

Remuneration Report

Principles of Remuneration

The remuneration report describes the principles of the remuneration system of Belimo and includes information about the remuneration of the Board of Directors and the Group Executive Committee.

The content and extent of the remuneration report are in compliance with the Ordinance Against Excessive Compensation in Listed Companies, the articles of incorporation of BELIMO Holding AG, the Directive Corporate Governance of the Swiss stock exchange SIX Swiss Exchange and the principles of the Swiss Code of Best Practice of *economiesuisse*.

Remuneration Committee

Articles of Incorporation – Articles 15 and 24

The Remuneration Committee comprises at least two non-executive, independent Members of the Board of Directors. A Member is considered independent if he or she has never, or at least not for the past three years, been a Member of the Group Executive Committee and has no, or only minimal, business relationship with the Company.

The Members of the Remuneration Committee are elected individually by the Annual General Meeting for a term of office of one year until the next ordinary Annual General Meeting.

The following Members have been elected for the 2019/2020 period of office: Prof. Adrian Altenburger (Lead) and Sandra Emme.

The Remuneration Committee is entrusted with the following duties, subject to the power of the Annual General Meeting:

- Submitting proposals to the Board of Directors for the definition of principles, performance targets and assessment criteria for fixed and variable remuneration within the framework of the statutory provisions and those of the articles of incorporation
- Submitting proposals to the Board of Directors for the determination of the overall amounts of the fixed remuneration of the Members of the Board of Directors and the fixed and variable remuneration of the Members of the Group Executive Committee to be placed to the Annual General Meeting for approval
- Monitoring of compliance with the principles for remuneration pursuant to the law, the articles of incorporation, regulations and decisions of the Annual General Meeting
- Submitting the remuneration report for the attention of the Board of Directors and the Annual General Meeting

The Remuneration Committee held two meetings in 2019.

Remuneration System

Principles

Articles of Incorporation – Articles 15, 25^{quater}, 25^{quinquies} and 25^{sexties}

Belimo offers market-oriented and performance-related remuneration to recruit and retain senior management members with the required capabilities and personal characteristics. The remuneration system is designed in the way that their interests are in line with those of the Company. The basic elements of the remuneration are designed in a simple and comprehensible manner.

The Annual General Meeting approves with binding effect the maximum overall remuneration for the cur-

rent financial year for the Board of Directors and the Group Executive Committee. If the Annual General Meeting withholds its approval, the Board of Directors may submit new proposals for approval at the same Annual General Meeting. If the Board of Directors makes no new proposals or if the Annual General Meeting declines the new proposals, the Board of Directors must convene a new general meeting within three months.

The remuneration report of the Board of Directors is approved by the subsequent Annual General Meeting by consultative vote.

The following agenda items are being voted at the Annual General Meeting 2020:

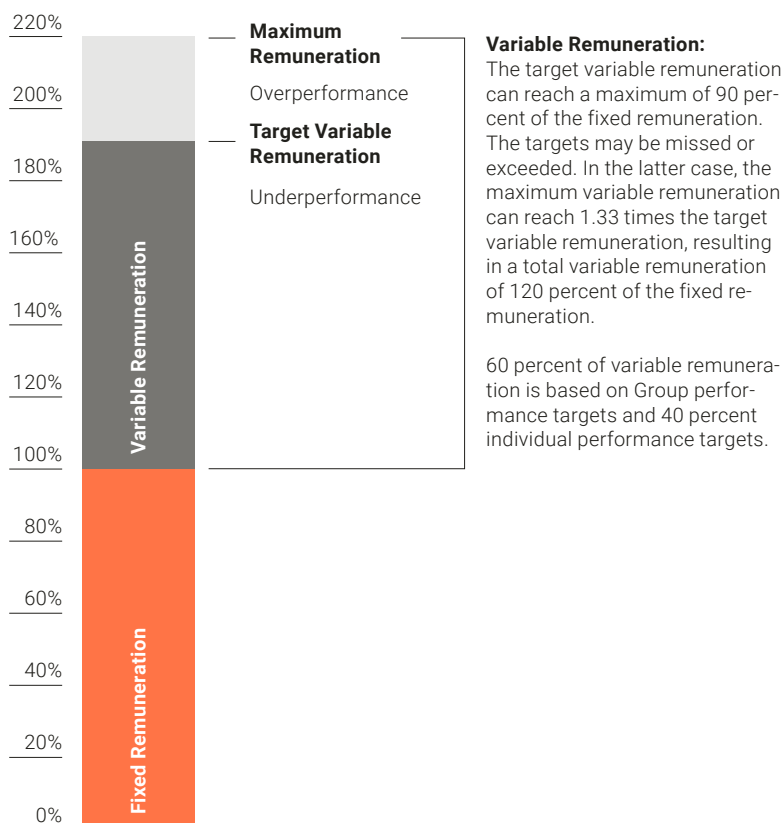
- Consultative vote on the remuneration report 2019
- Approval of the fixed remuneration of the Board of Directors for the financial year 2020
- Approval of the fixed and variable remuneration of the Group Executive Committee for the financial year 2020

