

Compensation Report

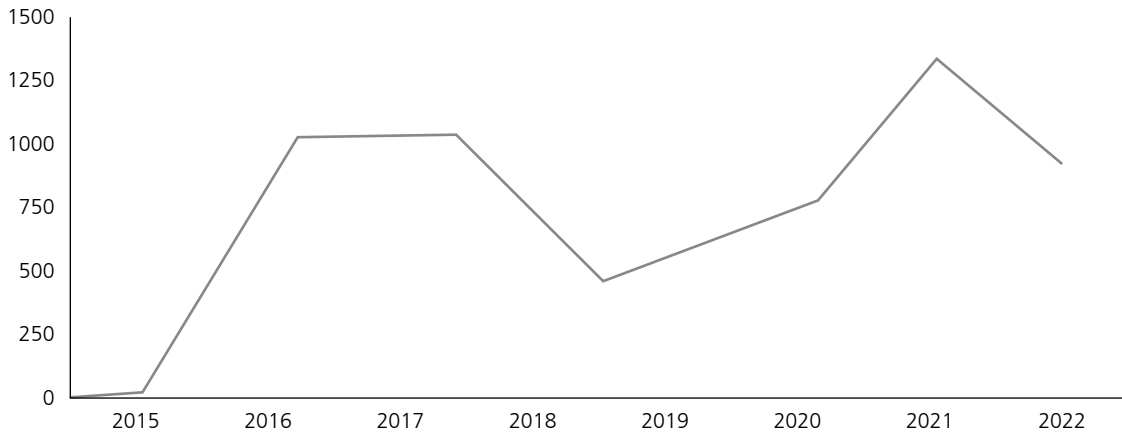
This Compensation Report presents the compensation governance, the principles of the compensation system, as well as the structure of the compensation of the Board of Directors and Group Management of Arbonia AG (in the following "Arbonia"). In addition, this report contains information on the compensation of the Board of Directors and Group Management in the financial year 2022, on the roles with economic purpose that the members of the Board of Directors and Group Management exercise at other companies, and on the shareholding rights held by the members of the Board of Directors and Group Management.

The information contained in the Compensation Report on the compensation of the Board of Directors and Group Management in the financial year 2022 has been reviewed by the statutory auditor. The audit report is found on pages 134–135.

The Compensation Report has been compiled in accordance with the regulations on compensation at companies whose shares are listed at a stock exchange in the Swiss law that supplements the Swiss Civil Code (Part Five: Code of Obligations) in the fourth section on corporate law (in the following "Code of Obligations") and the directive on information relating to corporate governance (RLCG) of 18 June 2021 of the SIX Exchange Regulation. The information relates to the reporting year 2022 unless otherwise indicated.

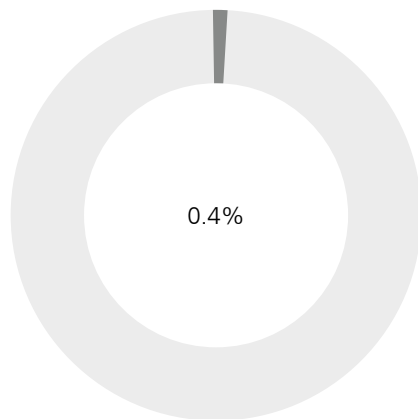
Market capitalisation

In CHF million as of 31 December

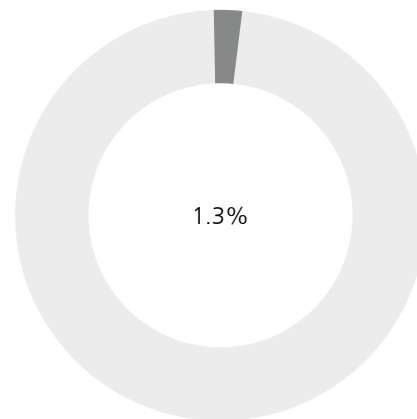


Total compensation¹

Share of the total costs of the Group²



Share of personnel expenses of the Group



¹ Members of the Board of Directors and of Group Management

² Personnel costs, material costs, other expenses

Motions to the General Meeting 2023

in 1000 CHF

<p>Total compensation Board of Directors 2 165</p>	<p>Total compensation Group Management 3 147</p>
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1. Governance
1.1. Membership of the Nomination and Compensation Committee

According to the Articles of Association of Arbonia www.arbonia.com/en/company/corporate-governance; in the following "Articles of Association") and the by-laws (www.arbonia.com/en/company/corporate-governance), the Nomination and Compensation Committee is comprised of two or more members.

The members of the Nomination and Compensation Committee are elected by the General Meeting for one year of office

each time. The Chairman of the Nomination and Compensation Committee is appointed by the Board of Directors at the request of the committee members.

At the ordinary General Meeting of 22 April 2022, Peter Barandun, Alexander von Witzleben, and Heinz Haller were re-elected as members of the Nomination and Compensation Committee. At the constituent meeting of the Board of Directors on 22 April 2022, Peter Barandun was again appointed Chairman of the Nomination and Compensation Committee.

In the year of office 2022/2023, the Nomination and Compensation Committee consisted of the following:

Members	Roles
Peter Barandun	<ul style="list-style-type: none"> – Chairman of the Nomination and Compensation Committee – Vice Chairman of the Board of Directors
Alexander von Witzleben	<ul style="list-style-type: none"> – Member of the Nomination and Compensation Committee – Member of the Audit Committee – Executive Chairman of the Board of Directors from 22 April 2022
Heinz Haller	<ul style="list-style-type: none"> – Member of the Nomination and Compensation Committee – Member of the Board of Directors

The Chairman as well as a further member of the Nomination and Compensation Committee are independent and non-executive members of the Board of Directors. Alexander von Witzleben was the delegate of the Board of Directors and interim CEO until 22 April 2022 and has been Executive Chairman of the Board of Directors since 22 April 2022.

