

DATACOLOR AG

COMPENSATION REPORT 2016

COMPENSATION REPORT

The Compensation Report contains information on the remuneration of the Board of Directors and the Executive Committee. In terms of regulation against excessive compensation of publicly listed companies (so called "VegüV"), which became effective on January 1, 2014, all information on the remuneration of the members of the Board of Directors and Executive Committee are stated in the remuneration report. The information provided in this Compensation Report relates to the financial year 2015/16, unless otherwise noted. The remuneration report is prepared in accordance with the following regulatory provisions: Swiss Code of Obligations, VegüV, Directive on Information Relating to Corporate Governance by SIX Swiss Exchange and the „Swiss Code of Best Practice for Corporate Governance» of economiesuisse.

According to VegüV, the General Assembly must vote on the remuneration. In addition, the statutes approved by the General Assembly on December 12, 2014 contain newly, among other principles of the tasks and responsibilities of the Compensation Committee, the performance-based remuneration and the allocation of equities, convertible and option rights to members of the Board of Directors and Executive Committee.

The complete statutory regulations regarding the approval of the remuneration of Board of Directors and the Executive Committee by the General Meeting (Art. 21), the applicable additional amount for the remuneration of additional members of the Executive Committee, as far as an approved total amount is not sufficient (Art. 22), the regulation of the principles of the remuneration (Art. 20), concerning the rules for loans and credits (Art. 23) and the Human Resources and Compensation Committee (Art. 27) can be found on our website with the following URL: <http://www.datacolor.com/wp-content/uploads/2015/08/141212-Datacolor-AG-Bylaws-Final.pdf>

1. General principles

The economic success of Datacolor depends to a large extent on the qualification and commitment of its employees. The key objectives of the remuneration policy are to attract qualified employees, to motivate and to retain them. The performance orientated variable compensation and in particular the share-based component of the compensation aim to promote entrepreneurial thinking and action. The key principles are:

- The compensation is performance-based and market-driven.
- Employees participate in the economic success.
- The compensation determination is fair and transparent.
- Short- and long-term compensation components are in a balanced ratio.

2. Principles of the compensation system

The remuneration of the members of the Board of Directors and the members of the Executive Committee essentially consists of three components :

- fixed basic compensation,
- performance-related bonus in cash (short-term),
- performance-related compensation in equity securities (non-current).

The Board has restructured the system of long-term incentive compensation for the Board and the Executive Committee in the reporting period.

From fiscal year 2015/16, the long-term designed incentive award is paid in the form of a share plan on Datacolor registered shares. The first allotment will be effected in November 2016. The restricted shares vest after a three year blocking period. The legal ownership of the restricted shares is transferred to the individual beneficiary with the share allocation, but the discretionary power transfers only after vesting. In case of early resignation due to termination by the beneficiary or by extraordinary termination by Datacolor the ownership of shares forfeits for shares that remained under the blocking period.

The compensation proportion effected with restricted shares to the Board of Directors is determined by the Board at its discretion. 50% of the total variable compensation (short-term and long-term) of the CEO and 40% for the other members of the Executive Committee are compensated with restricted Datacolor shares.

The actual number of shares provided to the beneficiary under the long-term incentive plan depends on the attainment of company and individual goals, respectively, that are described in detail below. For each year of the blocking period the relevant Datacolor registered share price is discounted by 6% in line with the stipulations of the federal tax authorities for the taxation of employee participation plans (Circular no. 37).

For a last time, the members of the Board and Executive Committee were offered in fiscal 2015/16 the opportunity to buy into the stock option plan with the stock option emission of October 1, 2015 (refer to the information in note 21 of the notes to the consolidated financial statements on the stock option plan). The relevant economic assumptions for determining the execution price, the number of granted options and general terms followed the principles applied in previous emissions in conformity with the stock option plan regulations. The execution of the 1 899 options on Datacolor registered shares granted in fiscal 2015/16 has to be effected at the latest on October 1, 2025.

2.1 Compensation of the Board of Directors

The members of the Board of Directors (all are non-executive) are remunerated with a fixed cash compensation. This fixed basic compensation includes a quarterly

Board remuneration, lump sum representation and other allowances and other payments based on individual agreements (namely the employment agreement of Werner Dubach with Datacolor Holding AG) and respective social security deductions. The Board members are not participating in the independent pension fund ("Gemeinschaftsstiftung") in Switzerland and no pension contributions are paid by Datacolor. The fixed basic cash compensation is determined by the Board of Directors.

The variable compensation depends on the company's financial success, reflected in the organic growth of sales as well as the operating profit EBIT compared to budget. The weighing of these metrics is at the discretion of the Board of Directors. The Board of Directors' decisions on the compensation for the Board are not based on benchmarks.

