

# CORPORATE GOVERNANCE REPORT

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At Forbo, the concept of corporate governance encompasses the entire set of principles and rules on organization, conduct and transparency that are designed to protect the company's long-term interests. Forbo's aim is to strike a careful balance between management and control. The central rules are contained in the Articles of Association, the Organizational Regulations, and the regulations of the committees of the Board of Directors. The following information is set out in line with the Directive on Information relating to Corporate Governance (Directive on Corporate Governance 'DCG') and the relevant publications of SIX Swiss Exchange.

## Group structure and shareholders

### Group structure

Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all subsidiaries, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 49. The scope of consolidation of Forbo Holding Ltd does not include any listed companies. The unlisted companies within the scope of consolidation of Forbo Holding Ltd are listed under 'Group companies' starting on page 140 of the financial report. The company name and domicile, share capital and percentage of participation, along with information relating to the allocation of the Group company to the Group's businesses, can also be found in that section of this Annual Report.

### Significant shareholders

As of December 31, 2015, 1,957 shareholders were listed in the share register of Forbo Holding Ltd, or 229 (13%) more than in the previous year. As of December 31, 2015, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2015 as a percentage
Michael Pieper <sup>1)</sup>	27.34
Forbo Holding Ltd <sup>2)</sup>	14.15
UBS Fund Management (Switzerland) AG	3 – 5

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.

2) – First trading line 4.60%, share buyback programs 9.55%.

– Forbo Holding Ltd holds its interest directly and indirectly through Forbo International SA and Forbo Finanz AG.

Disclosure of significant shareholders and significant shareholder groups and their holdings is effected in accordance with the disclosures made in the year under review pursuant to Article 20 of the Federal Act on Stock Exchanges and Securities Trading (SESTA) and the provisions of the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (SESTO-FINMA).

On March 25, 2015, This E. Schneider reported that his shareholding had fallen below 3%. On April 16, 2015, JPMorgan Chase & Co. reported that it had exceeded the 3% threshold and that it held 61,900 shares and 5,437 equity swaps indirectly, corresponding to 3.132% of the voting rights. On April 21, 2015, JPMorgan Chase & Co. reported that its shareholding had fallen below 3% and that it held 59,016 shares and 5,437 equity swaps, equivalent to 2.998% of voting rights. On July 11, 2015, BlackRock Inc. reported that it had exceeded the 3% threshold and that it held 60,853 shares and 3,808 contracts for difference (CFD), corresponding to 3.01% of the voting rights. BlackRock Inc. further reported that it also held 2,184 sales positions in connection with CFD, corresponding to 0.1% of the voting rights. Forbo Holding Ltd reported on July 16, 2015, that, as a result of the completion of the

capital reduction approved by the Ordinary General Meeting of Forbo Holding Ltd on April 24, 2015, it had fallen below the 5% threshold and that it held 93,168 of its own shares, equivalent to 4.682% of the voting rights, directly and indirectly through Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. Forbo Holding Ltd further reported that it had granted 1,842 stock purchase rights on 1,842 registered shares of Forbo Holding Ltd, corresponding to 0.093% of the voting rights. In addition, as a result of the capital reduction, BlackRock Inc. reported on July 18, 2015, that it had exceeded the 3% threshold with registered shares alone, since it held 61,080 registered shares and 5,072 CFD, corresponding to 3.32% of the voting rights. BlackRock Inc. further reported that it held 2,235 sales positions in connection with CFD, corresponding to 0.11% of the voting rights. On September 16, 2015, Credit Suisse Funds AG reported that it had exceeded 3% and held 60,148 shares, corresponding to 3.02% of the voting rights. Forbo Holding Ltd further reported on September 16, 2015, that it had exceeded the 5% threshold and that it held 100,922 of its own shares, corresponding to 5.071% of the voting rights, directly and indirectly via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. In addition, Forbo Holding Ltd reported that it had granted 1,552 stock purchase rights on 1,552 registered shares of Forbo Holding Ltd, corresponding to 0.078% of the voting rights. On October 2, 2015, Credit Suisse Funds AG reported that it had fallen below the 3% threshold. Forbo Holding Ltd reported on October 22, 2015 that it had exceeded the 10% threshold and that it held 208,982 of its own shares, corresponding to 10.502% of the voting rights, directly and indirectly via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. Forbo Holding Ltd further reported that it had granted 1,552 stock purchase rights on 1,552 registered shares of Forbo Holding Ltd, corresponding to 0.078% of the voting rights. Norges Bank reported on December 10, 2015, that it had fallen below 3% and held 59,414 shares, corresponding to 2.99% of the voting rights. BlackRock Inc. reported on December 16, 2015, that it had fallen below 3% and held 58,939 shares, corresponding to 2.96% of the voting rights. Norges Bank reported on December 23, 2015, that it had exceeded 3% and that it held 59,774 shares, equivalent to 3.004% of voting rights and that it held 1,859 shares of this portion (or 0.09% of its holding) as security. Norges Bank reported on December 24, 2015, that it had fallen below 3% again and held 57,915 shares, corresponding to 2.91% of the voting rights.