1.2. Responsibilities

The Nomination and Compensation Committee is responsible for the Group's compensation policy, especially at the top corporate level. In addition, the committee assists the Board of Directors in identifying and selecting candidates for the Board of Directors and Group Management. The duties and powers of the Nomination and Compensation Committee are set out in the Articles of Association (www.arbonia.com/en/company/corporate-governance), in the by-laws (www.arbonia.com/en/company) as well as in the regulation of powers. The committee submits motions to the Board of Directors for decision and makes proposals and recommendations.

The responsibilities of the Nomination and Compensation Committee include, i. a.:

- Periodic review of the salary policy and the compensation system
- Yearly review of the compensation of the Board of Directors and Group Management
- Assessment of the performance of the members of Group Management
- Identification of candidates for the Board of Directors and Group Management
- Determination of the principles for managing and developing the members of the Board of Directors and Group Management

The responsibilities for the most important compensation issues at the level of the General Meeting, the Board of Directors, and Nomination and Compensation Committee are presented in the following table:

Topic	General Meeting	Board of Directors	Nomination and Compensation Committee
Development and periodic review of the salary policy and the compensation system		Decision	Motion
Determination of a bonus- and share-based payment programme		Decision	Motion
Determination of the compensation of the Board of Directors (Chairman, Vice Chairman, members of the Board of Directors, committee chairman, committee members)		Decision	Motion
Individual determination of the compensation of the Executive Chairman of the Board of Directors and the members of Group Management		Decision	Motion
Definition of the targets for the current financial year		Decision	Motion
Individual assessment of the performance of the Executive Chairman of the Board of Directors and the members of Group Management and determination of the variable compensation based on the respective target achievement		Decision	Motion
Retrospective approval of the total compensation of the Board of Directors and Group Management	Approval	Motion to the General Meeting	Motion
Compensation Report	Advisory voting	Motion to the General Meeting	Motion

1.3. Meetings, information policy, and abstention regulations

The Nomination and Compensation Committee convenes as often as necessary, however, at least twice a year. In the reporting year, the members of the Nomination and Compensation Committee met for two meetings. The meetings lasted for one hour on average. The attendance rate was 100% for both meetings.

In the reporting year, the Nomination and Compensation Committee, in addition to the annually recurring topics in connection with the compensation, focused on 1.) the introduction of an ESG target to the bonus system of Group Management and 2.) the legal gender quotas for the Board of Directors and Group Management. This topic was added as a permanent item to the agenda of the Nomination and Compensation Committee from now on.

Members of the Board of Directors not on the committee are kept informed about current topics as well as any significant resolutions and measures by the Chairman of the Nomination and Compensation Committee at the subsequent meeting of all members of the Board of Directors following each committee meeting. The minutes of the meetings of the Nomination and Compensation Committee can be reviewed by the entire Board of Directors.

The Group CFO is normally invited to the meetings of the Nomination and Compensation Committee, for which he has an advisory function. The Group CFO attended all meetings in the reporting year. The Chairman of the Nomination and Compensation Committee can invite further managers to the meetings if necessary.

Alexander von Witzleben abstains and leaves the meeting room when his own performance or compensation in his role as Executive Chairman of the Board of Directors is discussed. The Group CFO as well as other managers present also leave the meeting room when their performance or compensation is discussed.

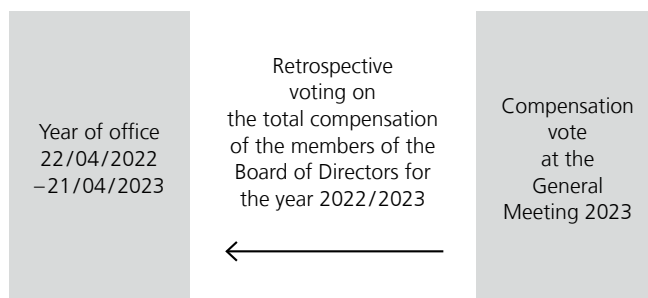
1.4. Involvement of the shareholders

In the Compensation Report, Arbonia fulfils its legal disclosure requirements to the full extent and transparently discloses its governance in compensation issues, its compensation principles and, its compensation system as well as the specific implementation in the respective reporting year. The Board of Directors submits the Compensation Report to the shareholders according to Article 23 para. 7 of the Articles of Association

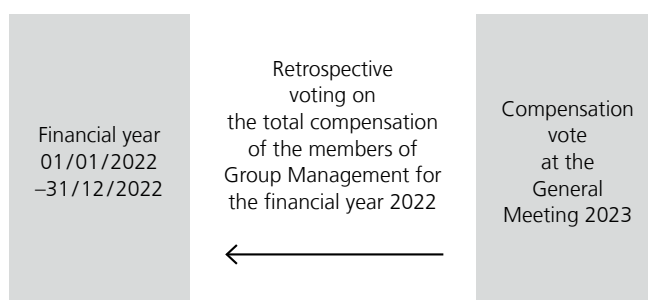
(www.arbonia.com/en/company/corporate-governance) for consultative (non-binding) approval every year at the Ordinary General Meeting.

In addition to the Compensation Report, the Board of Directors submits the total compensation of the members of the Board of Directors and Group Management to the General Meeting for approval, as specified in Article 735 of the Code of Obligations and in Article 23 of the Articles of Association (www.arbonia.com/en/company/corporate-governance). The two compensation votes are made retrospectively; in other words, the shareholders approve the total amount of compensation of the members of the Board of Directors for the year of office ending at the respective General Meeting on the one hand and the total amount of compensation of the members of Group Management for the financial year prior to the General Meeting in question on the other hand.