In fiscal 2014/15 the Board suspended the variable long-term compensation based on stock options for Datacolor registered shares as the Board decided to assess alternative forms for a long-term performance oriented variable compensation.

Effective fiscal year 2015/16, the Board of Directors for the first time introduced a restricted share-based plan as a long-term variable compensation component. The terms of this new plan are disclosed under 2. "Principles of the compensation system".

In financial year 2015/16, the Board of Directors was given for the last time the opportunity to buy into the stock option plan emission October 1, 2015 with a portion of the compensation that was set by the Board of Directors at its discretion. For further conditions of this stock option emission on Datacolor registered shares refer to note 21 Stock option plan in the notes to the consolidated financial statements.

2.2 Compensation of the Executive Committee

The compensation of the Executive Committee consists of a fixed base salary in cash, a variable performance-based bonus in cash, a long-term variable compensation based on an equity security component as well as contributions to pension funds and social insurances.

In fiscal 2014/15 the Board suspended the variable long-term compensation based on stock options for Datacolor registered shares as the Board decided to assess alternative forms for a long-term performance oriented variable compensation. As from fiscal year 2015/16, the Board of Directors for the first time introduced a restricted share-based plan as a long-term variable compensation component. The terms of this new plan are disclosed under 2. "Principles of the compensation system".

In financial year 2015/16, the Executive Committee was given for the last time the opportunity to buy into the stock option plan emission October 1, 2015 with a portion of the compensation that was set by the Board of Directors at its discretion. For further conditions of this stock option emission on Datacolor registered shares refer to note 21 Stock option plan in the notes to the consolidated financial statements.

The fixed base salary is mainly determined by the respective organizational function, the accountability level, the qualification and experience, as well as the employment market conditions. In determining the remuneration of the Executive Committee, the Human Resources and Compensation Committee is not based on benchmarks and salary comparisons.

The criteria for determining the total variable compensation (short- and long-term performance-related bonus/compensation) are defined in the respective regulations adopted by the Human Resources and Compensation Committee. These criteria are valid for several years and were last reviewed by the Human Resources and Compensation Committee in 2014 with deriving amendments being applicable in fiscal 2014/15 for the first time.

Initially, the total bonus pool available for performance-related compensation payments is determined based on two financial value drivers, namely organic sales growth (without acquisitions or divestitures) compared to previous year figures and budget (60% weighting) as well as the operating profit EBIT compared to budget (40% weighting). The Board of Directors sets respective targets for the financial value drivers during the budgeting process for a period of one fiscal year. The pool for performance related bonus payments may reach a maximum of 200% of the budgeted target value of the variable compensation.

In case the actual realized EBIT falls below the target set by the Board of Directors by more than 50% (minimum threshold), no credit is recorded in the variable compensation pool and the payment of a variable performance-related bonus is subject to approval by the Human Resources and Compensation Committee. No minimum threshold is determined for the achievement of the organic sales growth component. If actual realized EBIT exceeds the budgeted EBIT target, 25% of the exceeding amount is allocated to the variable compensation pool. In case of an overachievement the additional contribution to the variable compensation pool is limited to 200% of the total budgeted variable compensation pool for all employees (maximum threshold).

From the pool of performance related bonuses, the Executive Committee members (and other employees eligible to bonus payments) receive individual performance-related bonuses based on the achievement of their respective individual performance goals. Measurable individual goals are agreed during the management-by-objectives process at the beginning of each fiscal year between the Chairman of the Board and the CEO as well as between the CEO and the members of the Executive Committee.

The individual performance-related bonus depends on the accomplishment of individual performance objectives and the financial success of the company.

For the CEO, the performance-related bonus may be a maximum of 82% and for the other members of the Executive Committee a maximum of 70% to 86% of the annual target salary. The target salary is defined by the total of both fixed basic compensation plus the performance-related variable short-term and long-term compensation.

The achievement of the individual targets is decisive for participation in the variable compensation pool and was therefore weighted at 100% when determining the performance-related bonus.

The variable compensation, consisting of a short-term and a long-term variable compensation component, is generally paid out in cash and equity instruments (shares and options). Since fiscal 2015/16, 50% of the total variable remuneration is paid out in cash to the CEO. The short-term variable compensation amounts to 60% of the variable compensation for the other members of the Executive Board. The residual portion of the variable compensation, which is 50% for the CEO and 40% for the other Executive team members, is paid out with restricted Datacolor registered shares, which are subject to the conditions described at the outset, and lastly, with the options issued on October 1, 2015 that are further described in note 21 to the consolidated financial statements (stock option plan). A three-year blocking period ensures that the company's long-term success is rewarded.

