

Compensation Report 2019

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1 Introduction

This compensation report conforms to the transparency requirements of section 663c of the Code of Obligations and the corporate governance information standards of SIX Exchange Regulation (a division of the SIX Swiss Exchange).

The compensation report discloses the compensation of the members of the Board of Directors and Executive Committee for fiscal years 2018 and 2019. In addition, the shareholdings of the Board and Executive Committee (disclosed in accordance with the Swiss Code of Obligations) are presented in the notes to the separate financial statements of Comet Holding AG on page 105, and the expense for compensation (disclosed in accordance with International Financial Reporting Standards) is presented in the consolidated financial statements of Comet Holding AG on page 92.

The annual report was prepared in full compliance with the disclosure requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC).

2 OAEC-related provisions under the Bylaws

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits to the Annual Shareholder Meeting for approval its proposal for the maximum aggregate amounts of compensation of the Board of Directors and of the Executive Committee.

3 Compensation policy**3.1 Principles**

The compensation system is designed to attract and retain excellent management and specialist staff.

The Comet Group seeks to set compensation levels that reflect the individual levels of skills and responsibility in the Group and that bear comparison with other employers competing with it for talent. This aim is supported by a fair system of remuneration designed to match levels of pay offered by listed peer companies. No signing (hiring) bonuses or termination benefits are provided.

To promote the focus on corporate strategy and closer ties to the Group, a profit-sharing system is in place, which is based on criteria determined by the Board of Directors. The profit-sharing compensation of the Executive Committee members is in the form of a short-term and a long-term performance-based element and is paid partly in shares of Comet stock. The other employees are paid their profit-sharing compensation entirely in cash. The compensation system for the Board of Directors does not have a performance-based element.

The compensation elements thus take into account short-term and long-term aspects of sustainable company performance and development. The Comet Group is confident that its remuneration architecture creates an effective link between compensation and performance that generates lasting value for shareholders.

3.2 Compensation of the Board of Directors

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which two-thirds is paid in cash and one-third is paid in stock. The stock is subject to a holding period of three years from the date of the award during which it cannot be sold. The reported compensation includes the cash portion of the retainer, the value of the stock portion, and the employer contributions to social security plans.

3.3 Compensation of the Executive Committee

The remuneration of the members of the Executive Committee consists of fixed compensation and a performance-based component. The total compensation takes into account the recipient's position and level of responsibility. The profit-sharing remuneration of the members of the Executive Committee consists of compensation under a short-term incentive plan (STIP) and a long-term incentive plan (LTIP). Two-thirds of the compensation under the STIP is paid in cash and one-third of it is paid in stock. The compensation under the LTIP is paid only in stock. The total variable compensation (STIP and LTIP combined) is capped by an upper limit. Employer contributions to social security plans are presented separately. The members of the Executive Committee have employment agreements with a notice period of not more than nine months. No signing (hiring) bonuses or termination benefits are provided.

3.4 Stock ownership plan (STIP and LTIP)

The Company's stock ownership plan for the Executive Committee members consists of the STIP and LTIP and is designed to heighten the commitment of the CEO and the other Executive Committee members to the Comet Group. The requirement for this group of individuals to draw part of their profit-sharing compensation as stock is detailed in a separate regulation. The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting. The stock transferred under the STIP is subject to a holding period of three years from the date of the award, during which it cannot be sold. However, all other shareholder rights are effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. The stock awarded under the LTIP does not have a holding period. Except as otherwise required by law, in the event of an attempted change of control of Comet Holding AG, the holding period on stock ends when a public tender offer is validly made.

3.5 Shareholders' say on pay

Compensation-related provisions are specified in the Bylaws and documented in corresponding regulations of the Comet Group.

Under the OAEC and the Bylaws of Comet Holding AG, the amounts of the respective aggregate compensation of the Board of Directors and Executive Committee require shareholder approval in a binding vote at the Shareholder Meeting. Specifically, under section 21 of the Bylaws of Comet Holding AG, shareholders vote on the following:

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

The prospectively binding voting in combination with retroactive approval of the performance-related remuneration give shareholders an extensive "say on pay".