Voting on the total compensation of the members of the Board of Directors



Voting on the total compensation of the members of Group Management



In the past, the shareholders have always approved the two compensation votes as well as the above-mentioned Compensation Report, thereby expressing their positive opinion of the compensation policy practiced by Arbonia.



2. Principles of the compensation system

2.1. Principles and statutory anchoring

The compensation system and the structure of the occupational pension scheme (cf. section 4.6) are based on the conviction that the success of a company depends to a considerable extent on the quality of work and dedication of its personnel. Arbonia wants to leverage its compensation system and the

total compensation paid on this basis to attract and retain people with the necessary skills and qualities and to motivate them to deliver a consistently high level of performance. The compensation system is designed to ensure that the interests of top managers are consistent with the interests of the Group and its shareholders.

In accordance with the requirements of the Code of Obligations, the Articles of Association (www.arbonia.com/en/company/corporate-governance) contain the fundamental principles of the compensation system both in respect to the compensation of the Board of Directors as well as Group Management:

Articles of Association	Principle
Article 22 para. 1	<p>Compensation of the Board of Directors: Members of the Board of Directors receive fixed compensation. If members of the Board of Directors take on management tasks corresponding to a member of Group Management – for example, when the Chairman doing so when taking charge of management – they normally receive additional variable compensation. The fixed compensation and variable compensation can include a cash portion and a portion in temporarily blocked shares pursuant to the share-based payment programme.</p>
Article 22 para. 2	<p>Compensation of Group Management: Members of Group Management normally receive a fixed as well as a variable compensation. The fixed and variable compensation can include a cash portion and a portion in temporarily blocked shares pursuant to the share-based payment programme.</p>
Article 24 para. 1	<p>Variable compensation The variable compensation depends on the company results. The success criteria comprise business-related and/or personal targets.</p> <p>Section 1: At the beginning of each financial year the Board of Directors determines the corporate and/or personal goals. Achievement of the goals is evaluated by the Compensation Committee after the expiry of the financial year and determined on its motion by the Board of Directors.</p> <p>Section 2: A bonus amount is determined in individual agreements. If the targets are achieved in full, 100% of the bonus amount determined by individual agreement is paid out. If the targets are exceeded, the variable compensation may exceed the bonus amount determined by individual agreement up to a maximum amount. If achievement of the targets lies below a particular threshold, no variable compensation is paid.</p> <p>Section 3: The variable compensation is a maximum of 150% of the fixed compensation.</p>
Article 23 and Article 24 para. 2	<p>According to Article 23 and Article 24 para 2. of the Articles of Association, the Board of Directors is authorised in special situations to award additional compensation to a member of Group Management that can be paid out in cash and/or in the form of shares blocked for four years.</p>

(www.arbonia.com/en/company/corporate-governance)

2.2. Benchmarking and external consultants

Arbonia audits the compensation of its managers, including the members of Group Management, on a regular basis.

At the end of 2020, Arbonia commissioned HCM International AG with two analyses. The one analysis concerned the compensation of the members of Group Management, except for the compensation of the CEO, and the other analysis concerned the compensation of the CEO. Both analyses were each performed based on a comparison group of industrial companies domiciled in Switzerland with a similar market capitalisation and a comparison group of industrial companies domiciled in Switzerland with a similar revenue. The comparison group with a similar market capitalisation included the following industrial companies: Interroll, Schweiter, Kardex, Bobst, Komax, Burckhardt, Implenia, Rieter, Phoenix, Burkhalter, Zehnder, Von Roll, and Feintool. The comparison group with a similar revenue included the following industrial companies: Stadler Rail, Bucher, Geberit, Dormakaba, OC Oerlikon, SFS Group, Bobst, Conzzeta, Schweiter, Daetwyler, Rieter, Phoenix, Zehnder, Belimo, and Feintool. Along with other publicly available data, these analyses served as the basis for determining the compensation, whereby the respective job holder's individual function, qualification for and experience in the function, as well as contribution to corporate success were additionally taken into account. Arbonia always strives to set compensation within the range of the market median. Except for these two mandates, HCM International AG did not receive any other mandate from Arbonia.

In 2018, Arbonia commissioned Korn Ferry to conduct a role evaluation for management and key Group functions using the HAY assessment system. Based on the job grades, the included functions were compared on a country-specific basis with comparable functions at international companies in the Hay databases. Except for this mandate, Korn Ferry did not receive any other mandate from Arbonia.

3. Compensation structure of the Board of Directors

3.1. Fee of the Board of Directors

3.1.1. Fixed compensation and lump-sum allowances

The members of the Board of Directors receive a fee in the form of fixed compensation for their work for the Board of Directors. The members of the Nomination and Compensation Committee and the Audit Committee receive an additional fee for their work for the committee, which is also paid out in the form of a fixed compensation.

The fee – for the members of the Board of Directors as well as for the members of the committees – comprises a cash portion and a portion in the form of shares that are blocked for four years (hereinafter "blocked shares"). The share portion is at least 50% of the fee. Members of the Board of Directors and members of the committees who have their tax residence in Switzerland can receive the remaining 50% of the fee either entirely in cash or up to a maximum of a further 30% in shares and the rest in cash.

Predefined fee payment

A minimum of 50% of the fee in blocked shares

A maximum of 50% of the fee in cash

For members of the Board of Directors who have their tax residence outside of Switzerland – but within the European Union or the European Economic Area (EEA) – the share portion is also at least 50% of the fee. In regard to the remaining 50% of the fee, the percentage that can be paid out in shares instead of in cash is limited to a maximum of 15%. Thus, at most 65% of the fee can be received in the form of shares, whereby in this case 35% of the fee is paid out in cash.

Members of the Board of Directors who have their tax residence outside of Switzerland, the European Union, or the European Economic Area (EEA) are paid the entire fee in cash. For this reason, a member of the Board of Directors received the entire fee in cash in the reporting year.