No other disclosures were made in 2015.

For further information on significant shareholders or shareholder groups, we refer the reader to the table on page 58 and to page 155 of the financial report (duty of disclosure pursuant to Article 663c, Swiss Code of Obligations).

### **Cross-shareholdings**

Forbo Holding Ltd has not entered into any cross-shareholdings with mutual capital shareholdings or voting rights.

## Capital structure

### **Share capital**

As of December 31, 2015, Forbo Holding Ltd had a fully paid up share capital of CHF 199,000, which was divided into 1,990,000 listed registered shares, each with a par value of CHF 0.10. Of this amount:

- 59.95% were registered in the name of 1,927 shareholders with voting rights
- 31.14% were shares of banks or of SIX SIS AG pending registration of transfer
- 8.91% were registered in the share register without voting rights

The shares of Forbo Holding Ltd (security number 000354151/ISIN CH0003541510) are listed on SIX Swiss Exchange. No different categories of shares exist. Each share entitles the owner to one vote. Further information on Forbo shares can be found on pages 54 and 55. Further information on the rights of participation associated with shares can be found on pages 69 and 70 of this Annual Report.

The share buyback program launched by the Board of Directors on April 29, 2014, based on the authorization given by the Ordinary General Meeting of Forbo Holding Ltd of April 25, 2014, was completed on April 23, 2015. By this date, Forbo Holding Ltd had repurchased a further 1,533 shares via the second trading line in the year under review. The Ordinary General Meeting of April 24, 2015, approved the cancellation of the total of 160,000 shares acquired through the share buyback program. At the Ordinary General Meeting of Forbo Holding Ltd of April 24, 2015, the Board of Directors was again authorized to buy back own shares up to a maximum of 10% of the share capital over a period of three years either on a second trading line at the SIX Swiss Exchange or otherwise, with the purpose of extinguishing them at a later stage. The Board of Directors reserved the right to interrupt or terminate the share buyback program if this should become necessary in order to finance external growth. The Board of Directors once more opted for a two-stage procedure in which the shareholders took the basic decision at the Ordinary General Meeting of Forbo Holding Ltd on April 24, 2015, and will be asked to approve the cancellation of the repurchased shares at one of the forthcoming General Meetings. By December 31, 2015, Forbo Holding Ltd had repurchased 108,683 shares via the second trading line. In addition to the repurchase via the second trading line, an additional 81,317 shares were tendered to Forbo Holding Ltd in a fixed-price repurchase program. In total, therefore, Forbo Holding Ltd repurchased 190,000 shares, corresponding to 9.55% of the share capital.

#### **Conditional and authorized capital**

Pursuant to Clause 4 of the Articles of Association, Forbo Holding Ltd has a maximum conditional capital of CHF 16,645, corresponding to 166,450 registered shares to be paid up in full with a par value of CHF 0.10 each. The capital increase takes place in accordance with the Articles of Association through the exercise of option and convertible rights granted in connection with the bonds issued by the company or one of its subsidiaries, or through the exercise of option rights granted to shareholders. Except for shareholder options, shareholders have no right of subscription. Holders of option or convertible rights are entitled to subscribe to new share issues. The registration of new shares is subject to the general restriction set out in Clause 6 of the Articles of Association, which stipulates that shareholders are entered in the share register with voting rights only if they declare expressly that they have acquired the shares in their own name and for their own account.

There is no authorized capital.