The pension and social insurance expenses include employer contributions to social security as well as the mandatory and non-mandatory occupational benefits. The expense regulations for the members of the Executive Committee are basically the same as those applicable for all other employees of the respective group company. Additional rules apply on lump sum compensation of representatives and petty expenses for the members of the Executive Committee residing in Switzerland that have been approved by the relevant cantonal tax authorities. A company car is made available to only one member of the Executive Committee as this is principally not provided in the respective employment agreements of the Executive team members.

No employment agreement has notice periods exceeding six months. The employment agreements with the Executive Committee members do not provide for any termination pay.

Executive Committee members do not hold any permanent executive nor consulting function in any important interest group and do not hold any official or political administrative positions. No management agreement exists.

3. Competences and determination procedures

The overall compensation system and the equity security participation plans are drawn up by Corporate Human Resources and submitted to examination by the CEO, the Human Resources and Compensation Committee for final approval by the Board of Directors. In fiscal year 2015/16, no external consultants were called in.

The Human Resources and Compensation Committee consists of two members of the Board of Directors: Dr. Peter Beglinger (Chairman) and Dr. Fritz Gantert (Member).

The Human Resources and Compensation Committee (i) proposes the terms of the employment and mandate contract and the annual fix and variable compensation for the Chairman of the Board for approval by the Board of Directors, (ii) proposes at the request of the Chairman, the conditions of the employment and mandate contracts and the target remuneration for the remaining members of the Board and the CEO for approval by the Board of Directors, and (iii) proposes upon the CEO's request amendments to contract terms, the target remuneration and the annual variable compensation for the other members of the Executive Committee for approval by the Board of Directors. For the determination of the performance-related variable compensation of the Executive Committee, the Human Resources and Compensation Commission does not draw on benchmarks.

The Board of Directors approves upon the request of the Human Resources and Compensation Committee, the conditions of employment and mandate contracts and the target remuneration for the Board of Directors (including the Chairman), the CEO and the other members of the Executive Committee and determines at the request of the Human Resources and Compensation Committee the annual variable remuneration for the Chairman of the Board. Furthermore, the Board of Directors determines the compensation system including the elements of fixed and variable compensation.

The Chairman proposes the conditions of employment and mandate contracts and the target remuneration for the members of the Board of Directors (excluding the Chairman) and the CEO for the review by the Human Resources and Compensation Committee and approval by the Board of Directors. The Chairman determines the annual variable remuneration for the members of the Board of Directors (excluding Chairman) and the CEO.

The CEO proposes the conditions of employment contracts, the target remuneration and the annual variable remuneration for the Executive Committee members for review by the Human Resources and Compensation Commission and approval by the Board of Directors.

The Directors hold at the meetings of the Board or the Human Resources and Compensation Committee, which are to decide on their individual remuneration, an attendance right, but no say.

4. Compensation for fiscal 2013/14 and 2012/13

4.1 Board of Directors

The total compensation of the members of the Board of Directors, which are all non-Executive, amounted in the reporting period to TCHF 652 (previous year: TCHF 497). In the year under review, the Board's variable compen-

sation amounted to 114% (previous year: 0%) of the fixed compensation. The details of the compensation in the reporting period and previous year respectively are disclosed in the tables below.

Compensation for fiscal 2015/16

in TCHF	Remuneration fix	Remuneration variable			Pension costs	Total
	cash based	cash based	share based	option based		
Werner Dubach, Chairman	195	0	112	46	0	353
Dr. Peter Beglinger, Deputy Chairman	40	0	45	19	0	104
Anne Keller Dubach, member	22	0	30	12	0	64
Prof. Dr. Hans Peter Wehrli, member	22	0	30	12	0	64
Dr. Fritz Gantert, member	25	0	30	12	0	67
Total	304	0	247	101	0	652

Compensation for fiscal 2014/15

in TCHF	Remuneration fix	Remuneration variable			Pension costs	Total
	cash based	cash based	share based	option based		
Werner Dubach, Chairman	295	0	0	0	0	295
Dr. Peter Beglinger, Deputy Chairman	70	0	0	0	0	70
Anne Keller Dubach, member	44	0	0	0	0	44
Prof. Dr. Hans Peter Wehrli, member	44	0	0	0	0	44
Dr. Fritz Gantert, member	44	0	0	0	0	44
Total	497	0	0	0	0	497

4.2 Executive Committee

In the reporting period the variable compensation of the Executive Committee members amounts 27% to 78%

of the fixed base salary (previous year between 10% and 19%).

