

Compensation Report

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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 2019 Compensation Report.

As in previous years, the Board of Directors continued the dialogue with shareholders and proxy advisors regarding our compensation policy and programs also in 2019. We have listened to the proposals and evaluated options. Potential adjustments will be considered in the context of the new business strategy cycle, starting in 2021.

As already announced in our last report, the changes about target setting for the long-term incentive plan have been implemented for 2019. In addition, the Board of Directors has decided to introduce clawback and malus provisions to the Long-term incentive plan, which will be implemented in 2020. Further details can be found in the chapter [Long-term incentive \(share-based compensation\)](#).

The Compensation Report has been modified in order to further improve readability. It includes all relevant information concerning the compensation policy and programs, the governance around compensation decisions and the compensation awarded in the reporting year. While the level of transparency has been preserved, the structure of the Compensation Report has been streamlined for ease of reading.

In 2019, we were honored with the first price from the Swiss Institute of Directors for our remuneration system for the Board of Directors and the Executive Committee. We value this as a sign that efforts in changing the compensation system have been well received from an outside perspective.

At the upcoming Annual Shareholders' Meeting, you will be asked to approve the maximum compensation amount for the Board of Directors for the period until the next Annual Shareholders' Meeting and the maximum compensation amount for the Executive Committee for the next business year (prospective binding votes). Further, you will have the opportunity to express your opinion on the Compensation Report in a consultative retrospective 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.

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

Sincerely



Eveline Saupper

Chairwoman of the Compensation Committee

Compensation at a glance

Compensation for the Board of Directors

Compensation model

In order to ensure independence in their supervisory function, the Members of the Board of Directors receive fixed compensation only, delivered in cash and shares blocked for five years.

Responsibility	Fee	Shares
Board Membership	CHF 70'000	150 shares
Board Chairmanship	CHF 200'000	150 shares
Board Vice-Chairmanship ¹	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	

¹ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

Compensation awarded in 2019

The compensation awarded to the Board of Directors for the period from the Annual Shareholders' Meeting 2018 to the Annual Shareholders' Meeting 2019 is within the limits approved by the shareholders:

Compensation period	Amount approved	Effective amount
2018-2019	CHF 3'750'000 ¹	CHF 2'540'000 ²
2019-2020	CHF 3'750'000 ¹	n/a ³

¹ Based on a share value of CHF 1'600.00

² Based on a share value of CHF 786.50 for the period in 2018 and CHF 983.00 for the period in 2019

³ Compensation period not yet completed; a conclusive assessment will be provided in the Compensation Report 2020

The compensation system for the Board of Directors does not contain any performance-related components.

Compensation for the Executive Committee

Compensation elements	Purpose	Vehicle	Period	Performance measure
Fixed compensation				
Fixed base salary	Pay for the function	Cash	Monthly	Skills, experience and individual performance
Benefits	Ensure protection against risks such as death, disability and old age			
Variable compensation				
Short-term incentive (STI)	Pay for annual performance based on GF strategic targets	Cash	Annual	Organic sales growth EBIT margin ROIC Individual objectives
Long-term incentive (LTI)	Pay for long-term performance	Performance shares	3-year vesting + additional 2-year blocking	EPS rTSR
	Align with shareholders' interests and GF's strategy			
	Participate in long-term success of the company			

Performance in 2019

Increased targets and a lower financial performance of the Corporation and the divisions in 2019 compared to 2018 resulted in a lower STI payout:

2019 STI payout

CEO	89% of target; 59% of maximum
EC	64% - 130% of target; 43% - 86% of maximum

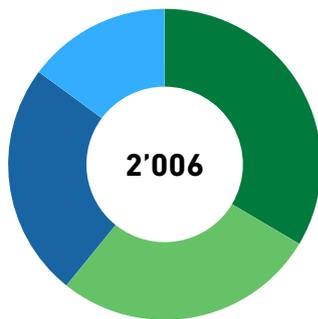
Compensation awarded for 2019

The compensation awarded to the Executive Committee (including CEO) for 2019 is within the limits approved by the shareholders at the 2018 Annual Shareholders' Meeting:

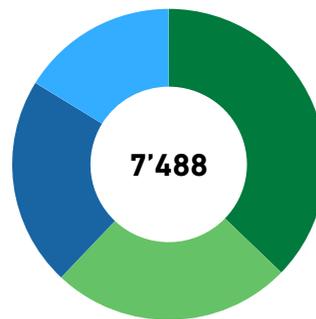
Compensation period	Amount approved	Effective amount
2019	CHF 10'531'000	CHF 7'488'000

CEO Compensation for 2019

Amounts in CHF 1'000

**Executive Committee Compensation for 2019**

Amounts in CHF 1'000



Compensation principles

The compensation policy applicable to the Executive Committee 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 governance

- + Authority for decisions related to compensation are governed by GF's Articles of Association;
- + The Board of Directors is supported by the Compensation Committee in preparing all compensation-related decisions regarding the Board of Directors and the Executive Committee;
- + The maximum aggregate amounts of compensation of the Members of the Board of Directors and of the Executive Committee are subject to binding prospective shareholders' votes at the Annual Shareholders' Meeting;
- + In addition, the Compensation Report is subject to a retrospective consultative vote at the Annual Shareholders' Meeting.

