

Compensation Report

Introduction by the Chairwoman of the Compensation Committee

Dear shareholders,

On behalf of the Board of Directors of GF and of the Compensation Committee, I am pleased to present the 2018 Compensation Report.

Although our shareholders approved the 2017 Compensation Report, but with a relatively weak majority, the year 2018 has been a year of intense dialogue. The Chairman of the Board and I consulted a significant number of shareholders and proxy advisors throughout 2018 to better understand their rationale for their responses, both positive and negative, to GF's LTI-Plan design.

During the reporting year, following last year's amendments to the LTI-Plan and the introduction of a shareholding ownership guideline, the Board of Directors decided in December 2018 to amend the LTI-Plan once again, effective for the performance year 2019. The LTI-Plan design 2018 does not differ from the design 2017, as it would have contradicted an existing contractual commitment with the Executive Management by retroactively adjusting a running plan.

The LTI-Plan 2019 principles can be summarized as follows:

- The performance conditions include Earnings per Share (EPS) as internal measure and relative Total Shareholder Return (rTSR) as external measure. Therefore, the performance criteria are well balanced in terms of both internal and external views. Most shareholders and proxy advisors support this approach.
- The EPS value targets have been reviewed and are now better aligned with GF's ambitious Strategy 2020.
- The rTSR targets continue to be linked to the SMI-Mid; however, the focus will be on performance at and above median, so there will be no payout below median performance.

Further details of the plan can be found in the chapter [Changes for the Business Year 2019](#).

The Board of Directors trusts that the changes made to the LTI-Plan fulfill our shareholders' expectations as they take into account their latest feedbacks.

As last year, the compensation report for 2018 provides an [Executive Summary](#). In the chapter, [Compensation structure](#) you will find the Key Performance Indicators GF selected for the variable compensation elements and their rationale. All other content does not differ from previous years' and continues to provide a high level of transparency.

At the upcoming Annual Shareholders' Meeting, we will ask you to approve, as last year, prospectively in a binding vote the maximum calculated amounts of compensation for the Board of Directors until the next Annual Shareholders' Meeting, and the maximum calculated amount of compensation for the Executive Committee for the next business year. Further, you will have the opportunity to express your opinion on the Compensation Report in a consultative vote.

Looking ahead, we will continue to assess and review our compensation structure to ensure that it continues to fulfill its purpose in the evolving context in which GF operates and is aligned with the interests of our shareholders. However, we also hope to stabilize the remuneration structure for our Executive Committee until the new Strategy phase 2021 – 2025. At that point in time, the intention will be to review the remuneration system once more in depth and possibly align it with market trends in management compensation.

We trust that you will find this report interesting and informative.

Sincerely



Eveline Saupper
Chairwoman of the Compensation Committee

Executive summary 2018

Overview of 2018 compensation structure for the Executive Committee (including CEO)

| | Fixed compensation elements | | Variable compensation elements | |
|-----------------------------|---|--|--|--|
| | Fixed base salary | Benefits | Short-term incentive Performance year 2018 | Long-term incentive Performance year 2018 |
| Purpose | Ensure basic fixed remuneration | Ensure protection against risks such as death, disability, and old age | Pay for annual performance | Align to shareholders' interests Participate in long-term success and align with Strategy 2020 |
| Drivers | Scope and complexity of the function Profile of the individual | Local legislation and market practice | Performance against business and individual objectives Year 2018 | Long-term value creation Supporting a high-performance culture 3 years Grant date: 1 January year 2019 Vesting period: years 2019, 2020, 2021 |
| Blocking period | | | | Additional 2 years Years 2022, 2023 |
| Performance measures | Skills, experience, and performance of the individual | | Organic sales growth EBIT margin ROIC Individual objectives | All LTI-related shares are performance dependent; 50% PS(EPS), 50% PS(rTSR) EPS-related achievement determination: Ø (EPS value years 2019, 2020, 2021) divided by Ø (EPS value years 2016, 2017, 2018) * 1.04 rTSR-related achievement determination: Ø (ranking in the years 2019, 2020, 2021 of GF within the SMI-Mid) The performance measures will be amended for the LTI-Plan 2019. A detailed outline can be found in chapter Changes for the Business Year 2019. |
| Share ownership | | | | CEO: 200% of annual fixed base salary EC: 100% of annual fixed base salary |
| CEO compensation | 100% | Total remuneration dependent | Minimum: 0% Target: 100% Maximum: 150% of fixed base salary | Vesting: Minimum: 0 shares Target: 750 shares (375 PS(EPS), 375 PS(rTSR)) Maximum: 1'500 shares Subject to cap as defined in Articles of Association: The variable compensation (STI and LTI) is capped at 250 % of the fixed compensation for the calendar year in question |

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| | | | | |
|---|------|------------------------------|--|---|
| EC committee member compensation | 100% | Total remuneration dependent | Minimum: 0% Target: 60% Maximum: 90% of fixed base salary | Vesting: Minimum: 0 shares Target: 250 shares (125 PS(EPS), 125 PS(rTSR)) Maximum: 500 shares Subject to cap as defined in Articles of Association: The variable compensation (STI and LTI) is capped at 250 % of the fixed compensation for the calendar year in question |
|---|------|------------------------------|--|---|

EBIT = Earnings before interest and taxes
EPS = Earnings per share
LTI = Long-term incentive plan
PS = Performance shares
PS(EPS) = EPS dependent performance shares
PS(rTSR) = rTSR dependent performance shares
ROIC = Return on invested capital
STI = Short-term incentive plan
Ø = Average