Compensation for fiscal 2015/16

in TCHF	Remuneration fix	Remuneration variable			Pension costs	Total
	cash based	cash based	share based	option based		
To six members of the Executive Committee	1 297	398	190	54	97	2 036
Thereof highest compensation: Albert Busch	330	128	107	21	18	604

Compensation for fiscal 2014/15

in TCHF	Remuneration fix	Remuneration variable			Pension costs	Total
	cash based	cash based	share based	option based		
To six members of the Executive Committee	1 226	213	0	0	68	1 507
Thereof highest compensation: Albert Busch	316	81	0	0	17	414

5. Proposals to the Annual General Meeting 2016

According to article 21 of bylaws the shareholders will vote on the remuneration of the Board of Directors and Executive Committee separately at the General Meeting 2016 on December 6, 2016.

5.1 Approval of the remuneration of the Board of Directors

Approval of the total fixed remuneration of the members of the Board by the Annual General Meeting 2016 to the Annual General Meeting 2017: The Board of Directors proposes that the shareholders approve the maximum total amount of the fixed remuneration of Board members for the period from the Annual General Meeting 2016 to the Annual General Meeting 2017 of TCHF 700 (exclusive statutory employer contributions to AHV / IV / ALV).

Approval of the variable compensation of the members of the Board of Directors for the current fiscal year 2016/17: The Board proposes that the shareholders approve the maximum total amount of the variable remuneration of the Directors for the current financial year 2016/17 of TCHF 450 (exclusive statutory employer contributions to AHV / IV / ALV).

5.2 Approval of the remuneration of the Executive Committee

Approval of the total fixed remuneration of the members of the Executive Committee of the Annual General Meeting 2016 to the Annual General Meeting 2017: The Board of Directors proposes that the shareholders approve the maximum total amount of the fixed remuneration of the members of the Executive Committee for the period from the Annual General Meeting 2016 to the Annual General Meeting 2017 of TCHF 1 800 (exclusive statutory employer contributions such as AHV / IV / ALV).

Approval of the variable compensation of the members of the Executive Committee for the current fiscal year 2016/17: The Board proposes that the shareholders approve the maximum total amount of the variable remuneration of the members of the Executive Committee for the current fiscal year 2016/17 of TCHF 1 600 (exclusive statutory employer contributions such as AHV / IV / ALV), approve.

According to article 22 of the bylaws of Datacolor, for members of the Executive Committee, who are appointed after approval of the annual total compensation, an additional amount within the meaning of Art. 19 VegüV

per new member is available to the extent of a maximum of 30% of the most recently approved total for the fixed remuneration of the Executive Committee per financial year, provided that the total amount approved for the corresponding fiscal year is not enough.

6. Compensation of former members of the Board Directors and Executive Committee

No compensation was made in fiscal 2015/16 to former members of the Executive Committee (previous year: TCHF 149).

7. Loans and credits

Loans and credits amounting to TCHF 54 to the Executive Committee are outstanding as at September 30, 2016 (previous year: TCHF 0). The highest amount of TCHF 21 is attributable to Albert Busch (previous year: TCHF 0). No loans or credits have been granted or are outstanding to members of the Board of Directors or related parties of current or former members of the Board or Executive Committee.

Loans and credits to Board members or the Executive Committee have to be provided at-arms-length terms. The total maximum amount of outstanding loans and credits is limited to CHF 2 million.

8. Shareholdings and options

The total number of shares held by the Board of Directors and the Executive Committee amounted to 125 607 (previous year: 123 627). In the reporting period 1 899 stock options were granted to the Board of Directors and the Executive Committee for fiscal 2015/16 (previous year: 5 280 stock options were granted for fiscal 2013/14). The Board of Directors determines, in the limitations of the amounts approved by the shareholders meeting and with the involvement of the Human Resources and Compensation Committee, the number, granting, exercise and buy back conditions such as the minimum blocking period, employment status and buy back terms in case of the termination of the respective employment or a change of control.

No receivables from and payables to related parties were outstanding at the end of the reporting period and previous year with the exception of the independent pension fund.

	2016 Numbers of shares	2015 Numbers of shares	2016 Numbers of options	2015 Numbers of options
Board of Directors and Executive Committee				
Werner Dubach, Chairman	93 832	92 932	2 169	2 700
Dr. Peter Beglinger, Deputy Chairman	1 660	1 300	868	1 080
Anne Keller Dubach, member	28 340	28 100	578	720
Prof. Dr. Hans Peter Wehrli, member	850	610	578	720
Dr. Fritz Gantert, member	925	685	578	720
Executive Committee	0	0	7 088	9 600
Total	125 607	123 627	11 859	15 540



Report of the Statutory Auditor to the General Meeting of Datacolor AG, Lucerne

We have audited the accompanying remuneration report dated November 8, 2016 of Datacolor AG for the year ended September 30, 2016. 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 4 and 6 to 8 on pages 15 to 16.

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 September 30, 2016 of Datacolor AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Sandro Masciarucci
Licensed Audit Expert

Lucerne, November 8, 2016

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