

Explanatory notes on the motions proposed by the Board of Directors relating to the votes on the compensations according to Art. 23 of the Articles of Association

1. Approval of the maximum total compensation of the members of the Board of Directors for the year in office 2015/2016

Motion: The Board of Directors proposes to approve the maximum total sum of CHF 1 030 000 of the compensation for members of the Board of Directors for the period of office from the Annual General Meeting in 2015 to the Annual General Meeting in 2016.

The proposed maximum total amount also includes compensation for work on the committees of the Board of Directors. The compensation of the members of The Board of Directors is fixed but at least 50% of it must be provided in the form of restricted AFG shares. The remaining 50% can either be paid out in cash or up to a maximum of another 30% in restricted AFG shares. The share allocation is carried out in accordance with the share-based payment programme of AFG (see compensation report section 3.4, in the Annual Report 2014; www.afg.ch/report2014). The members of the Board of Directors do not receive any variable compensation.

The following table shows the approximate fixed compensation of the Board of Directors planned for the year in office 2015/2016, for the purpose of deducing and illustrating the maximum total sum proposed by the Board of Directors.

	Fee	Costs of pensions provision	Other compensation	Year in office 2015/2016
Chairman of the Board of Directors	360 000	43 000	15 000	
Six further members of the Board of Directors	549 000	27 000	36 000	
Total	909 000	70 000	51 000	1 030 000

The approval of the maximum total compensation of the members of the Board of Directors is carried out in accordance with Art. 23 of the Articles of Association and in implementation of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (OaEC). The principles of compensation are listed in Section IV of the Articles of Association. Art. 25 of the Articles of Association contains the basic principles for the allocation of shares. More details about the basis of the compensation of the members of the Board of Directors can be found in the compensation report.

2. Approval of the maximum fixed total compensation of the members of Group Management for financial year 2016

Motion: The Board of Directors proposes to approve the maximum total sum of CHF 2 780 000 for the fixed compensation of the members of the Group Management for the financial year 2016.

The fixed compensation of the members of Group Management depends on the individual function as well as the qualification and experience of the person that assumes the function. The principles of compensation are listed in Section IV of the Articles of Association. More details about the basis of the fixed compensation of the members of Group Management can be found in the compensation report.

The following table shows the approximate fixed compensation of the members of Group Management planned for financial year 2016, including a certain reserve, for the purpose of deducing and illustrating the maximum total sum proposed by the Board of Directors.

	Financial year 2016
Annual salary	1 960 000
Pension costs	680 000
Other compensation	140 000
Total	2 780 000

The approval of the maximum total fixed compensation of the members of the Group Management is carried out in accordance with Art. 23 of the Articles of Association and in implementation of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (OaEC).

3. Approval of the maximum variable total compensation of the members of Group Management for financial year 2016

Motion: The Board of Directors proposes to approve the maximum total sum of CHF 2 200 000 for the variable compensation of the members of the Group Management for the financial year 2016.

A revised bonus model will come into force on 1 January 2016. The Board of Directors sets annual financial targets for the members of the Group Management, such as EBIT margin, growth, free cash flow and ROCE, as well as their weighting as a percentage of the nominal bonus.

If members of Group Management meet their targets in full, they receive a variable payment (nominal bonus) as agreed in their individual contracts. Quantitative targets are assessed on the extent to which they have been met, with the relevant bonus component rising to 150% at most. Failure to meet at least 80% of a quantitative target will mean that none of the respective bonus component is paid.

Two thirds of the variable component are paid out in cash and one third in the form of an allocation of shares under the share-based payment programme of AFG (see compensation report, Section 4.4). In the case of the CEO the variable compensation is paid half in cash and half in the form of a share allocation in accordance with the aforementioned share-based payment programme.

The following table shows the approximate variable compensations of the members of the Group Management planned for financial year 2016 if the minimum targets are not achieved, if the minimum targets are achieved, if the targets are 100% achieved and the achievable maximum for the purpose of deducing and illustrating the maximum total amount proposed by the Board of Directors.

	Non-achievement of the minimum targets (<80%)	Achievement of the minimum targets (80%)	Achievement of the targets (100%)	Financial year 2016 Maximum target achievement (150%)
Variable compensation	0	1 100 000	1 370 000	2 080 000
Pension costs	0	60 000	80 000	120 000
Total				2 200 000

The approval of the maximum total variable compensation of the members of the Group Management is carried out in accordance with Art. 23 of the Articles of Association and in implementation of the Ordinance against Excessive Compensation in Listed Companies Limited by Share (OaEC). The principles of compensation are listed in Section IV of the Articles of Association. Art. 25 of the Articles of Association contains the basic principles for the allocation of shares. More details about the basis of the variable compensation of the members of Group Management can be found in the compensation report.

AFG Arbonia-Forster-Holding AG



Christian Stambach
Interim Chairman of the Board of Directors



Peter Barandun
Chairman of the Nomination and Compensation Committee