

# COMPENSATION REPORT

## 1. BASIS

This Compensation Report describes the policies and system in place for the compensation of the Board of Directors and the Executive Board of Burckhardt Compression, together with information on their annual compensation. This report was prepared in accordance with the provisions of the Swiss Federal Ordinance Against Excessive Compensation in Listed Companies (OAEC), the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange, and the Bylaws of Burckhardt Compression Holding AG.

## 2. COMPENSATION POLICY

Burckhardt Compression has established a transparent and long-term-oriented compensation system. The objectives pursued with this system are to ensure that the compensation of the Board of Directors and the company executives is market competitive and to achieve a good balance between the interests of the shareholders, the directors, and executive management. Market-competitive pay is a basic prerequisite for attracting well-qualified directors and executives and ensuring that they remain with the company for the long run.

## 3. ORGANIZATION, DUTIES AND POWERS

The Nomination and Compensation Committee (NCC) is comprised of at least two members of the Board of Directors. The members of the NCC are elected individually and annually by the Annual General Meeting and their term of office shall expire at the end of the next Annual General Meeting. The Annual General Meeting of July 6, 2019 elected Dr. Monika Krüsi and Dr. Stephan Bross to the Nomination and Compensation Committee. The Board of Directors appointed Dr. Monika Krüsi Chair of the Nomination and Compensation Committee.

The NCC meets at least twice a year. The CEO and CHRO attend these meetings in an advisory capacity, except during deliberation on meeting topics that pertain to themselves. The Nomination and Compensation Committee held three meetings during the year under review.

The duties and powers of the NCC are set forth in the company's Bylaws and Organizational Regulations ([www.burckhardtcompression.com/corporate-governance](http://www.burckhardtcompression.com/corporate-governance)). The NCC supports the Board of Directors in the performance of its duties pertaining to the compensation and personnel policies of the company and the entire Group as prescribed by law or the company's Bylaws. The most important duties and powers of the NCC with regard to compensation are given in the table below.

The Annual General Meeting of Burckhardt Compression Holding AG casts the following votes in relation to the compensation of the Board of Directors and Executive Board:

- a prospective vote on the maximum aggregate amount of fixed compensation for the Board of Directors and the Executive Board for the fiscal year following the Annual General Meeting
- a retrospective vote on the maximum aggregate amount of variable compensation for the Executive Board for the fiscal year preceding the Annual General Meeting.

Furthermore, the Annual General Meeting casts a consultative vote on the Compensation Report.

## 4. COMPENSATION SYSTEM

Burckhardt Compression Group's compensation system consists of a mix of fixed and variable components. In accordance with the Bylaws of Burckhardt Compression Holding AG, variable compensation can be paid in whole or part in the form of shares, conditional rights to receive shares, or in comparable instruments of the company.

Topic	Proposal/recommendation by	Approval authority
Compensation principles and guidelines	NCC	BOD
Compensation Report	NCC	BOD
Compensation of Board of Directors	NCC	BOD
Compensation of Executive Board	NCC	BOD
Loans to members of the Executive Board	CEO	NCC

#### 4.1. Compensation system for the Board of Directors

Compensation for the Board of Directors consists of a fixed component, 80% of which is paid in cash, 20% in shares; a fixed cash supplement for directors who serve on a formal Board committee; and a fixed lump-sum for expenses. The number of shares awarded is based on the average share price (daily closing price on the SIX exchange) for the period between the announcement of the full-year results and the Annual General Meeting.

The fixed cash component amounts to CHF 81'000 for members of the Board of Directors and CHF 134'000 for the chairman. The fixed cash supplement for directors serving on a formal Board committee is CHF 10'000 a year. The lump sum for expenses is CHF 4'000 for members of the Board of Directors and CHF 6'000 per year for the chairman of the Board of Directors.

#### 4.2. Compensation system for the Executive Board

Compensation of the Executive Board consists of three components:

- a fixed base salary
- a variable performance- and profit-related annual bonus paid in cash
- a variable performance- and profit-related long-term incentive bonus awarded in the form of free shares.