Optional increase of the share portion up to a maximum of 80%

A maximum of 80% of the fee in blocked shares

A minimum of 20% of the fee in cash

The statutory contributions to the social insurance were paid from the cash portion of the fee.

Alexander von Witzleben waived a fee for his work as a member of the Nomination and Compensation Committee and the Audit Committee.

In addition to the fixed compensation (fee), the members of the Board of Directors receive lump-sum allowances. These allowances cover minor expenses and travel costs within Switzerland and are contained in the "other compensation" listed in the table in section 5.2. Costs of foreign travel and overnight stays are borne by the company.



In the financial year 2022, the structure and amount of the fee of the Board of Directors as well as the amount of the lump-sum allowances (both without the office of Executive Chairman of the Board of Directors, cf. 3.2) was as follows:

Role	Compensation in CHF	Form of payment
Chairman ¹	240 000	cash and blocked shares
Vice Chairman	80 000	cash and blocked shares
Member of the Board of Directors	60 000	cash and blocked shares
Chairperson of the NCC ² /AC ³	20 000	cash and blocked shares
Member of the NCC/AC	10 000	cash and blocked shares
Lump-sum expense allowances of the Chairman	15 000	cash
Lump-sum allowances of members residing in Switzerland	6 000	cash
Lump-sum allowances of members residing outside of Switzerland	12 000	cash

¹The office of Executive Chairman of the Board of Directors is compensated in addition to the office of Chairman (cf. 3.2).

²NCC = Nomination and Compensation Committee

³AC = Audit Committee

The members of the Board of Directors do not receive any attendance fees. No additional compensation is paid for preparing and attending the ordinary and extraordinary meetings of the Board of Directors, the Nomination and Compensation Committee, and the Audit Committee. No signing bonus or termination benefits are paid to the members of the Board of Directors.

The members of the Board of Directors – except for Alexander von Witzleben in his role as Executive Chairman of the Board of Directors (cf. 4.6) – are not insured in the pension scheme of Arbonia.

3.1.2. Variable compensation

The members of the Board of Directors, including the members of the Nomination and Compensation Committee and the Audit Committee, do not receive any variable compensation.

For the variable compensation that Alexander von Witzleben receives in his role as Executive Chairman of the Board of Directors, see the explanations in 3.2.3.

3.1.3. Services and in-kind benefits as well as privileges

The members of the Board of Directors do not receive any services or in-kind benefits. Like employees, however, they can profit from discounts when purchasing Arbonia products.

3.1.4. Board Member Share Plan

Making the Board of Directors partly take their fees in the form of restricted shares is designed to ensure that the incentive system is consistent with the long-term prosperity of the company, encourage a management philosophy which takes due account of risk, and reflect shareholder interests.

The Board of Directors determines the details of the allocation of shares to the members of the Board of Directors in a share-based payment programme according to Article 25 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).

In accordance with the Board Member Share Plan approved by the Board of Directors, the fair market value will be ascertained in order to determine the number of shares. The calculation of the fair market value begins two trading days following the publication of the annual results achieved by Arbonia in the reporting year. The VWAP is calculated daily for 20 trading days based on the volume-weighted average share price. The fair market value results from the average of the VWAPs of these 20 trading days. The gross amount of the ordinary dividend is then subtracted from the fair market value if this is approved by the General Meeting, and a deduction of 20% is made for the four-year restriction period of the shares.

The shares are allocated after the record date for the dividend payment, at the latest 20 days after the General Meeting. The shares allocated in this way carry all associated rights. They are subject to a restriction period of four years, however, during which they cannot be disposed of.

If a member leaves the Board of Directors, the restriction period continues to apply, although the Board of Directors has the discretion to waive the restriction period. If a member leaves the Board of Directors due to invalidity or death, the restriction period automatically lapses.

In the case of a change of control, it is at the discretion of the Board of Directors to decide whether the restriction period will continue to apply or be lifted.



There is no option programme for the members of the Board of Directors.

3.2. Compensation of the Executive Chairman of the Board of Directors

3.2.1. Office of Executive Chairman of the Board of Directors

At the General Meeting of 22 April 2022, Arbonia introduced the office of Executive Chairman of the Board of Directors, which has been held by Alexander von Witzleben since then. As Executive Chairman of the Board of Directors, Alexander von Witzleben is responsible for heading Group Management, although he is not a member of this committee himself. In addition to the fee for Directors described in 3.1, Alexander von Witzleben has received an additional fixed and variable compensation for his office as the Executive Chairman of the Board of Directors according to the compensation structure valid for Group Management (cf. Section 4) since 1 May 2022.

3.2.2. Fixed compensation

The annual fixed compensation of Alexander von Witzleben is CHF 600 000 and is paid in cash. In the reporting year, the fixed compensation was paid from 1 May 2022 to 31 December 2022 on a pro rata temporis basis.

3.2.3. Variable compensation

The contractually agreed nominal bonus of Alexander von Witzleben is CHF 400 000 (for 100% target achievement) and is paid to him in the reporting year on a pro rata temporis basis for the period between 1 May 2022 and 31 December 2022, depending on the achievement of the financial targets. The variable compensation is based on Article 24 para. 1 of the Articles of Association and is subject to the regulations applicable to Group Management (cf. 4.3). Accordingly, 50% of the variable compensation is a cash portion and 50% is a portion in shares blocked for four years.

3.2.4. Lump-sum allowances

In his role as Executive Chairman of the Board of Directors, Alexander von Witzleben receives lump-sum allowances in the amount of CHF 550 per month in accordance with the current allowance rules.

3.2.5. Terms and conditions of employment

The employment contract of Alexander von Witzleben has been concluded for an indefinite term and with a notice period of six months.

3.3. Compensation for restraint of competition

No member of the Board of Directors received compensation for restraint of competition in lieu of a competition prohibition in the reporting year.

