

REMUNERATION REPORT

REMUNERATION REPORT

Introduction

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. The Ordinance allows a transition period until the end of 2015. The Board of Directors promptly submitted a comprehensive amendment of the Articles of Association to the Ordinary General Meeting of April 25, 2014. The present remuneration report was drawn up by the Board of Directors in compliance with the OaER and the amended Articles of Association.

As of the 2014 Ordinary General Meeting, and in accordance with the OaER and the amended Articles of Association, all members of the Board of Directors, including members of the Remuneration Committee, are now elected in individual ballots for a term of one year.

In accordance with the amendment of the Articles adopted at the 2014 Ordinary General Meeting, the below rules apply to votes on remuneration.

Once a year, the Ordinary General Meeting approves the maximum sum for the total remuneration to be paid to the Board of Directors for the business year following the Ordinary General Meeting, in a separate and binding ballot. In addition, a vote is taken on the maximum total amount of fixed remuneration to be paid to the Executive Board for the business year following the Ordinary General Meeting, and the amount of variable remuneration to be paid to the Executive Board for the business year preceding the Ordinary General Meeting.

At the 2015 Ordinary General Meeting, shareholders will vote individually on the following three remuneration payments for the first time:

- Maximum total remuneration of the Board of Directors for 2016
- Maximum fixed remuneration of the Executive Board for 2016
- Variable remuneration of the Executive Board for 2014

The total compensation was approved by an overwhelming majority in a consultative vote on the 2013 remuneration report at the Ordinary General Meeting of April 25, 2014 (agenda item 1.2). Participants in the 2015 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2014 remuneration report.

Content and methodology for determining the remuneration and shareholding program

The Human Resources and Nomination Committee (HRNC): task and function

The Human Resources and Nomination Committee (HRNC) advises the Board of Directors in exercising its responsibilities for the Group in matters relating to human resources and nominations both for the Board and the most senior level of management. More specifically, the HRNC formulates personnel policy proposals for appointments to the Board of Directors and to the posts of Chairman, CEO, and other Executive Board members for submission to the Board of Directors. Furthermore, it assesses and approves the proposals of the Executive Chairman of the Board and the CEO regarding Executive Board appointments and employment contracts. It also approves the acceptance of mandates by members of the Executive Board in companies that are not part of the Forbo Group.

The Human Resources and Nomination Committee meets as often as business requires, but at least twice a year. In the 2014 business year, the HRNC held two meetings, each lasting a couple of hours.

The Human Resources and Nomination Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 25, 2014 elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2014 business year.

The Remuneration Committee (RC): task and function

The Remuneration Committee supports the Board of Directors in defining the principles of remuneration policy and in determining the remuneration paid to members of the Board of Directors and the Executive Board within the total sum of remuneration as approved by the Ordinary General Meeting. It supports the Board of Directors in drawing up participation programs and in all other tasks related to remuneration. The Remuneration Committee formulates appropriate recommendations for submission to the Board of Directors. The Board of Directors may delegate further duties and powers to the Remuneration Committee. The Executive Chairman of the Board of Directors is regularly invited to its meetings in an advisory capacity, as is the CEO in certain circumstances. Agenda items and matters directly affecting the function or the person of the Executive Chairman of the Board of Directors or the CEO are deliberated in their absence.

The Remuneration Committee meets as often as business requires, but at least twice a year. In the 2014 business year, the Remuneration Committee held two meetings, each lasting a couple of hours.

The Remuneration Committee consists of at least two members of the Board of Directors. The Ordinary General Meeting of April 25, 2014 elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski und Michael Pieper to the Remuneration Committee for the 2014 business year. The members of the Remuneration Committee are independent (non-executive) members of the Board of Directors, i.e. they have never belonged to the management of Forbo and have no or only negligible business relations with the company, though they may be shareholders.

Decision-making process of the Remuneration Committee

The maximum amount of the total remuneration paid to the Board of Directors and the maximum fixed remuneration paid to the Executive Board are determined by the Remuneration Committee as a rule once a year in the spring for the following business year and are submitted to the Board of Directors for acceptance at its March meeting. The amount of the target bonus for the Executive Board is determined by the Remuneration Committee once a year in November for the following year.

