

Stakeholder Panel 2012: Response from Geberit to the Panel statement

Geberit thanks the members of the stakeholder panel for the constructive discussions and valuable suggestions. Geberit pursues a «best-in-class» approach and wants to further strengthen its role as a sustainability leader. With this in mind, many of the suggestions will be incorporated into the continuous improvement process. The statements made by the panel are commented on individually below, with the content structured according to the Panel Statement.

General comments on the sustainability strategy

For Geberit, it is very encouraging to see that the sustainable orientation and the sustainability performances are being clearly recognized. Sustainability is pursued as an integral management approach and has been anchored in all areas for many years. As most measures are extensively integrated, in many cases it makes no sense or it is not possible to quantify the impact that individual measures have on the success of the business. However, the increased value of the company serves as a convincing overall indicator as to the long-term success of the business. Over the last five years, around CHF 1.8 billion have been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of Geberit shares has risen from CHF 155.50 at the end of 2007 to CHF 201.40 at the end of 2012.

Geberit takes on board the suggestion of the panel with regard to illustrating the water consumption along the entire value chain in the form of a [water footprint](#). Analysis shows that nearly 100% of the water consumption is attributable to the product usage phase. Furthermore, the total savings achieved by Geberit products in use throughout the world are impressive. According to one model calculation, the entire dual-flush and flush-stop «fleet of cisterns» produced since 1998 has saved around 13,800 million cubic meters of water to date in comparison with traditional flushing systems. In 2012 alone, the water saved amounted to 1,850 million cubic meters. This is more than half of the annual consumption of all German households.

The sustainability strategy sets out qualitative goals and a range of quantitative goals. Geberit endeavors to further define these goals and set itself long-term targets. In line with the «best-in-class» approach, ambitious goals were formulated at the end of 2012. By the year 2020 absolute CO₂ emissions are to be reduced by 20% compared with the year 2000 (based on organic growth) and the accident rates are to be halved compared with the year 2010.

The company's approach to the topic of sustainability has been continuously developed further. Geberit has had an Environment/Sustainability department for about 20 years, which has been reporting directly to the CEO for the past eight years. In recent years, this department has coordinated the further development of the sustainability strategy and related activities; responsibility for planning and implementation lies with the individual areas themselves. In Geberit's view, the strength lies precisely in this integrated approach. The Group Executive Board as a whole is also responsible for the implementation of the sustainability strategy and the sustainability performance achieved. Both are examined and approved once a year by the Board of Directors.

Geberit is an industry leader in the area of sustainability and utilizes its know-how to set industry-wide standards in the area of water conservation. For example, Geberit actively worked on adapting the applicable standard for the dimensioning of drainage systems to smaller diameters. This is important so that the full functionality of the drainage system is ensured even with lower quantities of waste water. Furthermore, Geberit also supported the launch of [WELL](#) (Water Efficiency Label), a product classification system for water-saving and resource-efficient sanitary products that was introduced in 2011. Geberit takes on board the suggestion of the panel with regard to more clearly illustrating its leading role within the industry.

Code of Conduct

For employees

Since its introduction in 2007, numerous efforts have been made to raise employees' awareness and train them on the Code of Conduct. The topic of compliance is being increasingly noticed and embraced by employees. Each year, the compliance with the Code of Conduct is verified by means of a survey and reported on. The few known cases of violations of the Code of Conduct are disclosed by Geberit as an A-Level reporter in anonymized form. For example, the GRI Report on the financial year 2009 highlighted two incidents of discrimination (see under GRI indicator HR4) that led to dismissals. Geberit will continue to disclose known cases in a transparent manner. The disclosure process is promoted by an additional measure, the «Geberit Integrity Line», which was launched at the beginning of 2013 and enables all employees worldwide to easily and anonymously report internal misconduct in their respective language (35 languages). The Code of Conduct will be developed further in 2013.

For suppliers

For Geberit, as for most companies, ensuring compliance with sustainability principles in the supply chain is a challenge. However, the control system is continually being improved. 2012 saw an intensification of efforts with regard to suppliers in the highest risk category, with [audits carried out by specialist third parties](#) for the first time. During these audits a problem was revealed with a Chinese supplier upon which corrective action was duly prescribed and the implementation verified.