Executive Committee compensation 2018 (including CEO)

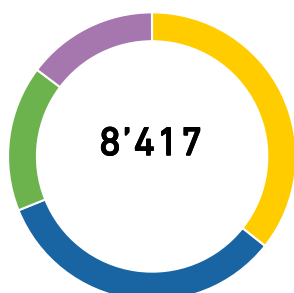
| | Fixed compensation elements | | Variable compensation elements | | Total 2018 |
|---|-----------------------------|---|--|---|------------|
| | Fixed base salary | Benefits | Short-term incentive Performance year 2018 | Long-term incentive Performance year 2018 | |
| Performance year 2018 | 3'003 | 1'239 | 2'797 | 1'378 | 8'417 |
| Delivery | Monthly cash | Contributions to social security, pension, and insurances | Cash payment in March 2019 | 1'752 PS with a total grant value of 1'378 based on share price of CHF 786.50 at 31 December 2018 | |
| Short-term incentive target | | | 2'182 | | |
| Short-term incentive 2018 in % of target | | | 128.2% | | |

(all financial figures in CHF 1'000, except number of shares and share price)
PS = Performance shares

At the Annual Shareholders' Meeting of 19 April 2017, a maximum sum of CHF 10.298 million for remuneration of the members of the Executive Committee for the business year 2018 was approved.

Executive Committee Compensation 2018

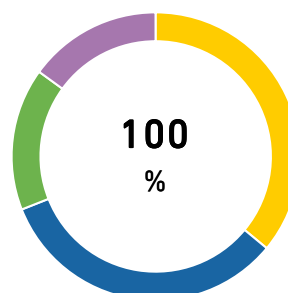
Amounts in CHF 1'000



- Fixed base salary
- Short-term incentive
- Long-term incentive
- Benefits

Executive Committee Compensation 2018

in percentage of total compensation



- Fixed base salary
- Short-term incentive
- Long-term incentive
- Benefits

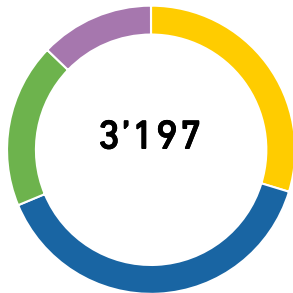
CEO compensation 2018

| | Fixed compensation elements | | Variable compensation elements | | Total 2018 |
|---|-----------------------------|---|--|---|------------|
| | Fixed base salary | Benefits | Short-term incentive Performance year 2018 | Long-term incentive Performance year 2018 | |
| Performance year 2018 | 950 | 410 | 1'247 | 590 | 3'197 |
| Delivery | Monthly cash | Contributions to social security, pension, and insurances | Cash payment in March 2019 | 750 PS with a total grant value of 590 based on share price of CHF 786.50 at 31 December 2018 | |
| Short-term incentive target | | | 950 | | |
| Short-term incentive 2018 in % of target | | | 131.3% | | |

(all financial figures in CHF 1'000, except number of shares and share price)
PS = Performance shares

CEO Compensation 2018

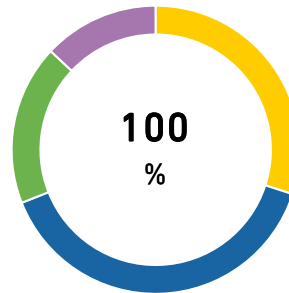
Amounts in CHF 1'000



- Fixed base salary
- Short-term incentive
- Long-term incentive
- Benefits

CEO Compensation 2018

in percentage of total compensation



- Fixed base salary
- Short-term incentive
- Long-term incentive
- Benefits

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 2018 and the foreseen changes to the LTI-Plan for the Executive Committee starting in 2019. Further details of these changes can be found in the chapter [Changes for the Business Year 2019](#).

This report is written in accordance with 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 2018

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, motivate, and retain talented individuals, along the following principles:

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

Compensation principles 2018

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

Compensation Governance

Compensation Committee

The Compensation Committee consists of three non-executive Board members who are elected annually and individually by the Annual Shareholders' Meeting for a one-year period until the next Annual Shareholders' Meeting. At the 2018 Annual Shareholders' Meeting, Riet Cadonau, Eveline Saupper, and Jasmin Staiblin were confirmed 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 2018, the Committee held six meetings of approximately two hours each:

During the year 2018, the Committee evaluated the business performance for the 2017 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. The Committee determined the business objectives for the 2018 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. The Committee reviewed the Compensation Report 2017.

Based on the small majority in favor in the vote on the Compensation Report 2017 and also on the findings from the various discussions with proxy advisors and investors, the Compensation Committee recommended to the Board of Directors to amend the long-term incentive plan as of 1 January 2019. Further details on the amended plan can be found in the chapter [Changes for the Business Year 2019](#).

The Committee annually reviews the benchmarking analysis of the compensation of the Chief Executive Officer and the members of the Executive Committee; it determined the target compensation of the Chief Executive Officer for the year 2018 and next business years based on a proposal from the Chairman of the Board. It also reviewed the target compensation for the year 2018 and following years for the members of the Executive Committee based on a proposal from the Chief Executive Officer. The Committee submitted the proposals to the Board of Directors for approval.