#### **Changes in capital**

The Ordinary General Meeting of Forbo Holding Ltd on April 24, 2015, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 16,000, from CHF 215,000 to CHF 199,000, by canceling 160,000 shares with a par value of CHF 0.10 each. The Articles of Association were amended accordingly.

The Ordinary General Meeting of Forbo Holding Ltd on April 25, 2014, decided, based on the audit report of a licensed audit expert, to reduce the ordinary share capital of the company by CHF 10,000 from CHF 225,000 to CHF 215,000 by canceling 100,000 shares with a par value of CHF 0.10 each. The Articles of Association were amended accordingly.

In 2013, except for the implementation of the decision of the Extraordinary General Meeting of November 5, 2012, at which, based on the audit report of a licensed audit expert, the ordinary share capital of the company was reduced by CHF 25,000, from CHF 250,000 to CHF 225,000, by canceling 250,000 shares with a par value of CHF 0.10 each, there was no change to the capital of Forbo Holding Ltd.

#### **Participation certificates and non-voting equity securities ('Genussscheine')**

Forbo Holding Ltd has issued neither participation certificates nor non-voting equity securities.

### **Limitations on transferability and nominee registrations**

Forbo Holding Ltd does not have any percentage limitations on voting rights. The Board of Directors may only refuse to register stock in the share register if the purchaser of the stock does not expressly declare at the company's request that he/she has acquired the shares in his/her own name and for his/her own account.

Pursuant to Clause 6 of the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. Over and above this limit, nominees are only entered provided the name, address, and shareholding of those persons are disclosed for whose account the nominee holds a total of 0.3% or more of the registered share capital entered in the Commercial Register.

No statutory privileges exist and there is no restriction on the transferability of the shares of Forbo Holding Ltd.

### **Convertible bonds and warrants/options**

Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants/options. Details on the Management Investment Plan (MIP) for the Executive Board as amended in 2012, under which options allocated before the amendment are still outstanding, can be found on page 89, as well as on pages 123 and 124 of this Annual Report.

## Board of Directors

### **Members of the Board of Directors**

The cut-off date for the following information is December 31, 2015.

With the exception of This E. Schneider, Executive Chairman of the Board of Directors, none of the members of the Board of Directors listed below holds or has held any operational management positions for Forbo Holding Ltd or its Group companies. With the exception of This E. Schneider, none of the members of the Board of Directors sat on the Executive Board of Forbo Holding Ltd or the management of its Group companies in the three business years preceding the period under review. There are no essential business relationships between the members of the Board of Directors and Forbo Holding Ltd or its Group companies.

#### **This E. Schneider, Executive Chairman**

This E. Schneider, born in 1952, is a Swiss citizen. He studied economics at the University of St. Gallen (lic. oec. HSG) and at the Graduate School of Business, Stanford University, California, USA. After various management functions in Europe and the USA, he joined the Executive Board of Schmidt Agency, where he was responsible for strategic planning, operations and logistics from 1984 to 1990. From 1991 to 1993 he was Chairman and CEO of the publicly listed company SAFAA, Paris. In 1994, he became a member of the Executive Board of Valora, with responsibility for the canteen and catering division. From 1997 to 2002, he was Delegate and Vice President of the Board of Directors of Selecta Group. From March 2004 to December 2013, This E. Schneider was Delegate of the Board of Directors and CEO, and from January to April 2014 Delegate of the Board of Directors of the Forbo Group. He has been the Executive Chairman of the Board of Directors since the Ordinary General Meeting of 2014. This E. Schneider is also a member of the Board of Directors of Galenica SA, Rieter Holding AG and Autoneum Holding AG.

**Michael Pieper, Vice Chairman**

Michael Pieper, born in 1946, is a Swiss citizen. He studied economics (lic. oec. HSG) at the University of St. Gallen. He has been with the Artemis Group (formerly the Franke Group) since 1988 and has been its owner and CEO since 1989. Amongst others, he is a member of the Board of Directors of Hero AG, advalTech Holding AG, AFG Arbonia-Forster-Holding AG, Berenberg Bank (Schweiz) AG, Rieter Holding AG and Autoneum Holding AG. He was first elected to the Board of Directors of Forbo Holding Ltd in 2000.

