

Compensation Report

Compensation Report

The Compensation Report contains information on the compensation policy, compensation programs and processes for determining the compensation paid to the Board of Directors and Group Management of the Mikron Group. It also provides detailed information on compensation paid in 2022. The Compensation Report satisfies the transparency requirements set out in the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)*.

Compensation Policy

Overall responsibility for defining the basic principles of compensation lies with the General Meeting. The Board of Directors determines compensation within the boundaries defined by the General Meeting. It approves the compensation paid to members of the Board of Directors, the Board Chairman and the entire Group Management.

The compensation policy applied to members of the Board of Directors is described in detail on pages 59 and 60 of the Corporate Governance Report. The table below sets out the principles of this compensation policy. There are no changes in the principles compared to the prior year.

Fair and transparent

The compensation models are simple, clearly structured and transparent. They guarantee fair remuneration that reflects responsibilities and competencies.

Results- and performance-based

Part of the remuneration paid is linked directly to the Mikron Group's results and to individual performance.

Long-term incentive

Part of the compensation can be paid in the form of shares subject to a lock-up period. This gives recipients a share in the company's long-term performance and ensures alignment with shareholder interests, including retention of key personnel.

Geared to the labor market

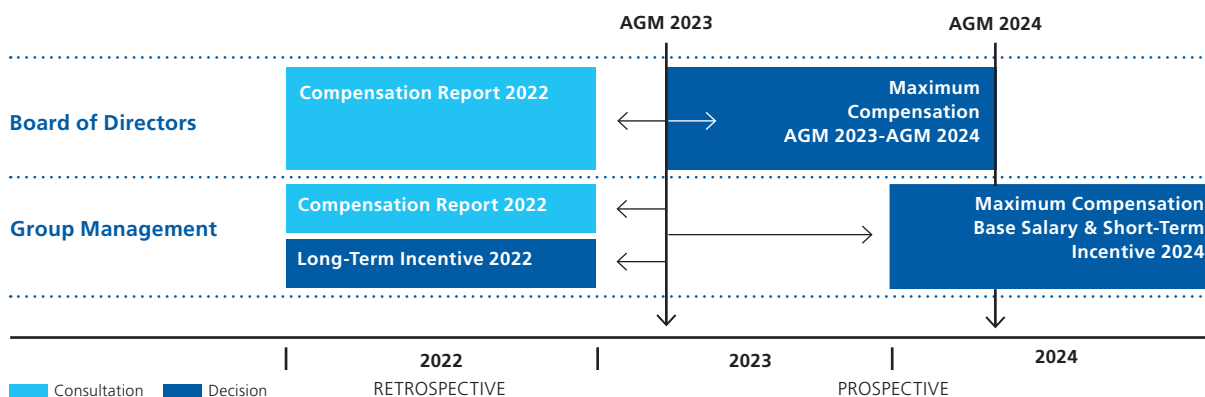
Compensation is geared to the market environment so as to attract and retain talent managers and employees.

* The adjustment in the disclosure required by the transition of the ERCO to the Code of Obligations will be implemented in the remuneration report for the 2023 financial year.

The Articles of Association define the following structure for Group Management:

	Instrument	Purpose	Influencing factors	Performance targets
Fixed annual basic salary (fixed compensation)	Monthly cash compensation	Remuneration for function	Scope and responsibility, individual qualifications and experience	–
Short-term incentive bonus in cash (short-term incentive)	Annual cash compensation	Remuneration for performance	Company results, individual performance	Order intake, EBIT, free cashflow, quantitative and qualitative targets
Long-term incentive plan (long-term incentive)	Locked-up shares (min. 3-year lock-up period)	Share in long-term performance, geared to shareholder interests and retention of key personnel	Contribution to the Group’s strategic development	Order intake and EBIT
Pension and benefits	Pension and social security Other benefits	Protection against risks Expenses covered	Standard market practice and position	–

The compensation of the Board of Directors and Group Management decided on by the General Meeting refers to the following periods in time:



Governance

The General Meeting elects individually at least two but not more than four members of the Board of Directors as members of the Remuneration Committee. The term of office of the members of the Remuneration Committee is one year and ends at the next ordinary General Meeting. Re-election is possible.

The members of the Remuneration Committee in the year under review were the Board members Andreas Casutt (Chairman) and Hans-Christian Schneider.

Subject to and within the scope of the approved overall compensation by the General Meeting, the Remuneration Committee proposes to the Board of Directors the remuneration of its members and proposes or determines the remuneration of the members of Group Management.

