

# 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 Management 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 3, 2020 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 2020 fiscal year.

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 Management:

- a prospective vote on the maximum aggregate amount of fixed compensation for the Board of Directors and the Executive Management for the fiscal year following the Annual General Meeting
- a retrospective vote on the maximum aggregate amount of variable compensation for the Executive Management 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 Management	NCC	BOD
Loans to members of the Executive Management	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 component amounts to CHF 81'000 for members of the Board of Directors. On July 3, 2020 the Annual General Meeting approved the proposal to adjust the fixed component paid to the Chairman of the Board of Directors on the basis of a benchmark study of 13 engineering firms in Switzerland. As a result, the fixed component was raised as per July 4, 2020 from CHF 134'000 per year to CHF 184'000 per year. 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 Management

Compensation of the Executive Management consists of three components:

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

**Base salary** The functions performed by members of the Executive Management 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 Management.

**Annual Bonus** The members of the Executive Management receive a variable performance- and profit-related bonus in addition to their base salaries. A new annual bonus plan for the Executive Management went into effect in fiscal year 2020. The annual bonus is calculated from the net income of Burckhardt Compression Group – if a minimum financial threshold of 4% return on sales at the net profit level is achieved – and a percentage rate determined by the Global Grade. The percentage rate applied for the CEO is 0.28%. The percentage rate for other members of the Executive Management – depending on their Global Grade – ranges from 0.12% to 0.16%. The annual bonus is limited to 50% of base salary.

**Long-term incentive pay** Members of the Executive Management 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 targets for organic growth (sales) and net income of Burckhardt Compression Group for fiscal years 2018 to 2022 of the Mid-Range Plan period as well as 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 other members of the Executive Management, 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 (aggregate) 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 was conducted after three years. Members of the Executive Management whose employment with the company had not been terminated as of July 31, 2020 were on that date awarded a number of free shares for the fiscal years 2017, 2018, and 2019, based on attainment of the targets. These free shares were distributed at the end of July 2020. The factors used for the multiplication of the fixed amount in the interim evaluation are limited to 0.3 each (total 0.6). If cumulative sales or net income fall short of the minimum thresholds, the corresponding factor is reduced to zero. The second allotment of free shares for the fiscal years 2020, 2021, and 2022 will be distributed at the end of July 2023, subject to approval by the Annual General Meeting and provided that the employment contract for the respective Executive Management members has not been terminated. Persons subsequently appointed to the Executive Management will be entitled to long-time 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 Management 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 2020 and 2019:

in CHF 1'000				2020
Name	Function	Fees	Social insurance contributions and other benefits	Total
<b>Members of the Board of Directors</b>				
Ton Büchner <sup>1</sup>	Chairman	145	14	159
Valentin Vogt <sup>2</sup>	Chairman	36	5	41
Urs Leinhäuser	Member	91	10	101
Dr. Monika Krüsi	Member	101	10	111
Dr. Stephan Bross	Member	91	4	95
David Dean	Member	91	12	103
<b>Total</b>		<b>555</b>	<b>55</b>	<b>610</b>
<b>Approved by the 2020 AGM for FY 2020</b>				<b>640<sup>5</sup></b>

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>3</sup>	Member	68	9	77
Hans Hess <sup>4</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 FY 2019</b>				<b>580<sup>6</sup></b>

<sup>1</sup> From July 4, 2020

<sup>2</sup> Until July 3, 2020

<sup>3</sup> From July 7, 2019

<sup>4</sup> Until July 6, 2019

<sup>5</sup> This amount includes a contingency reserve of CHF 15'000.

<sup>6</sup> This amount includes a contingency reserve of CHF 11'000.

The total fixed compensation in the fiscal year under review is CHF 37'000 above the previous fiscal year. This increase is due to the adjustment of the fixed component paid to the Chairman of the Board of Directors. The Annual General Meeting of July 3, 2020 approved aggregate fixed compensation in the amount of CHF 640'000 (gross, incl. social insurance contributions) for the Board of Directors (5 persons) for fiscal year 2020. The amount of compensation actually paid was CHF 30'000 less than the approved amount.

## 5.2. Compensation paid to the Executive Management

The following compensation was paid to the members of the Executive Management for the fiscal years 2020 and 2019:

in CHF 1'000									2020
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 Management</b>									
Marcel Pawlicek	CEO	438	115	553	125	150	88	363	916
Other members of the Executive Management		1'127	263	1'390	267	375	199	841	2'231
<b>Total</b>		<b>1'565</b>	<b>378</b>	<b>1'943</b>	<b>392</b>	<b>525</b>	<b>287</b>	<b>1'204</b>	<b>3'147</b>
<b>Approved by the 2019 AGM for FY 2020</b>				<b>2'120<sup>1</sup></b>					

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 Management</b>									
Marcel Pawlicek	CEO	431	111	542	107	98	45	250	792
Other members of the Executive Management		1'210	271	1'481	285	231	104	620	2'101 <sup>2</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 FY 2019</b>				<b>2'120<sup>3</sup></b>					

<sup>1</sup> This amount includes a contingency reserve of CHF 200'000.