**Base salary** The members of the Executive Board are assigned to so-called Global Grades as defined by a global functional grading system (Willis Towers Watson Global Grading System). Market data for each Global Grade based on Willis Towers Watson's Global 50 Remuneration Planning Report and the results of annual executive performance appraisals are taken into consideration when determining the base salary of the members of the Executive Board.

**Annual Bonus** The members of the Executive Board receive a variable performance- and profit-related bonus in addition to their base salaries. A new annual bonus plan for the Executive Board went into effect in fiscal year 2018. The annual bonus is calculated as the mathematical product of three values: the consolidated net income of Burckhardt Compression Group, a percentage rate based on the Global Grade and a goal attainment factor. The percentage rate applied for the CEO is 0.28%. The percentage rate for other members of the Executive Board – depending on their Global Grade – ranges from 0.12% to 0.16%. The goal attainment factor for the CEO, the CFO and the CHRO is based on the achievement of a goal for the Return On Net Operating Assets (RONOA) of Burckhardt Compression Group. For the heads of the two divisions the factor is based on the achievement of a goal for divisional operating profit. The goal attainment factor ranges from 0 to 1.5. If the defined goal is achieved, the goal achievement factor is 1.0. The annual bonus is capped at 50% of annual base salary.

**Long-term incentive pay** Members of the Executive Board additionally receive long-term incentive pay awarded in the form of free shares. The long-term bonus program is valid for a six-year period (fiscal years 2017–2022). Long-term incentive pay is based on the attainment of the Mid-Range Plan targets for organic growth (sales) and net income of Burckhardt Compression Group for the fiscal years 2018 to 2022 and for the 2017 fiscal year.

The basis upon which the long-term incentive pay is calculated consists of a fixed, predefined amount per Global Grade. If the sales and net income targets set in the Mid-Range Plan are attained by the end of the fiscal year 2022, this fixed amount will be multiplied by a factor of 1.0 (0.5 each for sales and net income) and awarded in the form of shares (free shares). The targeted amount of the long-term bonus for the entire six-year period is CHF 900'000 for the CEO and between CHF 450'000 and CHF 600'000 for the members of the Executive Board, depending on their Global Grade. The sales target in the Mid-Range Plan (aggregate) for the six years amounts to CHF 3'819 mn; the net income target is CHF 300 mn. If the targets are only partially achieved, the factors will be reduced by a corresponding amount. Minimum financial targets have been defined for both cumulative sales and for cumulative net income. The minimum cumulative sales target is set at CHF 3'346 mn, minimum cumulative net income at CHF 195 mn. If cumulative sales or net income fall short of these minimum thresholds, the corresponding factor will be reduced to zero. If the Mid-Range Plan targets for sales or net income are exceeded, the corresponding factors will be increased up to a maximum amount of 0.6 each (1.2 in total).

An interim evaluation of the attained targets will be conducted after three years. Members of the Executive Board whose employment with the company has not been terminated as of July 31, 2020 will on that date be awarded a number of free shares for the fiscal years 2017, 2018, and 2019, depending on the attainment of the goals. These free shares will be distributed at the end of July 2020. The second distribution of free shares for the fiscal years 2020, 2021, and 2022 will be distributed at the end of July 2023, provided the employment contract for the respective Executive Board members has not been terminated. Persons subsequently appointed to the Executive Board will be entitled to long-term incentive pay on a pro rata basis. The number of shares awarded will be based on the average share price for the periods from the announcement of the full-year results to the annual general meetings for the fiscal years 2019 and 2022, respectively.

All shares received will not be subject to any restrictions upon the date of transfer.

**Employment contract terms** Employment contracts with Executive Board members are entered into for an indefinite period with a notice period of six months.

