

Geberit Group 2016

Integrated
Annual Report

Busi- ness Report

Geberit Group 2016

Highlights of the business year 2016



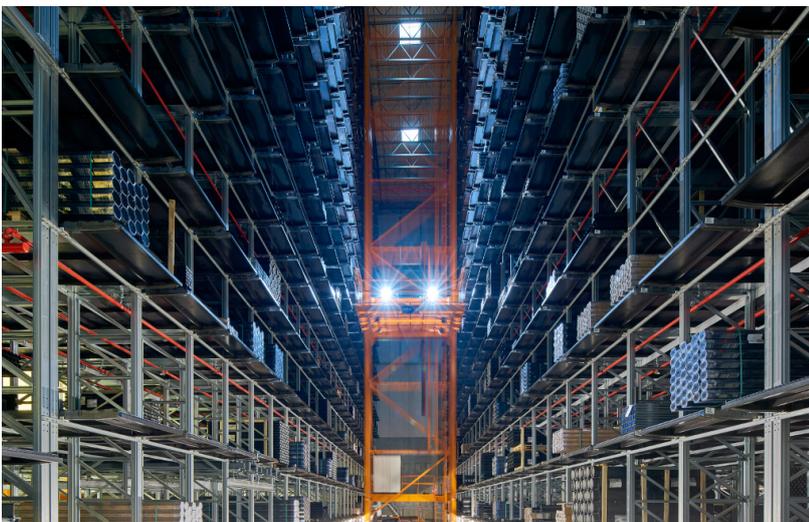
On target

The integration of the former Sanitec organisation progressed according to plan. The majority of the planned synergies has been captured. The insourcing of products such as ceramics for shower toilets is nearly completed. And in all markets, Geberit is now operating as a single company with harmonized processes and tools.



Successful market launch

In July, the Silent-Pro piping system was delivered to wholesalers for the first time. Well thought out down to the last detail, the highly sound-insulating drainage plug-in system is specially designed for tough everyday use on building sites. Italy and Austria were the first markets where it was launched, and other countries will follow soon.



Expanded logistic centre

Geberit invested 40 million euros in the expansion of its logistic centre in the southern German town of Pfullendorf. Both the construction of additional 19,200 square-metres of logistics space as well as the installation of the sophisticated storage and conveyor technology were completed in due time. The commissioning is scheduled for April 2017.



Ceramics appliance production in Wesel

The high demand for the AquaClean Mera shower toilet has led to an expansion of production capacities at the ceramics plant in Wesel (DE). The manufacture of the innovative ceramic appliance pushes man and materials to their absolute limits during every step of the production process.



A case for BIM

BIM (Building Information Modelling) has become an established method worldwide for representing the components installed in a building in an integrated fashion. That's why Geberit too provides relevant data for sanitary applications. Thanks to BIM, the high-security prison Pi2 in Zaanstad (NL) was able to be completed in just 18 months.



The new urinal system in action

The urinal systems at the Mövenpick congress hotel in Regensdorf (CH) are showing their age. Because they require a lot of maintenance, they are replaced by new ones – and all without having to renovate the entire sanitary facility. The flexible urinal system from Geberit is perfect for such situations.



Two weeks in Warsaw

This year's social project saw ten Geberit apprentices travel to Warsaw (PL), where they spent two weeks renovating the toilet facilities at the primary school "Żwirki i Wigury". They removed the old WC ceramic appliances and tiles, laid new pipes and installed Duofix elements with concealed cisterns.



Nelson Mandela Children's Hospital

When installing the drainage system on the major building site in the South African city of Johannesburg (ZA), everything fit perfectly straight away. The plumbers were therefore able to install the system's five kilometres of Geberit PE pipes and over 2,900 fittings on schedule. The desperately needed 200-bed children's hospital was opened in December.

How loud is too loud?

→ Interactive application: geberit.com/annualreport > Competences > Sound insulation

Hearing the grass grow

In the building technology and acoustics laboratory at the Swiss headquarters, Geberit works on the scientific and technical fundamentals to ensure that sanitary noises that disturb your sleep become a thing of the past.

Be it in a hotel, an apartment or at work – fewer and fewer people are prepared to simply accept sanitary noises as an inevitable fact of life. And rightly so. After all, the sounds that emanate from a discharge pipe or when a toilet is flushed can be substantially reduced by choosing and professionally installing the right products.



Samuel Pasteur, acoustics specialist at Geberit, measures the sound transmitted from a concealed installation to a neighbouring room using acceleration sensors.

Approaching the problem from both sides

“There are basically two options when it comes to optimising the acoustic properties of a sanitary installation, namely modifying the source of the sound or reducing the sound transmission. We do both,” says Oliver Wolff, Head of Building Physics at Geberit. In this regard, the company systematically ensures as early as the development stage that sanitary products produce only minimal noise levels. A good example is the new shower toilet AquaClean Mera. Here, the inner geometry of the rimless WC ceramic appliance was designed so that the flush is virtually noiseless.