4. Compensation structure of Group Management

4.1. Overview

The compensation of the members of Group Management consists of the following components:

Articles of Association	Form of compensation
Art. 22 para. 2	Fixed compensation
Article 24 para. 1	Variable compensation according to the regulations based on the nominal bonus determined by individual agreement
Where appropriate, compensation according to Article 23 and Article 24 para. 2 of the Articles of Association	In special situations

(www.arbonia.com/en/company/corporate-governance)

4.2. Fixed compensation

The members of Group Management receive a fixed compensation.

Alexander von Witzleben belonged to Group Management in his role as delegate of the Board of Directors and interim CEO until the General Meeting on 22 April 2022. In the reporting year, Alexander von Witzleben received CHF 280 000 (annual cash portion of the fixed compensation) on a pro rata temporis basis from 1 January 2022 to 30 April 2022 and 60 000 shares blocked for four years for exercising this role.

The fixed compensation of the other members of Group Management was paid exclusively in cash.

4.3. Variable compensation

The members of Group Management receive a variable compensation based on the nominal bonus determined by individual agreement. This consists of 50% in cash and 50% in shares blocked for four years.

Alexander von Witzleben belonged to Group Management in his role as delegate of the Board of Directors and interim CEO until the General Meeting on 22 April 2022. He waived the payment of a variable compensation in this role.

The variable compensation of Group Management was thus paid as follows in the reporting year:

Role	Payment form
Delegate of the Board of Directors and interim CEO (until 22 April 2022)	waiver of variable compensation
Members of Group Management	cash and blocked shares (50%)

The nominal bonus determined by individual agreement that is paid in the case of a 100% target achievement is at most 70% of the fixed compensation.

The amount of the variable compensation depends on the achievement of financial targets.¹

In the reporting year, the financial targets at the Group level and the division level based on the following key performance indicators (KPIs) with the following weighting as a percentage of the nominal bonus:

Targets	Weighting in percentages of the nominal bonus		
	CEOs of divisions ²	Executive Chairman of the Board of Directors / Group CFO ³	
Group level	EBITDA margin	10%	30%
	Free cash flow (without divestments)	10%	20%
	Group result	–	20%
	Holding/Corp. services costs	–	15%
	Return on capital employed (ROCE)	–	15%
Division level	EBITDA margin	30%	–
	Operative cash flow (without investments/divestments)	15%	–
	Organic growth (NU/net revenue)	20%	–
	Return on capital employed (ROCE)	15%	–

²The CEO of the Doors Division and the CEO of the Heating, Ventilation and Air Conditioning Division receive targets on the Group level as well as on the division level.

The target values expected on the division level are based on the budget of the respective division and are consequently defined separately for the CEOs of the two divisions.

³The Executive Chairman of the Board of Directors (cf. 3.2.3) and the Group CFO only receive targets on the Group level.

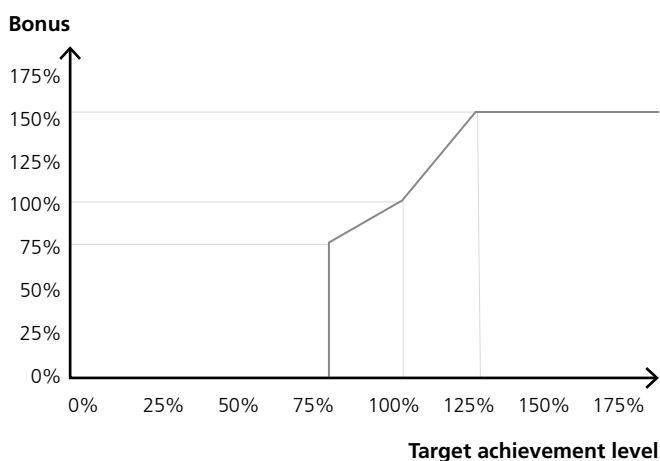
¹In the reporting year, the Board of Directors decided at the request of the Nomination and Compensation Committee to set a sustainability target – in addition to the financial targets – for the first time for the financial year 2023.



A certain percentage of the nominal bonus (100%) is allocated to each financial target. The weighting of the individual financial targets as a percentage of the nominal bonus varies and is given in the above table.

At the request of the Nomination and Compensation Committee, the Board of Directors determines an expected target value for each financial target at the beginning of the financial year. This value is based on the budget approved by the Board of Directors for the respective financial year.

After the end of the financial year or after the audited annual results are available, the financial targets are rated according to their effective degree of achievement. In the case of a 100% achievement of all targets, a member of Group Management receives the nominal bonus determined by individual agreement. In the best case, 125% of the expected target value of a financial target can be achieved. In the case of a 125% target achievement, 150% of the nominal bonus is paid out pro rata for the corresponding target value – in accordance with its percentage share of the nominal bonus and its weighting. As a general rule, if at least 75% of a financial target is not met, the degree of achievement of the corresponding financial target is assessed at 0%.



100% corresponds to the nominal bonus agreed in individual contracts

The highest variable compensation that is achieved in the reporting year is in ratio of 24.33% to the fixed compensation of the corresponding member of Group Management

4.4. Special compensation

According to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), the Board of Directors is authorised in special situations to award additional compensation to a member of Group Management that can be paid in cash and/or in the form of shares blocked for four years. In the reporting year, no compensation was paid on this basis.

4.5. Lump-sum allowances, services and in-kind benefits, as well as privileges

Several members of Group Management receive lump-sum allowances amounting to CHF 21 600 a year.

In his role as delegate of the Board of Directors and interim CEO, Alexander von Witzleben received lump-sum allowances in the amount of CHF 550 per month in accordance with the current allowance regulations.

The members of Group Management are provided with a company car and a mobile phone. The private use of the company car is offset for members of Group Management according to the respective tax regulations applicable in the country. The above also holds true for Alexander von Witzleben in his role as Executive Chairman of the Board of Directors.