4 Determination of compensation

4.1 Decision authority and responsibility for compensation

The design and regular review and evaluation of the compensation system are the responsibility of the Nomination & Compensation Committee (NCC).

Subject to the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors once annually prepares the compensation proposals, as follows:

Decision on	CEO	NCC	Board of Directors	Shareholder Meeting
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of the Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed compensation of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Fixed compensation of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee
Profit-sharing plans of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm verifies whether the quantitative disclosures on compensation, loans and other credit made in the compensation report pursuant to sections 14–16 OAEC comply with the law and the OAEC.

4.2 Nomination & Compensation Committee (NCC)

The Nomination & Compensation Committee is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. In the year under review these members were Rolf Huber (chairman) and Mariel Hoch.

The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of Board members and Executive Committee members. The NCC itself does not make decisions, but prepares proposals for the approval of the full Board of Directors.

The Committee has the following responsibilities in particular:

- Attend to the compensation policy for the remuneration of the Board of Directors and Executive Committee and to the compensation structure of the Comet Group
- Produce the proposed compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

Additional responsibilities may be assigned to the Committee as required. The Nomination & Compensation Committee convenes for at least two regular meetings per year. The NCC may hold additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

In the year under review the Committee, besides several telephone conferences, held two physical meetings, both of which were attended by both of its members. The meetings were also partly attended, in an advisory role, by the CEO and the head of Corporate Human Resources.

4.3 Market comparison criteria

The Comet Group strives for market levels of compensation, and compensation packages are periodically evaluated by specialized consulting firms against benchmarks. This applies to the compensation both of the Board and of the Executive Committee. The Nomination & Compensation Committee periodically compares the mix of the individual components of remuneration and the amount of total compensation with the respective industry environment and, taking its findings into account, submits proposals to the Board of Directors.

5 Structure of the compensation system

With effect from January 1, 2017, the Board of Directors of Comet Holding AG established a revised compensation system that applies worldwide. This framework governs the profit-sharing compensation for all employees eligible to participate in the short-term incentive plan (STIP) and long-term incentive plan (LTIP). The details of the system are set out in a Board-approved regulation. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The Board of Directors itself receives only a fixed retainer.

5.1 Compensation system for employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and all employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

5.1.1 Calculation of total profit-sharing pool

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2019 the percentage rate was determined according to the following model, unchanged from the prior year:

Sales growth	Percentage of net income
Less than 5%	15%
5% – 15%	Linear increase between 15% and 25%
More than 15%	25%

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee of the Comet Group), using a general allocation formula. Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctly. Performance is evaluated in the sole discretion of the Board and CEO, at the end of the fiscal year. The unused portion of the individual allocation pool is also distributed by the general allocation formula.

- 5.1.2 Compensation groups and calibration
- The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups are the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier together with the gross annual base salary represents the weighting assigned to the member of the compensation group in the allocation of the total profit-sharing pool. The values of the individual multipliers are set by the Board of Directors of Comet Holding AG. For each employee the percentage share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and gross annual base salary.
- The Board of Comet Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the Comet Group. When doing so, the Board ensures the adjustment is fair to all participants. The calibration is normally reviewed every three years and adjusted if appropriate.
- 5.1.3 Precondition for payment of profit-sharing compensation
- A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the Comet Group is still able to report positive consolidated net income.
- 5.2 Compensation system for the Board of Directors**
- Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.
- 5.2.1 Responsibility and procedure
- The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2014. The compensation details are specified in a Board-approved compensation plan in the form of a regulation.
- 5.2.2 Fixed retainer
- For their work on the Board of Directors, the Board members receive a fixed retainer. A flat expense allowance is paid, in cash.
- 5.2.3 Stock compensation
- Two-thirds of the fixed retainer is paid in cash and one-third is paid in shares of stock. The stock awarded is subject to a holding period of three years during which it cannot be sold.