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 the 2019 business year.

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.

The Compensation Report is structured as follows:

Compensation Governance

- Rules relating to compensation in the Articles of Association
- Compensation Committee
- Levels of authority
- Method of determination of compensation

Compensation Structure

- Compensation of the Board of Directors
 - Compensation principles
 - Compensation model
 - Shareholding ownership guideline
- Compensation of the Executive Committee
 - Compensation principles
 - Compensation model
 - Compensation mix and caps
 - Fixed base salary
 - Short-term incentive
 - Long-term incentive (share-based compensation)
 - Clawback and malus provisions
 - Benefits
 - Contractual terms
 - Shareholding ownership guideline

Compensation for the business year 2019

- Board of Directors
- Executive Committee
- Performance in 2019

Shareholdings of the Members of the Board of Directors and of the Executive Committee

Loans to members of the governing bodies

Report of the statutory auditor to the Annual Shareholders' Meeting

Compensation Governance

Rules relating to compensation in the Articles of Association

The Articles of Association of GF contain provisions regarding the compensation principles applicable to the Board of Directors and to the Executive Committee. Those provisions are available on [GF's website](#) and include:

- + Principles of compensation of the Board of Directors (Article 22);
- + Principles of compensation of the Executive Committee (Article 23c);
- + Additional amount for new Members of the Executive Committee (Article 23c.9);
- + Provisions on the employment contracts for Members of the Executive Committee (Article 23b);
- + Credits and loans (Article 23d.1);
- + Provisions on early retirement for Members of the Executive Committee (Article 23d.2).

According to Articles 22 and 23 of the Articles of Association, the Annual Shareholders' Meeting approves annually the maximum aggregate compensation of the Board of Directors for the period from the Annual Shareholders' Meeting to the next Annual Shareholders' Meeting, as well as the maximum aggregate compensation of the Executive Committee for the following calendar year. In addition, the Compensation Report is submitted to the Annual Shareholders' Meeting for an advisory vote on a yearly basis, so that shareholders can express their opinion on the compensation policy and programs.

Compensation Committee

The Compensation Committee consists of three non-executive Members of the Board of Directors who are elected annually and individually by the Annual Shareholders' Meeting for a one-year period until the next Annual Shareholders' Meeting. At the 2019 Annual Shareholders' Meeting, Eveline Saupper (Chairwoman), Roman Boutellier and Jasmin Staiblin were elected as Members of the Compensation Committee.

The Compensation Committee supports the Board of Directors with the following duties:

- + Determining the compensation policy of the company at the highest corporate level, including the principles for the variable compensation and shareholding programs;
- + Reviewing the guidelines governing compensation of the Board of Directors and the Executive Committee;

- + Preparing the motions related to the maximum aggregate amounts of compensation for the Annual Shareholders' Meeting;
- + Proposing the amount of compensation to be paid to the Board of Directors, to the CEO, and to the other Members of the Executive Committee within the limits approved by the Annual Shareholders' Meeting;
- + Reviewing and proposing the annual Compensation Report to the Board of Directors.

During the year 2019, the Compensation Committee performed the following regular tasks:

- + Evaluated the business performance for the 2018 business year against the pre-set objectives and prepared a proposal to the Board of Directors on the short-term incentive to be paid to the CEO and to the other Members of the Executive Committee;
- + Determined the business objectives for the 2019 business year for the CEO and reviewed those of the other Members of the Executive Committee, before submitting them to the Board of Directors for approval;
- + Reviewed the Compensation Report 2018;
- + Reviewed and discussed the voting results on the compensation motions at the 2019 Annual Shareholders' Meeting, as well as the proxy advisors' and shareholders' feedback received on compensation matters;
- + Reviewed the compensation policy and programs including the design of the incentive plans and of the share ownership guideline;
- + Discussed and decided about the revision and implementation of clawback and malus provisions in the long-term incentive plan;
- + Reviewed the benchmarking analysis of the compensation of the CEO and the other Members of the Executive Committee;
- + Proposed to the Board the target compensation of the CEO and of the other Members of the Executive Committee for the year 2019 and next business years based on a proposal from the Chairman of the Board and from the CEO respectively;
- + Prepared the Compensation Report 2019.

The Compensation Committee convenes as often as necessary, but at least twice per year. In 2019, the Committee held 4 meetings of approximately two hours each according to the schedule below:

Overview of meetings' schedule 2019

February	July	September	December
Business performance 2018; STI 2018 for CEO and EC	Analysis of the voting results on compensation motions at the Annual Shareholders' Meeting	Review of the compensation policy and incentive design applicable to the CEO and EC	Review compensation for the Board of Directors for the next compensation period
Determination business objectives for the year 2019	Review of proxy advisors' and investors' feedback on compensation	Benchmarking of Board and EC compensation	Review target compensation for the CEO and EC members for the coming business year
Approval of the Compensation Report 2018		Review of clawback and malus provisions	Approval of new clawback and malus provisions
Maximum amounts of compensation for the Board of Directors until the next Annual Shareholders' Meeting			Review of the Compensation Report 2019
Maximum amounts of compensation for the EC for the business year 2020			

In addition to the meetings listed above, the Compensation Committee held one extraordinary meeting in November for the review and discussion of the new format of the Compensation Report.