Overview of meetings' schedule 2018

| | February | June | July | November | December |
|--------------------------------|---|--|---|--|---|
| CEO and EC compensation | Business performance 2017; STI 2017 for CEO and EC Business objectives for the year 2018 Review Compensation Report 2017 Determination of the maximum amounts of compensation for the Board of Directors until the next Annual Shareholders' Meeting Determination of the maximum amounts of compensation for the Executive Committee for the business year 2019 | Analysis of the Compensation Report voting results of the Annual Shareholders' Meeting | Analysis of possible LTI-Plan adjustments | Review of feedback received from various proxy advisors and investors on potential adaptations of the LTI-Plan | 2 Meetings Review of feedback received from various proxy advisors and investors on potential adaptations of the LTI-Plan LTI-Plan fine-tuning for 2019 Review compensation for the Board of Directors for the years 2018 and 2019 Review target compensation for the CEO and EC members for 2019 |

In 2018, all Committee members attended all meetings. The Chairman of the Board, the CEO and the Head of Corporate Human Resources attended the Committee meetings in an advisory capacity. The CEO did not attend the meeting when his own compensation or performance was discussed. The Chairwoman 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 > |
|--|---|------------------------------|
| 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 including CEO | 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 and External 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 were mandated.

Method of determination of compensation

The elements and levels of the compensation of the Board of Directors and the Executive Committee are reviewed in principle every two to three years and are tailored to the relevant sectors and labor markets 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 listed on the Swiss stock exchange (SIX) with similar size in terms of market capitalization, sales, number of employees, complexity and geographic scope, are headquartered in Switzerland and, if available, operate in similar business segments.

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 the 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; the objectives and evaluation are approved by the full Board of Directors.

Compensation structure

Compensation related Key Performance Indicators

Short-term incentive plan

In accordance with the long-term strategy 2020, the Board of Directors selected the following Key Performance Indicators (KPI) for the short-term incentive scheme:

| Key Performance Indicator | Rational / Driver |
|-----------------------------------|--|
| Organic sales growth | Maximizing growth from within (innovations, improved services, etc.) |
| EBIT margin | Operating profitability |
| Return on invested capital (ROIC) | Efficiency at allocating the capital to profitable investments |

Long-term incentive plan

In order to align the interests of the Executive Committee with those of GF's shareholders, the Board of Directors selected the following KPIs for the long-term incentive scheme:

| Key Performance Indicator | Rational / Driver |
|--|---|
| Earnings per Share (EPS) | Internal measure Reflects GF's profitability Reflects how efficient the Strategy is implemented |
| Relative Total Shareholder Return (rTSR) | External measure Reflects GF's relative value compared to the SMI-Mid market |
| SMI-Mid | Benchmark group As there is no obvious peer group for GF given its diversified portfolio, the SMI-Mid has been selected as the benchmark group for comparability reasons. Companies belonging to the SMI-Mid are broadly comparable in terms of organizational size, complexity and market capitalization; in addition, this index reflects best the economic environment for companies listed in Switzerland. The benchmark group is subject to review for each strategic period for comparability reasons. |

Each year the Compensation Committee has the responsibility to evaluate whether there are extraordinary, one-time events that have significantly influenced any of the key performance indicators and to make any adjustment recommendations to the Board of Directors as necessary. The explanations for such adjustments would be included in the Compensation Report in the relevant year. For 2018, no adjustments were necessary.

Compensation of the Board of Directors

The compensation regulation applicable to the Board of Directors is reviewed every two to three years based on competitive market practice and its basic structure is kept as constant as possible.

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 2018: 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 vice-chairmanship of the Board, committee chairmanship or committee membership. The fees are paid in cash in January for the previous calendar year. Actual expenditures are reimbursed against receipts.

In addition, each member of the Board receives a fixed number of GF shares. The value of the share-related compensation is calculated based on the closing share price on the last trading day of the reporting year. Those shares are granted at the end of December and are blocked 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 in the chapter [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 2018.

The compensation of the Executive Committee includes the following elements:

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

Compensation model 2018: Executive Committee (including CEO)

| | Fixed compensation elements | | Variable compensation elements | |
|-------------------------------------|---|---|--|---|
| | Fixed base salary | Benefits | Short-term incentive Performance year 2018 | Long-term incentive Performance year 2018 |
| Purpose | Ensure basic fixed remuneration | Ensure protection against risks such as death, disability and old age | Pay for annual performance | Align to shareholders' interests Participate in long-term success and align with Strategy 2020 |
| Drivers | Scope and complexity of the function Profile of the individual | Local legislation and market practice | Performance against business and individual objectives Year 2018 | Long-term value creation Supporting a high performance culture 3 years Grant date: 1 January year 2019 Vesting period: years 2019, 2020, 2021 |
| Performance / Vesting period | | | | Additional 2 years Years 2022, 2023 |
| Blocking period | | | | |
| Performance measures | Skills, experience and performance of the individual | | Organic sales growth EBIT margin ROIC Individual objectives | All LTI-related shares are performance dependent; 50% PS(EPS), 50% PS(rTSR) EPS-related achievement determination: Ø (EPS value years 2019, 2020, 2021) divided by Ø (EPS value years 2016, 2017, 2018) * 1.04 rTSR-related achievement determination: Ø (ranking in the years 2019, 2020, 2021 of GF within the SMI-Mid) |
| | | | | The performance measures will be amended for the LTI-Plan 2019. A detailed outline can be found in chapter Changes for the Business Year 2019. |
| Delivery | Monthly cash | Contributions to social security, pension, and insurances | Cash, one-off payment in March year 2019 | Number of PS, of which 50% PS(EPS), 50% PS(rTSR) Subject to cap as defined in Articles of Association: The variable compensation (STI and LTI) is capped at 250 % of the fixed compensation for the calendar year in question |

EBIT = Earnings before interest and taxes
 EPS = Earnings per share
 PS = Performance shares
 PS(EPS) = EPS dependent performance shares
 PS(rTSR) = rTSR dependent performance shares
 ROIC = Return on invested capital
 Ø = Average

Fixed base salary

The fixed base salary is determined primarily based on the following factors:

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

Fixed base salaries of the Executive Committee members are reviewed every year based on those factors and adjustments are made according to market developments.

