

# Remuneration Report 2021

# Remuneration Report

## Remuneration system

### **Principles**

*The principles of remuneration in use at the Tornos Group provide a transparent, competitive and performance-related salary framework. Both basic annual salary and variable remuneration components are influenced by the performance appraisal conducted each year.*

*The members of the Board of Directors receive remuneration in the form of a fixed annual salary. In addition, they participate in the Tornos Group's option and stock purchasing program. The members of the General Management receive fixed and variable annual remuneration. Moreover, they participate in the Tornos Group's option and stock purchasing program.*

*In the event of a change of control, the blocking periods specified in the Tornos Group's option and stock purchasing program become null and void.*

### **Remuneration of the members of the Board of Directors**

*The remuneration of the members of the Board of Directors is set annually by the Board of Directors on the basis of a proposal made by the Remuneration Committee. In this respect, the role played by the member concerned within the organization of the Board of Directors on the one hand, and their participation in the committees of the Board of Directors on the other, are of crucial importance.*

*On this basis, and taking into account the experience of previous years with regard to the time spent in meetings of the Board of Directors and committees, and on advisory and preparatory work, an estimate of the time spent is calculated for the various post holders, on the basis of which lump sum fees payable in cash are calculated. The basis for calculating these lump sum fees is therefore an estimate of the time spent and a daily rate based on the fees charged by a consultant for similar services (senior strategy and management consultant). In addition to the fixed remuneration, members of the Board of Directors may be allocated options or shares as part of the shareholding plan. Members of the Board of Directors do not have the right to severance pay or any benefits relating to the termination of their mandate.*

### **Remuneration of the members of the General Management**

*The fixed remuneration paid to members of the General Management is determined annually with reference to the Towers Watson Data Services survey of the salaries of Swiss managers ("Compensation Report Switzerland"). However, the individual performance of the person concerned is evaluated by the Remuneration Committee, which assesses the remuneration of each member of the General Management and submits a proposal to the Board*

of Directors for approval. The variable components are factored in when determining the fixed remuneration. Variable remuneration is dependent on profitability criteria and on the achievement of annual individual qualitative and quantitative targets by the person concerned. The applicable financial criteria for the members of the General Management are the EBIT margin, new orders, and operational performance. Depending on the position in question, part of the variable remuneration may be linked to specific financial or non-financial targets. On average, variable remuneration ranges between 20% and 25% of the fixed salary. However, it may be twice as high and reach nearly 55% of the fixed remuneration if the individual targets are significantly exceeded, the EBIT margin is 12% or more, or new orders exceed the target by 20% or more.

#### **Evaluation of “Management and Board Participation Plan 2007 (MBP 07)”**

The remuneration for shares acquired is based on the number of shares acquired multiplied by the difference of the actual market price of the share minus a discount of 11% for the vesting period, and the acquisition price paid by the management. The purchasing price is the weighted average price paid at SIX Swiss Exchange within the 12 months (May 1 to April 30) preceding the purchase of the shares minus a discount of 25%. There is a restriction period of two years after purchasing the shares during which the shares are held in an escrow deposit.

The remuneration through options acquired is based on the number of options granted free of charge multiplied by the fair value of the option. The fair value of the option is estimated applying the Black- Scholes valuation model. The options are blocked for two years and can only be exercised during the third year following the acquisition of the options.

## Remuneration paid to the Board of Directors in 2021

### Overview of functions

The members of the Board of Directors assumed the following functions:

	Board of Directors			Remuneration Committee	
	Chairman	Vice-Chairman	Member	Chairman	Member
François Frôté	■				■
Walter Fust			■	■	
Michel Rollier			■		■
Till Fust		■			■

### Remuneration

In CHF 1 000	Remuneration		Other remuneration	Total	Shares (acquired)	Stock options (granted)	Total remuneration
	fixed						
François Frôté	168	-		168	21	-	189
Walter Fust	80	4		84	21	-	105
Michel Rollier	80	5		85	-	19	104
Till Fust	80	5		85	11	10	106
<b>Total Board of Directors</b>	<b>408</b>	<b>14</b>		<b>422</b>	<b>53</b>	<b>29</b>	<b>504</b>

Other remuneration comprises payments made in respect of social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2021 and may not be exercised until April 30, 2023.