In 2019, all Compensation Committee members attended all meetings. The Chairman of the Board, the CEO and the Head of Corporate Human Resources are invited to attend the Compensation Committee meetings in an advisory capacity. The CEO does not attend the meeting when his own compensation or performance is discussed.

The Chairwoman of the Compensation Committee reports to the Board of Directors after each meeting on the activities of the Compensation Committee. The minutes of the Compensation Committee meetings are available to all Members of the Board of Directors.

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

Levels of authority

Approval framework

Subject	Recommendation from	Final approval from
Compensation policy and principles	Compensation Committee	Board of Directors
Aggregate compensation amount of the Board of Directors	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting (binding vote)
Individual compensation of the Members of the Board of Directors	Compensation Committee	Board of Directors
Aggregate compensation amount of the Executive Committee	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting (binding vote)
Individual compensation of the CEO	Compensation Committee based on proposal by the Chairman of the Board	Board of Directors
Individual compensation of the Executive Committee members	Compensation Committee based on proposals by the CEO	Board of Directors
Compensation Report	Board of Directors based on proposal by Compensation Committee	Annual Shareholders' Meeting (consultative vote)

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

The Compensation Committee may call in external compensation specialists to obtain independent advice and/or to get benchmarking compensation data. In the year under review, external compensation specialists provided advice on executive compensation matters. These companies have no other mandates with GF.

Method of determination of compensation

Benchmarking

The compensation structure and levels of the Board of Directors and the Executive Committee are reviewed every two to three years and are tailored to the relevant sectors and labor markets in which GF competes for talents. For the purpose of comparison, the Compensation Committee relies on compensation surveys published by independent consulting firms and on publicly available information such as the compensation disclosures of comparable companies. Comparable companies are defined as multinational industrial companies listed on the Swiss stock exchange (SIX) with similar size in terms of market capitalization, sales, number of employees, complexity and geographic scope. The benchmark for the Board of Directors includes the companies of the SMI-Mid: AMS, Arysza, Baloise, Barry Callebaut, Clariant, Dormakaba, Dufry, EMS-Chemie, Flughafen Zurich, GAM, Helvetia, Kühne + Nagel, Lindt, Logitech, OC Oerlikon, Partners Group, PSP Swiss Property, Schindler, Sonova, Straumann, Sunrise, Swiss Prime Site, Temenos, VAT and Vifor Pharma. The benchmark for the Executive Committee comprises the following industrial companies listed in Switzerland: Arbonia, Autoneum, Bobst, Bucher Industries, Conzzeta, Datwyler, Dormakaba, Geberit, Huber + Suhner, OC Oerlikon, Rieter, Schweiter Technologies, SFS Group, Sika, Sulzer and Sonova.

Performance management

The Compensation Committee also takes into consideration the effective business and individual performance while determining the compensation amounts to be paid to the CEO 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 CEO and by the Chairman of the Board for the CEO. The performance assessment of the CEO and the other Members of the Executive Committee is reviewed by the Compensation Committee.

Compensation structure

Compensation of the Board of Directors

Compensation Principles

In order to ensure their independence in exercising their supervisory duties, the Members of the Board of Directors receive a fixed compensation only. The compensation is delivered partially in cash and partially in shares blocked for a period of five years, in order to strengthen the alignment to shareholders' interests.

Compensation model

The compensation 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. The last benchmarking analysis was conducted in 2019 (please refer to chapter [Method of determination of compensation / Benchmarking](#) for details of the peer group). No changes were made further to this analysis and the compensation model of the Board of Directors remains unchanged since 2015.

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 compensation for each Member of the Board of Directors depends on the functions and tasks carried out in the year under review and consists of an annual basis board fee paid in cash and in blocked shares, as well as additional committee fees paid in cash. The cash fees are paid in January for the previous calendar year, while the shares are allocated in December of the respective calendar year. The shares are blocked for a period of five years. The blocking period may be lifted at the discretion of the Board of Directors in case of death and remains in place in all other instances of termination. The shares are disclosed at their market value based on the closing share price on the last trading day of the reporting year.

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 ¹	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	

¹ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

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

Shareholding ownership guideline

Members of the Board are required to hold 200% of the annual basis cash fee in GF shares. Newly elected members shall build up the required ownership within five years of their election to the Board of Directors. 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.

The minimum holding requirements are illustrated in the table below:

	Shareholding ownership requirement	Build-up period
Board of Directors	200% of annual basis cash fee	5 years

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

Compensation of the Executive Committee (including CEO)

Compensation principles

The compensation policy applicable to the Executive Committee 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.

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

Compensation model

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 (STI) in cash;
- + Share-based compensation (Long-term incentive, LTI).