Overview of compensation

In CHF

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

5.2.4 Joining and departure of Board members

Additionally, the actual employer contributions to social security plans are paid.

Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

5.3 Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in a Board-approved regulation. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- Prospectively, the fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- Retrospectively, the performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, Comet Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term profit-sharing (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term profit-sharing plan (STIP)	Annual payment in stock (with holding period)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Long-term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with interests of shareholders	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability
Social security	Company pension, state old age and survivors (AHV) and unemployment insurance (ALV) plans, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	Costs paid directly by company or reimbursed in cash	Pay for position	Local market practice

5.3.1 Responsibility and procedure

The Nomination & Compensation Committee prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies. The full Board periodically reviews, sets and approves the compensation system, based on the proposal of the NCC. The latest such review was performed in fiscal year 2016 with support from the consulting firm Hay Group. Hay Group has no other engagements with the Comet Group.

The profit-sharing compensation is based on the regulations approved by the Board of Directors. The members of the Executive Committee do not attend the related Board meetings and are not entitled to vote on their compensation.

5.3.2 Fixed compensation

All members of the Executive Committee receive fixed compensation that is paid monthly, as well as a flat expense allowance. The fixed compensation is determined by the individual's amount of responsibility, role, performance, experience and skills, and by local market conditions. These elements of compensation are paid in cash.

5.3.3 Short-term profit-sharing compensation (STIP)

In addition to the fixed compensation, the Comet Group's employee profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold. The balance of the STIP amount is paid in cash.

Calculation of short-term profit-sharing compensation (STIP)

An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\text{Gross base salary of employee} \times \text{multiplier} \times 100}{\text{Total weighted gross salaries of all staff}^1} = \% \text{ share of total profit-sharing pool}$$

¹ Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation

% share of total profit-sharing pool × amount of profit-sharing pool actually being distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit. Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, which in turn proposes them to shareholders for ratification at the Annual Shareholder Meeting in a binding vote as part of the total compensation of the Executive Committee.

Joining and departure of Executive Committee members

Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

Terms of employment

The members of the Executive Committee have employment agreements with a notice period of not more than nine months. There is no entitlement to termination benefits of any kind.

Disbursement of profit-sharing compensation

The members of the Executive Committee receive one-third of their short-term profit-sharing compensation in stock. The balance of the amount is paid in cash. A precondition for paying any profit-sharing compensation is that consolidated net income is still positive after the accrual of this compensation.

5.3.4 Long-term profit-sharing compensation (LTIP)

The aim of the long-term incentive plan (LTIP), which was introduced in fiscal year 2017, is to tie the CEO and the other members of the Executive Committee more closely to the company and to align part of their compensation more tightly with the achievement of long-term corporate targets. Stock transferred under the LTIP does not have a holding period.

Structure of the LTIP

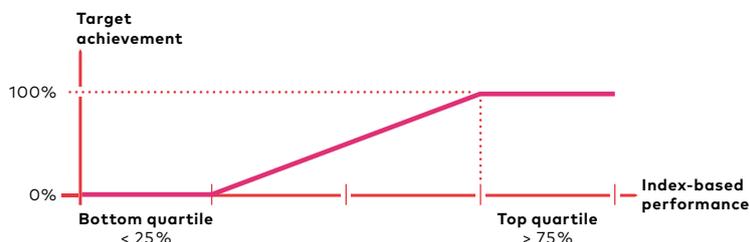
The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year inasmuch as the STIP performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:

- a growth target (T1) and
- a profitability target (T2)

Target achievement is measured relative to a group of comparable listed Swiss manufacturing companies.

Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result is in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). When the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets (T1 and T2, in percent) multiplied by the average annual value of the stock (VS) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor C:

$$\text{LTIP} = (T_1 + T_2) \cdot V_s \cdot C$$

Growth target T₁: The growth target is a specified three-year compound annual growth rate (CAGR) of sales for the respective last three years. The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is thus measured by the average CAGR of the Comet Group over the last three years in relation to the results of the peer group.

