the members of Management are proposed by the Compensation Committee at the beginning of the financial year and submitted to the Board of Directors for approval. Performance against these objectives is assessed at the end of the year. In evaluating performance, the achievement of individual objectives and other factors such as the extent to which the executives have carried out their duties in line with the company's values and the expected leadership qualities are also considered. The individual performance assessments and the company's results form the basis for determining the compensation actually paid out.

#### MbO process and determination of compensation:



**Report of the statutory auditor to the  
General Meeting of Schweiter Technologies AG, Steinhausen**

We have audited the remuneration report dated 6 March 2020 of Schweiter Technologies AG for the year ended 31 December 2019. Our audit is limited to the information provided in the tables on page 95 and 96 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) and to the information regarding compensation for former members of governing and executive bodies or parties related to them and regarding loans and advances on page 97.

**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 2019 of Schweiter Technologies AG complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG



Roland Müller  
Licensed Audit Expert  
Auditor in Charge



Sarah Sutter  
Licensed Audit Expert

Zurich, 6 March 2020