**Dr. Peter Altorfer, Vice Chairman**

Peter Altorfer, born in 1953, is a Swiss citizen. He studied law at the University of Zurich and holds a doctorate in law (Dr. iur.). He attended the PED program at the IMD, Lausanne. Until 1988, he worked at Bank Leu AG. He subsequently joined the law firm Wenger&Vieli in Zurich, where he is now a partner, specializing in bank and company law. Peter Altorfer sits on the Board of Directors of several companies, including Huber + Suhner AG in Herisau, agta record ag in Fehraltorf, Abegg Holding AG in Zurich, Altin AG in Baar, the Werner Abegg Fund in Zurich and various private and foreign banks, as well as unlisted investment and real estate companies in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

**Claudia Coninx-Kaczynski**

Claudia Coninx-Kaczynski, born in 1973, is a Swiss citizen. She took a degree in law at the University of Zurich (lic. iur.) and earned her Master of Law (LL. M.) at the London School of Economics and Political Sciences. From 2006 to 2011 she managed the business of Faerbi Immobilien AG (subsequently Rietpark Immobilien AG) in Zurich as a member of the Board of Directors. Afterwards until 2014, she implemented various projects for P. A. Media AG and Swisscontent AG in Zurich (M&A amongst others). She is currently a member of the Board of Directors of Tamedia AG and Swisscontent AG and holds directorships in other foundations and committees. She has been a member of the Board of Directors of Forbo Holding Ltd since April 2014.

**Dr. Reto Müller**

Reto Müller, born in 1951, is a Swiss citizen. He took a first degree in economics and completed his doctorate (Dr. oec. HSG) at the University of St. Gallen. He also completed the Stanford Executive Program and additional training at IMD, INSEAD and the Harvard Business School. He is a founding partner of Helbling group of companies, for which he has worked since 1984. From 2000 to 2011 he was the CEO and Chairman of the Board and in July 2011 he was appointed full-time Chairman of the Board of Helbling Holding AG. Between 2002 and 2010 Reto Müller was either a member or Chairman of the Zurich Regional Economic Advisory Board (Zurich) of the Swiss National Bank. He has been a member of the Council of SWISSMEM since 2008. He also holds other directorships. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2011.

**Vincent Studer**

Vincent Studer, born in 1962, is a Swiss citizen. He completed the University of Applied Sciences, Berne, and trained as a Swiss certified public accountant. In addition, he has attended various national and international training courses. From 1991 to 2008, Vincent Studer worked at Ernst&Young AG as an external auditor and was head auditor responsible for auditing the statements of national and international companies in various industries. In 2001 he was appointed a partner in the area of Auditing. Since 2008 he has been a partner and member of the management, and since 2015 a member of the Board, of the accountancy and auditing firm T+R AG, Gümligen/Berne, where he heads the Auditing business unit. Vincent Studer is a member of the Board of Directors of Bank EEK AG in Berne. He holds further directorships in other companies and foundations. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2009.

## Board of Directors of Forbo Holding Ltd as per December 31, 2015

	First elected at OGM	AFC	HRNC	RC
<b>Executive Chairman</b>				
THIS E. SCHNEIDER	2004	–	–	–
Executive Director				
<b>Vice Chairmen</b>				
MICHAEL PIEPER	2000	–	M	M
Non-executive director				
DR. PETER ALTORFER	2005	M	C	C
Non-executive director				
<b>Members</b>				
CLAUDIA CONINX-KACZYNSKI	2014	–	M	M
Non-executive director				
DR. RETO MÜLLER	2011	M	–	–
Non-executive director				
VINCENT STUDER	2009	C	–	–
Non-executive director				
<b>Secretary of the Board of Directors</b>				
NICOLE GRAF				
Non-member				

OGM: Ordinary General Meeting  
 AFC: Audit and Finance Committee  
 HRNC: Human Resources and Nomination Committee  
 RC: Remuneration Committee  
 C: Chair  
 M: Member

### **Statutory regulations governing the number of permissible activities pursuant to Article 12 Paragraph 1 Section 1 OaER**

In accordance with Clause 22 of the Articles of Association, members of the Board of Directors may hold no more than five mandates in listed companies and twenty mandates in unlisted legal entities. A mandate is defined as any activity in the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

### **Election and term of office**

The members of the Board of Directors will be elected in individual votes for a one-year term of office, in accordance with the Ordinance against Excessive Remuneration in Listed Public Companies (OaER). A year is defined as the period between two Ordinary General Meetings. In accordance with the Organizational Regulations of Forbo Holding Ltd, members who have reached the age of 70 resign from the Board of Directors at the Ordinary General Meeting of the following year. The Board may, however, approve exceptions. In determining the composition of the Board of Directors, importance is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

The Articles of Association of Forbo Holding Ltd do not contain any regulations that deviate from the statutory provisions for the appointment of the Chairman, the members of the Remuneration Committee and the independent proxy.

