

Rules and Regulations

Human Resources Committee (HRC)

OC Oerlikon Corporation AG, Pfäffikon (Oerlikon)

1. Role and Authority

1.1 Role

The Human Resources Committee (HRC) shall support the Board of Directors of Oerlikon (BoD) with regard to matters related to Human Resources including those set forth in the Articles of Association.

1.1.1 Re Compensation

The HRC shall prepare and submit proposals to the BoD for deliberation and approval regarding:

- the compensation policies for BoD members;
- the group-wide compensation policies.
- the objectives of the CEO;

The HRC shall set, subject to BoD approval:

- the individual compensation package of BoD members, prepared by the Chairman of the BoD;
- the individual compensation package of the CEO, prepared by the Chairman of the HRC.
- the individual compensation package of EC members prepared by the CEO

The HRC shall approve:

- the objectives and the performance contracts of all EC members other than the CEO, prepared by the CEO. Prior to the performance assessment of the CFO, the HRC is required to consult the Audit Committee (AC); the Annual Pay Plan for the Group;
- eligibility of employees in equity programs and allocation of equity instruments.

The HRC shall assist the BoD in:

- monitoring the reasonableness of Oerlikon's internal guidelines and organization in respect of corporate and stock exchange transparency and disclosure laws and regulations (incl. management transactions). It shall submit relevant proposals to the BoD for improvement, if necessary.
- checking the laws and regulations on disclosures to be made in the notes to the (consolidated) financial statements and the compensation report and submit relevant proposals to the BoD, if necessary.
- preparing the compensation report.

The HRC shall continuously assess the reasonableness of the relevant compensation policies and review them for relevant improvements. It shall check them for compliance with: (i) the basic principles of the Swiss Code of Best Practice in Corporate Governance; and (ii) in particular, but without limitation, the following criteria of relevance:

- the amount of the compensation varies according to consolidated profits and individual performance;
- the compensation is competitive;
- the compensation is consistent with the values and long-term strategy of the Oerlikon Group;
- the compensation is consistent with the shareholders' interest in the long-term success of the Oerlikon Group;
- the compensation is easily comprehensible; and
- the effects of options or of any other share related compensation on share prices have adequately been taken into account.

When setting individual compensation packages for BoD and EC members, the HRC shall in particular, but without limitation, examine market data of competitive companies, trend analysis and the performance of the Oerlikon Group. Further, it shall set the share price related to new issues of EC management share schemes, respectively.

When setting individual compensation packages for BoD members, each member of the HRC shall withdraw from deliberations in respect of its own compensation and shall be replaced by another member of the BoD as designated by the Chairman of the BoD.

1.1.2 Re Performance Assessment

The HRC shall assist the Chairman of the BoD in the preparation of proposals to the BoD regarding:

- the performance assessment of the BoD members.

The HRC shall prepare and submit proposals to the BoD for deliberation regarding:

- the performance assessment of the CEO; and
- the performance assessment of all EC members other than the CEO, prepared by the CEO. Prior to the performance assessment of the CFO, the HRC is required to consult the Audit Committee (AC).

When assisting the Chairman of the BoD in the performance assessment of BoD members, each member of the HRC shall withdraw from preparations in respect of its own performance assessment.

1.1.3 Re Appointments and Succession Planning

The HRC shall assist the Chairman of the BoD in the preparation of proposals to the BoD regarding:

- the nomination of a BoD member as Chairman of the BoD, respectively;
- the nomination of BoD members as members of the HRC;

- the appointment of BoD members to the Audit Committee (AC) and the Strategy Committee (SC);
- the appointment of the Corporate Secretary; and
- the succession planning related to BoD members.

The HRC shall prepare and submit proposals to the BoD for deliberation regarding:

- the succession planning related to and the appointment and dismissal of the CEO; and
- the succession planning related to and the appointment and dismissal of EC members other than the CEO, prepared by the CEO.

The HRC shall provide guidance and active support on the following areas:

- Performance/Potential Assessment of Key Positions and High Potentials;
- Senior Leadership Development (including Executive Education);

When assisting the Chairman of the BoD in the preparation of proposals regarding BoD succession planning, the HRC shall take into consideration the relevant individual requirement profiles, the composition of the BoD as a whole and the committees to be composed. It shall also evaluate and notify to the Chairman third party suggestions for BoD candidates, if any (even if from outside Oerlikon Group).

1.1.4 Re Human Resources in General

The HRC shall submit proposals to the BoD for deliberation regarding:

- the grant of signature power for Oerlikon as proposed by the EC and prepared by the Group Legal Counsel (GLC);
- general guidelines regarding signature power for Oerlikon Group companies as proposed by the EC and prepared by the GLC; and
- general basic principles for pension plans of the Oerlikon Group, prepared by the CEO.

1.1.5 Re Specific Ad hoc Assignments

The HRC shall perform specific personnel and compensation related ad hoc consulting assignments from the BoD, if any, such as, e.g., the supervision of the implementation of new or amended compensation policies by the EC.

1.2 Authority

The HRC shall be a permanent committee of the BoD within the meaning of Art.716a Para. 2 Swiss Code of Obligations. As a separate advisory group, independent from the EC and the CEO, it shall advise the BoD and exclusively follow the BoD's instructions.