The above information includes all the remuneration paid to the members of the Board of Directors. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the Board of Directors or their families.

In 2021 members of the Board of Directors were granted 32 000 options with a fair value of CHF 2.39. Out of these options granted, members of the Board of Directors acquired under the Stock purchasing program MBP07 a total of 20 000 shares at an acquisition price of CHF 4.14 per share with a remuneration benefit of CHF 2.63 per share.

## Remuneration paid to the Board of Directors in 2020

### Overview of functions

The members of the Board of Directors assumed the following functions:

	Board of Directors			Remuneration Committee	
	Chairman	Vice-Chairman	Member	Chairman	Member
François Frôté	■				■
Walter Fust			■	■	
Michel Rollier			■		■
Till Fust		■			■

### Remuneration

In CHF 1 000	Remuneration	Other	Total	Shares	Stock	Total
	fixed	remuneration		(acquired)	options (granted)	
François Frôté	152	-	152	-	6	158
Walter Fust	72	4	76	-	6	82
Michel Rollier	72	5	77	-	6	83
Till Fust	72	5	77	-	6	83
<b>Total Board of Directors</b>	<b>368</b>	<b>14</b>	<b>382</b>	<b>-</b>	<b>24</b>	<b>406</b>

Other remuneration comprises payments made in respect of social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2020 and may not be exercised until April 30, 2022.

The above information includes all the remuneration paid to the members of the Board of Directors. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the Board of Directors or their families.

In 2020 members of the Board of Directors were granted 32,000 options with a fair value of CHF 0.81. Out of these options granted, members of the Board of Directors acquired no shares under the Stock purchasing program MBP07.

## Remuneration paid to members of the General Management in 2021

The remuneration paid to the members of the General Management during the financial year under review came to CHF 2.1 million. These remuneration figures are the amounts booked during the period under review.

In CHF 1 000	Remuneration	Remuneration	Contribution	Other	Paid	Shares	Stock	Total
	fixed	variable	in kind	remuneration	remuneration	(acquired)	options (granted)	
Michael Hauser (CEO)	556	317	13	122	1 008	79	-	1 087
Other members of General Management	524	262	21	107	914	-	72	986
<b>Total General Management</b>	<b>1 080</b>	<b>579</b>	<b>34</b>	<b>229</b>	<b>1 922</b>	<b>79</b>	<b>72</b>	<b>2 073</b>

Other remuneration comprises payments made in respect of retirement pensions and social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2021 and may not be exercised until April 30, 2023.

Contribution in kind comprise the Tornos vehicles used by the General Management.

The above information includes all the remuneration paid to the members of the General Management. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the General Management or their families.

In 2021 members of the General Management were granted 90 000 options with a fair value of CHF 2.39 of which 30 000 were withdrawn from the members of General Management having left the company during the year. Out of these options granted, members of the General Management acquired under the Stock purchasing program MBP07 a total of 30 000 shares at an acquisition price of CHF 4.14 per share with a remuneration benefit of CHF 2.63 per share.

In 2021 KCHF 237 total remuneration was paid to members of the General Management having left the company in the course of the year.

## Remuneration paid to members of the General Management in 2020

The remuneration paid to the members of the General Management during the financial year under review came to CHF 1.5 million. These remuneration figures are the amounts booked during the period under review. In view of the COVID-19 pandemic, the General Management agreed to a temporary reduction of the members' remuneration by 10% and renounced its variable cash remuneration.