Like all other employees, the members of Group Management can take advantage of various employee benefits, e.g., REKA cheques up to CHF 600 with a discount of 20% (only members with Swiss employment contracts) or discounts on Arbonia products. The above also holds true for Alexander von Witzleben in his role as Executive Chairman of the Board of Directors.

4.6. Pension

Group Management members with Swiss employment contracts are insured according to the occupational pension scheme regulations and according to the senior management pension scheme of Arbonia. The Arbonia senior management pension scheme covers the fixed salary not covered under the basic scheme and 80% of the contractual nominal bonus against old age, death, and incapacity risks. According to the Swiss Occupational Pensions Act (OPA), the maximum salary including bonus to be considered is limited to CHF 860 400 (as of 1 January 2022, corresponds to ten times the upper limit amount specified by the OPA), and the insured salary including bonus element is limited to CHF 648 320 (as of 1 January 2021). The employer contribution is the same for all three available plans and amounts to 25% of the insured salary (according to the regulations, in force since 1 January 2019). Alexander von Witzleben is also insured in the Arbonia senior management pension scheme in his role as Executive Chairman of the Board of Directors. The member of Group Management with a German employment contract has a pension solution with a German insurance company.

4.7. Arbonia Group Share Plan

The Board of Directors determines the details for allocating shares to the members of Group Management in a share-based payment programme according to Article 25 of the Articles of Association (www.arbonia.com/en/company/corporate-governance).



In accordance with the Arbonia Group Share Plan approved by the Board of Directors, the fair market value of shares is ascertained in order to determine the number of shares. The calculation of the fair market value begins two trading days following the publication of the annual results achieved by Arbonia in the reporting year. The VWAP is calculated daily for 20 trading days based on the volume-weighted average share price. The fair market value results from the average of the VWAPs of these 20 trading days. The gross amount of the ordinary dividend is then subtracted from the fair market value if this is approved by the General Meeting, and a deduction of 20% is made for the four-year restriction period of the shares.

The shares are allocated after the record date for the dividend payment, at the latest 20 days after the General Meeting. The shares allocated in this way carry all associated rights. They are subject to a restriction period of four years, however, during which they cannot be disposed of.

If an employment relationship is terminated, the restriction period continues to apply, although the Board of Directors has the discretion to waive the restriction period if necessary. If the employment relationship ends due to the attainment of retirement age, the restriction period automatically lapses. The restriction period also automatically lapses in the event that the employment relationship is terminated due to invalidity or death.

In the case of a change of control, it is at the discretion of the Board of Directors to decide whether the restriction period will continue to apply or be lifted.

There is no option programme for the members of Group Management.

4.8. Terms and conditions of employment

The employment contracts of the members of Group Management have been concluded for an unlimited term and with a notice period of six months. All employment contracts contain a recovery clause that requires members of Group Management to repay compensation that has been paid to them in full or in part but has not been approved by the General Meeting. No member of Group Management is entitled to a signing bonus, termination benefit, or compensation due to a change of control ("golden parachute").

4.9. Compensation for restraint of competition

No member of Group Management received compensation for restraint of competition in lieu of a competition prohibition in the reporting year.

5. Compensation of the Board of Directors for the year 2022 (audited)

5.1. Changes in the Board of Directors

In regard to the personnel composition of the Board of Directors, which continues to consist of eight members, there was no change compared to the previous year. Since the ordinary General Meeting on 22 April 2022, Alexander von Witzleben has also held the office of Executive Chairman of the

Board of Directors in addition to the office of Chairman. Peter Barandun is the Vice Chairman of the Board of Directors.

Compared to the previous year, the total compensation of the Board of Directors has increased by the compensation for the office of Executive Chairman of the Board of Directors held by Alexander von Witzleben.

5.2. Table

in 1000 CHF									2022
Roles exercised in 2022	Fee – in cash	Fee – in shares	Annual salary – in cash	Variable compensation – in cash ¹	Variable compensation – in shares ¹	Pension expenses ²	Other compensation ³	Total	
Alexander von Witzleben ⁴ Chairman until 30/04/2022 Interim CEO until 30/04/2022 Exec. CBD ⁵ from 01/05/2022 Member of AC ⁶ Member of NCC ⁷	120	150	400	58	72	168	25	993	
Peter Barandun ⁸ Vice Chairman Chairman of NCC	20	100				0	6	126	
Peter E. Bodmer ⁹ Member Member of AC	14	70				0	6	90	
Markus Oppliger Member Chairman of AC	40	50				6	6	102	
Heinz Haller Member	14	70				3	6	93	
Michael Pieper Member	12	60				2	6	80	
Thomas Lozser Member	60	0				5	12	77	
Carsten Voigtländer Member	21	49				0	12	82	
Total compensation to members of the Board of Directors	301	549	400	58	72	184	79	1643	

¹ The amount of the variable compensation – both in respect to the cash portion and the share portion – depends on the degree of achievement of the financial targets set for the financial year 2022.

² Employer contributions to social insurance policies

³ Lump-sum allowances

⁴ The compensation to Alexander von Witzleben in 2022 as Executive Chairman of the Board of Directors is included in this table. The compensation as interim CEO totalling CHF 1 477 835 is included in the compensation of Group Management in chapter 6.2.

⁵ Exec. CBD = Executive Chairman of the Board of Directors

⁶ AC = Audit Committee

⁷ NCC = Nomination and Compensation Committee

⁸ The compensation to Peter Barandun for the term of office 2022/2023 is paid to Peter Barandun AG, which is responsible for the deduction and payment of social contributions.

