

Compensation Report

Introduction by the Chairman of the Compensation Committee

Dear shareholder

On behalf of the Board of Directors of GF and of the Compensation Committee, I am pleased to present the 2015 compensation report.

Thanks to a strong second half-year, 2015 ended up better than it started, allowing GF to reach profitability levels not seen since 2006 and meet the 2011–2015 strategy targets published early 2011.

The Committee has approved the fine-tuning of the short-term incentive system for the Executive Committee, designed to fit with GF's Strategy 2016–2020. In addition, the Committee approved a new long-term share-based incentive plan as detailed on page 54 and 55. Both new plans are effective as per 1 January 2016.

The new long-term incentive remuneration is focusing on long-term sustainable value creation for employees, customers, and shareholders and is measured by one key performance indicator, Earnings per Share (EPS), over a prospective three years' period. This ensures alignment with company's and shareholders' interests, allows to participate in the long-term success of GF and fosters and supports a high-performance culture.

At the upcoming Annual Shareholders' Meeting, we will ask you to approve prospectively in a binding vote the maximum amounts of compensation for the Board of Directors until the next Annual Shareholders' Meeting (§ 22.5 of the Articles of Association of Georg Fischer Ltd, available for download at: <http://www.georgfischer.com/content/gf/com/en/UeberGeorgFischer.html>), and for the next business year, the maximum amount of compensation for the Executive Committee (§ 23c.7 of the Articles of Association of Georg Fischer Ltd). Accordingly, the Annual Shareholders' Meeting 2016 will be asked to approve the compensation for the Board of Directors until the Annual Shareholders' Meeting 2017 and the maximum compensation for the Executive Committee for the financial year 2017. In addition, we will also ask you to vote on a consultative basis on the compensation report 2015.

Looking ahead, the Committee will continue to review and fine-tune the compensation programs, in order to ensure that they remain aligned with market levels and the business strategy of GF as well as the long-term interests of our shareholders, while of course being compliant with the various regulations.

We always welcome comments on our compensation systems and we trust that you will find this report interesting and informative.

Sincerely



Ulrich Graf, Chairman of the Compensation Committee

Contents // The compensation report provides information about the compensation policy, the compensation programs, and the process of determination of compensation applicable to the Board of Directors and to the Executive Committee of GF. It also includes details on the compensation payments related to 2015. This report is written in accordance to the Swiss Ordinance against excessive pay in stock exchange listed companies, the standards related to information on Corporate Governance issued by the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse.

Compensation policy 2015

Overarching principles // For the Board of Directors, the compensation policy is designed to ensure their independence in exercising their supervisory duties and foresees a fixed compensation only.

For the Executive Committee, the compensation policy is designed to attract, retain, and motivate talented individuals, along the following principles:

- Fairness and transparency
- Pay for performance
- Long-term orientation and alignment to shareholders’ interests
- Market competitiveness

Compensation principles 2015

Fairness and transparency	Pay for performance and results	Participation in long-term success	Market competitiveness
Compensation programs are straightforward, clearly structured, and transparent. They ensure fair remuneration based on the responsibilities and competencies required to perform the role (internal equality).	A portion of compensation is directly linked to the company and individual performance (performance orientation).	A portion of the compensation is delivered in form of restricted shares, ensuring participation in the long-term success of the company and a strong alignment to the shareholders’ interests (long-term orientation).	Compensation levels are competitive and in line with relevant market practice (external equality).

Compensation Governance

Compensation Committee // The Compensation Committee consists of three non-executive Board members who are elected yearly and individually by the Annual Shareholders’ Meeting for a one-year period until the next Annual Shareholders’ Meeting. At the Annual Shareholders’ Meeting 2015, Ulrich Graf (Chairman), Eveline Saupper and Jasmin Staiblin were elected as members of the Compensation Committee. The Committee supports the Board of Directors in setting the compensation policy at the highest corporate level and regularly reviews the guidelines governing compensation of the executives. The Committee also proposes the amount of compensation to be paid to the Board of Directors, to the Chief Executive Officer, and to the other members of the Executive Committee, and prepares the related motions for the Annual Shareholders’ Meeting.