Profitability target T₂: The profitability target is a specified average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance against this measure is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is thus measured by the average ROCE/WACC ratio of the Comet Group over the last three years in relation to the results of the peer group.

Calibration factor C: The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the long-term incentive corresponds to the performance of the company and the purpose of the LTIP. When doing so, the Board ensures the adjustment is fair to all participants.

Calculation of the value V_s of the average annual amount of STIP stock transferred:

The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan (STIP) over the last three years. That value of transferred STIP stock is measured as of the time of its transfer.

For determining the amount of LTIP stock to be transferred in year n, the underlying average annual value of STIP stock, V_s, is calculated as follows:

$$V_s = \frac{1}{3} (V_{n-2} + V_{n-1} + V_n)$$

Where V_{n-2} represents the value of the stock transferred in year n-2, V_{n-1} represents the value of the stock transferred in year n-1, and V_n represents the value of the stock transferred in year n.

Determination of target achievement

Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a time lag, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

Intra-year joining or departure

The amount of stock to be transferred under the LTIP is based on the amount of stock already actually transferred under the STIP short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

Disbursement of the LTIP

The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

Changes of control

In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

5.3.5 Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee of the Comet Group. The upper limit thus caps the individual's combined total of short-term (STIP) and long-term (LTIP) profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

6 Disclosure of compensation of the Board of Directors and Executive Committee

The following disclosures represent all compensation to the members of the Board of Directors and Executive Committee and their related parties¹ for fiscal years 2018 and 2019, disclosed in accordance with the Ordinance Against Excessive Compensation at Listed Companies (OAEC).¹ Further details on the included individuals and their positions in the Group are provided in the corporate governance section of this annual report.

¹ Persons outside the Comet Group who are related to members of the Board of Directors or Executive Committee within the meaning of section 678 of the Swiss Code of Obligations by virtue of close personal or economic ties in law or in fact.

6.1 Current members of the Board of Directors (including related parties)

To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer. The compensation of the Board of Directors is set at the Annual Shareholder Meeting for a period of one year. As the Board's term of office does not match the fiscal year, the compensation stated in the annual report may differ from the pre-set amount.

The 2019 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 870,000 (prior year: CHF 800,000) for the term of office ending at the 2020 Annual Shareholder Meeting. The actual compensation in fiscal year 2019 was CHF 818,943. The amount of the Board's compensation was thus almost the same as in the prior year.

Fiscal year 2019

	Total cash compensation (1)	Stock compensation (2)	Total before social security contributions	Total expenses for long-term benefits	Total compensation
1/1/2019 to 4/25/2019					
Hans Hess, Chairman	44,000	–	44,000	3,954	47,954
Lucas A. Grolimund, Vice Chairman	22,000	–	22,000	1,977	23,977
4/25/2019 to 12/31/2019					
Heinz Kundert, Chairman	88,000	66,000	154,000	11,309	165,309
Patrick Jany, member	44,000	33,000	77,000	6,443	83,443
Christoph Kutter, member	44,000	33,000	77,000	–	77,000
1/1/2019 to 12/31/2019					
Rolf Huber, member; Vice Chairman from April 25, 2019	66,000	33,000	99,000	8,420	107,420
Gian-Luca Bona, member	66,000	33,000	99,000	8,420	107,420
Mariel Hoch, member	66,000	33,000	99,000	8,420	107,420
Franz Richter, member	66,000	33,000	99,000	–	99,000
Board of Directors, total	506,000	264,000	770,000	48,943	818,943

Fiscal year 2018

	Total cash compensation (1)	Stock compensation (2)	Total before social security contributions	Total expenses for long-term benefits (3)	Total compensation
Hans Hess, Chairman	132,000	66,041	198,041	16,328	214,369
Lucas A. Grolimund, Vice Chairman	66,000	33,020	99,020	8,281	107,301
Gian-Luca Bona, member	66,000	33,020	99,020	8,281	107,301
Mariel Hoch, member	66,000	33,020	99,020	8,281	107,301
Rolf Huber, member	66,000	33,020	99,020	8,281	107,301
Franz Richter, member	66,000	33,020	99,020	8,281	107,301
Board of Directors, total	462,000	231,142	693,142	57,733	750,875