	Proposal	Acceptance	Approval
Remuneration budget			
Maximum total remuneration of the Board of Directors	RC	BoD	Ordinary General Meeting for the following business year
Maximum fixed remuneration of the Executive Board	RC	BoD	Ordinary General Meeting for the following business year
Variable remuneration of the Executive Board	RC	BoD	Ordinary General Meeting for the preceding business year
Performance targets			
Performance targets – Executive Board	RC	BoD	
Performance targets – CEO	RC	BoD	

Important changes in 2014

In the 2014 business year there were no important changes in the remuneration system for the Board of Directors or the Executive Board. The contractual adjustments to the OaER were made partly in 2013 and partly in the year under review.

Principles of remuneration for the Board of Directors and the Executive Board

Forbo's remuneration strategy is geared to long-term and sustainable corporate development. The aim is to remunerate employees appropriately for their achievements, commitment, and performance and thereby gain their long-term loyalty to the company. The purpose of paying part of the remuneration in the form of shares is to link the interests of the managers to those of the shareholders.

The members of the Board of Directors receive a fixed remuneration, the amount of which is determined according to whether the member is Board Chairman, a simple Board member or also a member of one of the Board committees. The remuneration is paid out to members of the Board of Directors partly in the form of locked-up shares in Forbo Holding Ltd.

The members of the Executive Board receive a fixed and a variable remuneration. The fixed remuneration is paid mainly in cash but may also include shares of Forbo Holding Ltd. The variable remuneration consists of a performance-based remuneration (bonus), at least 50% of which must be taken in the form of locked-up shares of Forbo Holding Ltd (see the description of the Management Investment Plan (MIP) on pages 83 and 84 of this remuneration report). The bonus is tied to the achievement of individual (qualitative) targets by each Executive Board member and of financial (quantitative) targets by the company. Depending on the function and responsibilities of the Executive Board member in question, these financial targets may be tied to Group and/or divisional objectives. It may not exceed 200% of the fixed remuneration of the individual Executive Board member.

The relevant statutory provisions governing the principles of performance-based remuneration, the distribution of shares, and the additional sum for remuneration of new members of the Executive Board who are appointed after the Ordinary General Meeting are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd. These can be found at:

www.forbo.com → Investors → Ordinary General Meeting

Determining the remuneration of the Board of Directors

In order to determine the remuneration of the Board of Directors, the compensation paid to Board members of Forbo Holding Ltd is compared periodically with that paid to Board members of comparable industrial companies based on information that is available from publicly accessible sources, from respected market data providers, and from data published by Ethos (the Foundation for Socially Responsible Investment and Active Shareownership) or is known to Board members from their experience of office in similar companies. Industrial companies are regarded as comparable if they are similar to Forbo in terms of sector, structure, size (sales and number of employees), geographic presence, profitability, market capitalization, and complexity. As a general rule, no external consultants are co-opted for determining the remuneration.

The relevant statutory provisions governing the principles of performance-driven remuneration and the distribution of shares are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd.

These can be found at:

www.forbo.com → Investors → Ordinary General Meeting

Elements of remuneration for the Board of Directors

Non-executive members of the Board of Directors

The non-executive members of the Board of Directors receive a fixed remuneration, the amount of which is determined according to whether the member is Board Chairman, a simple Board member or also a member of the Audit and Finance Committee (AFC), the Remuneration Committee (RC) or the Human Resources and Nomination Committee (HRNC). Of the remuneration, 40% is paid to the Board of Directors in shares of Forbo Holding Ltd. These shares have a lock-up period of three years. The number of shares issued is determined by taking the average price in the ten stock market days after distribution of a dividend or repayment of par value. If no dividend is distributed or no par value repayment made, the average price during the first ten stock market days starting on June 1 of the relevant business year applies. The settlement or payment of the shares usually takes place in November.

For the purpose of reporting the remuneration, the shares issued are valued at fair value on the date of allocation. The total compensation for the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to the usual social insurance benefits.

The non-executive Board members do not participate in the Management Investment Plan (MIP).

Executive Chairman of the Board of Directors

The compensation for the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors is disclosed separately and included under total compensation to the Board of Directors.

With effect from May 2013, the employment contract with the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors was extended to encompass the period from May 1, 2013 to December 31, 2016. The remuneration will again be paid mainly in locked-up shares which have lock-up periods of three, four, and five years respectively, and in an annual cash payment of CHF 310,000, to be used in part for taxes and for employee contributions to the pension fund and social security. The underlying share price used to calculate the number of shares is the weighted average price of the first and last five days on which Forbo Holding Ltd shares were traded on the stock market in 2012 (CHF 522.12), less the reduced value as a result of locking up the shares. The share package corresponds to annual compensation of CHF 2,200,000 (5,314 shares).