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 published mid-term strategy goals. They include absolute financial figures and are set for a period of several years in order to ensure sustainable and long-term performance. The business objectives are: organic sales growth (excluding acquisitions and divestitures), EBIT margin (EBIT in relation to sales), and Return on Invested Capital (ROIC). The following rules apply:

- 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 weight is on the organization the executive is responsible for;
- These challenging weights, hurdles, and targets are defined on a divisional level to reflect the difference in businesses.

For each objective, the Board of Directors sets a target level and a threshold level (hurdle) of achievement under which there is no payout. While the hurdles and the targets 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 hurdle for the ROIC is set at a level clearly over the weighted average cost of capital (WACC) of the Corporation in order to maximize value creation.

The individual objectives are set within the MBO process at the beginning of the year. These objectives are clearly measurable, not duplicating the financial targets, and are set in three different categories:

- Non-financial strategic goals: such as, for example in 2018, the portfolio adaptation at GF Casting Solutions;
- Operational: such as, for example, the implementation of strategic topics like digitalization, launching of corporate training initiatives, acquisitions and divestments, large reorganizations;
- Environment – Social – Governance (ESG): for each individual Executive Committee member, at least one objective annually;
- Personal: such as, for example, personal improvements and/or trainings, succession planning.

Among the MBO-related objectives, at least one is related to Sustainability (for example ensuring 0% accident rate).

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 short-term incentive plan regulation includes the provision of forfeiture in case of dismissal based on fraud.

Short-term incentive in % of annual fixed base salary

The target short-term incentive amounts to 100% of the annual fixed base salary for the Chief Executive Officer and to 60% of the annual fixed base salary for the other members of the Executive Committee. Short-term incentive payouts are capped at 150% of target level.

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

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

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% | 3–5% |
| EBIT margin | 6% | 8–9% |
| ROIC | 14% | 18–22% |

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the objectives EBIT margin and ROIC, hurdle achievements result in 50% payout for the respective target

Long-term incentive (share-based remuneration)

GF introduced as per 1 January 2017 a new long-term, performance-based plan, the so-called Long-Term Incentive Plan (LTI-Plan) which has been proposed by the Compensation Committee and approved by the Board of Directors.

The metrics of the LTI-Plan have been designed to fit with GF's Strategy targets, focusing on long-term sustainable value creation for employees, company, customers, and shareholders.

The Board of Directors decided to amend the LTI-Plan structure for the LTI-Plan 2019. Details to can be found in the chapter [Changes for the business year 2019](#).

The CEO and members of the Executive Committee are granted performance shares (PS). The vesting of the PS is subject to meeting two specific performance achievements over prospective three years, followed by a two-year blocking period. The incentive is based on two Key Performance Indicators, Earnings per Share (EPS) and relative Total Shareholder Return (rTSR), both measured in relation to defined benchmarks, in order to:

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

The initial grant is expressed as a number of shares for the CEO and for members of the Executive Committee, based on the length of employment in the year prior to the grant.

The number of granted shares is split as follows:

- 50% EPS dependent performance shares PS(EPS);
- 50% rTSR dependent performance shares PS(rTSR).

Performance shares

| | PS(EPS) EPS - Performance shares | PS(rTSR) rTSR - Performance shares | Total number of shares |
|---------------------|--|--|----------------------------------|
| CEO | Grant: 375 Vesting: 0% - 200% | Grant: 375 Vesting: 0% - 200% | Grant: 750 Vesting: 0% - 200% |
| Executive Committee | Grant: 125 Vesting: 0% - 200% | Grant: 125 Vesting: 0% - 200% | Grant: 250 Vesting: 0% - 200% |

General vesting provisions

Both KPIs, EPS and rTSR, are measured individually; hence, the vesting of the PS(EPS) cannot be compensated by the vesting of PS(rTSR) and vice-versa.

The shares of the share-based compensation program either are treasury shares or are repurchased on the market. No issuance of shares is foreseen for the LTI-plan in order to avoid shareholder dilution.

Share buybacks, major acquisitions/divestitures or capital increases will be neutralized and will have no impact on the EPS value. The Compensation Committee is responsible for evaluating each year if extraordinary, one-time events have significantly influenced any of the KPIs, EPS and rTSR, and, if so, to make adjustment recommendations to the Board of Directors. The explanations for such adjustments, if any, will be included in the Compensation Report of the relevant year.

In case of dismissal by GF due to cause, the vested shares will remain blocked until the end of the respective blocking periods; the unvested PS as well as the grant for the year the employment ends will forfeit.

Vesting of the PS(EPS) for the LTI-Plan 2018

Vesting of the PS(EPS) for the LTI-Plan 2019 can be found in Chapter [Changes for the Business Year 2019](#).