### **Internal organizational structure**

The allocation of tasks within the Board of Directors and the composition of the Board committees are shown in the table on page 63.

Decisions are as a general rule taken by the full Board of Directors. The Board constitutes three standing committees from its own ranks – the Audit and Finance Committee (AFC), the Human Resources and Nomination Committee (HRNC), and the Remuneration Committee (RC) – to deal with clearly defined subject areas of overriding importance. These three committees have mainly advisory and control functions. The members of the AFC and HRNC are elected by the Board of Directors on an annual basis and can be dismissed at any time. The members of the RC are elected annually by the Ordinary General Meeting.

As a rule, the Executive Chairman of the Board of the Directors chairs the meetings of the Board and the General Meeting. He plans and conducts the meetings of the Board and the General Meeting. The meetings of the Board and the relevant items on the agenda are prepared by the Executive Chairman. He monitors the execution of the measures adopted by the Board. He is the direct superior of the CEO, is in regular contact with him, and has an advisory and supervisory function. In addition, the Executive Chairman represents the Board and the Forbo Group vis-à-vis the public, the authorities and the shareholders. The tasks of the Executive Chairman of the Board and the demarcation of responsibilities from those of the CEO are set out in the chapter 'Areas of responsibility'.

The Vice Chairmen are tasked with deputizing for the Executive Chairman should the latter be prevented from attending for any reason. In accordance with the Organizational Regulations and actual practice, the Vice Chairmen have no further duties.

The Vice Chairmen are elected by the Board of Directors.

The Board of Directors meets on being convened by the Executive Chairman as often as business requires but at least four times a year. The items on the agenda must be announced at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2015, the Board of Directors met seven times, the meetings usually lasting a whole day.

The Executive Chairman may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. Regular use is made of this option. External consultants participate in the meetings of the Board of Directors, the AFC, the RC or the HRNC only in exceptional circumstances to deal with particular items. As a rule, however, the meetings are held without external consultants.

#### **Audit and Finance Committee**

The AFC advises the Board of Directors in respect of its duties on behalf of the Group in the areas of financial reporting, the accounting standards and systems used, and decisions with significant financial implications. The AFC monitors the activities of the internal auditors and the external auditors. Moreover, it establishes the audit program of the internal auditors and proposes to the Board of Directors the choice of the external auditors for the attention of the General Meeting. The CEO and the CFO are regularly requested to attend meetings in an advisory capacity, while the internal and external auditors may attend on special invitation.

The AFC convenes as often as business requires, but at least twice a year. In the 2015 business year, three meetings were held, each lasting about half a day. The external auditors were present for some items on the agenda of the AFC's meeting on the financial statements and at the meeting to discuss the scope of the audit and the audit fee. The Ernst&Young representatives responsible for internal auditing attended two meetings held to discuss the internal audit reports.

#### **Human Resources and Nomination Committee**

We refer to the explanations in the remuneration report on page 77.

#### **Remuneration Committee**

We refer to the explanations in the remuneration report on pages 77 and 78.

#### **Areas of responsibility**

The Board of Directors bears ultimate responsibility for the management of Forbo Holding Ltd. The main duties of the Board of Directors are the following non-transferable and inalienable tasks pursuant to the Swiss Code of Obligations and the Articles of Association:

- ultimate management of the company and issuing the necessary directives
- definition of the organization
- organization of accounting, financial controlling, and financial planning
- appointment and dismissal of persons entrusted with the management of the company
- overall supervision of the persons entrusted with managing the company, particularly with respect to compliance with the law, articles of association, regulations, and directives
- preparation of the Annual Report, and of the General Meeting and implementation of its resolutions
- preparation of the remuneration report
- notification of the court in the event of over-indebtedness

The Board of Directors bears ultimate responsibility for supervising and monitoring the management of the company and is responsible for the corporate strategy. It issues guidelines for business policy and is regularly briefed on the current state of business.