Temporary and permanent employment contracts may be concluded with the Members of the Board of Directors and the Group Executive Committee. The maximum duration of the temporary contracts is one year. Renewal is permitted.

In principle, prohibitions against competition may be agreed for the period after termination of a contract. As compensation for such a prohibition against competition, remuneration may be paid for a maximum period of two years. This amount may not exceed the last fixed annual remuneration.

There are no agreements with special conditions for the Members of the Board of Directors or the Group Executive Committee, such as special severance payments or special clauses in case of change of control over the Company. Employment contracts with Members of the Group Executive Committee have a notice period of a maximum of twelve months.

Principles of Remuneration for the CEO



Board of Directors

Articles of Incorporation – Article 25^{quinquies}

The Members of the Board of Directors receive a fixed basic remuneration, which is paid out, and an expense allowance for their activities. Supplements may be paid for membership of committees or for the performance of special tasks.

Group Executive Committee – Basic Principles

Articles of Incorporation – Article 25^{sexties}

The Members of the Group Executive Committee receive a fixed basic remuneration for their activities, as well as a performance and success-related remuneration, which are paid out. The success-related remuneration for the CEO may in maximum amount to 120 percent and for the other Members of the Group Executive Committee to 100 percent of the equivalent fixed annual remuneration, according to the articles of incorporation (see graph on page 21).

Group Executive Committee – Implementation

Payment of up to 60 percent of the variable remuneration is dependent on the achievement of the financial targets operating income (EBIT) and sales growth, with the rest being dependent on the achievement of personal performance targets. All targets are in line with the long-term interest of the Company.

The amount of the target bonus, which is paid when all set targets have been reached, is between 70 and 90 percent of the fixed remuneration for the CEO and between 40 and 70 percent for the other Members of the Group Executive Committee. If the targets set are partially reached, the bonus is lower, as set out in the target agreement; if the targets are exceeded, the bonus can be increased up to a maximum of 1.33 times the target bonus.

For new Members of the Group Executive Committee appointed after the Annual General Meeting, the maximum amount shall be increased pro rata temporis to a maximum of one and a half times the proportion for a comparable function contained in the maximum amount approved.

Remunerations

Board of Directors

The amount of remuneration for the Board of Directors (non-executive Members) was as described on page 23. The total remuneration is within the amount approved by the Annual General Meeting on April 1, 2019.

No additional remuneration was made available for activities carried out in a board committee.

No remuneration other than that disclosed here was assigned.

Group Executive Committee

The amount of remuneration for the Group Executive Committee was as described on page 23. The total remuneration is within the amount approved by the Annual General Meeting on April 1, 2019. The remuneration is based on the accrual principle of accounting.

The highest remuneration paid to a Member of the Group Executive Committee was to Lars van der Haegen, CEO.

No remuneration other than that disclosed here was assigned. Remuneration of CHF 256 000 was paid to one former Member of the Group Executive Committee.

Related Parties

During the year under review, no further remuneration was assigned to related parties of present or of past Members of the Board of Directors or the Group Executive Committee.

Credits and Loans

Articles of Incorporation – Article 25^{bis}

Credits and loans to Members of the Board of Directors and the Group Executive Committee may only be granted in justified exceptional cases and only at market conditions. The total amount of such credits and loans shall not exceed CHF 200 000 per member.

In 2019, no credits or loans were granted to present or former members of the senior management or related parties, and there were none outstanding as of December 31, 2019.

