

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 2016/2017

Proposal: The Board of Directors proposes to approve the maximum total sum of CHF 960 000 of the compensation for members of the Board of Directors for the period of office from the Annual General Meeting in 2016 to the Annual General Meeting in 2017.

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 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 2.4, in the Annual Report 2015; www.afg.ch/report2015). 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 2016/2017, for the purpose of deducing the maximum total sum proposed by the Board of Directors taking into account a certain reserve.

	Fee (max.)	Costs of pensions provision	Other compensation	Year in office 2016/2017
Chairman of the Board of Directors	300 000	34 000	15 000	
Six further members of the Board of Directors	540 000	35 000	36 000	
Total	840 000	69 000	51 000	960 000

2. Approval of the maximum total compensation of the members of Group Management for financial year 2017

Proposal: The Board of Directors proposes to approve the maximum total sum of CHF 4 600 000 for the fixed and variable compensation of the members of the Group Management for the financial year 2017.

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. The compensation of the delegate of the Board of Directors and interim CEO, which consists solely of a fixed compensation, was made up of a cash element amounting to CHF 120 000 as well as 60 000 shares. The value of the equity components to be allocated in financial year 2017 is based on a share price of CHF 14. More details about the basis of the fixed compensation of the members of Group Management can be found in the Compensation Report.

The amount of the variable compensation of the Group Management depends on the achievement of financial and personal targets. The Board of Directors sets annual financial targets for the members of the Group Management, such as EBIT / EBITDA margin, growth, free cash flow and cash flow from operations, as well as their weighting as a percentage of the nominal bonus. In addition, the members of Group Management receive two personal goals, resulting from key projects.

If members of Group Management meet their targets in full, they receive a variable payment (nominal bonus) as agreed in their individual contracts. The financial and personal goals are rated according to their degree of achievement. The financial targets can achieve rising to 150% of the relevant bonus component at most. Failure to meet at least 75% of a financial target will mean that none of the respective bonus component is paid. The personal targets can be fulfilled at a maximum of 100%, whilst such a target must be met with at least 40%, otherwise the corresponding bonus component is completely eliminated. The financial and personal targets are weighted at a ratio of 80% (financial targets) to 20% (personal targets).

The variable component is paid out at a maximum of 60% in cash and at maximum of 50% in the form of an allocation of shares under the share-based payment programme of AFG (see Compensation Report, Section 3.4).

The following table shows the approximate fixed and variable compensation of the members of Group Management planned for financial year 2017. The calculation of the variable compensation is based on a maximum achievement of financial and personal goals. On this basis the calculation of the expenses for the pension is based. Including a certain reserve, the total amount proposed by the Board of Directors can be calculated from the table below.

	financial year 2017
Annual salary	2 420 000
Variable compensation (at maximum target achievement)	1 340 000
Pension costs (at maximum target achievement)	690 000
Other compensation	150 000
Total	4 600 000

The approval of the maximum total compensation of the members of the Board of Directors and 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). 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 and the Group Management can be found in the Compensation Report.

AFG Arbonia-Forster-Holding AG



Alexander von Witzleben
Chairman of the Board of Directors



Peter Barandun
Chairman of the Nomination and
Compensation Committee