⁹ The compensation to Peter E. Bodmer for the term of office 2022/2023 is paid to Beka-Küsnacht AG, which is responsible for the deduction and payment of social contributions.



in 1000 CHF						2021
	Roles exercised in 2021	Fee – in cash	Fee – in shares	Pension expenses ¹	Other compensation ²	Total
Alexander von Witzleben ³	Chairman interim CEO Member of AC ⁴ Member of NCC ⁵	120	150	15	15	300
Peter Barandun ⁶	Vice Chairman Chairman of NCC	20	100	0	6	126
Peter E. Bodmer ⁷	Member Member of AC	14	70	0	6	90
Markus Oppliger	Member Chairman of AC	40	50	5	6	101
Heinz Haller	Member	14	70	4	6	94
Michael Pieper	Member	12	60	2	6	80
Thomas Lozser	Member	60	0	4	12	76
Carsten Voigtländer	Member	24	45	3	12	84
Total compensation to members of the Board of Directors		304	545	33	69	951

¹ Employer contributions to social insurance policies

² Lump-sum allowances

³ The compensation to Alexander von Witzleben in 2021 as Chairman of the Board of Directors is included in this table.

The compensation as interim CEO totalling CHF 3 573 468 is included in the compensation paid to Group Management in chapter 6.2.

⁴ AC = Audit Committee

⁵ NCC = Nomination and Compensation Committee

⁶ The compensation paid to Peter Barandun for the period of office 2021/2022 is paid to Peter Barandun AG, which is responsible for the deduction and payment of social contributions.

⁷ The compensation paid to Peter E. Bodmer for the period of office 2021/2022 is paid to Beka-Küsnacht AG, which is responsible for the deduction and payment of social contributions.

Compensation paid to former members of the Board of Directors

In 2022 as well as in 2021, no direct or indirect compensation was paid to former members of the Board of Directors in connection with their previous governing body activity.

Compensation paid to persons close to members of the Board of Directors

In 2022 as well as in 2021, no direct or indirect compensation was paid to persons close to current or previous members of the Board of Directors.



6. Compensation of Group Management for the year 2022 (audited)

6.1. Changes in Group Management

Alexander von Witzleben resigned from Group Management in his role as delegate of the Board of Directors and interim CEO of Group Management on 22 April 2022.

Since 22 April 2022, Group Management has consisted of Daniel Wüest, Group CFO, Claudius Moor, CEO of the Doors Division, and Alexander Kaiss, CEO of the Heating, Ventilation and Air Conditioning (HVAC) Division.

The total compensation of Group Management has decreased compared to the previous year. This decrease is especially due to the fact that no compensation was paid according to Article 23 and Article 24 para. 2 of the Articles of Association (www.arbonia.com/en/company/corporate-governance) and the variable compensation in the reporting year was lower on the whole.

6.2. Table

in 1 000 CHF	2022		2021	
	Group Management ¹	of this paid to Alexander von Witzleben, interim CEO	Group Management ¹	of this paid to Alexander von Witzleben, interim CEO
Annual salary (cash)	1 145	93	1 962	280
Annual salary (shares)	1 270	1 270	900	900
Variable compensation (cash portion) ²	109		1 410	
Variable compensation (shares) ²	136		2 576	2 133
Pension expenses ³	410	109	872	246
Other compensation ⁴	76	5	123	14
Total	3 147	1 478	7 843	3 573
Number of members	4 ⁵		8 ⁶	

¹ The compensation of Alexander Kaiss is paid in euros. The exchange rate used is 1.01 for 2022 and 1.08 for 2021.

² Comprises special compensation for 2021 (c.f 4.4)

³ Employer contributions to social insurances, occupational pension schemes, accident and health insurance

⁴ Comprises lump-sum allowances, private use of the company car/car allowance and other services and in-kind benefits

⁵ Includes the previous interim CEO until 30 April 2022.

⁶ Includes the previous head of the Sanitary Equipment and Windows Division until 30 June 2021 as well as the new head of the Windows Division until 31 August 2021, includes the previous head of the HVAC Division until 30 June 2021 and the new head of the HVAC Division from 1 July 2021.

Compensation paid to former members of Group Management

In 2022 as well as in 2021, no direct or indirect compensation was paid to former members of Group Management in connection with their previous governing body activity.

Compensation paid to persons close to members of Group Management

In 2022 as well as in 2021, no direct or indirect compensation was paid to persons close to current or former members of Group Management.



7. Loans and credit (audited)

According to Article 26 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), no loans, credit, or pension benefits outside the occupational pension scheme or collateral are granted to the members of the Board of Directors and Group Management. Exempt from this are advances of social security and tax charges for persons subject to withholding tax. Alexander von Witzleben exercised this exemption in the reporting year, with no advance payments outstanding as of 31 December 2022.

As of 31 December 2022 and as of 31 December 2021, there were no loans or credit to current or former members of the Board of Directors and Group Management or to persons close to current or former members of the Board of Directors and Group Management.

8. Roles with economic purpose of the members of the Board of Directors at other companies

According to Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), members of the Board of Directors may have a maximum of 10 mandates/activities outside of Arbonia, of which no more than 5 may be with listed companies. Several mandates/activities outside of Arbonia in associated legal entities that are controlled by the same person are regarded as one mandate.

As of 31 December 2022, the members of the Board of Directors exercised the following roles with economic purpose at other companies:

Alexander von Witzleben

Member of the Board of Directors of KAEFER Management SE; chairman of the supervisory board of PVA TePla AG; chairman of the supervisory board of VERBIO Vereinigte BioEnergie AG; member of the supervisory board of Siegwerk Druckfarben AG & Co. KGaA; member of the Board of Directors of Artemis Holding AG; chairman of the Board of Directors of Feintool International Holding AG; member of the advisory board of C. Illies & Co. GmbH & Co. KG.