## 5. COMPENSATION PAID WITH COMPARATIVE FIGURES FOR THE PREVIOUS YEAR

### 5.1. Compensation paid to the Board of Directors

The following aggregate compensation was paid to the members of the Board of Directors for the fiscal years 2019 and 2018:

in CHF 1'000				2019
Name	Function	Fees	Social insurance contributions and other benefits	Total
<b>Members of the Board of Directors</b>				
Valentin Vogt	Chairman	144	18	162
Urs Leinhäuser	Member	91	10	101
Dr. Monika Krüsi	Member	101	11	112
Dr. Stephan Bross	Member	91	4	95
David Dean <sup>1</sup>	Member	68	9	77
Hans Hess <sup>2</sup>	Deputy Chairman	23	3	26
<b>Total</b>		<b>518</b>	<b>55</b>	<b>573</b>
<b>Approved by the 2018 AGM for fiscal year 2019</b>				<b>580<sup>3</sup></b>

in CHF 1'000				2018
Name	Function	Fees	Social insurance contributions and other benefits	Total
<b>Members of the Board of Directors</b>				
Valentin Vogt	Chairman	144	17	161
Urs Leinhäuser	Member	91	10	101
Dr. Monika Krüsi	Member	101	10	111
Dr. Stephan Bross	Member	91	4	95
Hans Hess	Deputy Chairman	91	10	101
<b>Total</b>		<b>518</b>	<b>51</b>	<b>569</b>
<b>Approved by the 2017 AGM for fiscal year 2018</b>				<b>580<sup>4</sup></b>

<sup>1</sup>From July 7, 2019

<sup>2</sup>Until July 6, 2019

<sup>3</sup>This amount includes a contingency reserve of CHF 11'000.

<sup>4</sup>This amount includes a contingency reserve of CHF 9'000.

The total fixed compensation in the fiscal year under review is almost unchanged from the previous fiscal year. The Annual General Meeting of July 6, 2018 approved aggregate fixed compensation in the amount of CHF 580'000 (gross, incl. social insurance contributions) for the Board of Directors (5 persons) for fiscal year 2019. The amount of compensation actually paid was CHF 7'000 less than the approved amount.

## 5.2. Compensation paid to the Executive Board

The following compensation was paid to the members of the Executive Board for the fiscal years 2019 and 2018:

in CHF 1'000									2019
Name	Function	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Variable annual bonus, cash	Share-based long-term incentive pay	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
<b>Executive Board</b>									
Marcel Pawlicek	CEO	431	111	542	107	98	45	250	792
Other members of the Executive Board		1'210	271	1'481	285	231	104	620	2'101 <sup>1</sup>
<b>Total</b>		<b>1'641</b>	<b>382</b>	<b>2'023</b>	<b>392</b>	<b>329</b>	<b>149</b>	<b>870</b>	<b>2'893</b>
<b>Approved by the 2018 AGM for fiscal year 2019</b>				<b>2'120<sup>2</sup></b>					

in CHF 1'000									2018
Name	Function	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Variable annual bonus, cash	Share-based long-term incentive pay	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
<b>Executive Board</b>									
Marcel Pawlicek	CEO	425	116	541	84	105	40	229	770
Other members of the Executive Board		1'117	268	1'385	161	177	65	403	1'788 <sup>3</sup>
<b>Total</b>		<b>1'542</b>	<b>384</b>	<b>1'926</b>	<b>245</b>	<b>282</b>	<b>105</b>	<b>632</b>	<b>2'558</b>
<b>Approved by the 2017 AGM for fiscal year 2018</b>				<b>2'120<sup>4</sup></b>					

<sup>1</sup> This amount includes Rainer Dübi's compensation for the 2019 fiscal year and pro rata compensation for Martin Wendel until August 31, 2019.

<sup>2</sup> This amount includes a contingency reserve of CHF 250'000.

<sup>3</sup> This amount includes Martin Wendel's compensation for the 2018 fiscal year as well as pro rata compensation for Rainer Dübi from February 15, 2019.

<sup>4</sup> This amount includes a contingency reserve of CHF 250'000.

