

# REMUNERATION REPORT

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## Introduction

The report meets the provisions of the Ordinance against Excessive Remuneration in Listed Public Companies (OaER), which came into effect on January 1, 2014, and consequently fulfils the requirements of the Swiss Code of Obligations.

Once a year, in a separate and binding ballot, 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 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, the amount of short-term variable remuneration (bonus/short-term incentive) to be paid to the Executive Board for the business year preceding the Ordinary General Meeting, as well as the maximum total amount of the long-term participation (long-term incentive) for the Executive Board for the year of the respective Ordinary General Meeting.

The variable remuneration model for the Executive Board with the short-term incentive was supplemented by a long-term participation (long-term incentive) component, effective as of January 1, 2017. This long-term incentive consists of a performance share unit plan. Its aim is to link a significant portion of the Executive Board's remuneration even more closely with the company's long-term success and to make it more responsive to shareholders' interests. Details on the long-term incentive can be found in the chapter 'Elements of remuneration of the Executive Board' on pages 84 to 86. An amendment to the Articles of Association concerning this matter was approved by a large majority at the Ordinary General Meeting on April 6, 2017.

Owing to this change in the remuneration system effective since 2017, shareholders will vote individually at the 2019 Ordinary General Meeting on the following four remuneration payments:

- Maximum total remuneration for the Board of Directors for 2020
- Maximum fixed remuneration for the Executive Board for 2020
- Short-term variable remuneration of the Executive Board for 2018 (bonus/short-term incentive)
- Maximum total amount of the long-term participation for the Executive Board for 2019 (long-term incentive plan 2019 – 2021)

The total remuneration was approved by a large majority in a consultative vote on the 2017 remuneration report at the Ordinary General Meeting of April 6, 2018 (agenda item 4.1). Participants in the 2019 Ordinary General Meeting will also be invited to vote in a consultative ballot on the entire 2018 remuneration report.

## Content and methodology for determining the remuneration

### **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 of Directors 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 2018 business year, the HRNC held three 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 6, 2018, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the HRNC for the 2018 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 out of 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 2018 business year, the Remuneration Committee held three 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 6, 2018, elected Dr. Peter Altorfer (Chair), Claudia Coninx-Kaczynski and Michael Pieper to the Remuneration Committee for the 2018 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 usually determined by the Remuneration Committee 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 short-term variable remuneration (bonus/short-term incentive) and the definition and objectives of the long-term participation (long-term incentive) for the Executive Board are determined by the Remuneration Committee once a year in November for the following year.

	Proposal	Acceptance	Approval
<b>Remuneration budget</b>			
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
Short-term variable remuneration of the Executive Board (bonus/short-term incentive)	RC	BoD	Ordinary General Meeting for the preceding business year
Maximum total amount of the long-term participation for the Executive Board for 2017 (long-term incentive)	RC	BoD	Ordinary General Meeting for the current business year
<b>Performance targets</b>			
Performance targets – Executive Board regarding short-term variable remuneration (bonus/short-term incentive)	RC	BoD	
Performance targets – Executive Board regarding long-term participation (long-term incentive)	RC	BoD	
Performance targets – CEO	RC	BoD	

## Important changes in 2018

In the business year 2018, no important changes to the remuneration system were made either for the Board of Directors or for the Executive Board.

## 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 encourage 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 portion of the remuneration paid in shares is derived from a fixed remuneration amount.

The members of the Board of Directors receive a fixed remuneration, the amount of which is determined based on 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 portion paid in shares is derived from a fixed remuneration amount. The variable remuneration consists of a short-term remuneration (bonus/short-term incentive) and a long-term participation (long-term incentive).

The bonus/short-term incentive is a short-term, performance-related remuneration, 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 84 and 85 of this Remuneration Report). The portion paid in shares is derived from a fixed remuneration amount. The bonus is derived from 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 derived from Group and/or divisional objectives. It may not exceed 200% of the fixed remuneration of the individual Executive Board member.