The Compensation Committee convenes as often as necessary, but at least twice per year. In 2015, the Committee held four meetings of approximately one hour and a half each:

- In the February meeting, the Committee evaluated the business performance in the previous business year against the preset objectives, and prepared a proposal to the Board of Directors on the short-term incentive to be paid to the Chief Executive Officer and to the Executive Committee members. In the same meeting, the Committee determined the business objectives for the 2015 business year for the Chief Executive Officer and reviewed those of the Executive Committee members, before submitting them to the Board of Directors for approval.
- In the June meeting, the Committee elaborated the basis for an adapted short-term incentive model as well as set the parameters for a revised long-term incentive plan for the Chief Executive Officer and the members of the Executive Committee, focusing to reflect on the long-term company’s and shareholders’ interests.
- In the September meeting, the Compensation Committee reviewed both, the new short-term as well as the long-term incentive plan and fine-tuned the models to best fit with the Strategy 2016–2020. In the same meeting, the Committee reviewed the benchmarking analysis of the compensation of the Board of Directors, the Chief Executive Officer, and the members of the Executive Committee.

- In the December meeting, the Committee determined the new short-term and long-term incentive plans and submitted them to the Board of Directors for approval; in the same meeting, the Compensation Committee reviewed and approved the target compensation for the following business year for the members of the Executive Committee based on a proposal from the Chief Executive Officer. The Committee determined the target compensation of the Chief Executive Officer for the next business year based on a proposal from the Chairman of the Board and prepared a proposal to submit to the Board of Directors for approval.

Overview of meetings' schedule

	February	June	September	December
CEO and EC Compensation	Business performance previous year Short-term incentive CEO and EC previous year Business objectives current year	Short-term incentive CEO and EC future business years Long-term incentive CEO and EC future business years	Short-term incentive CEO and EC future business years Long-term incentive CEO and EC future business years	Short-term incentive CEO and EC future business years Target compensation CEO and EC following business years Long-term incentive CEO and EC future business years

CEO = Chief Executive Officer, EC = Executive Committee

In 2015, with two exceptions, all Committee members attended all meetings. The CEO and the Head of Corporate Human Resources attended the Committee meetings in advisory capacity. The CEO did not attend the meeting when his own compensation or performance was discussed. The Chairman of the Committee reported to the Board of Directors after each meeting on the activities of the Committee. The minutes of the Committee meetings are available to all members of the Board of Directors.

The compensation proposals and decisions are made based on the following levels of authority:

Levels of authority

Approval framework		
Subject	Recommendation from	Final approval from
Compensation policy and principles	Compensation Committee	Board of Directors
Aggregate compensation amount of Board of Directors	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting
Individual compensation of Board of Directors	Compensation Committee	Board of Directors
Aggregate compensation amount of Executive Committee	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting
Compensation of the CEO	Compensation Committee based on proposal by the Chairman of the Board	Board of Directors
Individual compensation of Executive Committee members	Compensation Committee based on proposals by the CEO	Board of Directors

On behalf of the Board of Directors, Internal Audit annually reviews the compliance of the compensation decisions made with the compensation regulations for the Executive Committee and the Board of Directors, the Organizational Rules, and the Articles of Association.

The Committee may call in external compensation specialists to obtain independent advice and/or to get benchmarking compensation data. In the year under review, no external compensation specialists have been mandated.

Method of determination of compensation // The elements and levels of the compensation of the Board of Directors and the Executive Committee are reviewed regularly and are tailored to the relevant sector and labor market in which GF competes for talent. For the purpose of comparison, the Compensation Committee relies on compensation surveys published by independent consulting firms and on publicly available information, such as compensation disclosures from comparable companies. Comparable companies are defined as companies with similar size in terms of market capitalization, sales, number of employees, and geographic scope, which operate in similar business segments and are headquartered in Switzerland.

For compensation benchmarking purposes, a group of companies, all Swiss multinational companies of the industry sector listed on the Swiss stock exchange (SIX), has been selected. The group consists of Autoneum, Bucher Industries, Dätwyler, Geberit, Kaba, Oerlikon, Rieter, SGS, Sika, Sonova, and Sulzer.

The Compensation Committee also takes into consideration the effective business and individual performance while determining the compensation amounts to be paid to the Chief Executive Officer and to the other members of the Executive Committee. Individual performance is assessed through the annual Management By Objectives (MBO) process, where individual objectives are defined at the beginning of the year and the achievement against those objectives is evaluated at the end of the year. The objective setting and the performance assessment of the members of Executive Committee are conducted by the Chief Executive Officer and are approved by the Chairman of the Board. The Chairman of the Board determines the objectives and evaluates the performance of the Chief Executive Officer.