With this share package and this cash remuneration, all compensations such as bonuses, inflation, salary adjustments, options, etc. are settled. This share package may not be either pledged or assigned. The last third of the locked-up shares will be available on May 1, 2018 at the earliest. This compensation model is thus geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders.

The total compensation of the Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors for the period from May 1, 2013 to December 31, 2016 was described in detail in the 2012 Annual Report and was approved by a majority of 98% in a consultative vote at the Ordinary General Meeting of April 26, 2013.

The Ordinance against Excessive Remuneration in Listed Public Companies (OaER) entered into force on January 1, 2014. According to Article 28 of the OaER, employment contracts must be compliant with the OaER by December 31, 2015 at the latest. Consequently, all payments that had been agreed and were paid out for 2016 have to be reversed by December 31, 2015 at the latest. The value of this fixed remuneration for This E. Schneider comes to CHF 2,200,000 for 2016. In order to comply with and implement the provisions of the OaER, Forbo and This E. Schneider have agreed that he will repay Forbo in cash the amount of his fixed compensation for the period from January 1, 2016 to December 31, 2016, plus interest of 0.5% from May 1, 2013 to December 31, 2013. The repayment was completed before year-end 2013 and will be paid out to him again in monthly installments in 2016 after approval by the 2015 Ordinary General Meeting. The compensation package and the relevant agreements were adjusted accordingly. No severance payment or compensation in the event of a takeover was agreed; the period of notice is 12 months.

The total compensation for the Delegate and Executive Chairman of the Board of Directors came to CHF 2,939,400 for the year under review. Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurance benefits, private use of the company car, contributions for accident and health insurance, and location expenses. The Delegate of the Board of Directors and as of April 25, 2014 the Executive Chairman of the Board of Directors is not a party to the Management Investment Plan (MIP) or the share-based compensation program of the Board of Directors.

Remuneration paid

For the remuneration paid to the Board of Directors in the year under review and the details concerning valuation of the shares, the reader is referred to pages 86 until 89 of this remuneration report.

Determining the remuneration of the Executive Board

Basic principles

In order to determine the remuneration of the Executive Board, criteria such as function, responsibility and experience are taken into account and the remuneration paid to Forbo Executive Board members is compared with that paid to Executive Board members in comparable industrial companies. This is based on information that is available from publicly accessible sources, from respected market data providers, and from data published by Ethos (the Foundation for Socially Responsible Investment and Active Shareownership) or is known to the members of the Remuneration Committee from their experience of office in similar companies. Industrial companies are regarded as comparable if they are similar to Forbo in terms of sector, structure, size (sales and number of employees), geographic presence, profitability, market capitalization, and complexity. As a general rule, no external consultants are co-opted for determining the remuneration.

Alignment of performance-based remuneration to the corporate strategy

The remuneration strategy of Forbo is geared to its current corporate strategy and linked to the relevant key ratios. This is reflected in the choice of performance criteria that are tied to Group and/or divisional objectives depending on the function of the individual Executive Board member; these include net sales, free cash flow and EBIT. The criteria for determining the remuneration paid to Executive Board members are thus transparent.

The Board of Directors is closely involved in the company's planning cycle. As a rule, the current corporate strategy is subjected to an in-depth review by the Board in the first half of the year. Once it has been confirmed or revised, the strategy is quantified in the three-year medium-term plan, which is approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives are the basis for the detailed budget, which is examined and adopted by the Board of Directors in the fourth quarter.

The Board of Directors assesses the current business year by means of an initial estimate at the end of May and a second estimate in mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. The actual amount of the performance-driven remuneration paid out to the Executive Board is determined on the basis of the achievement of these individual targets. The Board of Directors defines the relation between budget target achievement and payment ratio.

The performance-driven portion of the remuneration for the previous year is paid out on completion of the business year and after approval by the shareholders. Impacts/performance criteria affecting the amount of the payment are tied directly to Group profitability. The chart below provides a detailed breakdown on the timing and connection between the corporate targets and the remuneration.