	Fixed compensation elements		Variable compensation elements	
	Fixed base salary	Benefits	STI Performance year 2019	LTI Performance year 2019
Purpose	Ensure basic fixed remuneration	Ensure protection against risks such as death, disability and old age	Pay for annual performance	Pay for long-term 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 Market practice	Local legislation and market practice	Performance against business and individual objectives	Long-term value creation
Performance / Vesting period	-	-	Year 2019	3 years Grant date: 1 January 2020 Vesting period: 2020 - 2022
Blocking period	-	-	-	Additional 2 years: 2023 - 2024
Performance measures	Skills, experience and performance of the individual	-	Organic sales growth EBIT margin ROIC Individual objectives	All LTI-related shares depend on performance: 50% EPS, 50% rTSR EPS-related achievement determination: Ø (EPS value years 2020, 2021, 2022) divided by Ø (EPS value years 2017, 2018, 2019) rTSR-related achievement determination: Ø (ranking in the years 2020, 2021, 2022 of GF within the SMI-Mid)
Delivery	Monthly cash	Contributions to social security, pension and insurances	Cash, one-off payment in March year 2020	Number of PS, of which 50% PS(EPS), 50% PS(rTSR)

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

For the purpose of comparison, the compensation of the Executive Committee is regularly benchmarked against compensation surveys published by independent consulting firms and on publicly available compensation information of comparable multinational industrial companies (please refer to chapter [Method of determination of compensation / Benchmarking](#) for details of the peer group).

Compensation mix and caps

CEO

At target	Fixed base salary 100%	STI 100%	LTI 600 PS
Maximum payout ¹	Fixed base salary 100%	STI 150%	LTI 1'200 PS

Other Members of the Executive Committee

At target	Fixed base salary 100%	STI 60%	LTI 250 PS
Maximum payout ¹	Fixed base salary 100%	STI 90%	LTI 500 PS

¹ Does not take into account the share price evolution during the three-year vesting period

Maximum payouts:

- + STI: capped at 150% of the target;
- + LTI: capped at 200% of the target;
- + Overall cap: the overall variable compensation is capped (value of the STI payout and of the LTI grant) at 250% of the fixed compensation, as stipulated in the Articles of Association.

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 (STI) 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 STI is expressed as a target in % of the annual fixed base salary. The target STI amounts to 100% of the annual fixed base salary for the CEO and to 60% of the annual fixed base salary for the other Members of the Executive Committee. The STI payout is capped at 150% of target level.

	Target	Minimum	Maximum
CEO	100%	0%	150%
Other members of the Executive Committee	60%	0%	90%

Business and individual objectives for the STI

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 include organic sales growth (excluding acquisitions and divestitures), EBIT margin (EBIT in relation to sales) and Return on Invested Capital (ROIC).

For each business objective, the Board of Directors sets a target level and a threshold level (hurdle) of achievement under which there is no payout. The hurdles and the targets are valid for a period of several years. Further, the ROIC hurdle is set at a level clearly over the weighted average cost of capital (WACC) of the Corporation in order to maximize value creation. The respective achievement level of each business objective is measured on a yearly basis and determines a payout factor for that business objective.

For the period 2016–2020, the hurdles and targets for the business objectives at Corporation level are as follows:

Performance measure	Organic sales growth (at constant currencies)	EBIT margin	Return on invested capital (ROIC)
Rationale / driver	Maximizing growth from within (innovations, improved services, etc.)	Operating profitability	Efficiency at allocating the capital to profitable investments
Hurdle ¹	1%	6%	14%
Strategy targets 2016–2020	3-5%	9-10% ²	20-24% ²

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the organic sales growth objective, the payout for reaching the hurdle starts at 0%, while it starts at 50% for reaching the hurdle for the objectives EBIT margin and ROIC.

² The strategy targets for EBIT margin and ROIC have been adjusted due to the divestment of entities

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 the portfolio adaption at GF Casting Solutions;
- + Operational goals, such as the implementation of digitalization projects, the successful launch of new products, implementation of corporate training initiatives, acquisition and integration of new technologies and services, inauguration of new innovation-, production-, training-centers and new office buildings;
- + Environment - Social - Governance (ESG) goals, such as a 0% accident rate or reduction of resources consumption. Each Executive Committee member has at least one ESG objective;
- + Personal goals, such as personal improvements and/or trainings and succession planning.

At the end of the year, the achievement of each individual objective is assessed and determines the payout factor for the portion of the STI related to individual objectives.

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

The weighting of the business and individual objectives for the CEO and the other Members of the Executive Committee depends on the function (the highest weight is put on the organization the individual is responsible for) and is described in the following table:

	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%

Long-term incentive (share-based compensation)

In 2017, GF introduced a revised performance-based Long-term Incentive (LTI) plan. The purpose of the LTI plan is to:

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

The LTI is a performance share (PS) plan. The CEO and the other Members of the Executive Committee are granted a number of PS annually based on the length of employment in the year prior to the grant. For business year 2019, the PS are granted on 1 January 2020 and their grant value is based on the closing share price on the last trading day of 2019. The PS are subject to a three-year cliff vesting followed by an additional two-year blocking period on the vested shares.

The vesting of the PS is conditional upon the achievement of two specific performance objectives over a prospective period of three years: Earnings per Share (EPS) as internal performance measure and relative Total Shareholder Return (rTSR) as external performance measure.

The number of PS granted is split as follows:

- + 50% of the PS depend on the EPS performance (PS(EPS));
- + 50% of the PS depend on the rTSR performance (PS(rTSR)).

Performance shares

	PS (EPS)	PS (rTSR)	Total shares
CEO	Grant: 300 Vesting: 0% - 200%	Grant: 300 Vesting: 0% - 200%	Grant: 600 Vesting: 0% - 200%
Other Members of the Executive Committee	Grant: 125 Vesting: 0% - 200%	Grant: 125 Vesting: 0% - 200%	Grant: 250 Vesting: 0% - 200%

The Board of Directors decided to amend the target setting of the LTI starting as of 2019.