Architecture of compensation

Compensation of the Board of Directors // The compensation regulation applicable to the Board of Directors is reviewed periodically based on competitive market practice and retains its validity for several years.

In order to guarantee the independence of the members of the Board of Directors in executing their supervisory duties, their compensation is fixed and does not contain any performance-related component. The annual overall compensation for each member of the Board of Directors depends on the responsibilities carried out in the year under review. The compensation is partially delivered in cash (fee) and in restricted shares.

Compensation model Board of Directors

	Responsibility	Fee	Restricted shares
Basis fee	Board Membership	CHF 70 000	150 shares
Additional fees	Board Chairmanship	CHF 200 000	150 shares
	Board Vice-Chairmanship	CHF 22 500	
	Audit Committee Chairmanship	CHF 80 000	
	Audit Committee Membership	CHF 30 000	
	Other Committee Chairmanship	CHF 40 000	
	Other Committee Membership	CHF 20 000	

Members of the Board receive a fixed fee and additional fees for special tasks such as committee chairmanship, vice-chairmanship or membership. The fees are paid in cash in January for the previous calendar year. Actual expenditures will be reimbursed.

In addition, each member of the Board receives a fixed number of GF shares. The value of the share-based compensation is calculated on the basis of the closing share price on the last trading day of the reporting year. Those shares are granted in January for the previous calendar year and are restricted for a period of five years.

The compensation of the Board of Directors is subject to regular social security contributions and is not pensionable.

Compensation of the Executive Committee // The principles of compensation of the Executive Committee members, as described above in the section "Principles of compensation" are set out in a regulation and retain their validity for several years. They were last reviewed by the Compensation Committee in 2012.

The compensation of the Executive Committee includes the following elements:

- Fixed base salary in cash
- Performance-related short-term incentive in cash
- Share-based remuneration (long-term incentive)
- Benefits such as pension and social insurance funds

Compensation model Executive Committee

	Instrument	Purpose	Drivers
Annual base salary	Monthly cash payments	Pay for the function	Scope and responsibilities Profile of the individual
Short-term incentive	Annual cash payment	Pay for performance	Business and individual performance over a one-year period
Share-based remuneration (long-term incentive)	Restricted shares (five years)	Participate in long-term success Align to shareholders' interests	Level of the function in the organization
Benefits	Pension and insurances Other perquisites	Protect against risks Cover business expenses	Local legislation and market practice

Fixed base salary // The fixed base salary is determined primarily on the basis of the following factors:

- Scope and complexity of the role, as well as the skills required to perform the role;
- Skills, experience, and performance of the individual in the role;
- External market value of the role.

Fixed base salaries of the Executive Committee members are reviewed every year on the basis of those factors and adjustments are made according to market developments and to the company’s affordability.

Short-term incentive // The short-term incentive is a variable incentive designed to reward the achievement of business objectives of the Corporation and its divisions, as well as the fulfillment of individual performance objectives as defined within the MBO process, over a time horizon of one year.

The business objectives are set by the Board of Directors in accordance with the long-term strategy. They include absolute financial figures and are set for a period of several years in order to ensure sustainable and long-term performance. Currently, the business objectives are: organic sales growth (excluding acquisitions and divestitures), EBIT margin (EBIT in relation to sales), Return on Invested Capital (ROIC), and asset turnover (sales in relation to average net operating assets). For each objective, the Board of Directors sets a threshold level of achievement under which there is no payout, and a ceiling above which the payout is capped. The payout factor for achievement levels between the threshold and the ceiling is calculated by linear interpolation. While the thresholds and the ceilings are valid for a period of several years, the achievement against those is measured on a yearly basis and leads to a payout factor for this portion of the variable incentive. The threshold for the ROIC is set on a level clearly over the average cost of capital of the Corporation.

The individual objectives are set within the MBO process at the beginning of the year. They are clearly measurable. At the end of the year, the achievement against each individual objective is assessed and leads to a payout factor for this portion of the variable short-term incentive.