Planning cycle

	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter
Ordinary General Meeting				
Corporate strategy				
Review/amendment of strategy				
Establishing mid-term plan				
Establishing budget				
Working out remuneration				
Defining maximum total remuneration of Board of Directors				
Defining maximum total remuneration of Executive Board				
Ordinary General Meeting approval of total remuneration of Board of Directors and of fixed remuneration of Executive Board for following business year				
Setting targets for Executive Board				
Assessing target achievement and proposal for variable remuneration of Executive Board				
Approval of variable remuneration of Executive Board for previous business year				

 Decision period

Elements of remuneration of the Executive Board

Remuneration of the members of the Executive Board consists of a fixed base salary and a performance-driven bonus.

Fixed remuneration

The fixed base remuneration paid to the Executive Board in the reporting year consists of the gross base salary, private company car use, and social security payments made by the company. The Remuneration Committee may also decide that part of the remuneration will be paid in the form of shares in Forbo Holding Ltd (lock-up period of five years).

Performance-based remuneration

The variable (performance-based) remuneration component is tied to qualitative (individual) and quantitative (financial) targets, which are defined in accordance with the operational responsibility of the Executive Board member in question. The Board of Directors defines and weights the individual and financial targets.

The qualitative targets are geared to the company's long-term sustainable development and may account for between 10% and 20% of the total variable remuneration. The remaining portion of the variable remuneration component depends on achievement of the financial (quantitative) targets. The main targets for members of the Executive Board are: net sales of the Group and/or a division (25% to 30% of the variable remuneration), EBIT of the Group and/or a division (50% to 55% of the variable remuneration), net working capital of the Group and/or a division (5% to 10% of the variable remuneration), and free cash flow of the Group (0% to 10% of the variable remuneration).

The defined objectives of the entire variable remuneration are equivalent to 100% target achievement. The maximum target achievement is 150%. If a given threshold for a particular target is not reached, no bonus for that target is paid. Depending on the function, the variable remuneration may be as much as 140% of the fixed remuneration if targets are fully met. If the targets are exceeded, the variable remuneration may be as much as 200% of the fixed remuneration.

The amount of the performance-driven bonus, which is based on achievement of the individual and Group targets, is set in March on completion of the business year and is submitted to shareholders for approval at the Ordinary General Meeting.

Conversion of remuneration into shares in the Management Investment Plan (MIP)

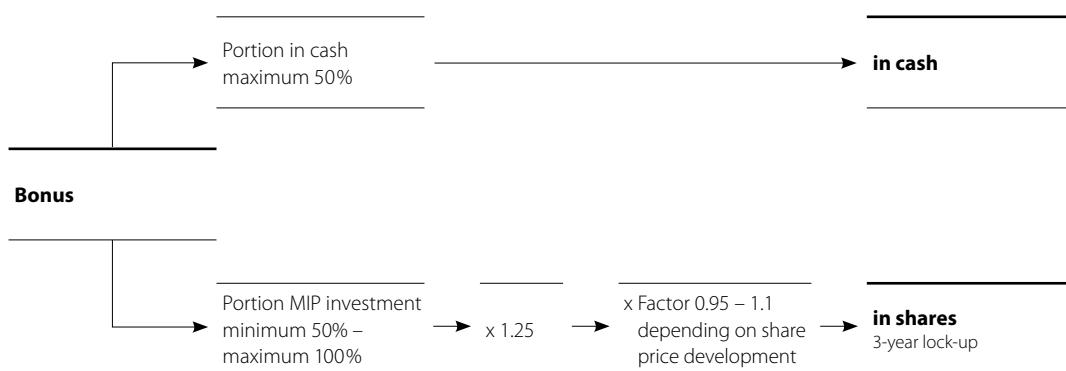
The bonus payment is linked to the Management Investment Plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual bonus of Executive Board members must be paid into the MIP.

As for the remaining 50% of the annual bonus, the Executive Board members may either draw all or part of it in cash or pay it into the MIP. The Executive Board members may redefine the allocation of this remaining 50% every year.

Following the amendment of the MIP, all the sums paid into it will be invested solely in shares of Forbo Holding Ltd as of January 1, 2013. As a first step, the amount invested in the MIP will be increased by 25%, partly in order to take account of the three-year lock-up period. In addition, this amount will be multiplied by a factor that tracks the share price movement. This factor is calculated as follows:

$((\text{SPA} - \text{SPP})/\text{SPP}) + 1$, where 'SPA' stands for the share price applicable for the allocation of shares in the year of allocation and 'SPP' for the applicable share price in the previous year. The upper limit for this factor is 1.1 and the lower limit is 0.95.