Unless expressly stated in the present HRC Rules and Regulations, the Organizational and Governance Rules ("OGR") and the OGR's Annex A (PD 1), respectively:

- the HRC shall not have any authority to decide matters in lieu of the BoD; and

- may prepare, review or investigate matters of HR relevance and submit relevant proposals to the BoD for deliberation, but must not itself take resolutions beyond recommendations, proposals or motions to be submitted to the BoD for deliberation.

2. Information, Investigation and Reporting

- 2.1 Information and Investigation. The HRC's right to access, information and investigation shall be unlimited within the entire Oerlikon Group, but may not be exercised autonomously. The exercise of said rights must always be notified to the Chairman of the BoD or, in the Chairman's absence, the Vice-Chairman. The Chairman of the BoD shall arrange for access, information and investigations, affable to the staff and in compliance with all applicable mandatory local protective rights. The Chair of the HRC shall coordinate HRC services with the Chair of the AC, where appropriate.
- 2.2 The right to access and information referred to in Section 2.1 shall particularly include the right to: (i) comprehensive information from the external and internal auditors, the EC as well as all staff members of the Oerlikon Group, the right to access any and all documents, records and data carriers, necessary or useful to perform the responsibilities of the HRC, and the right to inspect relevant reports.
- 2.3 Right of Investigation. The right of investigation referred to in Section 2.1 shall particularly include the right of the HRC to perform or arrange investigations within the Oerlikon Group which are necessary or useful for the performance of HRC responsibilities. The HRC may, with prior consent of the Chairman of the BoD, engage external advisory services, if any.

The HRC shall review and assess information obtained and related comments or recommendations of the CEO, other members of the EC and of external advisors, if any, and shall present its findings and recommendations to the BoD.

- 2.4 Reporting. The HRC shall verbally report to the BoD at BoD meetings and immediately in urgent cases. Between meetings it shall ensure good flow of information between the BoD and the HRC. It shall be up to the Chairman of the BoD, and in his absence the Vice-Chairman to decide whether or not releasing information on reports, recommendations and decisions of the HRC to anyone outside the BoD other than the necessary addressee(s) of a relevant HRC decision, if any. Prior to releasing such information, the Chairman of the BoD shall consult with the CEO.

3. Composition and Procedure

- 3.1 Composition. As a rule, the HRC shall be composed of at least three members of the BoD. Members of the HRC are not eligible if performing any executive management duties within the Oerlikon Group whilst in office, or having significant

business relations with Oerlikon or Oerlikon Group, or having been members of the EC in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time.

- 3.2 Appointment, Procedure and Term of Office. The members of the HRC are elected by the general meeting of shareholders. If there are vacancies, the BoD shall appoint the missing members from among the members for the remaining term of office. The BoD shall appoint the Chair of the HRC at the proposal of the Chairman of the BoD and shall determine the procedure, if required. The term of office of a member of the HRC corresponds to its term of office as a member of the BoD. Where possible, the members of the BoD shall rotate to a certain degree as members of the HRC.

4. Meetings, Resolutions, Minutes

- 4.1 Meetings. The HRC shall convene by invitation of its Chair as often as business requires, however, as a rule, at least three times annually for at least the following agenda, respectively:

November/December:

- proposals to the BoD regarding relevant adjustments to compensation policies, if any, for the BoD, CEO and the EC;
- approval of the Annual Pay Plan for the Group
- determination of performance targets for the next year

January/February:

- preparation and assistance related to the Chairman's performance assessment of BoD members;
- performance assessment of EC members and determination of EC members' (variable) compensation for the past year (subject to approval of the respective maximum aggregate amounts of compensation of the BoD and of the EC by the General Meeting of shareholders);
- determination of EC member's fixed and BoD members total compensation for the following year (subject to approval of the respective maximum aggregate amounts of compensation of the BoD and of the EC by the General Meeting of shareholders);
- determination of performance and bonus payout
- proposal to the BoD regarding the BoD's proposal to the General Meeting of shareholders regarding the maximum aggregate amounts of compensation of the BoD and of the EC;

- LTI participation and allocation (subject to approval of the respective maximum aggregate amounts of compensation of the BoD and of the EC by the General Meeting of shareholders).

June/July:

- Proposals to the BoD regarding interim performance assessment of EC members and relevant succession planning;
- Preparation and assistance related to the Chairman's interim performance assessment of BoD members and relevant succession planning;

September:

- Review of performance/potential/risk assessment of key Positions and high potentials and their development plans.

4.2 Additional Participants. BoD members who are not members of the HRC have the right to attend meetings of the HRC with consultative vote. As a rule, the CEO, and the Corporate Secretary should attend. Additional persons may be invited, if required.

4.3 Resolutions. Resolutions of the HRC shall require the majority of casted votes at a meeting attended by a majority of the HRC members in person or by means of telephone or video conferencing. In the event of an equality of votes, the Chair shall have the casting vote. Resolutions may be passed by circular resolution in writing unless a member re-quests an oral debate within 48 hours of receipt of the relevant request for circular resolution. Circular resolutions shall require the approval of an absolute majority of HRC members. The HRC members shall not be bound by their votes in the HRC while voting on HRC motions as members of the BoD.

4.4 Minutes. At the HRC meetings, minutes shall be taken on the resolutions passed bearing the signature of the Chair and the minute-taker. The minutes shall be copied to all members of the BoD.

5. Entry into Force

These rules and regulations were approved by the Board of Directors of Oerlikon on [December 13, 2017] taking immediate effect for Oerlikon and the Oerlikon Group.

Pfäffikon, December 13, 2017

For the Board of Directors:


Prof. Dr. Michael Suess, Chairman of the Board