The weighting of the business and individual objectives for the Chief Executive Officer and the other Executive Committee members is described in the following chart:

Weighting of the business and individual objectives (maximum level of performance / payout factor)

		CEO	Head Division	Staff Functions	
Business objectives	Corporation level	Organic sales growth (20%)	22%	6%	12%
		EBIT margin (30%)	33%	9%	18%
		ROIC (30%)	33%	9%	18%
		Asset turnover (20%)	22%	6%	12%
	Division level	Organic sales growth (20%)		6%	
		EBIT margin (30%)		9%	
		ROIC (30%)		9%	
		Asset turnover (20%)		6%	
Individual objectives	MBO	40%	30%	30%	
Total weight (at maximum) in % of annual fixed base salary		150%	90%	90%	

Thresholds and ceilings for the business objectives (valid for corporate and divisional objectives)

Business objectives	Hurdle (minimum threshold)	Cap (maximum threshold)	Mid-term targets 2015
Organic sales growth	1.0%	7.0%	not disclosed ¹
EBIT margin	3.5%	12.0%	8–9%
ROIC	10.0%	22.0%	16–20%
Asset turnover	2.0	3.0	not disclosed ¹

¹ For competitive reasons

The maximum short-term incentive is expressed as a percentage of the annual fixed base salary and amounts to 150% for the Chief Executive Officer and 90% for the other members of the Executive Committee. The expected level of target performance (fulfillment of the multi-year business objectives and of the individual objectives) corresponds to a short-term incentive payout of approximately 60% of the maximum short-term incentive.

Based on the Business Strategy 2016–2020 the short-term incentive plan has been fine-tuned to reward the achievement of strategic targets. The new short-term incentive model is explained in the section “Changes to the short-term incentive model in 2016” and is effective for 2016.

Share-based remuneration (long-term incentive) // The purpose of the share-based remuneration is to align the interest of the Executive Committee with the shareholders’ interests. The Chief Executive Officer receives 850 restricted shares and each of the other Executive Committee members receives 300 restricted shares. The shares are granted in January of the following year and are subject to a blocking period of five years. The grant value of the share is based on the closing share price on the last trading day of the reported business year. The shares are automatically unblocked in case of termination, liquidation, or change of control. The shares of the share-based compensation program are either treasury shares or are repurchased on the market.

The share-based remuneration plan has been replaced on the basis of the review conducted in 2015. The new long-term incentive model is explained in the section “Changes to the long-term incentive model in 2016” and is effective for 2016.

Benefits // Benefits consist primarily of retirement and insurance plans that are designed to provide reasonable retirement remuneration as well as a reasonable level of protection against risks such as death and disability. All members of the Executive Committee have a Swiss employment contract and participate in the pension fund of GF offered to all Swiss-based employees, in which only the fixed base salary is insured. The pension fund exceeds the minimum legal requirement of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and is in line with commensurate market practice. For top management positions, including the members of the Executive Committee, an early retirement plan is in place. The plan is entirely financed by the employer and is administered by a Swiss foundation. Beneficiaries may opt for early retirement from the age of 60, provided that they are enrolled with the Swiss social security and have been employed by GF at least for ten years.

Members of Executive Management do not receive any special benefits. They are entitled to a representation lump-sum allowance and to reimbursement of business expenses in accordance to the expense rules applicable to all employees at management levels employed in Switzerland. The expense regulation has been approved by the relevant cantonal tax authorities.

Contractual terms // The contractual agreements with the Chief Executive Officer and the Executive Committee members foresee a notice period of maximum twelve months. There are no entitlements to severance payments.

Remuneration for the 2015 business year

Board of Directors // The members of the Board of Directors received cash compensation of CHF 1.175 million in the year under review. In addition, a total of 1 534 GF registered shares with a total market value of CHF 1.042 million were allocated as share-based compensation. In the previous year, the allocation had been 1 650 GF registered shares, equivalent to a total market value of CHF 1.038 million. Together with other benefits, the total compensation paid to the Board of Directors in the year under review amounted to CHF 2.331 million (previous year: CHF 2.034 million). The detailed disclosure of compensation to the Board of Directors is as follows:

Compensation paid to the members of the Board of Directors 2015

	Compensation				Total compensation 2015 ⁴	Total compensation 2014 ⁴
	Cash compensation ¹	Number of shares	Share-based compensation ²	Other benefits ³		
Andreas Koopmann						
Chairman Board of Directors						
Chairman Nomination Committee	270	300	204	25	499	448
Hubert Achermann						
Chairman Audit Committee	139	150	102	13	254	132
Gerold Bühler						
Vice Chairman Board of Directors						
Member Audit Committee	123	150	102	10	235	194
Roman Boutellier						
Member Nomination Committee	90	150	102	9	201	155
Ulrich Graf						
Chairman Compensation Committee	110	150	102	10	222	161
Rudolf Huber⁵						
Chairman Audit Committee	33	33	22	3	58	206
Roger Michaelis						
Member Audit Committee	116	150	102	12	230	192
Eveline Saupper⁶						
Member Compensation Committee	71	118	80	8	159	
Jasmin Staiblin						
Member Compensation Committee	90	150	102	10	202	155
Isabelle Welton⁷						
Member Compensation Committee	20	33	22	2	44	155
Zhiqiang Zhang						
Member Nomination Committee	113	150	102	12	227	198
Rounding						2
Total	1 175	1 534	1 042	114	2 331	1 998*