Business to be dealt with by the Board of Directors is regularly submitted in advance to the AFC, HRNC and RC, ad hoc committees or individual members, depending on the subject, for review or an opinion. With the exception of its non-transferable and inalienable tasks, the Board of Directors may transfer tasks and responsibilities in full or in part to individual members of the Board or to third parties.

The Board of Directors is empowered to take decisions on all matters which are not reserved or transferred to the General Meeting or another body of Forbo by law, the Articles of Association, or regulations.

Tasks of the Executive Chairman of the Board of Directors:

- leading the Board of Directors
- preparing the decisions of the Board of Directors and ensuring they are executed
- representing and positioning the Group in the public
- overall management of strategy development and involvement in realizing key strategic projects
- management of relationships with key accounts and business, sector and capital market partners

Tasks of the Chief Executive Officer:

- operational management of the Group
- leading the Executive Board
- development and operational implementation of strategies
- implementation and monitoring of multi-year planning and budgets
- support for the Executive Chairman of the Board of Directors in preparing important projects relating to strategy, personnel, and finances for discussion and decision-taking by the Board of Directors

The CEO reports to the Executive Chairman of the Board of Directors and as a rule participates in all Board meetings dealing with topics that are relevant for the exercise of his function. He himself though is not a member of the Board of Directors. All business management tasks that are not allocated to the Board of Directors or the Executive Chairman of the Board and that do not require the approval of the Board are delegated to the CEO and are conducted by him on his own responsibility. The CEO is responsible for ensuring compliance with the provisions of the law, the Articles of Association, and regulations throughout the Forbo Group.

In carrying out his tasks, the CEO is supported by the members of the Executive Board, who report to him. The Executive Board comprises the CEO, CFO, and the Executive Vice Presidents of the two divisions; it is responsible for the long-term success and market-driven management of the Forbo Group.

The members of the Executive Board are responsible for their particular area of activity and also bear co-responsibility for safeguarding the interests of the Group and achieving the financial Group result.

### **Information and control instruments vis-à-vis the Executive Board**

At the meetings of the Board of Directors, any member may request information about any matter concerning the Forbo Group. Outside the meetings, such requests for information are to be addressed to the Executive Chairman. The CEO and the other members of the Executive Board inform the Board of Directors at each regular meeting about the current state of business, important business events, and significant deviations from the budget.

The Chairmen of the AFC, the HRNC, and the RC report at the Board of Directors meetings on the activities of their committees and express the opinions and recommendations of the AFC, HRNC or RC on the business items on which decisions are to be taken. Each member of the Board of Directors has the right to inspect the minutes of the AFC, HRNC, and RC meetings. The Executive Board reports to the AFC through the CFO in consultation with the CEO; it reports to the HRNC and RC through the CEO.

The Board is also regularly briefed outside meetings about events and challenges facing the Group and the general performance of the divisions. In addition, the Executive Chairman and the two Vice Chairmen are in regular contact when essential policy issues are involved. For important, particularly urgent events, the CEO informs the Executive Chairman of the Board of Directors immediately.

The Executive Board meets as often as business requires, normally once a month. In the 2015 business year, eleven meetings were held, the meetings usually lasting half a day.

The CEO conducts the meetings of the Executive Board. For details concerning the participation of members of the Executive Board in meetings of the Board of Directors and its committees, see the sections on internal organization and on the AFC, HRNC, and RC on pages 64 and 65, as well as 77 and 78, respectively.

The Board of Directors furthermore fulfils its supervisory and monitoring obligations by means of financial reporting and its role in the planning cycle. The internal and external auditors also assist the Board in this task. Neither the external auditors nor the internal auditors, however, were invited to any meetings of the Board of Directors in 2015 as there were no special incidents or topics for discussion.

As part of financial reporting, the Board of Directors is informed as a rule once a month in writing about the company's current business performance and earnings situation by means of annotated income statements, key ratios, and deviation analyses.

The Board of Directors is, moreover, involved in the company's planning cycle. As a rule, the existing strategy is subjected to a thorough review by the Board of Directors in the first half of the year. The revised 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 discussed and adopted by the Board of Directors in the fourth quarter.

The current business year is assessed in a first estimate always at the end of May and in a second estimate mid-October. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. This analysis is used to derive appropriate measures, which are then implemented in the next planning cycle.

