

Remuneration Report 2022

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, the time spent for the various post holders is estimated 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 acquisition 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 2022

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	-	17	185
Walter Fust	80	4		84	7	-	91
Michel Rollier	80	5		85	-	17	102
Till Fust	80	5		85	-	17	102
Total Board of Directors	408	14		422	7	51	480

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 2022 and may not be exercised until April 30, 2024.

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 2022 members of the Board of Directors were granted 32 000 options with a fair value of CHF 2.14. Out of these options granted, members of the Board of Directors acquired under the Stock purchasing program MBP07 a total of 8 000 shares at an acquisition price of CHF 5.22 per share with a remuneration benefit of CHF 0.83 per share.

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	Total	Shares	Stock	Total
	fixed	remuneration		(acquired)	options (granted)	
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
Total Board of Directors	408	14	422	53	29	504

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 members of the General Management in 2022

The remuneration paid to the members of the General Management during the financial year under review came to CHF 2.0 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	229	12	156	953	-	64	1 017
Other members of General Management	564	205	20	138	927	25	75	1 027
Total General Management	1 120	434	32	294	1 880	25	139	2 044

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 2022 and may not be exercised until April 30, 2024.

Contribution in kind comprise the company cars 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 2022 members of the General Management were granted 95 000 options with a fair value of CHF 2.14. 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 5.22 per share with a remuneration benefit of CHF 0.83 per share.

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
Total General Management	1 080	579	34	229	1 922	79	72	2 073

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 company cars 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 the 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.

Comparison between approved and paid remuneration in 2022

In CHF 1 000	Approved by the General Assembly 2022			
	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 2022					
	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	1 120	434	32	294	1 880	95 000

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 407. The options granted to the Board of Directors and General Management represent a value of KCHF 222.

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 31.12.2022		Number at 31.12.2021	
	Shares	Options	Shares	Options
François Frôté / GFIE SA / FFW SA	208 649	16 000	208 649	16 000
Walter Fust	9 718 686	8 000	9 710 686	8 000
Michel Rollier / Rollomatic Holding SA	2 853 733	24 000	2 853 733	24 000
Till Fust	4 000	18 000	4 000	10 000
Total Board of Directors	12 785 068	66 000	12 777 068	58 000
Michael Hauser (CEO)	119 805	60 000	119 805	60 000
Jens Thing	30 000	35 000	-	30 000
Stéphane Pittet*	-	30 000	-	-
Total General Management	149 805	125 000	119 805	90 000

* since September 1, 2021