The relevant share price for the allocation of shares is calculated from the unweighted average of the closing prices of the Forbo share in the first fourteen trading days in January of the allocation year. The shares are locked up for a period of three years. They cannot be sold or pledged during this time.



Actual bonus payments

Readers are referred to pages 86 until 89 of this remuneration report for the amount of the actual variable remuneration paid to the Executive Board in the year under review and for the details on valuation and allocation of shares.

Employment contracts of the Executive Board members

According to Article 28 of the OaER, employment contracts must be compliant with the OaER by December 31, 2015 at the latest.

Consequently, the employment contracts of the Executive Board members have been adjusted in order to meet the ordinance guidelines that come into effect in 2015. The employment contracts of the Executive Board members provide for contracts of indefinite duration with a maximum period of notice of twelve months.

The Board of Directors can order that lock-up periods stipulated in the employment contracts of Executive Board members in connection with the MIP may be revoked wholly or in part upon the occurrence of defined events (e.g. change of control, termination of employment, retirement or death).

Should changes in control of the company occur, no additional remuneration or benefits will be paid out.

No severance payments have been agreed with Executive Board members.

Remuneration elements allocated for previous years and still outstanding

Under the previous MIP, 25% of the payments was invested in options and 75% in shares of Forbo Holding Ltd. The shares and options were locked up for a period of three years, and the lifetime of the options was five years. The options issued in connection with the MIP come to maturity no later than April 21, 2017. Owing to the revision of the MIP, the sums paid into the MIP are no longer invested in options and shares as of January 1, 2013, but solely in shares of Forbo Holding Ltd. These shares are subject to a lock-up period of three years.

Of special note with regard to the options issued before the revision of the MIP is the treatment of these options in the event of termination of the employment contract, disability or retirement. If notice is given by either party terminating the employment contract during the lock-up period, the MIP participants may either sell back the options (the reselling price then corresponds to the difference between the strike price of the option and the average price of the shares during the last five trading days before the employment contract was terminated) or they may keep the options and sell or exercise them after the lock-up period during their remaining lifetime. In the event of death, disability or retirement (including early retirement), the options – regardless of whether or not they are still subject to a lock-up period – may be sold during the entire remaining period to maturity from the moment the disability or retirement begins or from the date of death.

Details on MIP allocation

The shares and options issued in connection with the MIP are equity-settled. The options were issued on the basis of a valuation by an independent bank, with the valuation being based on the average market price of the shares in the first 14 trading days in January of the year the allocation was made. The last allocation of options was made in 2012. The shares that were distributed in connection with the MIP up to and including 2012 were issued at the average market price for the first 14 trading days in January of the corresponding year.

Disclosure of remuneration for the Board of Directors and the Executive Board

Remuneration of the Board of Directors

The total remuneration paid to the non-executive members of the Board of Directors came to CHF 880,480 in the year under review (previous year: CHF 1,015,001). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 519,099 (previous year: CHF 557,154) and the base remuneration in shares (40% of the remuneration) of CHF 264,234 (previous year: CHF 372,846). This corresponds to 290 shares (previous year: 627 shares) at a market value of CHF 911.15 (previous year: CHF 594.65). This total remuneration includes a lump sum for expenses plus employer contributions to the usual social insurances, which are reported separately in the column 'Other compensation'.

The compensation paid to the Executive Chairman of the Board of Directors is explained in detail on pages 79 and 80 of this remuneration report.

Remuneration of the Executive Board

The total compensation paid to the members of the Executive Board came to CHF 3,879,680 in the year under review (previous year: CHF 2,951,241), subject to approval of the variable portion by the 2015 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,714,347 (previous year: CHF 1,296,160) and variable remuneration of CHF 1,664,955 (previous year: CHF 1,293,034) plus the private use of the company car, employer contributions to the pension fund and other usual social insurances, which are reported separately in the column 'Other compensation'.

The fixed portion of the base salary paid in shares (lock-up period of five years) came to CHF 403,207. The portion of the variable remuneration paid in shares in connection with the MIP (lock-up period of three years) came to CHF 1,592,868, subject to approval by the 2015 Ordinary General Meeting.