The CEO's fixed compensation for the period under review is comparable to the level from the previous fiscal year. The total amount of fixed compensation for the other members of the Executive Board is CHF 96'000 more than in the prior-year period. This is because fixed compensation was paid to 6 persons during the first 5 months of the reporting period. The Annual General Meeting of July 6, 2018 approved a total sum of CHF 2'120'000 (gross, including social insurance contributions) for the fixed compensation of the entire Executive Board for the fiscal year 2019. The amount of fixed compensation actually paid (gross, including social insurance contributions) was CHF 97'000 less than the approved amount.

The annual bonus for the Executive Board in fiscal year 2019 was CHF 147'000 more than in the previous year. This is because of the increase in reported net profit, which serves as the basis for the annual bonus, because the targets set in conjunction with the Group and divisional factors described above were exceeded and because 6 persons were drawing a base salary during the first 5 months of the reporting period. Personnel expenses for the Executive Board's long-term incentive pay rose by CHF 47'000 from the previous year. The provision made for the long-term incentive pay has been adjusted for two reasons: firstly, on the basis of an assessment of business performance over a multi-year period; secondly, in accordance with Swiss GAAP FER, the related expenses must be allocated over the program's vesting period, which can lead to adjustments within individual fiscal years.

The total variable compensation for the individual members of the Executive Board for the period under review ranged from 28% to 33% of total compensation.

## 6. OVERVIEW OF SHAREHOLDINGS AND DISTRIBUTED SHARES

### 6.1. Detailed overview of distributed shares

In the fiscal years 2018 and 2019 the following shares were distributed:

Name	Function	Shares distributed in FY 2018	Shares distributed in FY 2019
<b>Members of the Board of Directors</b>			
Valentin Vogt	Chairman	75	104
Urs Leinhäuser	Member	45	63
Dr. Monika Krüsi	Member	45	63
Dr. Stephan Bross	Member	45	63
David Dean <sup>1</sup>	Member	0	0
Hans Hess <sup>2</sup>	Deputy Chairman	45	15
<b>Total</b>		<b>255</b>	<b>308</b>
<b>Executive Board</b>			
Marcel Pawlicek	CEO	0	0
Other members of the Executive Board		0	0
<b>Total<sup>3</sup></b>		<b>0</b>	<b>0</b>
<b>Total</b>		<b>255</b>	<b>308</b>

<sup>1</sup>From July 7, 2019

<sup>2</sup>Until July 6, 2019

<sup>3</sup>Shares are not allocated or are not distributed under the long-term incentive pay program every year.

## 6.2. Detailed overview of shareholdings

As per March 31, 2020, the members of the Executive Board and the Board of Directors (and related persons) owned the following numbers of shares of Burckhardt Compression Holding AG:

Name	Function	03/31/2020 Total shares	03/31/2019 Total shares
<b>Members of the Board of Directors</b>			
Valentin Vogt	Chairman	203'392	203'288
Urs Leinhäuser	Member	1'643	1'080
Dr. Monika Krüsi	Member	1'048	985
Dr. Stephan Bross	Member	278	215
David Dean <sup>1</sup>	Member	355	NA
Hans Hess <sup>2</sup>	Deputy Chairman	NA	5'663
<b>Total</b>		<b>206'716</b>	<b>211'231</b>
<b>Executive Board</b>			
Marcel Pawlicek	CEO	42'111	42'111
Rolf Brändli	CFO	1'702	1'702
Sandra Pitt	CHRO	278	278
Fabrice Billard	President Systems Division	600	400
Rainer Dübi <sup>3</sup>	President Services Division	600	600
<b>Total</b>		<b>45'291</b>	<b>45'091</b>
<b>Total Board of Directors and Executive Board</b>		<b>252'007</b>	<b>256'322</b>
As a % of all outstanding shares		7.4%	7.5%

<sup>1</sup> From July 7, 2019

<sup>2</sup> Until July 6, 2019

<sup>3</sup> Executive Board member as of February 15, 2019

## 7. TRANSACTIONS WITH THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD AND RELATED PARTIES

No other payments or fees for additional services were paid to the members of the Board of Directors or the Executive Board or to related parties during the fiscal year 2019. No signing bonuses were paid during the fiscal year 2019. At the reporting date no loans, credit lines, or pension benefits over and above those provided by mandatory occupational pension plans had been granted to members of the company's boards.