The long-term incentive is a long-term participation plan consisting of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The size of the PSU allocation corresponds to a defined percentage of the fixed remuneration. The PSUs are subject to a three-year vesting period. They are converted into vested shares only on condition that the Group's performance objectives are achieved. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives have been reached, a given percentage of the PSUs will be converted into shares, which are subject to a three-year vesting period.

The relevant statutory provisions governing the principles of performance-related 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](http://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 and from respected market data providers 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](http://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 based on 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. The portion paid in shares is derived from a fixed remuneration amount. These shares have a lock-up period of three years. The number of shares issued is determined on the basis of 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 insurances.

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 Executive Chairman of the Board of Directors is disclosed separately and included under total remuneration to the Board of Directors.

The remuneration is mainly paid in locked-up shares, which have a lock-up period of three years. The annual cash payment for the year under review of CHF 310,000 (previous year: CHF 310,000) is used largely for employee contributions to the pension fund and social security (AHV and IV) and for other levies. The underlying share price used to calculate the number of shares is the weighted average price of the first ten days on which Forbo Holding Ltd shares were traded on the stock market in 2018, less the reduced value as a result of locking-up the shares (tax value 2018: CHF 1,313.08 per share; previous year: CHF 1,137.27 per share). The share package corresponds to annual compensation at fair value (excluding the reduction for the lock-up period) of CHF 2,262,960 (1,447 shares); previous year: CHF 2,263,404 (1,671 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 and can be sold in three years at the earliest. This compensation model is thus also geared to long-term and sustainable corporate development and is fully consistent with the interests of the company and its shareholders.

The total compensation for the Executive Chairman of the Board of Directors came to CHF 2,999,902 for the year under review (previous year: CHF 2,943,326). Contained in this amount and reported in the column 'Other payments' are employer contributions to the pension fund, other usual social insurances, private use of the company car, contributions for accident and health insurance, and location expenses. 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 87 to 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 and from respected market data providers 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 with 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 derived from Group and/or divisional objectives depending on the function of the individual Executive Board member; these include net sales, organic growth, EBIT, net working capital, return on net assets, and growth in earnings per share. 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 variable 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 short-term, variable remuneration (bonus/short-term incentive) for the previous year is paid out on completion of the business year and after approval by the shareholders. In the case of the long-term participation (long-term incentive), the performance share units are allocated after approval by the Ordinary General Meeting; any entitlement arising therefrom is determined in March on completion of the three-year performance period and converted into vested shares.

The contributing factors/performance criteria determining the amount of the payout/share allocation of the variable remuneration components are linked directly to the company's success.

The chart below provides a detailed breakdown of the timeline and the interdependence of the corporate targets and the remuneration.

## Planning cycle

	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
<b>Ordinary General Meeting</b>				
<b>Corporate strategy</b>				
Reviewing/amending strategy				
Establishing mid-term plan				
Establishing budget				
<b>Working out remuneration</b>				
Defining maximum total remuneration of Board of Directors				
Defining maximum total remuneration of Executive Board				
Approving total remuneration of Board of Directors and of fixed remuneration of Executive Board for following business year by the Ordinary General Meeting				
Setting targets for Executive Board				
Assessing target achievement and proposal for variable remuneration elements of Executive Board				
Approving short-term, variable remuneration of Executive Board for previous business year (bonus/short-term incentive)				
Approving maximum total amount of long-term participation of Executive Board for current business year (long-term incentive)				

■ Decision period

## Elements of remuneration of the Executive Board

Remuneration of the members of the Executive Board consists of a fixed base salary and two variable compensation components, the bonus/short-term incentive and the long-term incentive.

### 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).

### Short-term variable remuneration (bonus/short-term incentive)

The bonus/short-term incentive is derived from 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 10% of the bonus/short-term incentive. The remaining 90% depend on the 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 40% of the variable remuneration), EBIT of the Group and/or a division (50 to 55% of the variable remuneration), and net working capital of the Group and/or a division (5 to 10% of the variable remuneration).