- (1) The compensation consists of a fixed retainer; two-thirds of it is paid in cash and disclosed in this item.
- (2) This item represents the one-third of the fixed retainer which must be drawn in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
- (3) This item represents employer contributions to the old age and survivors and unemployment insurance plans as well as contributions to the family allowance fund. For Board members, the Comet Group does not pay pension fund contributions, short-term disability insurance premiums or accident insurance premiums.

Related party transactions

In the fiscal year there were no transactions with related parties (prior year: purchase of consulting services in the amount of CHF 8 thousand).

6.2 Current members of the Executive Committee (including related parties)

A total of nine persons served as Executive Committee members during the fiscal year. On average for the fiscal year, this represented 8.6 full-time equivalents (prior year: 9.2). The compensation of the members of the Executive Committee for which an expense was accrued is presented in the table below.

The 2018 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 3,500,000 for the fixed compensation for fiscal year 2019. The actual aggregate fixed compensation (including proportionate social security contributions and benefits in kind) reported for fiscal year 2019 was CHF 2,856,123.

In addition, for the prior fiscal year 2018, the 2019 Annual Shareholder Meeting retrospectively approved the proposed aggregate amount of CHF 417,705 for profit-sharing compensation of the Executive Committee (including proportionate social security contributions). This was paid out in May 2019, including 43% that was paid in stock (prior year: 37%).

in CHF		Executive Committee total (1)		Highest compensation René Lenggenhager, CEO (2)	
Fiscal year		2019	2018	2019	2018
	Footnote				
Fixed compensation	(3)	2,284,101	2,816,243	480,000	480,000
Short-term incentive compensation (STIP), cash portion	(4)	190,112	217,291	61,767	59,072
Total cash compensation		2,474,213	3,033,534	541,767	539,072
Short-term incentive compensation (STIP), stock portion	(5)	95,055	108,012	30,884	29,536
Long-term incentive compensation (LTIP)	(6)	5,021	58,704	1,840	9,788
Total stock compensation		100,076	166,716	32,724	39,324
Total benefits in kind	(7)	12,553	195,615	6,300	6,300
Total expenses for long-term benefits	(8)	592,666	731,503	164,858	164,190
Total compensation		3,179,508	4,127,368	745,649	748,886

- (1) The Executive Committee had the following members, some of whom served for only part of the year: Heinz Kundert, René Lenggenhager, Eric Dubuis, Stephan Haferl, Prisca Hafner, Michael Kammerer, Markus Portmann and Thomas Wenzel, as well as Beat Malacarne, who was interim CFO for five and a half months.
- (2) René Lenggenhager, CEO until June 21, 2019, was the member of management with the highest individual compensation. In the table above, his compensation is both disclosed separately and included in the total compensation of the Executive Committee.
- (3) For their work the members of the Executive Committee receive a fixed compensation component, which is paid in cash. This item comprises the fixed compensation of all Executive Committee members who served during all or part of the fiscal year, as well as the compensation of Matthias Barz, who as an interim manager led the IXS division for five months. This item also includes any other one-time cash compensation, such as length-of-service awards.
- (4) This item includes the portion of the short-term performance-related (STIP) compensation paid in cash, which is calculated based on the criteria of the compensation system.
- (5) This item represents the portion of the short-term performance-related (STIP) compensation paid in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
- (6) This item represents the long-term performance-related (LTIP) compensation, all of which is paid in stock. The effective transfer of the stock occurs in the subsequent year.
- (7) A GA travel card for the use of Swiss public ground transportation was paid for one member of the Executive Committee.
- (8) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV), to the family allowance fund (FAK), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

The amounts set out in the table above are not identical to the taxable income of the Executive Committee members, as the total

compensation for the purposes of section 663 of the Code of Obligations includes employer social security contributions. The aggregate profit-sharing compensation (including proportionate social security contributions) reported for fiscal year 2019 is CHF 323,385. Before the 2019 profit-sharing compensation is paid to the members of the Executive Committee, the proposal for it by the Board of Directors must be approved by shareholders at the 2020 Annual Shareholder Meeting (retrospective approval).