Compensation for the year 2022

Compensation to members of the Board of Directors

In scope of audit opinion	CHF 1,000	Base compensation		Compensation in shares		Social security and other expenses		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
	P. Zumbühl, Chairman**	144	108	68	68	13	13	225	189
	H. Spoerry, Chairman**	0	2	0	0	0	3	0	5
	A. Casutt, Vice-Chairman***	50	41	28	22	10	8	88	71
	E. Rikli, Vice-Chairman***	18	51	0	27	3	10	21	88
	P. Kilchmann*, Member	14	40	0	22	2	5	16	67
	H-M. Hauser, Member	42	41	21	22	9	8	72	71
	A. Bandler, Member	28	0	21	0	7	0	56	0
	H.-C. Schneider, Member	28	0	21	0	7	0	56	0
	Total	324	283	159	161	51	47	534	491

* P. Kilchmann's compensation is settled through Ammann Group.
 ** P. Zumbühl was elected as H. Spoerry's successor as Chairman of the Board of Directors in April 2021.
 *** A. Casutt was elected as E. Rikli's successor as Vice-Chairman of the Board of Directors in April 2022.

Members of the Board of Directors receive a fixed compensation in cash and a fixed amount converted into a number of shares blocked for at least 3 years. Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. In April 2022, the General Meeting approved a total remuneration payable to the Board of Directors for the period up to the next meeting of a maximum of CHF 600,000. The remuneration disclosed in the table above covers the respective fiscal year and is not equal to the period between the Annual General Meetings. In the period between the Annual General Meetings the total of CHF 600,000 was not exceeded.

Compensation to Group Management

CHF 1,000	M. Desrayaud, CEO	R. Rihs, COO Automation	Total compensation of Group Management	
	2022	2021	2022	2021
Fixed compensation	438	334	1,069	1,116
Short-term incentive*	240	85	400	480
Pension and benefits	160	136	409	412
Total fixed compensation and short-term incentive	838	555	1,878	2,008
Total approved by previous General Meetings**			1,900	1,850
Long-term incentive		102		173
Pension and benefits		8		13
Total approved long-term incentive***		110		186
Long-term incentive to be approved by General Meeting 2023			266	
Pension and benefits			19	
Total to be approved by General Meeting			285	
Total compensation	838	665	2,163	2,194

* Any difference between the variable compensation accrued in the previous year and the amount actually paid out is included in the current year's variable compensation disclosure. The short-term incentive of the CEO includes a contractual share-based compensation of CHF 140,000 in 2022 which will be part of the long-term incentive program from 2024 onwards.

** The pre-approved maximum compensation does not include an additional CHF 1,000,000 at the discretion of the Board of Directors as per the by-laws of the Mikron Holding AG for joining members of Group Management. In 2021 the exceeding amount of CHF 158,000 is fully attributable to the newly hired CEO Marc Desrayaud. The General Meeting does not vote on this additional amount.

*** The disclosed compensation 2021 is identical with the prior-year annual report. The value of the LTI compensation for the Group Management valuated as per the share transfer date is CHF 188,000 (CHF 111,000 for the COO Automation) instead of the disclosed CHF 186,000 (CHF 110,000 for the COO Automation).

In scope of audit opinion

Group Management is composed of the CEO, CFO and the Head of the Mikron Automation business segment. These persons are employed at Mikron Switzerland AG, Langenthal. The compensation is booked applying the accrual principle.

Members of Group Management receive a fixed compensation paid in 13 instalments and a short-term incentive. The short-term incentive is set by the Board of Directors within the boundaries approved by the General Meeting. The target incentive is significantly below the maximum allowed by the Articles of Association. The table below shows the short-term incentive as a percentage of the fixed compensation for 2022:

	Effective	Maximum set by Board of Directors	Maximum allowed as per Articles of Association
M. Desrayaud, CEO			
Short-term incentive	23%	23%	
Total	23%	23%	100%
Other members			
Short-term incentive	26%	29%	
Total	26%	29%	75%

Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. Expenses that are not covered by the lump sum compensation for expenses pursuant to the expense regulations of the Company are reimbursed against presentation of the relevant receipts. This additional compensation for expenses actually incurred does not need to be approved by the General Meeting. Payments are made in cash. Furthermore, members of Group Management are provided with company vehicles which may also be used for private travel. Expenditure for pension and social security includes employer contributions to social insurance and to the pension fund and senior management pension fund.

In April 2021, the General Meeting approved a total fixed compensation and short-term incentive which may be paid to Group Management during the 2022 financial year of maximum CHF 1,900,000, excluding the long-term incentive plan with separate approval. In April 2022, the amount of CHF 2,000,000, excluding the long-term incentive plan with separate approval, was approved, and may be paid out during the 2023 financial year.