For the year 2018, the PS are granted on 1 January 2019. The grant value of the shares is based on the closing share price on the last trading day of 2018. The vesting of the PS is subject to meeting the following performance criteria:

The Key Performance Indicator (KPI) for the EPS-related performance shares for the LTI-Plan year 2018 is defined as follows:

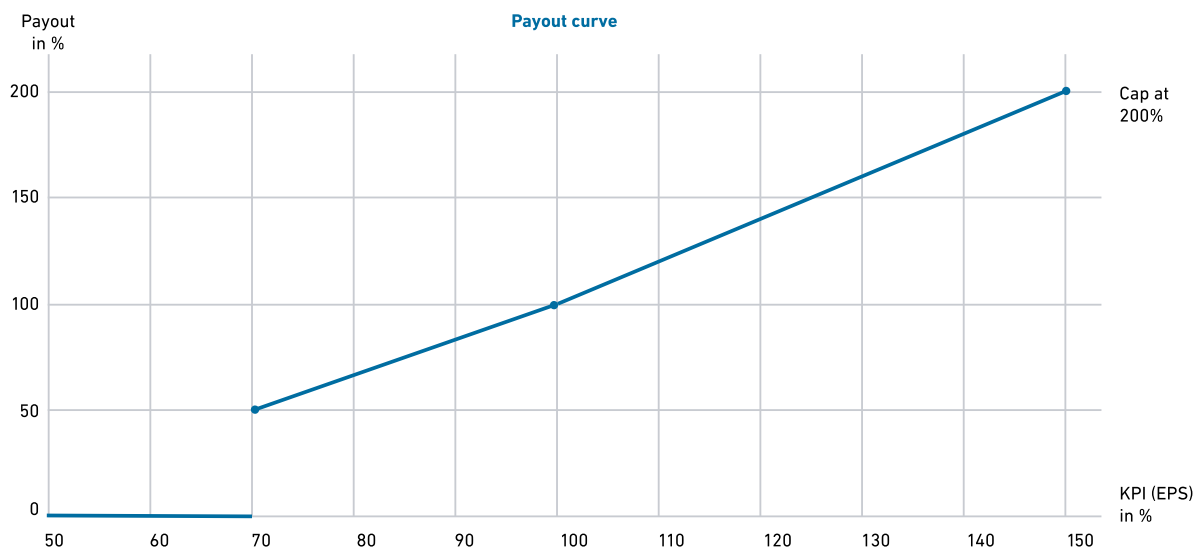
$$\text{KPI (EPS)} = \frac{\text{Average (EPS value year 2019, EPS value year 2020, EPS value year 2021)}}{\text{Average (EPS value year 2016, EPS value year 2017, EPS value year 2018)} * 1.04}$$

measured in %

The factor 1.04 reflects the average of the growth rate of 3% to 5% outlined in the GF Strategy 2020.

The vesting conditions are as follows:

- If KPI(EPS) = 100%, 100% of the granted PS(EPS) will vest at the vesting date;
- If KPI(EPS) = 125%, 150% of the granted PS(EPS) will vest at the vesting date;
- If KPI(EPS) = 150%, 200% of the granted PS(EPS) will vest at the vesting date (cap);
- If KPI(EPS) = 70%, 50% of the granted PS(EPS) will vest at the vesting date (threshold);
- If KPI(EPS) < 70%, all granted PS(EPS) will forfeit (threshold);
- For values in between the calculation is linear.



After the vesting period of three years, the PS will be blocked for two years (blocking period).

The vesting date of the granted PS(EPS) is defined as the day three years after the grant date and five working days after the official disclosure of the EPS value of the relevant last business year.

Vesting of the PS(rTSR) for the LTI-Plan 2018

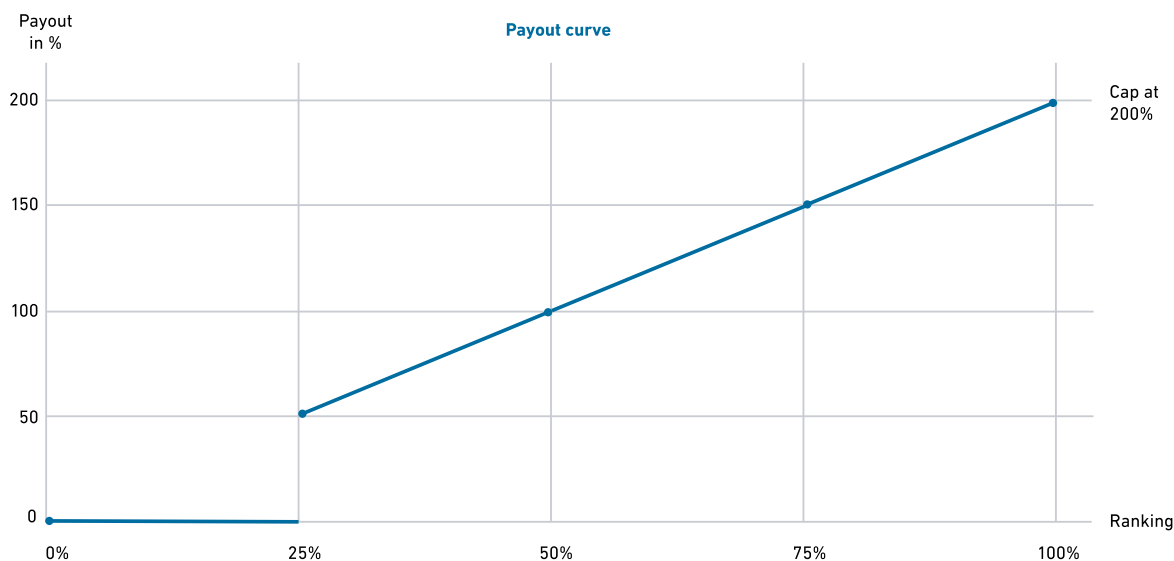
Vesting of the PS(rTSR) for the LTI-Plan 2019 can be found in Chapter [Changes for the Business Year 2019](#).