Board of Directors

	Fixed remuneration			
	Basic remuneration	Social security contributions	Total	Expense allowance
in CHF 1 000				
2019				
Patrick Burkhalter, Chairman ¹⁾	211	15	226	6
Dr. Martin Zwyssig, Deputy Chairman	124	9	133	6
Prof. Adrian Altenburger, Member	124	9	133	6
Sandra Emme, Member	124	9	133	6
Martin Hess, Member ¹⁾	4	0	4	0
Urban Linsi, Member ¹⁾	83	6	89	4
Prof. em. Dr. Hans Peter Wehrli, former Chairman ¹⁾	85	5	90	2
Total	755	53	808	30
Approved remuneration by the Annual General Meeting 2019			900	
2018				
Prof. em. Dr. Hans Peter Wehrli, Chairman	254	15	269	6
Dr. Martin Zwyssig, Deputy Chairman	124	9	133	6
Prof. Adrian Altenburger, Member	124	9	133	6
Patrick Burkhalter, Member	124	9	133	6
Sandra Emme, Member ²⁾	83	6	89	4
Martin Hess, Member	124	7	131	6
Total	833	55	888	34

¹⁾ At the Annual General Meeting on April 1, 2019, both the former Chairman of the Board of Directors, Prof. em. Dr. Hans Peter Wehrli, as well as the former Member of the Board of Directors, Martin Hess, retired. Furthermore, Patrick Burkhalter was appointed as Chairman and Urban Linsi was newly elected to the Board of Directors.

²⁾ Sandra Emme was elected to the Board of Directors at the Annual General Meeting on April 9, 2018.

Group Executive Committee

	Fixed remuneration				Variable remuneration				Expense allowance
	Basic remuneration	Pension contributions ¹⁾	Other remuneration	Total	Bonus	Pension contributions ¹⁾	Total	Total remuneration	
in CHF 1 000									
2019									
Lars van der Haegen (CEO)	490	111	7	608	446	87	533	1 141	18
Other members of the Group Executive Committee	1 683	334	109	2 126	1 237	205	1 442	3 568	69
Total ²⁾	2 173	445	116	2 734	1 683	292	1 975	4 709	87
Approved remuneration by the Annual General Meeting 2019				3 000			2 400	5 400	
2018									
Lars van der Haegen (CEO)	390	89	7	486	392	78	470	956	18
Other members of the Group Executive Committee	1 539	296	176	2 011	1 057	176	1 233	3 244	60
Total ³⁾	1 929	385	183	2 497	1 449	254	1 703	4 200	78

¹⁾ Social security and pension plan contributions.

²⁾ The Board of Directors appointed Louis Scheidegger as an additional Member of the Group Executive Committee as of March 1, 2019.

³⁾ As of September 1, 2018, for the purpose of handing over CFO position this includes seven members of the Group Executive Committee.

Report of the Statutory Auditor

To the General Meeting of BELIMO Holding AG, Hinwil

We have audited the accompanying remuneration report of BELIMO Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections “Remunerations” on pages 22 to 23 of the Annual Report.

Responsibility of the Board of Directors

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 for the year ended 31 December 2019 of BELIMO Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG



Reto Benz
Licensed Audit Expert
Auditor in Charge



Reto Kaufmann
Licensed Audit Expert

Zurich, 6 March 2020

KPMG AG, Räfelstrasse 28, PO Box, CH-8045 Zurich

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Company Values and Culture

Creating and Living a Unique Culture

An excellent company culture is essential for loyal customers and a sustainable competitive advantage.

Customer loyalty generally starts with an organization's well-defined purpose and a substantial investment. For Belimo, the purpose of the Company is CESIM® (see page 5), while creating impact through the development, production and marketing of actuators, valves, and sensors for HVAC systems. Utterly important for maintaining a competitive advantage in its field is the Company's internal service quality, which unites seamless processes with training and a "quality first" attitude (see page 78). Belimo believes that this forms the foundation, on which employee loyalty can thrive. If processes did not function properly, disagreements would be inevitable and in turn hamper the development of a loyal work force. A healthy cultural environment, in contrast, allows better results in recruiting to be achieved – a crucial advantage especially in emerging markets and raises employee tenure. An overall longer professional experience and in consequence greater efficiency leads to overall better employee performance. The better the professional experience of its employees, the better the external service quality a company is able to offer. This includes excellent outside/inside sales and technical support, fast and reliable logistics and efficient handling of quality issues. The resulting outstanding customer service leads to greater customer satisfaction, positioning the brand in front of its competitors. The goal of Belimo, however, is not only to have satisfied customers. Its goal is to offer superior customer value by exceeding their expectations. By doing so on a regular basis, true customer loyalty is created. And as loyal customers are willing to pay a premium for their flawless experience, this leads to higher revenues from demand (customers) as well as efficiency through operational excellence from supply (costs), consequently resulting in above-average profitability.