The defined objectives of the short-term 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 short-term variable remuneration, which is based on achievement of the individual and Group targets, is set in March after 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)

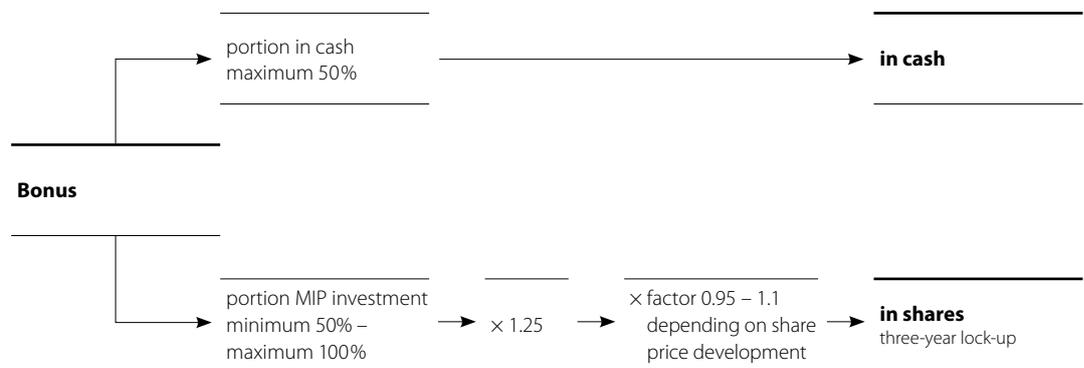
The bonus payment from the bonus/short-term incentive is linked to the management investment plan (MIP), which was introduced in 2006 and amended in 2012. According to this plan, at least 50% of the annual short-term variable remuneration of Executive Board members must be paid into the MIP. The portion paid in shares is derived from a fixed remuneration amount.

As for the remaining 50% of the annual short-term variable remuneration, 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. The portion paid in shares is derived from a fixed remuneration amount.

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:

$((SPA - SPP)/SPP) + 1$ , 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 based on the unweighted average of the closing prices of the Forbo share in the first 14 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.



Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

#### Long-term participation plan (long-term incentive)

The previous variable model for remuneration of the Executive Board, consisting of a short-term performance-related remuneration (bonus/short-term incentive) was supplemented by a long-term participation plan (long-term incentive), effective from January 1, 2017. The amendment was approved by the Ordinary General Meeting of April 6, 2017.

The aim of the long-term incentive is to link part of the remuneration of the Executive Board even more closely with the company's long-term success.

The long-term incentive consists of a performance share unit plan. At the start of the performance period, each member of the Executive Board is granted a given number of future subscription rights in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share. The size of the PSU allocation corresponds to a defined percentage of the Executive Board member's fixed remuneration; the percentage may vary from 10 to 30 percent. The PSUs are subject to a three-year vesting period. They are converted into vested shares only on condition that the Group's performance objectives are achieved. At the end of the performance period, the company will determine whether the objectives set by the Board of Directors at the start of the performance period for the performance indicators have been reached. Depending on the degree to which the objectives are reached, a given percentage of the PSUs will be converted into shares after the three-year vesting period. Converted shares are locked-up for a period of three years. They cannot be sold or pledged during this time. Immediately on termination of the plan participant's employment contract, regardless of whether the plan participant has terminated the contract or the company has terminated the contract with the plan participant, all PSUs are forfeited.

The relevant share price for the allocation of PSUs at the start of the performance period is calculated based on the unweighted average of the closing prices of the Forbo share in the first 14 trading days in January of the relevant year.

The performance indicators of the long-term incentive are geared to the long-term and sustainable development of the company and consist of three evenly weighted objectives. These are organic growth, the return on net assets (RONA), and growth in earnings per share (EPS).