The EPS target, which is determined by the Board of Directors, is in line with the ambitious Strategy 2020 goals of GF and is measured at the end of the vesting period. Share buybacks, major acquisitions/divestitures or capital increases are neutralized and have no impact on the EPS value calculation.

The rTSR is measured as a percentile rank in relation to a peer group. The peer group consists of the companies of the SMI-Mid index, because those companies are comparable to GF in terms of organizational size, complexity and market capitalization and the SMI-Mid index reflects best the economic environment for companies listed in Switzerland. The percentile rank is evaluated on an annual basis: at the end of the vesting period, the final ranking of GF amongst the peer group is the average annual ranking over the three-year vesting period.

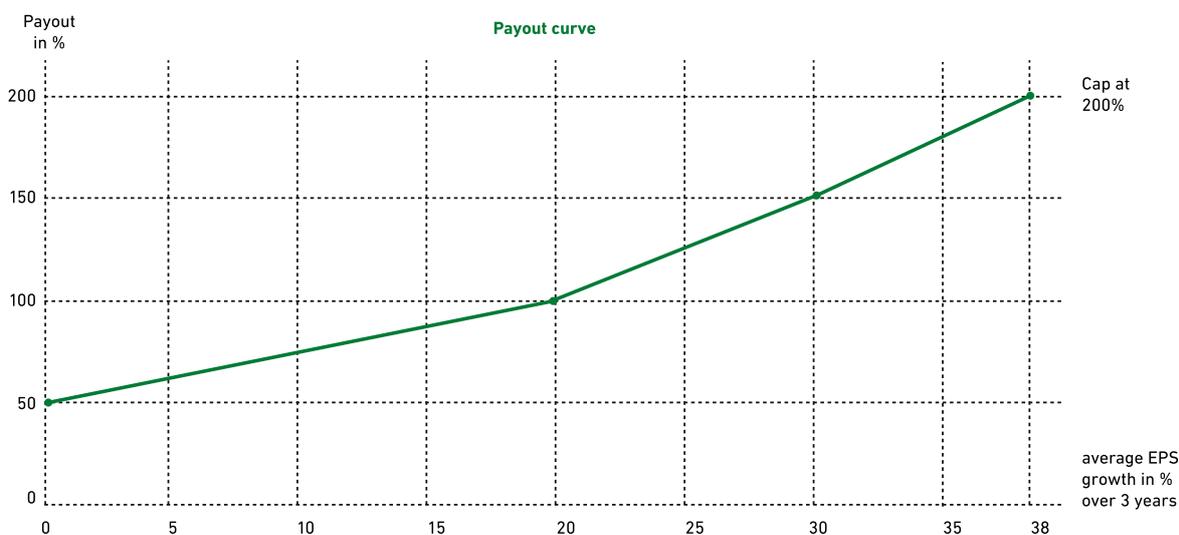
For both performance measures, a threshold level of performance (hurdle), under which there is no vesting of the PS, is defined, as well as the target level, corresponding to a vesting level of 100% and a maximum achievement level, for which the vesting is capped at 200%.

Both 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.

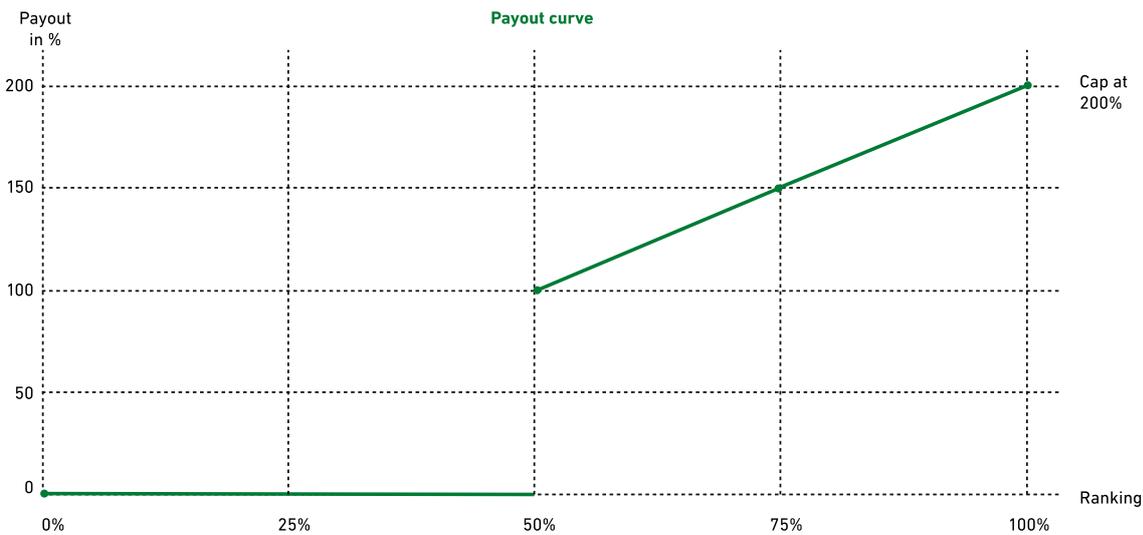
The vesting rules of the LTI plan are summarized in the table below:

Performance measure	Earnings per Share (EPS)	Relative Total Shareholder Return (rTSR)
Description	EPS: (Average EPS value years x+1, x+2, x+3) divided by (Average EPS value years x, x-1, x-2)	TSR: starting value of Volume Weighted Average Share price (VWAP) over the first 30 trading days of the year and ending value of the VWAP over the last 30 trading days of the year. Relativity measured as the average annual ranking within the peer group (companies of the SMI-Mid Index) over 3 years.
Rationale	Internal measure Reflects GF's profitability and how efficiently the Strategy is implemented	External measure Reflects GF's relative value compared to the SMI-Mid market
Weighting	50% of the PS grant	50% of the PS grant
Target level	20% EPS growth over 3 years 100% payout	Relative TSR at the median of the peer group 100% payout
Maximum achievement level	200%	200%
Vesting period	3 years Followed by 2-year blocking period on vested shares	3 years Followed by 2-year blocking period on vested shares
Vesting rules	Threshold: 0% EPS growth over 3 years = 50% vesting Target: 20% EPS growth over 3 years = 100% vesting Point 30: 30% EPS growth over 3 years = 150% vesting Maximum: 38% EPS growth over 3 years = 200% vesting Linear interpolation in between EPS decline over 3 years: 0% payout	Threshold and target: 50th percentile = 100% vesting Maximum: best of all peers = 200% vesting Linear interpolation between threshold/target and maximum No vesting for performance below median

Vesting curve Earnings per Share (EPS)



Vesting curve relative Total Shareholder Return (rTSR)



The Compensation Committee is responsible for evaluating each year if extraordinary, one-time events have significantly influenced any of the performance objectives, 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. For 2019, no adjustments were necessary.

In case of termination for cause, the vested shares remain blocked until the end of the respective blocking periods and any unvested PS forfeit. There is no accelerated vesting of unvested PS except in case of change of control and termination following death, disability or ordinary retirement according to GF pension fund regulations. In such situations, unvested PS vest immediately based on the latest performance estimate available at time of termination. The blocking period of vested shares may only be lifted in case of change of control or death.

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

Clawback and malus provisions

For the LTI, in case a lower amount would have been awarded or paid out due to misstatement of financial results or of fraudulent or willful substantial misconduct by a Member of the Executive Committee, the Board of Directors will review the specific facts and circumstances and take actions. With respect to awards granted under the LTI in respect of the years for which a restatement has to be made and/or in which the misconduct took place, the Board of Directors may determine at any time before or after the delivery of the shares to forfeit or suspend the vesting of any LTI award in full or in part (malus), require the transfer for nil consideration of some or all the shares delivered under the LTI plan (clawback) and/or require a reimbursement in form of a cash payment in respect of some or all the shares delivered under the LTI plan (clawback).

The Clawback and Malus Policy applies to the Members of the Executive Committee for the entire duration of their membership and for up to three years following the termination thereof.

Benefits

Benefits consist primarily of retirement and insurance plans that are designed to provide reasonable level of income in case of retirement 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 employment contracts with the CEO and the other Members of the Executive Committee foresee a notice period of maximum twelve months. There are no entitlements to severance payments, nor any change of control provisions, other than the early vesting and early unblocking of share awards as disclosed in the chapter [Long-term incentive \(share-based compensation\)](#). Their contracts may foresee non-competition provisions that are limited in time to a maximum of two years and which allow compensation up to a maximum of the last total annual compensation paid.

Shareholding ownership guideline

The CEO and the other Members of the Executive Committee are required to hold a minimum percentage of annual 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.

The minimum holding requirements are illustrated in the table below:

	Shareholding ownership requirement	Build-up period
CEO	200% of annual fixed base salary	5 years
Other Members of the Executive Committee	100% of annual fixed base salary	5 years

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

Compensation for the business year 2019

Audited by PwC Switzerland

Board of Directors

The Members of the Board of Directors received cash compensation of CHF 1.143 million in the year under review (previous year: CHF 1.159 million). In addition, a total of 1'501 GF registered shares with a total market value of CHF 1.472 million were allocated (previous year: 1'500 GF shares with a market value of CHF 1.180 million). Together with other benefits, the total compensation paid to the Board of Directors in 2019 amounted to CHF 2.735 million (previous year: CHF 2.449 million).

Compensation Members of the Board of Directors 2019

	Basis fee ¹	Committee fees	Number of shares	Share-based compensation ²	Other benefits ³	Total compensation 2019 ⁴	Total compensation 2018 ⁴
Andreas Koopmann	70	200	300	295	24	589	528
Chairman Board of Directors							
Chairman Nomination Committee							
Hubert Achermann	70	80	150	147	12	309	279
Chairman Audit Committee							
Gerold Bühler⁵	21	16	45	44	3	84	251
Vice Chairman Board of Directors							
Member Audit Committee							
Roman Boutellier	70	20	150	147	9	246	216
Member Compensation Committee							
Riet Cadonau	70	20	150	147	12	249	219
Member Nomination Committee							
Roger Michaelis	93	30	150	147	14	284	254
Member Audit Committee							
Eveline Saupper	70	40	150	147	13	270	240
Chairwoman Compensation Committee							
Yves Serra⁶	49	21	106	104	7	181	-
Vice Chairman Board of Directors ⁷							
Member Audit Committee							
Jasmin Staiblin	70	20	150	147	12	249	219
Member Compensation Committee							
Zhiqiang Zhang	93	20	150	147	14	274	243
Member Nomination Committee							
Total	676	467	1'501	1'472	120	2'735	2'449

(all in CHF 1'000 and stated in gross amounts, except column "Number of shares")

¹ The basis fees include reimbursements for international travel amounting to CHF 22'500 for Mr. Roger Michaelis and for Mr. Zhiqiang Zhang.