Peter Barandun

Chairman of the Board of Directors of the subsidiary Electrolux AG of Electrolux Holding AG, at which he is also chairman of the Board of Directors¹; vice president of the Swiss Association for Electrical Domestic and Commercial Appliances (FEA); member of the Board of Directors of Fundamenta Group Holding AG; member of the Board of Directors of Peter Barandun AG; Managing Director of Sulegl ImmoBiglias Scrl.

Peter E. Bodmer

Member of the Board of Directors of Peach Property Group AG; member of the Board of Directors of Kuratle Group AG; member of the Board of Directors of Brüttsch/Rüeggger Holding AG and member of the Board of Directors of the associated Novus Holding AG²; vice president of Helvetica Property Investors AG; member of the Board of Directors of INOVETICA Holding AG; chairman of the foundation board of the Innovationspark Zürich foundation, and member of the Board of Directors of the associated IPZ Property AG³; member of the Board of Directors of Klinik Schloss Mammern AG; member of the Board of Directors of Nüssli (Schweiz) AG; Managing Director of BB's Pure GmbH; Chairman of the Board of Directors and Managing Director of Beka-Küsnacht AG.

1–3 count as one mandate each (associated legal entities) according to Article 29 para. 5 of the Articles of Association.



Markus Oppliger

Chairman of the Board of Directors of Siga Ausstellung AG; Chairman of the Board of Directors of the subsidiaries Pizol Gastro and Sport AG and Berggasthaus Pardiel AG of Pizolbahnen AG, at which he is also chairman of the Board of Directors¹; member of the Board of Directors of St. Gallisch-Appenzellische Kraftwerke AG; owner of Oppliger Management Consulting.

Heinz Haller

Member of the Board of Directors of Limmat Wealth AG; Vice Chairman of the foundation board of the Innovation Park Zürich foundation; Chairman of the Board of Directors of GETEC PARK SWISS AG; member of the Board of Directors of the Hockey Club Ambri Piotta SA.

Michael Pieper

Chairman of the Board of Directors of the subsidiary Centinox B AG as well as CEO of the subsidiary Artemis Holding AG as well as member of the Boards of Directors of the subsidiaries Franke Holding AG, Artemis Real Estate AG, Artemis Immobilien AG, Artemis Beteiligungen I AG, Artemis Beteiligungen III AG, Artemis Beteiligungen V AG, and Franke Technology and Trademark Ltd. of Centinox Holding AG, at which he is also Chairman of the Board of Directors²; Vice Chairman of the Board of Directors and member of the compensation committee of Forbo Holding AG; member of the Board of Directors of Autoneum AG; member of the Board of Directors of Bergos AG; member of the Board of Directors of Reppisch-Werke AG; member of the supervisory board of Duravit AG; deputy chairman of the supervisory board of Ettlín Aktiengesellschaft.

Thomas Lozser

Member of the Board of Directors of Mopec Inc.; board observer of Helvetica Capital AG.

Dr. Carsten Voigtländer

Member of the Board of Directors of Behr Bircher Cellpack BBC AG; member of the Board of Directors of Electrolux Professional AB; member of the foundation board of Friedhelm Loh Stiftung & Co. KG; member of the Board of Directors of Stulz Verwaltungsgesellschaft mbH; chairman of the advisory board of Oikos International GmbH; member of the advisory board of VR Equitypartner GmbH; member of the supervisory board of Testo Management SE; member of the Board of Directors of Modern Electron LLC; managing director of CaDo Invest GmbH.

9. Roles with economic purpose of the members of Group Management at other companies

According to Article 29 of the Articles of Association (www.arbonia.com/en/company/corporate-governance), members of the Group Management may have a maximum of 5 mandates/activities outside of Arbonia, of which no more than 1 may be with listed companies. Several mandates/activities outside of Arbonia in associated legal entities that are controlled by the same person are regarded as one mandate.

As of 31 December 2022, the members of the Group Management exercised the following roles with economic purpose at other companies:

Daniel Wüest

Member of the Board of Directors of SwissHoldings, the federation of Swiss-based multinational enterprises.

Alexander Kaiss

Member of the board of directors of the Federation of German Heating Industry (BDH); chairman of the board of directors of the Quality Association Steel Radiators.

Claudius Moor

Chairman of the advisory board of KIWI.KI GmbH.

¹–² count as one mandate each (associated legal entities) according to Article 29 para. 5 of the Articles of Association.



10. Shareholdings as of 31 December 2022

The current members of the Board of Directors and Group Management (including persons close to them) held the following number of shares as of 31 December 2022:

	31/12/2022	31/12/2021
	Number of registered shares	Number of registered shares
Alexander von Witzleben (Executive Chairman of the BoD)	718 784	650 209
Peter Barandun (Member of the BoD)	70 169	62 452
Peter E. Bodmer (Member of the BoD)	39 671	35 669
Markus Oppliger (Member of the BoD)	37 826	34 967
Heinz Haller (Member of the BoD)	130 000	124 233
Michael Pieper (Member of the BoD)	15 350 370	15 346 940
Thomas Lozser (Member of the BoD)	366 074	366 074
Carsten Voigtländer (Member of the BoD)	16 124	13 337
Daniel Wüest (Group Management)	58 979	41 901
Claudius Moor (Group Management)	24 047	15 249
Alexander Kaiss (Group Management)	31 189	24 437
Total	16 843 233	16 715 468



Report of the Statutory Auditor

To the General Meeting of Arbonia AG, Arbon

Report on the Audit of the Compensation Report

Opinion

We have audited the Compensation Report of Arbonia AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the sections 5.2, 6.2 and 7 on pages 128 to 131 of the Compensation Report.

In our opinion, the information on compensation, loans and advances in the attached Compensation Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Compensation Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the sections 5.2, 6.2 and 7 in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the Compensation system and defining individual Compensation packages.



Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on Compensation, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG AG

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

St. Gallen, 21 February 2023

KPMG AG, Bogenstrasse 7, CH-9001 St. Gallen

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