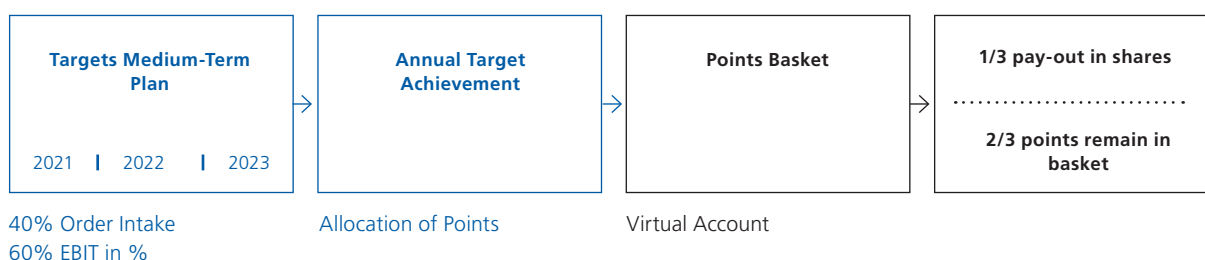
The individual targets of the short-term incentive plan for Group Management reflect the importance of the targets depending on the role of the individual. The achievement is measured against qualitative and quantitative targets. The targets are defined by the Board of Directors at the beginning of the performance period on an annual basis. In extraordinary circumstances, the targets may be modified within the period at the discretion of the Board of Directors or the Remuneration Committee. The targets for the year 2022 were as follows:

	M. Desrayaud*	J. Perez Freije	R. Rihs
Order intake (Group and/or segment)			5%
Sales (Group and/or segment)		10%	20%
EBIT (Group and/or segment)		35%	30%
Strategic programs and internal initiatives		25%	35%
Other Group financial targets		15%	
Individual targets		15%	10%
Total		100%	100%

* contractually fixed lump sum for 2021 and 2022.

An additional long-term incentive in the form of shares in the company may be provided to the members of Group Management. A total of 22,406 shares were distributed during the year 2022 as approved by the 2022 General Meeting. For the target achievement of the long-term incentive plan, the order intake and operating profit (EBIT excluding the investment property) as a percentage of the sales of the year are compared with the expectations as per the mid-term plan. In addition to the points carried forward from the prior year, a maximum of 150 bonus points, representing a target achievement of 150%, are awarded to the points basket and a maximum -50 points are deducted from the points basket, if the threshold of 0% target achievement is reached. At the end of each year, after the allocation or deduction of the yearly points, one third of the total is converted into a corresponding number of shares. The shares are transferred to the members after approval by the

General Meeting and are blocked for a period of at least three years. The Board of Directors will propose to the next General Meeting to approve an allocation of 30,185 shares to the members of Group Management as long-term-incentive compensation for 2022. The share price for the valuation at year-end was CHF 8.80. The remaining two thirds of the total are carried forward to the next year.



Shares held by members of the Board of Directors and by Group Management

	31.12.2022		31.12.2021	
	Number of shares	Voting power	Number of shares	Voting power
Board of Directors				
P. Zumbühl, Chairman	70,635	0.42%	61,963	0.37%
E. Rikli, Vice-Chairman (until 30.04.2022)	n/a	n/a	33,827	0.20%
A. Casutt, Vice-Chairman (since 01.05.2022)	14,881	0.09%	11,365	0.07%
H.-M. Hauser, Member	14,099	0.08%	11,365	0.07%
A. Bendler, Member	2,734	0.02%	n/a	n/a
H.-C. Schneider, Member	2,734	0.02%	n/a	n/a
Group Management				
M. Desrayaud, CEO	26,275	0.16%	9,775	0.06%
R. Rihs, COO	62,797	0.38%	49,617	0.30%
J. Perez Freije, CFO	28,457	0.17%	19,231	0.12%

These figures include shares held by related parties of these persons.

In scope of audit opinion

Report of the Statutory Auditor



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REPORT OF THE STATUTORY AUDITOR

To the general meeting of Mikron Holding AG, Biel/Bienne

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Mikron Holding AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) contained in the tables labeled "in scope of audit opinion" on pages 66 to 71 of the Compensation Report.

In our opinion, the information on compensation, loans and advances in the enclosed Compensation Report defined as subject to audit complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Compensation Report* section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Compensation Report of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 9 March 2022.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables labeled "in scope of audit opinion" in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of directors' Responsibilities for the Compensation Report

The board of directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the board of directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The board of directors is also responsible for designing the compensation system and defining individual compensation packages.

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Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Bern, 8 March 2023

BDO Ltd

Thomas Bigler
Auditor in charge
Licensed Audit Expert

Fabian Mollet
Licensed Audit Expert

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