² The share-based compensation consists in the allocation of a fixed number of shares. The amount of the share-based compensation is calculated based on the share value on 31 December 2019, i.e. CHF 983.00.

³ Other benefits represent employer contributions to social insurance funds.

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

⁵ Board of Director until 17 April 2019

⁶ Board of Director as of 18 April 2019

⁷ As of 18 April 2019, the additional fee for Board Vice-Chairmanship was discontinued

The compensation paid to the Board of Directors for the year 2019 was higher compared to previous year. The increase results from the difference in the value of the shares (CHF 983.00 on 31 December 2019 compared to CHF 786.50 on 31 December 2018) only. The compensation system for the Board of Directors remained unchanged compared to previous year.

At the 2018 Annual Shareholders' Meeting, shareholders approved a maximum aggregate compensation amount of CHF 3.750 million (based on a share value of CHF 1'600.00) for the Board of Directors for the compensation period from the 2018 Annual Shareholders' Meeting until the 2019 Annual Shareholders' Meeting. For this period, the effective compensation amounted to CHF 2.540 million (based on a share value of CHF 786.50 for the period in 2018 and CHF 983.00 for the period in 2019) and is thus within the approved limits.

At the 2019 Annual Shareholders' Meeting, shareholders approved a maximum aggregate compensation amount of CHF 3.750 million for the Board of Directors for the compensation period from the 2019 Annual Shareholders' Meeting until the 2020 Annual Shareholders' Meeting. This compensation period is not yet completed, a conclusive assessment will be provided in the 2020 Compensation Report.

In the reporting year, no further compensation was paid to Members of the Board of Directors and 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-based compensation, social security and pension contributions amounting to CHF 7.488 million for the year under review (previous year: CHF 8.417 million) compared to a total amount of CHF 10.531 million approved by the shareholders at the 2018 Annual Shareholders' Meeting.

Under the LTI plan, 1'644 performance shares with a total value at grant of CHF 1.628 million were granted to Members of the Executive Committee for the year under review (previous year: 1'752 performance shares with a total value of CHF 1.378 million).

Compensation Members of the Executive Committee 2019

	Fixed salary in cash	Short-term incentive (STI) in cash ²	EPS	rTSR	Share- based remunera- tion (LTI) ³	Social insurance funds ⁴	Pension funds ⁵	Total com- pensation 2019 ⁶	Total com- pensation 2018 ⁷
			dependent perfor- mance shares PS(EPS)	dependent perfor- mance shares PS(rTSR)					
Executive Committee ¹	2'788	1'858	822	822	1'628	395	819	7'488	8'417
Of whom									
Andreas Müller, CEO (highest individual com- pensation) ⁶	673	547	248	248	488	110	188	2'006	3'197

(all in CHF 1'000 and stated in gross amounts, except columns "EPS dependent performance shares" and "rTSR dependent performance shares")

¹ The compensation of the Executive Committee includes the compensation for Yves Serra as Member of the Executive Committee until 17 April 2019. His compensation as Member of the Board of Directors, since 18 April 2019, is disclosed in the table Compensation Members of the Board of Directors 2019. The compensation of the Executive Committee also includes the compensation for Mads Joergensen (Executive Committee member since 18 April 2019).

² The STI is based on the STI plan. The STI for the 2019 business year was approved by the Board of Directors on 20 February 2020. Payment will be made in March 2020.

³ The share-based compensation is based on the LTI plan. The disclosed value corresponds to the grant value of the 2019 LTI (that is granted on 1 January 2020) and is calculated based on the share value on 31 December 2019, i.e. CHF 983.00. The value of the share-based compensation for Yves Serra as CEO is calculated based on the share value on the date of his retirement from the Executive Committee (17 April 2019), i.e. CHF 1'036.00.

⁴ The social insurance funds expenses represent employer contributions to social security. The amounts indicated are based on the compensation amounts disclosed in the table (including the value at grant of the share-based remuneration).

⁵ The pension funds expenses represent employer contributions to pension funds.

⁶ The total compensation includes the fixed salary, the STI, the share-based compensation, as well as social and pension contributions.

⁷ Total compensation 2019 indicates total compensation for Andreas Müller as acting CEO in 2019. Total compensation 2018 indicates total compensation for Yves Serra as acting CEO in that year.

The total compensation for the CEO and the other Members of the Executive Committee in 2019 was lower than in 2018, which can be explained by the following factors:

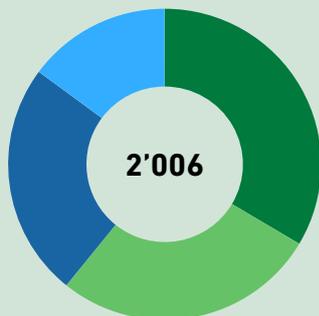
- + Fixed salary: The changes in the composition of the Executive Committee, with the appointment of Andreas Müller as the new CEO (replacing Yves Serra), and of Mads Joergensen as the new CFO (replacing Andreas Müller) as of 18 April 2019, lead to a decrease of the fixed salary amounts.