Internal auditing is effected by Ernst&Young, which has been commissioned for this purpose. Internal auditing is administratively subordinated to the Executive Chairman of the Board of Directors, is functionally independent, and reports directly to the AFC.

The audits are conducted in accordance with an annual plan approved by the AFC. A distinction is made between ordinary and special engagement audits. The latter consist of limited reviews, follow-up reviews, compliance audits, and other special engagements. Where necessary, the risks and weaknesses identified in these audits are minimized or eliminated by measures adopted by management and are constantly monitored.

In 2015, a total of seven internal audits were conducted. The internal audits were restricted to individual business processes. In its review of audited Group companies, Internal Audit included any issues that had been defined in the framework of the internal control system (ICS). Internal audits also involved various compliance reviews related to these processes. Lastly, additional risks and controls in connection with the above-mentioned business processes were analyzed in the audit. At least two companies in each division were audited in the course of the internal audits.

By means of self-assessments and management controls by division management, the implementation and reliability of the controls introduced with the ICS were examined to ensure that deviations were identified and that appropriate corrective measures were implemented.

### **Risk management**

The ongoing and systematic evaluation of current and future risks invariably involves identifying and capitalizing on opportunities. Forbo regards risk management as a managerial and working tool designed, among other things, to safeguard the tangible and intangible assets of the company.

Forbo has a risk-based insurance coverage in line with industry practice and has appropriately insured in particular operational risks such as property damage, business interruption and liability. The risks specifically in the areas of property damage and business interruption are examined in the context of periodic risk engineering reports by external experts. For this purpose, production companies are visited at regular intervals, and comprehensive surveys are worked through with local management. Action plans are drawn up and implemented based on the risks identified. These risk engineering audits have been prepared since 1990.

As regards business risks, Forbo addresses strategic risks as well as market and financial risks. In the area of market risks, interest and currency risks are monitored centrally and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. Please also refer to pages 135 to 139 of the financial report for more information on this subject.

With regard to the risk management process, the reader is referred to the relevant explanations on pages 135 to 139 (note 33 'Risk assessment and financial risk management') of the financial report.

## Executive Board

### **Members of the Executive Board, other activities, and vested interests**

The members of the Executive Board, their nationality, function, training and professional career, as well as other activities and vested interests, are set out on pages 47 and 48 of this Annual Report.

### **Statutory regulations governing the number of permissible activities pursuant to Article 12 Paragraph 1 Section 1 OaER**

In accordance with Clause 22 of the Articles of Association, members of the Executive Board may hold no more than two mandates in listed companies and seven mandates in unlisted legal entities. The acceptance of mandates by members of the Executive Board is subject to prior approval by the Board of Directors. A mandate is defined as any activity in the senior managerial or supervisory bodies of legal entities that are entered in the Swiss Commercial Register or comparable foreign registers and do not belong to the Forbo Group. Mandates with associated companies outside the Forbo Group are deemed to be a single mandate.

### **Management contracts**

Forbo Holding Ltd has concluded no management contracts with third parties.

## Compensation, shareholdings, and loans

For the relevant information we refer to the remuneration report from page 75.

## Shareholders' participation

### **Voting right restriction and representation**

The registration of shares with voting rights in the share register requires the consent of the Board of Directors. Such consent may be withheld if the purchaser does not expressly declare that he/she has acquired and is holding the shares in his/her own name and for his/her own account. Pursuant to the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. The restriction also applies to shares that are subscribed or acquired through exercise of a subscription, option or convertible right. Resolutions on the amendment or abrogation of the clause on the registration of registered shares require a majority of two-thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

Deviating from Article 689 Paragraph 2 Swiss Code of Obligations, shareholders who are unable to attend the General Meeting in person may not be represented by any third party of their choosing. They may only be represented by the legal representative, the independent proxy, or another shareholder who is registered in the share register.

### **Electronic participation in the General Meeting**

Clause 12 of the Articles of Association defines the rules for electronic issuing of instructions to the independent proxy; the precise modalities for this are defined by the Board of Directors. In accordance with Clause 14 of the Articles of Association, voting and elections at the General Meeting are in principle conducted electronically, unless the General Meeting decides that the ballot should be in writing or by a show of hands or the Chairman orders such a ballot procedure.

**Statutory quorums**

The Articles of Association of Forbo Holding Ltd do not provide for quorums that are larger than those stipulated by law for decisions of the General Meeting.