In CHF 1 000	Remuneration	Remuneration	Contribution	Other	Paid	Shares	Stock	Total
	fixed	variable	in kind	remuneration	remuneration	(acquired)	options (granted)	
Michael Hauser (CEO)	530	-	7	90	627	-	24	651
Other members of General Management	669	-	18	122	809	-	73	882
<b>Total General Management</b>	<b>1 199</b>	<b>-</b>	<b>25</b>	<b>212</b>	<b>1 436</b>	<b>-</b>	<b>97</b>	<b>1 533</b>

Other remuneration comprises payments made in respect of retirement pensions and social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2020 and may not be exercised until April 30, 2022.

Contribution in kind comprise the Tornos vehicles used by the General Management.

The above information includes all the remuneration paid to the members of the General Management. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the General Management or their families.

In 2020 no member of the General Management acquired shares. On the other hand, they were granted 120 000 options with a fair value of CHF 0.81 of which 60 000 were withdrawn from the members of the General Management having left the company during the year.

In 2020 KCHF 502 total remuneration was paid to members of the General Management having left the company in the course of the year.

## Comparison between approved and paid remuneration in 2021

In CHF 1 000

	Approved by the General Assembly 2021			
	Remuneration	Remuneration	Total	Number
	fixed	variable	remuneration	of participation rights
Board of Directors	500	-	500	40 000
General Management	1 500	800	2 300	150 000

In CHF 1 000

	Remuneration paid in 2021					
	Remuneration	Remuneration	Contribution	Other	Total	Number
	fixed	variable	in kind	remuneration	remuneration	of participation rights
Board of Directors	408	-	-	14	422	32 000
General Management	1 080	541	34	225	1 881	60 000

According to Art. 9 lit. 9 of the Articles of Association of Tornos Holding Ltd. the General Assembly of Shareholders has, prospectively for the period up to the next General Assembly of Shareholders, approved the maximum remuneration for the Board of Directors of CHF 0.5 million and of CHF 2.3 million for the General Management. In addition, it approved the grant of a maximum of 40 000 options or shares in the context of the company's Management and Board Participation Plan 2007 to members of the Board of Directors and of 150 000 options or shares to members of the Group Management.

The 40 000 and 150 000 options approved by the General Assembly of Shareholders represent a fair value of KCHF 454. The options granted to the Board of Directors and General Management represent a value of KCHF 177.

Actual remuneration paid to the Board of Directors and the General Management was within the approved amounts, and the number of options and shares granted to the Board of Directors and the Group Management respected the approved maximum number.

The company did not pay any remuneration made available through Art. 30 of the Articles of Association.



## Share and option holdings by members of the Board of Directors and General Management

	Number at 31.12.2021		Number at 31.12.2020	
	Shares	Options	Shares	Options
François Frôté	208 649	16 000	208 649	16 000
Walter Fust	9 710 686	8 000	9 620 529	8 000
Michel Rollier/Rollomatic Holding SA	2 853 733	24 000	2 853 733	24 000
Till Fust	4 000	10 000	-	6 000
<b>Total Board of Directors</b>	<b>12 777 068</b>	<b>58 000</b>	<b>12 682 911</b>	<b>54 000</b>
Michael Hauser (CEO)	119 805	60 000	89 805	90 000
Luc Widmer*	-	-	-	90 000
Jens Thing***	-	30 000	-	-
Stéphane Pittet**	-	-	-	-
<b>Total General Management</b>	<b>119 805</b>	<b>90 000</b>	<b>89 805</b>	<b>180 000</b>

\* until August 31, 2021, \*\* since September 1, 2021

\*\*\* since November 1, 2020

**Tornos Holding Ltd., Moutier**

**Report of the statutory auditor to the  
General Meeting of Tornos Holding Ltd.  
Moutier on the remuneration report 2021**

We have audited the accompanying remuneration report of Tornos Holding Ltd. for the year ended 31 December 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 74 to 79 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 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 Tornos Holding Ltd. for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.*

**PricewaterhouseCoopers SA**



Gerhard Siegrist  
Audit expert  
Auditor in charge



Astrit Mehmeti  
Audit expert

Neuchâtel, March 4, 2022