6.3 Former members of the Board of Directors and Executive Committee (including related parties)

Former members of the Executive Committee are those members who were no longer active in the fiscal year but who, as a result of notice periods under their employment contracts, still received compensation. As no former members were reported for 2018, no such compensation is shown for 2018.

in CHF		Executive Committee total (1)
Fiscal year		2019
Fixed compensation		171,667
Short-term incentive compensation (STIP), cash portion	(2)	13,437
Total cash compensation		185,104
Short-term incentive compensation (STIP), stock portion	(3)	6,719
Long-term incentive compensation (LTIP)	(4)	0
Total stock compensation		6,719
Total benefits in kind	(5)	68,831
Total expenses for long-term benefits	(6)	53,100
Total compensation		313,754

- (1) In the fiscal year, compensation was paid to former Executive Committee members Detlef Steck and Thomas Polzer.
- (2) This item includes the portion of the short-term performance-related (STIP) compensation paid in cash, which is calculated based on the criteria of the compensation system.
- (3) This item represents the portion of the short-term performance-related (STIP) compensation paid in stock. The effective transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
- (4) This item represents the long-term performance-related (LTIP) compensation, all of which is paid in stock. The effective transfer of the stock occurs in the subsequent year.
- (5) One member of the Executive Committee was reimbursed for expenses in connection with an international equalization of tax and of social security benefits, as well as receiving an amount towards additional travel and living expenses.
- (6) This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV), to the family allowance fund (FAK), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

6.4	Supplementary information on compensation	<p>In the fiscal year, no signing bonuses were paid to present or former members of the Board of Directors or of the Executive Committee and no termination benefits were granted or paid.</p> <p>No loans or other credit were granted in the year under review. No loans or other credit were outstanding at the balance sheet date. The Comet Group has not provided any guarantees or other security. Board members did not receive benefits in kind. No material changes related to compensation have occurred after the balance sheet date of December 31, 2019.</p>
6.5	Interim management contracts	<p>There were no interim management contracts in the fiscal year.</p>
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7	Disclosure of shareholdings of the Board of Directors and Executive Committee	<p>At the end of the fiscal year, the members of the Board of Directors and Executive Committee held a combined total of 1.1% of the outstanding shares of Comet Holding AG (prior year: 1.1%).</p> <p>A detailed analysis of the shareholdings of the members of the Board of Directors and Executive Committee is presented in the notes to the separate financial statements of Comet Holding AG on page 105.</p>
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8	Proposals to the 2020 Annual Shareholder Meeting for compensation of the Board of Directors and Executive Committee	<p>At the 2020 Annual Shareholder Meeting the Board of Directors will propose the following three resolutions for the compensation of the Board and the Executive Committee:</p> <ul style="list-style-type: none"> · Prospective approval of the total compensation of the Board of Directors for the term from the 2020 to the 2021 Annual Shareholder Meeting · Prospective approval of the fixed compensation of the Executive Committee for fiscal year 2021 (being the next fiscal year after the year of the Annual Shareholder Meeting) · Retrospective approval of the performance-based compensation of the Executive Committee for fiscal year 2019 (being the last fiscal year before the year of the Annual Shareholder Meeting) <p>The detailed proposals and the supporting reasoning will be delivered to shareholders with the notice of the 2020 Annual Shareholder Meeting.</p>



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To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, 12 March 2020

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Comet Holding Ltd. 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 (Ordinance) contained in Section 06 – Disclosure of compensation of the Board and Executive Committee on pages 159 to 164 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. 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 for the year ended 31 December 2019 of Comet Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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(Auditor in charge)

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Licensed audit expert

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