Disclosure of remuneration of the Board of Directors and the Executive Board

Remuneration

for the business year 2014¹⁾

Name and function	Base salary		Variable remuneration ²⁾		Other remuneration ³⁾		Total
	Cash CHF	Shares Number CHF	Cash CHF	Shares Number CHF	Cash CHF	Shares Number CHF	
This E. Schneider, Executive Chairman ⁴⁾	297,983	5,314 2,200,020				441,397	2,939,400
Dr. Albert Gnägi, Chairman ⁵⁾	128,333	0 0				39,681	168,014
Michael Pieper, Vice Chairman	80,331	60 54,669				11,443	146,443
Dr. Peter Altorfer, Vice Chairman ⁶⁾	104,841	77 70,159				16,712	191,712
Claudia Coninx-Kaczynski, member ⁷⁾	47,199	36 32,801				8,572	88,572
Dr. Reto Müller, member	71,709	53 48,291				12,870	132,870
Vincent Studer, member	86,686	64 58,314				7,869	152,869
Total Board of Directors⁸⁾	817,082	5,604 2,464,254				538,544	3,819,880
Total Executive Board⁹⁾¹⁰⁾¹¹⁾	1,311,140	455 403,207	72,087	1,649 1,592,868	500,378	3,879,680	
Of whom highest-paid Executive Board member	400,000	227 201,120	0	778 751,517	206,447		1,559,084

- 1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements.
- 2) The variable remuneration of the Executive Board corresponds to the actual degree to which targets were reached in 2014 and will be submitted to the April 2015 Ordinary General Meeting for approval. The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo shares in the first 14 trading days in January of the allocation year in connection with the MIP. The shares are allocated at the end of April/beginning of May (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year: CHF 965.96. The shares are locked up for a period of three years.
- 3) 'Other remuneration' includes in particular employer contributions to the usual social insurances, the private company car use and lump sum or local expenses.
- 4) This E. Schneider was Delegate of the Board of Directors until the 2014 Ordinary General Meeting. From this point on, he has had the function of Executive Chairman of the Board of Directors. For details on the structure of his remuneration, please refer to pages 79 and 80 of this remuneration report. These remarks also contain the criterion for determining the number of shares issued and their lock-up periods.
- 5) Dr. Albert Gnägi retired from the Board of Directors at the 2014 Ordinary General Meeting on reaching the retirement age. His remuneration was paid in cash pro rata temporis.
- 6) Vice Chairman since the 2014 Ordinary General Meeting (previously member).
- 7) New member of the Board of Directors since the 2014 Ordinary General Meeting.
- 8) The criterion for determining the number of shares issued for the non-executive members of the Board of Directors is the average share price in the ten trading days after payment of the dividend or repayment of the par value: CHF 911.15. The shares are locked up for a period of three years.
- 9) Remuneration of the entire Executive Board including the highest-paid Executive Board member.
- 10) The criterion for determining the number of shares issued for the base salary is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares are allocated at the end of April/beginning of May for the period from May of the previous year to April of the year of allocation. The shares are locked up for a period of five years. The corresponding value of the shares allocated was proportionate CHF 759.68 for 2014 and CHF 965.65 for 2015.
- 11) The criterion for determining the number of shares issued for the variable remuneration is the unweighted average of the closing price of the Forbo share in the first 14 trading days in January of the allocation year. The shares for the bonus for fiscal 2014 will be allocated in late April/early May 2015, subject to approval by the 2015 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 965.65.

Remunerationfor the business year 2013¹⁾

Name and function	Cash	Shares	Base salary	Variable remuneration	Other remuneration ²⁾	Total
	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	230,986	259	154,014		27,363	412,363
Michael Pieper, Vice Chairman	80,887	91	54,113		11,449	146,449
Dr. Peter Altorfer, member	86,724	98	58,276		14,661	159,661
Dr. Reto Müller, member	71,833	81	48,167		23,662	143,662
Vincent Studer, member	86,724	98	58,276		7,866	152,866
Non-executive members of the Board of Directors	557,154	627	372,846		85,001	1,015,001
This E. Schneider, Delegate of the Board and CEO ³⁾	256,667	7,796	2,138,632		398,005	2,793,304
Total Board of Directors	813,821	8,423	2,511,478		483,006	3,808,305
Total Executive Board	1,029,493	0	266,667	1,293,034	362,047	2,951,241

1) The remuneration of the Board of Directors and the Executive Board is reported gross before deduction of employee social insurance contributions. The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements.

The table therefore discloses the maximum remuneration that was granted in the year under review, including compensation for which the payment date or definitive legal title occurred after December 31, 2013.