(all in CHF 1 000; except column "Number of shares")

* The total compensation in 2014 amounted to CHF 2.034 million, including a compensation for Kurt E. Stirnemann (member Audit Committee until Annual Shareholders' Meeting 2015) of CHF 36 000.

1 The Cash compensation includes reimbursements for international travel amounting to CHF 45 000.

2 The share-based compensation consists in the allocation of a fixed number of shares. The amount of the share-related compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 679 on 31 December 2015.

3 The other benefits represent employer contributions to social insurance funds.

4 The total compensation encompasses the cash compensation, the share-based compensation and the other benefits.

5 Member of the Board of Directors and Chairman Audit Committee until 18 March 2015.

6 Member of the Board of Directors and member Compensation Committee since 18 March 2015.

7 Member of the Board of Directors and member Compensation Committee until 18 March 2015.

The compensation paid to the Board of Directors for the year 2015 was above that of the previous year. The increase is explained by the following factors:

- Based on the review conducted in 2014, the applicable compensation model has been adapted to be aligned with the relevant market levels.
- The value of the shares increased from CHF 629 in 2014 to CHF 679 in 2015.

Other benefits reflect the social security contributions.

In the year under review, Mr. Rudolf Huber, Chairman of the Audit Committee, and Ms. Isabelle Welton, member of the Compensation Committee, were remunerated until the Annual Shareholders' Meeting of 18 March 2015. Ms. Eveline Saupper, member of the Compensation Committee, was compensated for the time 18 March through 31 December 2015. Both Mr. Roger Michaelis and Mr. Zhiqiang Zhang received each CHF 22 500 for international travel time spent; these reimbursements are included in the cash compensation. No further compensation was paid to members of the Board of Directors. No compensation was paid to parties closely related to members of Board of Directors.

Executive Committee // The members of the Executive Committee received cash, share-based compensation, social security and pension contributions amounting to CHF 7.736 million for the year under review (previous year: CHF 6.630 million). 2 050 GF registered shares with a total value of CHF 1.392 million, based on a share price of CHF 679 at year-end 2015, were allocated to members of the Executive Committee for the year under review (previous year: 2 050 GF registered shares with a total value of CHF 1.289 million).

The detailed disclosure of compensation to the Executive Committee in accordance with the Ordinance against excessive pay in stock exchange listed companies is as follows:

Compensation paid to the members of the Executive Committee 2015

	Fixed salary in cash	Short-term incentive in cash ¹	Number of shares	Share-based compensation ²	Pension and social insurance funds ³	Total compensation 2015 ⁴	Total compensation 2014 ⁴
Executive Committee	2 860	2 274	2 050	1 392	1 210	7 736	6 630
Of whom							
Yves Serra, CEO (highest individual compensation)	869	938	850	577	397	2 781	2 286

(all in CHF 1 000; except column "Number of shares")

- 1 The short-term incentive is based on the short-term incentive plan. The amount is determined by the fulfillment of personal performance objectives and by the financial results of the divisions and the Corporation. The short-term incentive for the 2015 financial year was approved by the Board of Directors on 19 February 2016. Payment will be made in 2016.
- 2 The share-based remuneration is based on the long-term incentive plan. Each year a fixed number of GF shares is allocated. These shares are blocked for five years. The amount of the share-based compensation is calculated on the basis of the full value of the shares at the year-end price of CHF 679 on 31 December 2015. All shares are transferred in 2016.
- 3 The pension and social insurance fund expenses include employer contributions to social security and to pension funds.
- 4 The total compensation is comprised of the fixed salary, the short-term incentive, the share-based remuneration and the social and pension contributions.