- + STI: The financial performance of the Corporation and the divisions was lower in 2019 than in 2018, which resulted in a lower STI payout (see details in chapter [Performance in 2019](#)).
For the year under review, the STI payout for Andreas Müller was CHF 547'000 which corresponds to 89% of target and 59% of the maximum STI (STI for the CEO in 2018 was CHF 1.247 million which corresponds to 131% of target and 87% of maximum STI).
For the other Members of the Executive Committee, the STI ranged from 64% to 130% of target (93% to 139% in 2018).
- + LTI: The number of PS granted to the CEO was reduced from 750 to 600 per year compared to previous year. The number of PS granted to each other Member of the Executive Committee remained unchanged compared to previous year.
Despite a lower number of PS granted to the CEO, the increase in the share price from CHF 786.50 in 2018 to CHF 983.00 in 2019 resulted in an increase in the compensation amount disclosed.
- + 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.

The ratio between fixed and awarded variable compensation in 2019 was as follows:

CEO Compensation for 2019

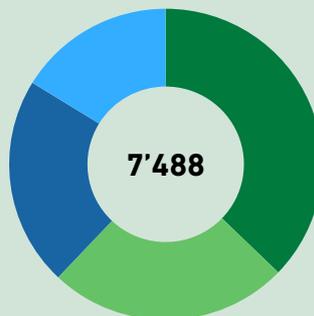
Amounts in CHF 1'000



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

Executive Committee Compensation for 2019

Amounts in CHF 1'000



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

For a former Executive Committee member a compensation amounting to CHF 543'323 was paid in the year 2019, reflecting the compensation for the remainder of the notice period (not included in the figures above).

No compensation was paid to parties closely related to Members of the Executive Committee.

Performance in 2019

Short-term incentive 2019

The achievement of the business objectives for the 2019 short-term incentive is as follows:

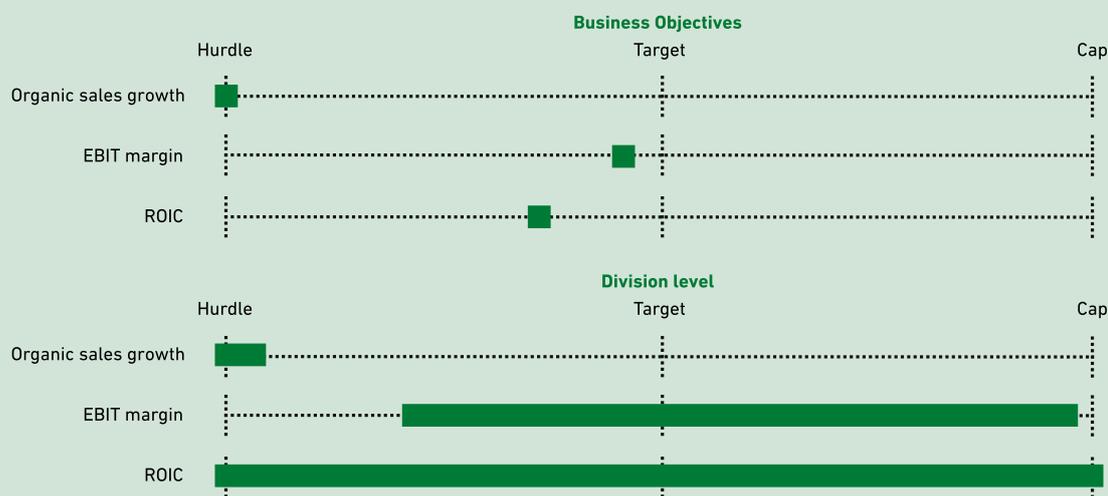
	Strategic goal	Hurdle ¹	Achievement/ payout factor ²
Business Objectives			
Corporation level			73%
Organic sales growth	3-5%	1%	0%
EBIT margin	9-10%	6%	96%
ROIC	20-24%	14%	86%
Division level			
Organic sales growth	Not disclosed ³	Not disclosed ³	0%-9%
EBIT margin	Not disclosed ³	Not disclosed ³	70%-148%
ROIC	Not disclosed ³	Not disclosed ³	0%-150%

¹ Achievements below the hurdle result in zero payout for the respective business objective; for the organic sales growth objective, the payout for reaching the hurdle starts at 0%, while it starts at 50% for reaching the hurdle for the objectives EBIT margin and ROIC.

² Adjusted for items relating to structural measures in the division GF Casting Solutions

³ Those targets and hurdles are not disclosed as they are considered commercially sensitive and confidential

Weighted achievement/payout factor



Overall payout of 89% of target for the CEO and of 64% to 130% of target for the other EC members.

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 chapter [Compensation and shareholdings](#).

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 2019, no loans to Members of the Board of Directors or the Executive Committee or related parties were outstanding.

Report of the statutory auditor

to the General 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 ending 31 December 2019.

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 Ltd for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Zürich, 20 February 2020

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