The long-term incentive objectives are based on a target achievement of 100%. It is not possible to exceed the maximum target achievement level of 100%. If a member fails to reach a given threshold for an objective, no PSUs are converted into shares for this indicator.

Foreign members of the Executive Board may draw stock awards rather than shares when the PSUs are converted. The relevant shares are transferred after three years.

The degree to which objectives have been achieved is determined in March after conclusion of the three-year performance period.

#### **Actual bonus payments**

Readers are referred to pages 87 to 89 of this remuneration report for the amount of the actual short-term variable remuneration (bonus/short-term incentive) paid to the Executive Board in the year under review and for details on the valuation and allocation of shares. The number of future subscription rights in the form of performance share units for the Executive Board as part of the long-term incentive can also be found on these pages.

There are no option plans.

## Employment contracts of the Executive Board members

The employment contracts of the Executive Board members are concluded for an 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 or the long-term incentive 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.

## 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 811,423 in the year under review (previous year: CHF 811,293). This sum consists of the base salary in cash (60% of the remuneration), amounting to CHF 413,198 (previous year: CHF 414,545) and the base remuneration in shares (40% of the remuneration) of CHF 335,640 (previous year: CHF 334,027). This corresponds to 241 shares (previous year: 212 shares) at a market value of CHF 1,392.70 each (previous year: CHF 1,575.60). The portion paid in shares is derived from a fixed remuneration amount. 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 remuneration'.

The remuneration paid to the Executive Chairman of the Board of Directors is explained in detail on pages 81 and 82 of this remuneration report.

### Remuneration of the Executive Board

The total remuneration paid to the members of the Executive Board came to CHF 2,764,288 in the year under review (previous year: CHF 3,268,606), subject to approval of the variable portion by the 2019 Ordinary General Meeting. This sum includes a fixed base salary of CHF 1,541,548 (previous year: CHF 1,791,179) and short-term variable bonus remuneration (short-term incentive) of CHF 592,540 (previous year: CHF 849,617), a long-term participation (long-term incentive) of CHF 222,816 (previous year: CHF 159,793) plus the private use of the company car, and employer contributions to the pension fund as well as other usual social insurances, which are reported separately in the column 'Other remuneration'.

The fixed portion of the base salary paid in shares (lock-up period of five years) came to CHF 329,018 (previous year: CHF 417,420). The portion paid in shares is derived from a fixed remuneration amount. The portion of the variable remuneration (short-term incentive plan) paid in shares in connection with the MIP (lock-up period of three years) came to CHF 520,562 (previous year: CHF 653,856), which is subject to approval by the 2019 Ordinary General Meeting. The portion paid in shares is derived from a fixed remuneration amount.

For the two actual long-term incentive plans, a total of 259 future subscription rights in the form of performance share units were issued.

Plan	Allocation of subscription rights	Performance period	Vesting date (PSUs)	Unlocking of shares	Number of PSUs allocated	Value PSUs in CHF (allocation)	Payout factor	Number of shares (vesting)	Value of shares in CHF (vesting)
2017 – 2019	April 2017	2017 – 2019	April 2020	April 2023	118	159,793	to be determined	to be determined	to be determined
2018 – 2020	April 2018	2018 – 2020	April 2021	April 2024	141	220,931	to be determined	to be determined	to be determined