<sup>2</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>3</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 Management is CHF 91'000 less than in the prior-year period. This is because fixed compensation was paid to 5 persons during the reporting period, whereas in the previous year compensation was paid to 6 persons over 5 months. The Annual General Meeting of July 6, 2019 approved a total sum of CHF 2'120'000 (gross, including social insurance contributions) for the fixed compensation of the entire Executive Management for the fiscal year 2020. The amount of fixed compensation actually paid (gross, including social insurance contributions) was CHF 177'000 less than the approved amount.

The annual bonus for the Executive Management in fiscal year 2020 was the same as in the previous year. Personnel expenses for the Executive Management's long-term incentive pay rose by CHF 196'000 from the previous year. The provision made for the long-term incentive pay has been adjusted based on the assessment of business performance over a multi-year period. Such an adjustment is in accordance with Swiss GAAP FER, requiring that 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 Management for the period under review ranged from 36% to 40% of total compensation.

## 6. OVERVIEW OF SHAREHOLDINGS AND DISTRIBUTED SHARES

### 6.1. Detailed overview of distributed shares

In the fiscal years 2019 and 2020 the following shares were distributed:

Name	Function	Shares distributed in FY 2019	Shares distributed in FY 2020
<b>Members of the Board of Directors</b>			
Ton Büchner <sup>1</sup>	Chairman	0	0
Valentin Vogt <sup>2</sup>	Chairman	104	146
Urs Leinhäuser	Member	63	71
Dr. Monika Krüsi	Member	63	71
Dr. Stephan Bross	Member	63	71
David Dean <sup>3</sup>	Member	0	53
Hans Hess <sup>4</sup>	Deputy Chairman	15	0
<b>Total</b>		<b>308</b>	<b>412</b>
<b>Executive Management</b>			
Marcel Pawlicek	CEO	0	1'376
Other members of the Executive Management		0	3'043
<b>Total<sup>5</sup></b>		<b>0</b>	<b>4'419</b>
<b>Total</b>		<b>308</b>	<b>4'831</b>

<sup>1</sup> From July 4, 2020

<sup>2</sup> Until July 3, 2020

<sup>3</sup> From July 7, 2019

<sup>4</sup> Until July 6, 2019

<sup>5</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 of March 31, 2021, the members of the Executive Management, and the Board of Directors (and related persons) owned the following numbers of shares of Burckhardt Compression Holding AG:

Name	Function	31/03/2021	31/03/2020
		Total shares	Total shares
<b>Members of the Board of Directors</b>			
Ton Büchner <sup>1</sup>	Chairman	5'000	n/a
Valentin Vogt <sup>2</sup>	Chairman	n/a	203'392
Urs Leinhäuser	Member	1'714	1'643
Dr. Monika Krüsi	Member	1'119	1'048
Dr. Stephan Bross	Member	349	278
David Dean	Member	408	355
<b>Total</b>		<b>8'590</b>	<b>206'716</b>
<b>Executive Management</b>			
Marcel Pawlicek	CEO	41'937	42'111
Rolf Brändli	CFO	2'423	1'702
Sandra Pitt	CHRO	908	278
Fabrice Billard	President Systems Division	1'300	600
Rainer Dübi	President Services Division	824	600
<b>Total</b>		<b>47'392</b>	<b>45'291</b>
<b>Total Board of Directors and Executive Management</b>		<b>55'982</b>	<b>252'007</b>
As a % of all outstanding shares		1.7%	7.4%

<sup>1</sup> From July 4, 2020

<sup>2</sup> Until July 3, 2020

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

No other payments or fees for additional services were paid to the members of the Board of Directors or the Executive Management or to related parties during the fiscal year 2020. No signing bonuses were paid during the fiscal year 2020. 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 Management for fiscal year 2020

The Board of Directors proposes that an aggregate amount of CHF 1'204'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Management for fiscal year 2020.

### 8.2. Consultative vote on the Compensation Report for fiscal year 2020

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2020 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 2022

The Board of Directors proposes that a maximum aggregate amount of CHF 750'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Board of Directors for fiscal year 2022. The proposed amount includes a contingency reserve of CHF 110'000.

### 8.4. Approval of the maximum aggregate amount of fixed compensation for members of the Executive Management for fiscal year 2022

The Board of Directors proposes that a maximum aggregate amount of CHF 2'400'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Executive Management for fiscal year 2022. The proposed sum includes a contingency reserve of CHF 375'000.

## 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.

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 Management. During the 2020 fiscal year benchmarking was carried out using this market data; account was also taken of insights from the market benchmarking carried out in 2019 with 13 listed Swiss industrial companies.

# 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 2021. 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 71 to 72 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 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Sandra Böhm Uglow

Audit expert  
Auditor in charge



Oliver Illa

Audit expert

Winterthur, 27 May 2021

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