The total compensation for the Chief Executive Officer and the other members of the Executive Committee in 2015 was higher than in 2014. The increase is explained by the following factors:

- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was clearly better in 2015 compared to 2014, especially as the objectives of the Strategy 2011–2015 have been achieved. Consequently, the overall short-term incentive percentage ranges from 66.2% to 68.3% of the base salary for the Executive Committee members and amounts to 108% of the base salary for the Chief Executive Officer.
- The value of the shares increased from CHF 629 in 2014 to CHF 679 in 2015.
- The maximum short-term incentive level for the Chief Executive Officer was increased from 110% to 150% of the fixed base salary in order to be aligned with relevant market practice.
- The fixed salary was slightly adjusted in order to keep competitive levels in line with the market practice of our industrial sector.
- The employer's contributions to social security and to company retirement plans have increased following the adjustments of fixed salary. Please note that a significant portion of the social security payments of the employer to the Swiss social security system represents a solidarity payment as the individuals will not get any return or benefit due to these payments.

In the year under review, no compensation was paid to former members of the Executive Committee. No compensation was paid to parties closely related to members of the Executive Committee.

Shareholdings of the members of the Board of Directors and of the Executive Committee // The information on shareholdings of the members of the Board of Directors and of the Executive Committee is included on page 110 and 111 of the Notes to the Financial Statements of Georg Fischer Ltd.

Loans to members of governing bodies // Neither Georg Fischer Ltd nor its Corporate Companies granted any guarantees, loans, advances, or credit facilities to members of the Board of Directors or the Executive Committee or related parties in the year under review. As of 31 December 2015, no loans were outstanding.

Changes to the short-term incentive model in 2016

In 2015, a review of the short-term incentive model applicable to the members of the Executive Committee has been conducted reflecting the Business Strategy 2016–2020. The following changes became effective 1 January 2016:

- The short-term incentives are expressed as a target in % of Annual Fixed Base Salary.
- The maximum short-term incentive amounts to 150% of the target short-term incentive.
- The achievement for each objective is capped at 150%.
- The highest weighting is on the organization the executive is responsible for.
- The hurdles and caps are defined on a divisional level to reflect the difference in businesses.

Short-term incentive in % of annual fixed base salary

The maximum in % of annual fixed base salary remains unchanged.

	Target	Minimum	Maximum
CEO	100%	0%	150%
Executive Committee	60%	0%	90%

Weighting of the business and individual objectives (target level of performance/payout factor)

		CEO	Head Division	Staff Functions	
Business objectives	Corporation level	Organic sales growth (20%)	15%	5%	15%
		EBIT margin (40%)	30%	10%	30%
		ROIC (40%)	30%	10%	30%
	Division level	Organic sales growth (20%)		10%	
		EBIT margin (40%)		20%	
		ROIC (40%)		20%	
Individual objectives	MBO	25%	25%	25%	
Total		100%	100%	100%	

Thresholds and targets for the corporate business objectives

Business objectives	Hurdle ¹	Strategy targets 2016–2020
Organic sales growth (at constant currencies)	1.00%	3–5%
EBIT margin	4.00%	8–9%
ROIC	10.00%	18–22%

¹ Achievements below the hurdle result in zero payout for the respective business objective.

Changes to the long-term incentive model in 2016

The metrics of the new long-term incentive plan have been designed to fit with GF's Strategy 2016–2020, focusing on long-term sustainable value creation for the company, customers and shareholders. The incentive is based on one Key Performance Indicator, Earnings per Share (EPS), measured over a prospective three years' performance period, in order to:

- Align the interests with those of GF's shareholders,
- Allow management to participate in the long-term success of GF,
- Foster and support a high-performance culture.

GF has renounced to measure performance against an artificially defined peer group of companies as it would require the definition of peer groups on divisional levels to adequately reflect the differences in businesses GF operates in. The aggregation of such disparate peers would not lead to a clear correlation between performance and long-term incentive. The Key Performance Indicator, EPS, is measured over a prospective three years' performance period in relation to the last 10 years' average value; this ensures that full business cycles are taken into account when measuring the achievement levels.