**Convening of the General Meeting**

The General Meeting is convened in accordance with the statutory provisions.

**Agenda**

Shareholders who represent shares with a par value of at least 1% of the share capital may request that an item be placed on the agenda. This request must be communicated to the Board of Directors in writing, indicating the proposals, at least 45 days before the date of the General Meeting.

**Entry in the share register**

In accordance with Clause 12 of the Articles of Association, the Board of Directors, in its invitation to the General Meeting, announces the cut-off date for entries in the share register authorizing shareholder participation and voting.

## Changes in control and defense measures

**Duty to make an offer**

The Articles of Association of Forbo Holding Ltd do not contain an 'opting-up' clause or an 'opting-out' clause pursuant to Article 32 and 22 SESTA.

**Clause on changes of control**

As per year-end 2015, no clauses on changes of control existed in agreements or plans involving members of the Board of Directors, the Executive Board or other members of management.

## Auditors

**Duration of the mandate and term of office of the head auditor**

KPMG has been the Forbo Group's auditors since 2015. The auditors are elected every year by the Ordinary General Meeting on a proposal by the Board of Directors. Rolf Hauenstein has been the Auditor in Charge since April 24, 2015.

**Auditing fees**

The auditing fees levied by the Group's auditors for auditing the consolidated financial statements, including the statutory audit of the individual financial statements of the holding company and the consolidated subsidiaries, amounted to CHF 0.9 million in the year under review.

**Additional fees**

The additional consultancy fees that were invoiced by the auditing company amounted to CHF 0.1 million in 2015. These fees consist in the main of general tax advice as well as general advice.

### **Information instruments of the external auditors**

The external auditors prepare as needed for the Executive Chairman of the Board of Directors, the CEO and the CFO an annual management letter on their work and the results of their audit at Group level in the year under review. The key points are submitted to the Board of Directors in the form of a comprehensive report. The external auditors also prepare management letters on the subsidiaries they have audited. The AFC assesses and evaluates the proposals and statements it has received and appraises the corrective measures taken by management. At the AFC's invitation, representatives of the external auditors attend the AFC meetings in an advisory capacity. The Chairman of the AFC reports on the activities of the AFC and its assessment of the external auditors at the meetings of the Board of Directors. Any member of the Board of Directors may inspect the minutes of the AFC meetings.

At its meetings, the AFC assesses the performance and fees of the external auditors as well as their independence in both their auditing and their non-auditing capacities. This evaluation is based on the documents prepared by the external auditors and the discussions held with the external auditors in the meetings. It also draws on the evaluation of the CFO, who, if required, obtains the opinion of local management with regard to the audit work for the subsidiaries. The criteria for the evaluation of the external auditors are, in particular, their technical and operational competency, their independence and objectivity, delivery of the audit reports on time, scope and focus of the audits, and the ability to provide effective and practical recommendations. This assessment by the AFC forms the basis for the proposal made by the Board of Directors to the Ordinary General Meeting regarding the choice of the external auditors.

## Information policy

### **Transparency for investors**

Forbo provides objective and periodic communication with shareholders, the capital market, the media, and the public by reporting in timely fashion on business trends and activities relevant to the company. The Executive Chairman of the Board of Directors can be contacted directly for such information.

Shareholders receive summary reports on the business year as well as half-year reports. The Annual Report, like all other published documents, is available in printed form as well as on the Internet at [www.forbo.com](http://www.forbo.com). The General Meeting is an additional source of information. Periodic publication of media releases, the annual media and analysts' conference, and road shows are further information tools for the media and the capital market.

### **Ad hoc communication**

Registration for the automated dissemination of ad hoc releases in accordance with the guideline on ad hoc publicity of the SIX Swiss Exchange is available at the following addresses:

www.forbo.com → Medien → Medienmitteilung 'Subscription Service'  
www.forbo.com → Media → Media releases 'subscription service'

Notification to shareholders takes place through publication in the company's official publication provided no other form of information is stipulated. Written notification to shareholders takes place through a simple letter to the addresses listed in the share register.

A financial calendar with the key dates can be found on page 8 of this Annual Report. Further information on the Forbo share is printed on pages 54 and 55 of this Annual Report.

Publications may be ordered by e-mail, fax, or telephone:

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