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

Remuneration										
For the year 2018 <sup>1)</sup>										
Name and function	Base salary			Variable remunerations					Other remuneration <sup>4)</sup>	Total
				Bonus/short-term incentive <sup>2)</sup>			Long-term incentive <sup>3)</sup>			
	Cash	Number	Shares	Cash	Number	Shares	Allocation performance share units			
	CHF		CHF	CHF		CHF	Number	CHF	CHF	CHF
This E. Schneider, Executive Chairman <sup>5)</sup>	310,000	1,447	2,262,960						426,942	2,999,902
Michael Pieper, Vice Chairman	80,043	47	65,457						12,140	157,640
Dr. Peter Altorfer, Vice Chairman	104,842	60	83,562						17,085	205,489
Claudia Coninx-Kaczynski, member	70,889	42	58,493						13,584	142,966
Dr. Reto Müller, member	70,889	42	58,493						11,107	140,489
Vincent Studer, member	86,535	50	69,635						8,669	164,839
<b>Board of Directors total<sup>6)</sup></b>	<b>723,198</b>	<b>1,688</b>	<b>2,598,600</b>						<b>489,527</b>	<b>3,811,325</b>
<b>Executive Board<sup>7)8)9)</sup> total</b>	<b>1,212,530</b>	<b>225</b>	<b>329,018</b>	<b>71,978</b>	<b>368</b>	<b>520,562</b>	<b>141</b>	<b>222,816</b>	<b>407,384</b>	<b>2,764,288</b>
Of whom highest-paid member of Executive Board (Stephan Bauer)	400,000	138	201,808	0	210	297,060	38	60,000	189,166	1,148,034

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 the valuation models used and disclosed in the consolidated financial statements.

2) The variable short-term remuneration of the Executive Board (bonus/short-term incentive) corresponds to the actual degree to which targets were reached in 2018 and will be submitted to the April 2019 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 prices of the Forbo share in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in April (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,414.57. The shares are locked up for a period of three years.

3) The long-term incentive for the Executive Board corresponds to the long-term participation plan for 2018 (long-term incentive plan 2018 – 2020) and to the number of future subscription rights allocated to the plan in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share and is subject to a three-year vesting period.

4) 'Other remuneration' includes in particular employer contributions to the usual social insurances, private use of the company car, and lump sum or on-site expenses.

5) Please refer to pages 81 and 82 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lock-up periods.

6) 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 1,392.70. The allocation is made at the discounted tax value of CHF 1,169.30. The shares are locked up for a period of three years and are reported at market value in the table above.

7) Remuneration of the entire Executive Board including the highest-paid Executive Board member.

8) 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 in April 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 value of the shares allocated was CHF 1,568.00 in 2018 and CHF 1,414.57 for 2019.

9) 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 the business year 2018 will be allocated in April 2019, subject to approval by the 2019 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,414.57. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

**Remuneration**For the year 2017<sup>1)</sup>

Name and function	Base salary			Variable remunerations				Other remuneration <sup>4)</sup>	Total
	Cash		Shares	Bonus/short-term incentive <sup>2)</sup>		Long-term incentive <sup>3)</sup>			
	CHF	Number		CHF	Cash	Shares	Allocation performance share units		
	CHF	Number	CHF	CHF	Number	CHF	Number	CHF	CHF
This E. Schneider, Executive Chairman <sup>5)</sup>	310,000	1,671	2,263,404					369,922	2,943,326
Michael Pieper, Vice Chairman	80,761	41	64,600					12,021	157,382
Dr. Peter Altorfer, Vice Chairman	104,886	53	83,507					17,641	206,034
Claudia Coninx-Kaczynski, member	71,053	37	58,297					13,464	142,814
Dr. Reto Müller, member	71,053	37	58,297					11,004	140,354
Vincent Studer, member	86,792	44	69,326					8,591	164,709
<b>Board of Directors total<sup>6)</sup></b>	<b>724,545</b>	<b>1,883</b>	<b>2,597,431</b>					<b>432,643</b>	<b>3,754,619</b>
<b>Executive Board<sup>7)(8)(9)</sup> total</b>	<b>1,373,759</b>	<b>283</b>	<b>417,420</b>	<b>195,761</b>	<b>417</b>	<b>653,856</b>	<b>118</b>	<b>159,793</b>	<b>468,017</b>
Of whom highest-paid member of Executive Board (Stephan Bauer)	400,000	136	202,634	0	202	316,736	44	60,000	1,166,906