TSR is measured with a starting value of the Volume Weighted Average Share price (VWAP) over the first 30 trading days of the year and an ending value of the VWAP over the last 30 trading days of the year. Relativity is measured against the SMI-Mid group of companies (benchmark group).

The ranking is evaluated on an annual basis. At the end of the vesting period, the final ranking of GF amongst the benchmark group results from the average annual rankings over the three-year vesting period.

The vesting conditions are as follows:

- Ranking at the median of the benchmark group leads to 100% vesting of the granted PS(rTSR);
- Ranking as number 1 within the benchmark group leads to 200% vesting of the granted PS(rTSR);
- Ranking at the lower end of the 2nd quartile of the benchmark group leads to 50% vesting of the granted PS(rTSR);
- Ranking in the 1st quartile of the benchmark group leads to a forfeiting of the granted PS(rTSR);
- For results in between the calculation is linear.



The vesting date of the granted PS(rTSR) is coincidental with the vesting date of the granted PS(EPS).

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, if they are enrolled with the Swiss Social Security and have been employed by GF at least for ten years. Ordinary retirement is at age 65.

Members of the Executive Management do not receive 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 2018 business year

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Board of Directors

The members of the Board of Directors received cash compensation of CHF 1.159 million in the year under review. In addition, a total of 1'500 GF registered shares with a total market value of CHF 1.18 million were allocated as share-related compensation. In the previous year, and due to the cap of the total remuneration of the Board of Directors approved by the shareholders in 2016 for 2017, the allocation had been 1'390 GF registered shares only, equivalent to a total market value of CHF 1.79 million. Together with other benefits, the total compensation paid to the Board of Directors in 2018 amounted to CHF 2.449 million (previous year: CHF 3.085 million) compared to a total amount approved by the shareholders of CHF 3.750 million.

The detailed disclosure of compensation to the Board of Directors is as follows:

Compensation of the members of the Board of Directors 2018

| | Compensation | | | | Social insurance funds ³ | Total compensation 2018 ⁴ | Total compensation 2017 ⁴ |
|---|--------------------------------|------------------|---------------------------------------|------------|-------------------------------------|--------------------------------------|--------------------------------------|
| | Cash compensation ¹ | Number of shares | Share-based compensation ² | | | | |
| Andreas Koopmann Chairman Board of Directors Chairman Nomination Committee | 270 | 300 | 236 | 22 | 528 | 655 | |
| Hubert Achermann Chairman Audit Committee | 150 | 150 | 118 | 11 | 279 | 343 | |
| Gerold Bühler Vice Chairman Board of Directors Member Audit Committee | 123 | 150 | 118 | 10 | 251 | 314 | |
| Roman Boutellier Member Nomination Committee | 90 | 150 | 118 | 8 | 216 | 286 | |
| Riet Cadonau Member Compensation Committee | 90 | 150 | 118 | 11 | 219 | 276 | |
| Roger Michaelis Member Audit Committee | 123 | 150 | 118 | 13 | 254 | 317 | |
| Eveline Saupper Chairwoman Compensation Committee | 110 | 150 | 118 | 12 | 240 | 304 | |
| Jasmin Staiblin Member Compensation Committee | 90 | 150 | 118 | 11 | 219 | 283 | |
| Zhiqiang Zhang Member Nomination Committee | 113 | 150 | 118 | 12 | 243 | 307 | |
| Total | 1'159 | 1'500 | 1'180 | 110 | 2'449 | 3'085 | |

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

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 based on the full value of the shares at the year-end price of CHF 786.50 on 31 December 2018.

3 Social insurance funds represent employer contributions to social insurance funds.

4 The total compensation encompasses the cash compensation, the share-based compensation, and the contribution to social insurance funds.

The compensation paid to the Board of Directors for the year 2018 was below that of the previous year. The decrease is explained solely by the decreased value of the shares from CHF 1'288 in 2017 to CHF 786.50 in 2018. The compensation system for the Board of Directors remained unchanged.

In the year under review 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 the Board of Directors.

Executive Committee

The members of the Executive Committee received cash, share-related compensation, social security and pension contributions amounting to CHF 8.417 million for the year under review (previous year: CHF 9.123 million) compared to a total amount of CHF 10.298 million approved by the shareholders at the Annual Shareholders' Meeting of 19 April 2017.

Under the long-term incentive plan, 1'752 performance shares with a total value at grant of CHF 1.378 million, based on a share price of CHF 786.50 at year-end 2018, were granted to members of the Executive Committee for the year under review (previous year: 1'750 performance shares with a total value of CHF 2.254 million).