It is not planned to impose regulations on the second and third tier suppliers by getting them to sign a Code of Conduct, as this would result in a disproportionately high level of additional administration with little added value. Geberit pursues a pragmatic yet effective approach. When auditing suppliers in the highest risk category, an analysis of their most important suppliers is included in the risk analysis and the audit investigations on site. At the end of the day, Geberit's goal is a forward-looking supplier relationship management, where the relationship with the supplier is actively managed and sustainability risks in the supply chain jointly analyzed. Another important key to reducing risks in the supply chain is close internal cooperation between the Purchasing, Quality and Environment/Sustainability departments.

Water, climate and biodiversity

As of 2013, the [WELL](#) label (Water Efficiency Label) will be printed on packaging and documented in catalogs. The panel's input regarding the development of Geberit's [water footprint](#) has been taken on board and implemented.

Geberit has already achieved substantial successes with its existing CO₂ strategy. Between 2006 and 2012, the CO₂ emissions per sales (currency adjusted) were reduced by 33%, thus exceeding the long-term target. A reduction of an average of 5% per year remains a fundamental target up to 2015. Furthermore, Geberit takes on board the suggestion of the panel in setting the target of reducing absolute CO₂ emissions by 20% by the year 2020 (with respect to the base year 2000, based on organic growth), in line with the targets set by the EU.

Geberit is targeting a reduction in CO₂ emissions through energy saving and increased energy efficiency. Furthermore, the use of renewable energy in the form of green electricity or [regionally produced biogas](#) is being continually expanded. It is not planned to improve the balance by carrying out pure compensation projects.

The topic of biodiversity is not relevant for Geberit as its production plants feature a comprehensive environmental and safety management system, are not located near critical protected areas and also do not encroach on protected areas. Additional reporting is not planned.

Social Projects

Geberit takes on board the suggestion of the panel and will improve the evaluation of implemented social projects. A review two to three years after project completion seems reasonable.

Geberit products are developed as leading products with high quality standards for its core markets. With its expansion – particularly in China and India – Geberit is pursuing a clear, long-term strategy, has been investing consistently for over ten years and is developing modern, resource-efficient products for these local markets. Positioning at the «bottom of the pyramid» does not comply with our product philosophy and there are no plans in this regard.

Sustainable products and green building

Eco-design is taken into consideration as early as the initial phase of the development process. The basis for sustainable products is a systematic innovation process in which the most environmentally friendly materials and functional principles possible are chosen, risks throughout the value chain are minimized and a high level of resource efficiency is targeted for the production process as well as the product itself. The suggestion of the panel regarding the implementation of a think tank to discuss advanced product solutions is currently being examined. It has already been decided that Geberit will substantially support the [ETH Zurich Foundation](#) (CH) in 2013 in the area of «green building», and new possibilities for collaboration will develop from this.

Green building is an important trend for Geberit. Geberit shares the view of the panel regarding the additional potential in the area of communication. As a result, a [reference magazine](#) was published in 2012, which highlighted the added benefits that Geberit products bring to leading sustainable buildings worldwide. Geberit is also intensifying its commitment in the individual markets and is involved in associations in the area of green building. More and more customers also want to benefit from Geberit's know-how as a sustainability leader. For example, two major European customers, Saint Gobain (FR) and the GC-Gruppe (DE), used Geberit's best practice experience in the areas of eco-design and sustainability for their internal training in 2012.

Sustainability reporting and communication

It is part of the Geberit identity that communication is well-conceived and improved on a continuous basis in line with the needs of the specific target groups. In this regard, Geberit shall primarily use the variety of opportunities offered by online communication – an area where Geberit has already gained valuable experience as a pioneering company.

Final remarks

Geberit thanks all of the panel members for their work. It is planned for the stakeholder panel to continue its work. In terms of concrete plans regarding the upcoming process, Geberit will first await the specifications on external review processes as per the newly developed GRI G4 Guidelines ([see www.globalreporting.org](http://www.globalreporting.org)), which are to be published by mid-2013.