- 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 the valuation models used and disclosed in the consolidated financial statements.
- 2) The variable short-term remuneration of the Executive Board (bonus/short-term incentive) corresponds to the actual degree to which targets were reached in 2017 and will be submitted to the April 2018 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 prices of the Forbo share in the first 14 trading days in January of the allocation year in connection with the MIP. The allocation takes place in April (subject to approval by the Ordinary General Meeting) for the period from January to December of the previous year. The value at allocation was CHF 1,568.00. The shares are locked up for a period of three years.
- 3) The long-term incentive for the Executive Board corresponds to the long-term participation plan for 2017 (long-term incentive plan 2017 – 2019) and to the number of future subscription rights allocated to the plan in the form of performance share units (PSUs). One PSU corresponds to a future subscription right to one share and is subject to a three-year vesting period.
- 4) 'Other remuneration' includes in particular employer contributions to the usual social insurances, private use of the company car, and lump sum or on-site expenses.
- 5) Please refer to pages 77 and 78 of this remuneration report for details on the structure of the remuneration of the Executive Chairman of the Board of Directors. These details also contain the criterion for determining the number of shares issued and their lock-up periods.
- 6) 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 1,575.60. The allocation is made at the discounted tax value of CHF 1,322.90. The shares are locked up for a period of three years and are reported at market value in the table above.
- 7) Remuneration of the entire Executive Board including the highest-paid Executive Board member.
- 8) 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 in April 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 value of the shares allocated was CHF 1,355.71 in 2017 and CHF 1,568,00 for 2018.
- 9) 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 the business year 2017 will be allocated in April 2018, subject to approval by the 2018 Ordinary General Meeting. The shares are locked up for a period of three years. The value at allocation was CHF 1,568.00. Foreign members of the Executive Board may acquire stock awards instead of shares. The stock in question will be transferred after three years.

**Advances and loans**

As of December 31, 2018, 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, which can be downloaded at:  
[www.forbo.com](http://www.forbo.com) → Investors → Ordinary General Meeting

## Disclosure of shareholdings pursuant to Article 663c CO

**2018 business year**

As at December 31, 2018, 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 2018	Shares
Name and function	
This E. Schneider, Executive Chairman	54,611
Michael Pieper, Vice Chairman	486,764
Dr. Peter Altorfer, Vice Chairman	1,287
Claudia Coninx-Kaczynski, member	212
Dr. Reto Müller, member	632
Vincent Studer, member	916
<b>Total Board of Directors</b>	<b>544,422</b>
Stephan Bauer, Chief Executive Officer	2,969
Marc Deimling, Executive Vice President Movement Systems	3
Urs Uehlinger, Chief Financial Officer	104
Jean-Michel Wins, Executive Vice President Flooring Systems	104
<b>Total Executive Board</b>	<b>3,180</b>

As at December 31, 2017, 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:

<b>Shareholdings 2017</b>		Shares
Name and function		
This E. Schneider, Executive Chairman		47,892
Michael Pieper, Vice Chairman		486,217
Dr. Peter Altorfer, Vice Chairman		1,227
Claudia Coninx-Kaczynski, member		170
Dr. Reto Müller, member		590
Vincent Studer, member		866
<b>Total Board of Directors</b>		<b>536,962</b>
Stephan Bauer, Chief Executive Officer		2,639
Matthias P. Huenerwadel, Executive Vice President Flooring Systems		2,856
Urs Uehlinger, Chief Financial Officer		18
Jean-Michel Wins, Executive Vice President Movement Systems		195
<b>Total Executive Board</b>		<b>5,708</b>

# Report of the statutory auditor



## Report of the Statutory Auditor

To the General Meeting of Shareholders of Forbo Holding Ltd, Baar

We have audited the accompanying remuneration report of Forbo Holding Ltd for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) on pages 88 to 91 of the remuneration report.

### 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 31 December 2018, of Forbo Holding Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Rolf Hauenstein  
Licensed Audit Expert  
Auditor in Charge

Regula Tobler  
Licensed Audit Expert

Zurich, 27 February 2019