Key Platform: New Employee Trainings

The principles for interacting with internal and external stakeholders are set forth in our vision, mission statement, values/code of conduct as well as our purpose (CESIM®, see page 5). They are, in this order and according to the Belimo management model, crucial to follow and practice. In case of misconduct, a strict policy for corrective actions has been implemented. Moreover, Belimo believes that an excellent company culture mitigates risks, since possible misconduct or risks will be more quickly identified. These values also mean that employees contact the appropriate person in the event of perceived violations of applicable laws or ethical standards. Leadership trainings (see interview on page 27), continuous communication of our vision, mission and values are key measures to convey company values and culture. New employees learn about the values and quality standards during their introduction to the Company (new employee training). Because 86 percent of product manufacturing costs at Belimo are incurred in a network of suppliers and partners, the cultural aspects do not end at the organization's borders. It is within the interest of Belimo to also promote an outstanding company culture with its suppliers (see page 68).

Putting Values Into Practice

We evaluate the success of our company values and culture through employee surveys and feedback from new employees. The results of the survey process are evaluated by a team and an improvement plan – where required – is defined that is monitored by Human Resources (HR). Each employee's long-term ability to internalize and put those values into practice is assessed within the scope of the annual employee performance appraisal interview. Moreover, average employee tenure is measured and benchmarked against the industry standards. The high average length of nine years at its Hinwil headquarters underlines the extent of employee loyalty and identification with the Company values.

Information on Employees as at December 31, 2019

		Danbury (Connecticut, USA)	Hinwil (Switzerland)	All Other Belimo Subsidiaries	Belimo Group	In % of Belimo Group
Total employees						
Headcount		428	849	589	1 866	
Full time equivalents (FTEs)		425	786	578	1 789	
Employees by employment contract (in FTEs)						
Permanent/indefinite	Female	180	282	162	624	35
	Male	245	461	412	1 118	62
Temporary/fixed	Female	0	26	3	29	2
	Male	0	17	1	18	1
Employees by employment type (in FTEs)						
Full-time	Female	178	196	145	519	29
	Male	243	411	407	1 061	59
Part-time	Female	1	112	20	133	8
	Male	3	67	6	76	4
Employees covered by collective bargaining agreements (GRI 102-41)						
As percentage of the total workforce		0 ¹⁾	0 ¹⁾	20 ²⁾	6	

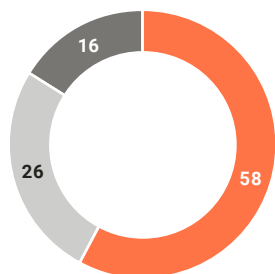
¹⁾ In Switzerland and the USA the employees are not covered by a collective bargaining agreement.

²⁾ Average of all other Belimo Subsidiaries in percent on a headcount-basis.

Employees by Region

FTEs, as at December 31, 2019

in %

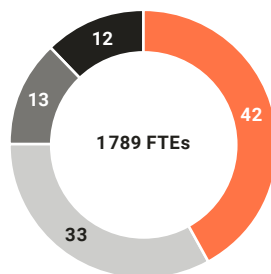


- Europe: 58%
- Americas: 26%
- Asia Pacific: 16%

Employees by Function

FTEs, as at December 31, 2019

in %

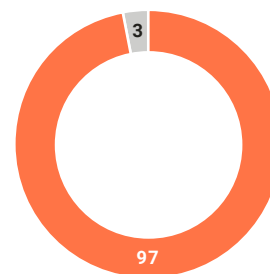


- Assembly, logistics: 42%
- Sale, marketing and distribution: 33%
- Research, development: 13%
- Administration, management: 12%

Employees by Employment Contract

FTEs, as at December 31, 2019

in %



- Permanent: 97%
- Temporary: 3%