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

Compensation of the members of the Executive Committee 2018

| | Fixed salary in cash | Short-term incentive in cash ¹ | EPS dependent performance shares PS(EPS) | rTSR dependent performance shares PS(rTSR) | Share-based remuneration ² | Social insurance funds ³ | Pension funds ⁴ | Total compensation 2018 ⁵ | Total compensation 2017 |
|---|----------------------|---|--|--|---------------------------------------|-------------------------------------|----------------------------|--------------------------------------|-------------------------|
| Executive Committee* | 3'003 | 2'797 | 876 | 876 | 1'378 | 375 | 864 | 8'417 | 9'123 |
| Of whom | | | | | | | | | |
| Yves Serra, CEO (highest individual compensation) | 950 | 1'247 | 375 | 375 | 590 | 132 | 278 | 3'197 | 3'471 |

(all in CHF 1'000, except rows "EPS dependent performance shares" and "rTSR dependent performance shares")

* The Executive Compensation includes the compensation for Josef Edbauer (Executive Committee member until 31 August 2018) and includes the compensation for Carlos Vasto (Executive Committee member since 1 September 2018).

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 2018 financial year was approved by the Board of Directors on 21 February 2019. Payment will be made in March 2019.

2 The share-based remuneration is based on the long-term incentive plan: Each year, fixed numbers of performance shares (PS) are allocated. The amount of the PS-based compensation is calculated based on the grant value of the PS at the year-end price of CHF 786.50 on 31 December 2018. The number of PS vesting after the vesting period of three years depends on meeting the respective performance criteria.

3 The social insurance funds expenses represent employer contributions to social security.

4 The pension funds expenses represent employer contributions to pension funds.

5 The total compensation is comprised of the fixed salary, the short-term incentive, the share-based remuneration, and the social and pension contributions.

Total compensation for the Chief Executive Officer and the other members of the Executive Committee in 2018 was lower than in 2017, mainly due to the lower share price. The change in compensation is explained by the following factors:

- The Executive Committee compensation includes the compensation for Josef Edbauer (Executive Committee member until 31 August 2018) and includes the compensation for Carlos Vasto (Executive Committee member since 1 September 2018).
- The share price decreased from CHF 1'288 in 2017 to CHF 786.50 in 2018.
- The short-term incentive related to the financial results of the Corporation and the divisions and to the individual performance was higher than in 2017, based on the results achieved. Consequently, the overall short-term incentive percentage ranges from 56.3% to 83.1% of the base salary for the Executive Committee members and amounts to 131.3% of the base salary for the Chief Executive Officer.
- The fixed salaries were slightly adjusted in order to keep competitive levels in line with the market practice of GF's industrial sector.
- The employer's contributions to social security have increased due to the slightly increased fixed salaries and the higher short-term incentive payout. 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 never get any return or benefit due to these payments.

Achievement of the corporate business objectives

The achievement of the corporate business objectives for the year 2018 is as follows:

| Business objectives | Hurdle ¹ | Strategy targets 2016–2020 | Result 2018 |
|---|---------------------|-------------------------------|----------------|
| Organic sales growth (at constant currencies) | 1% | 3–5% | 6.5% |
| EBIT margin | 6% | 8–9% | 8.4% |
| ROIC | 14% | 18–22% | 22.4% |

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the objectives EBIT margin and ROIC, hurdle achievements result in 50% payout for the respective target

For a former Executive Committee member who continued his employment as non-Executive Committee member, a compensation amounting to CHF 471'655 was paid for the year 2018.

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

Shareholding ownership guideline

The Board of Directors approved the implementation of a shareholding ownership guideline as per 1 January 2017, as follows:

- Members of the Board are required to hold 200% of the basis fee in GF shares.
- The CEO is required to hold 200% of the fixed base salary in GF shares.
- Members of the Executive Committee are required to hold 100% of the fixed base salary in GF shares.
- Newly appointed members shall build up the required ownership within five years of their appointment. In the event of a substantial rise or drop in the share price, the Board of Directors may, at its discretion, amend that time period accordingly.

To calculate whether the minimum holding requirement is met, all vested shares are considered regardless of whether they are blocked or not. However, unvested PS are excluded. The Compensation Committee reviews compliance with the share ownership guideline on an annual basis.

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 in the [notes 6 Compensation and shareholdings](#) of GF Ltd.

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Loans to members of governing bodies

Neither GF 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 2018, no loans were outstanding.

Changes for the Business Year 2019

LTI-Plan design changes as of 1 January 2019

Based on the input sought from numerous shareholders and proxy advisors after the approval of the 2017 Compensation report, the Board of Directors amended the LTI-Plan effective for the performance year 2019.

The LTI-Plan 2019 rules can be summarized as follows:

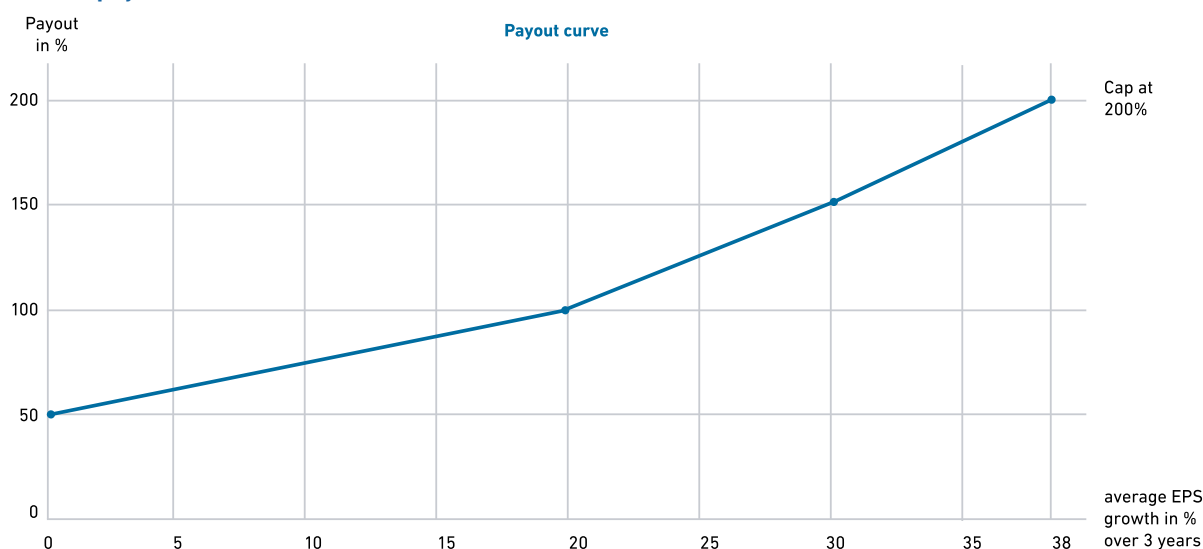
- The entirety of the award will remain to be granted as performance shares. The vesting of the performance shares is conditional upon the fulfillment of future performance conditions.
- The performance conditions include for 50% Earnings per Share (EPS) as internal measure and for 50% relative Total Shareholder Return (rTSR) as external measure. Therefore, the performance criteria are well balanced in terms of both internal and external views.
- The EPS value targets are aligned with the ambitious Strategy 2020 goals of GF.
- The rTSR targets are linked to the SMI-Mid and focuses on performance at and above median; hence there will be no payout below median performance.
- The vesting period is three years, followed by a further blocking period of two years on the vested shares. The plan is truly long-term performance focused.

Summary LTI-Plan 2019: KPI(EPS)

| | |
|--------------------|--|
| KPI (EPS) | $\bar{\emptyset}$ (EPS value years x+1, x+2, x+3) divided by $\bar{\emptyset}$ (EPS value years x, x-1, x-2) * 1.2 |
| 100% payout | 20% EPS growth over 3 years |
| 150% payout | 30% EPS growth over 3 years |
| 200% payout | 38% EPS growth over 3 years |
| 50% payout | 0% EPS growth over 3 years |
| 0% payout | EPS decline over 3 years |

EPS = Earnings per share
 $\bar{\emptyset}$ = Average

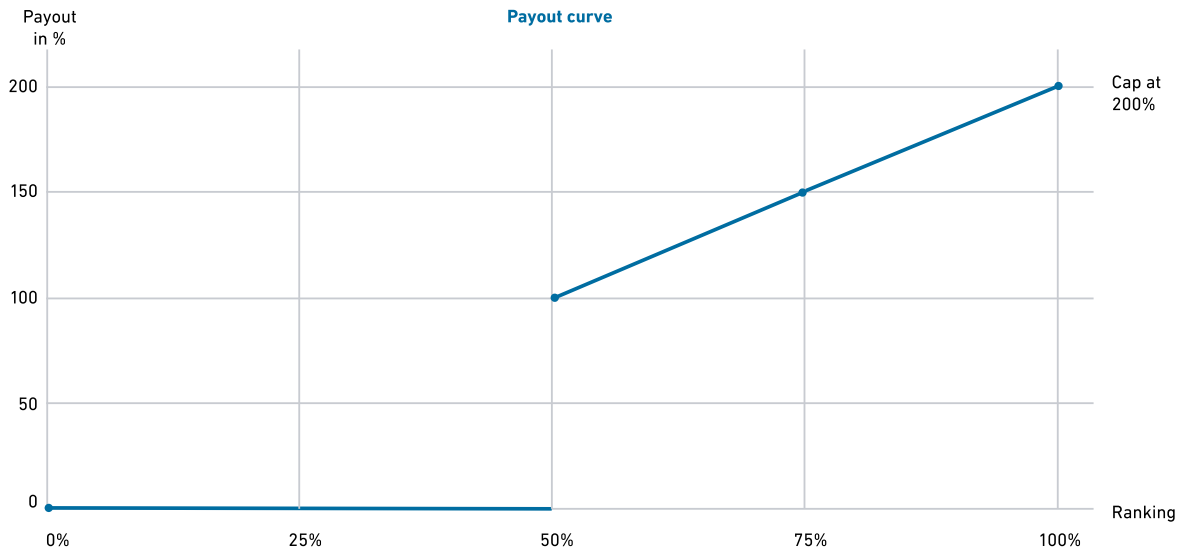
PS(EPS) payout curve for the LTI-Plan 2019



Summary LTI-Plan 2019: KPI(rTSR)

| | |
|------------------------|--|
| KPI (rTSR) | Average annual ranking within the benchmark group over prospective 3 years |
| Benchmark group | SMI - Mid |
| 100% payout | Ranking at the median |
| 200% payout | Ranking at the top |
| 0% payout | No pay-out if ranking below median |

PS(rTSR) payout curve for the LTI-Plan 2019





Report of the statutory auditor to the Annual Shareholders' Meeting of Georg Fischer Ltd, Schaffhausen

We have audited the content marked as "audited by PwC Switzerland" of the compensation report of Georg Fischer Ltd for the year ended 31 December 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report of Georg Fischer AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers Ltd

A handwritten signature in black ink, appearing to read 'St. Räbsamen', written in a cursive style.

Stefan Räbsamen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'D. J. Alvarez', written in a cursive style.

Diego J. Alvarez
Audit expert

Zurich, 21 February 2019