- 2) 'Other remuneration' includes in particular employer contributions to the usual social insurances, the private company car use, and lump sum or local expenses.
- 3) The compensation paid to the Delegate of the Board of Directors and CEO is disclosed separately and included under total compensation to the Board of Directors. It is not possible to clearly allocate the total compensation paid for the two functions.

Options

In the year under review and the previous year, no options were issued in connection with the MIP. However, there are still options outstanding within the Management Investment Plan (MIP), which was launched in 2006 and revised in 2012.

As at the balance sheet date December 31, 2014, the Executive Board held the following options:

Allocation	Number	Term	Locked-up until	Subscription ratio	Strike price (CHF)
2012	3,051	20.04.2012 – 21.04.2017	20.04.2015	1:1	616.33

Advances and loans

As at December 31, 2014, no advances or loans to members of the Board of Directors or the Executive Board were outstanding.

The relevant statutory provisions concerning advances, loans and employee benefits for members of the Board of Directors and the Executive Board are set out in Chapter IV, pages 9 and 10 of the Articles of Association of Forbo Holding Ltd can be downloaded at:

www.forbo.com → Investors → Ordinary General Meeting

Disclosure of shareholdings pursuant to Article 663c CO

2014 business year

As at December 31, 2014, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2014	Shares	Options ¹⁾
Name and function		2012 series
This E. Schneider, Executive Chairman ³⁾	64,981	1:1 ²⁾
Michael Pieper, Vice Chairman	616,779	
Dr. Peter Altorfer, Vice Chairman ⁴⁾	1,032	
Claudia Coninx-Kaczynski ⁵⁾ , member	36	
Dr. Reto Müller, member	456	
Vincent Studer, member	695	
Total Board of Directors	683,979	
Stephan Bauer, Chief Executive Officer	538	
Matthias P. Huenerwadel, Executive Vice President Flooring Systems	1,500	3,051
Andreas Spreiter, Chief Financial Officer	570	
Jean-Michel Wins, Executive Vice President Movement Systems	92	
Total Executive Board	2,700	3,051

1) Following the amendment of the MIP, all the sums paid into it are invested in shares of Forbo Holding Ltd starting as of January 1, 2013. As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

2) Subscription ratio.

3) The share portion for the Executive Chairman of the Board of Directors amounts to 19,483 shares from the employment contract for the period from May 1, 2013 to December 31, 2016. The shares are subject to lock-up periods of three, four, and five years. The last third of the shares will be available on May 1, 2018 at the earliest.

4) Vice Chairman since the 2014 Ordinary General Meeting (previously member).

5) New member of the Board of Directors since the 2014 Ordinary General Meeting.

As at December 31, 2013, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Shareholdings 2013		Shares	Options³⁾		
Name and function			2012 series 1:1 ¹⁾	2011 series 1:1 ¹⁾	2010 series 1:1 ¹⁾
Dr. Albert Gnägi, Chairman		5,162			
Michael Pieper, Vice Chairman		681,719			
Dr. Peter Altorfer, member		955			
Vincent Studer, member		631			
Dr. Reto Müller, member		403			
Non-executive members of the Board of Directors		688,870			
This E. Schneider, Delegate of the Board of Directors and CEO ²		86,368			
Total Board of Directors		775,238			
Matthias P. Huenerwadel, Executive Vice President Flooring Systems		2,310	3,051	2,033	565
Andreas Spreiter, Chief Financial Officer		56			
Jean-Michel Wins, Executive Vice President Movement Systems		0			
Total Executive Board		2,366	3,051	2,033	565

1) Subscription ratio.

2) The compensation to the Delegate of the Board of Directors and CEO is disclosed separately and shown in the line Board of Directors.

3) Following the amendment of the MIP, all the sums paid into it will be fully invested in shares of Forbo Holding Ltd starting on January 1, 2013.
As of the 2013 business year, no further options were issued in connection with the MIP. However, there are still options outstanding within the MIP, which was launched in 2006 and revised in 2012.

Report of the statutory auditor

Report of the statutory auditor to the General Meeting Forbo Holding Ltd, Baar

Report of the statutory auditor on the remuneration report

We have audited pages 87 to 90 of the accompanying remuneration report of Forbo Holding Ltd for the year ended December 31, 2014.

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 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 of Forbo Holding Ltd for the year ended December 31, 2014 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Ketterer
Revisionsexperte
Audit expert

Reto Tognina
Audit expert

Zurich, March 11, 2015