The Grant is expressed as a number of shares, based on the length of employment in the year x (pro-rated based on twelve months). The number of granted shares will be divided into a number of restricted shares (RS) and a number of performance-restricted shares (PS), as follows:

	Restricted and Performance-restricted shares		
	RS Restricted shares	PS Performance-restricted shares	Total number of shares
CEO	425	0–850	425–1275
EC	150	0–300	150–450

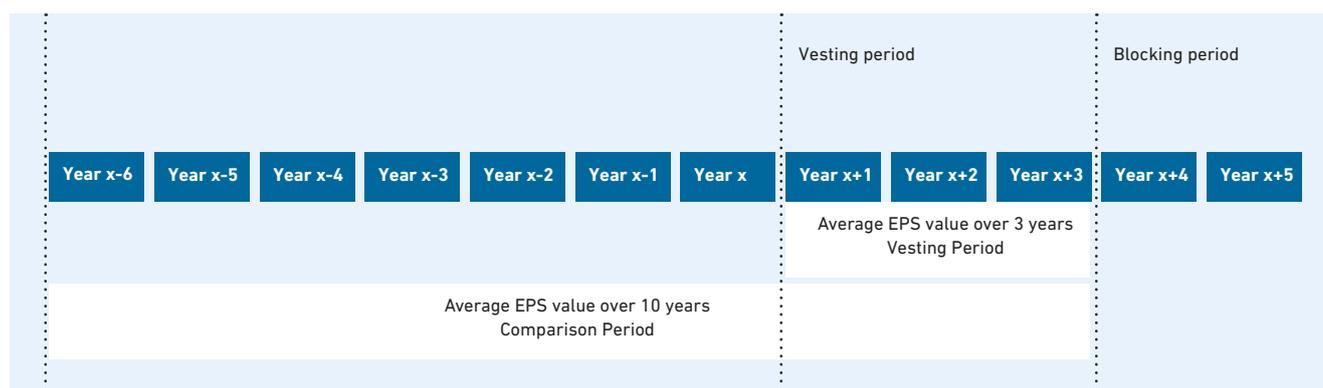
CEO = Chief Executive Officer; EC = Executive Committee

RS will be blocked for 5 years, PS for 2 years after the vesting period of 3 years.

For the year x, the RS and PS are granted on 1 January, year x+1 (Grant Date). The RS vest immediately; the vesting of the PS is subject to meeting the following performance criteria:

- Should the average EPS value over the 3 years' vesting period be equal to the average EPS value of the previous 10 years, 100% of the granted PS will vest at the Vesting Date.
- Should the average EPS value over the 3 years' vesting period be above 150% of the average EPS value of the previous 10 years, 150% of the granted PS will vest at the Vesting Date (cap).
- Should the average EPS value over the 3 years' vesting period be below 50% of the average EPS value of the previous 10 years, all granted PS will forfeit (hurdle).
- For achievements in between 50% and 150% the calculation is linear.

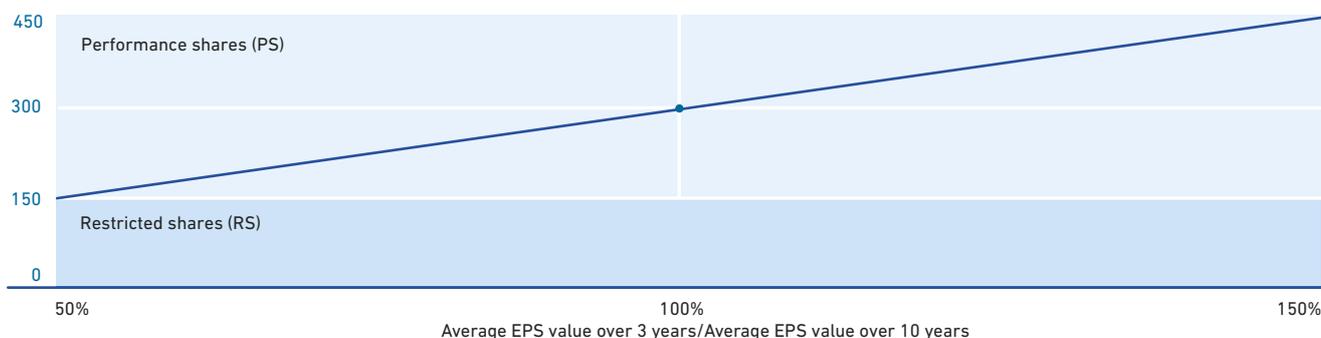
Whereas the Vesting Date of the granted PS is defined 3 years after the Grant Date and five working days after the official disclosure of the EPS value of the relevant business year.



The long-term incentive plan came into effect 1 January 2016.

For the long-term incentive plan year x, the total number of RS and PS vesting can be derived as follows:

Number of shares: Members of the EC



For the CEO the target is 850 shares with a maximum of 1 275 shares and a floor of 425 shares.