## 8. MOTIONS FOR THE ANNUAL GENERAL MEETING

### 8.1. Approval of the maximum aggregate amount of variable compensation for the Executive Board for fiscal year 2019

The Board of Directors proposes that an aggregate amount of CHF 870'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2019.

### 8.2. Consultative vote on the Compensation Report for fiscal year 2019

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2019 in a consultative vote.

### 8.3. Approval of the maximum aggregate amount of fixed compensation for the members of the Board of Directors for fiscal year 2020

The Board of Directors proposes that a maximum aggregate amount of CHF 640'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Board of Directors for fiscal year 2020. The proposed amount includes a contingency reserve of CHF 15'000.

### 8.4. Approval of the maximum aggregate amount of fixed compensation for the members of the Board of Directors for fiscal year 2021

The Board of Directors proposes that a maximum aggregate amount of CHF 650'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Board of Directors for fiscal year 2021. The proposed amount includes a contingency reserve of CHF 11'000.

### 8.5. Approval of the maximum aggregate amount of fixed compensation for members of the Executive Board for fiscal year 2021

The Board of Directors proposes that a maximum aggregate amount of CHF 2'200'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Executive Board for fiscal year 2021. The proposed sum includes a contingency reserve of CHF 200'000.

## 9. EVALUATION OF THE COMPENSATION SYSTEM

Burckhardt Compression's compensation system is regularly reviewed by the Nomination and Compensation Committee and the Board of Directors and may be modified if necessary.

The Nomination and Compensation Committee benchmarked independently market levels of board compensation and benefits during the year under review. Thirteen listed Swiss machinery manufacturers<sup>1</sup> were selected for the benchmarking purposes. The compensation received by the Chairman of the Board of Directors of Burckhardt Compression was well below the benchmark level. In order to adjust the compensation received by the Chairman of the Board, a proposal adjusting the total amount of fixed compensation for the Board of Directors will therefore be submitted to the pending Annual General Meeting.

A compensation benchmark based on external salary surveys compiled by Willis Towers Watson and presented in its Global 50 Remuneration Planning Report is one element of the integrated compensation system for the Executive Board.

In the year under review, Willis Towers Watson was retained by the Nomination and Compensation Committee to review the global grades of the Executive Board functions and to conduct a compensation benchmark review. This benchmark review was based on a selection of 13 listed Swiss machinery manufacturers<sup>1</sup>. Willis Towers Watson was given no other mandates in the year under review.

The Board of Directors decided in fiscal year 2019 to adjust the annual bonus system for the Executive Board beginning in fiscal year 2020.

Annual bonus amounts will be calculated from fiscal year 2020 on by multiplying the net profit of the Burckhardt Compression Group by the fixed percentage of the global grade of each Executive Board member. Group and divisional factors will no longer be used in the calculations of compensation.

<sup>1</sup> The 13 companies are: Starrag, Meyer Burger, Gurit, Komax, Burkhalter, Interroll, Belimo, Zehnder, Feintool, Phoenix Mecano, Bossard, Huber & Suhner and Schweiter.

# Report of the statutory auditor to the General Meeting of Burckhardt Compression Holding AG Winterthur

We have audited the remuneration report of Burckhardt Compression Holding AG for the year ended 31 March 2020. 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 on pages 69 to 70 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 Burckhardt Compression Holding AG for the year ended 31 March 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Inauen  
Audit expert  
Auditor in charge



Oliver Illa  
Audit expert

Winterthur, 27 May 2020

PricewaterhouseCoopers AG, Bahnhofplatz 17, Postfach, CH-8400 Winterthur, Switzerland  
Telefon: +41 58 792 71 00, Telefax: +41 58 792 71 10, [www.pwc.ch](http://www.pwc.ch)