Highly sound-insulating building drainage systems such as Geberit Silent-db20 and Silent-Pro are further examples. Thanks to hydraulically optimised fittings, there is less turbulence and therefore less noise in the pipes, and the special low-resonance material used absorbs sound.

However, as it is impossible to fully eliminate noise in sanitary installations, Geberit also attaches great importance to reducing sound transmissions. With the appropriate installation technology, water supply lines, drainage pipes and appliances can be decoupled from the building structure so that sanitary noise transmitted to the building is considerably reduced.

Multi-storey test assemblies

The acoustic properties of sanitary products and various installation technologies are put through their paces at the company’s own building technology and acoustics laboratory in Switzerland. The lab, which is unique within the sanitary sector, is acoustically decoupled from its surroundings to the greatest possible extent. Thanks to state-of-the-art measurement technology, this lab can be used for standard tests as well as for conducting scientific research.

The generation and spread of noise is influenced by a lot of factors, which is why sound tests are always carried out under conditions that are as realistic as possible. A test assembly can easily span several floors, with fully equipped and professionally panelled prewalls or waste water discharge stacks of up to ten metres in height. To calculate the sound emissions, the acoustics specialists not only use highly sensitive microphones but also dozens of sensors and even laser light.

The results of the sound tests lead to improvements in existing products and the development of completely new solutions. The installation technology and application engineering departments also benefit greatly from the vast know-how of the acoustics specialists.

Optimal flow

→ Interactive application: geberit.com/annualreport > Competences > Virtual engineering

Pushing the limits of what is possible

All drainage systems from Geberit are noted for their excellent flow behaviour. This is in no small part down to the great work carried out by the flow specialists – the experts who optimise virtual products on their high-performance computers until the correct performance profiles are achieved.

Geberit uses computer simulations to determine and optimise the flow behaviour of sanitary components, long before the first prototypes are made. Doing so enables time and money to be saved during product development while also allowing solution approaches to be pursued that would be virtually unthinkable without virtual engineering.



This graphic visualisation of the Sovent fitting is based on data from the computer simulation. It shows how the fitting brings the water column into a rotating motion.

An old trick

This can be illustrated in greater detail using the Geberit Sovent fitting as an example. This fitting is used in high-rises to connect the discharge pipes from an individual floor to the discharge stack. As part of the product optimisation process, the aim was to increase the product's discharge rate. The key questions here were: What is the highest possible flow rate in theory and to what extent can this value also be achieved in practice? An everyday trick put the flow specialists on the right track. If you want to empty a full water bottle as quickly as possible, you hold it with the opening facing downwards and rotate it gently. This makes the water swirl, enabling an air column to form in the middle of the opening. This air column ensures pressure compensation, which enables the water to drain out of the bottle at a much faster rate.

Major improvement in performance

Inspired by this physical phenomenon, the engineers set to work at their computers and added an asymmetrical kink in the upper section of the virtual Sovent fitting. This caused the – also virtual – water flowing down to rotate just like the engineers had envisaged, creating a continuous column of air in the centre. Initial calculations showed that this design modification had significantly accelerated the flow rate of the water.

After the completion of the simulation work on the computer, the first prototypes were made and tested under realistic conditions in the 24-metre-high waste water tower. The results were clear: Installing Sovent fittings that had been optimised from a fluid dynamics perspective increased the discharge capacity of a discharge stack by 40 per cent.

Invisible threat

→ Interactive application: geberit.com/annualreport > Competences > Drinking water hygiene

Protecting lives

In the drinking water systems at hotels, sports stadiums, hospitals and holiday apartments, entire pipe sections can go months on end without being used. Geberit offers a clever solution to prevent microbial contamination of these water supply lines when they are not in use.

Potable water is never completely germ-free. However, the concentration of bacteria and germs is normally so low that it does not pose a threat to the human immune system. Only when these pathogens are able to multiply does a serious health risk arise.

Water temperatures of 25 to 50 degrees Celsius and water systems that are not used for extended periods of time provide optimal conditions for bacteria such as legionella. They cannot multiply in colder, warmer or flowing water. This is precisely how Geberit tackles the problem: To prevent germs from forming, a programmable device – the fully automated Geberit sanitary flush unit – rinses the pipes when required, thus ensuring that stagnating potable water is regularly replaced and that potable water that is too warm is cooled down.



The Geberit sanitary flush prevents stagnation in water pipes by automatically flushing them when required. All settings on the unit can be programmed via smartphone.

A real threat

After a short time, a biofilm forms on all surfaces where water is present. Its occurrence is dependent on the water's nutrients, flow velocity, quality and temperature. Biofilms provide a habitat for pathogens such as legionella or pseudomonas. With prolonged stagnation phases, these microorganisms can multiply in the biofilm and later contaminate the potable water.

Legionella bacteria claim the lives of thousands of people in Europe each year. The only way to become infected with these bacteria is by inhaling them, which can occur in the shower, for example. By installing a sanitary flush unit, plumbers and sanitary engineers can play a decisive role in reducing the health risk caused by legionella bacteria.

Tested to the limit

→ Interactive application: geberit.com/annualreport > Competences > Materials technology

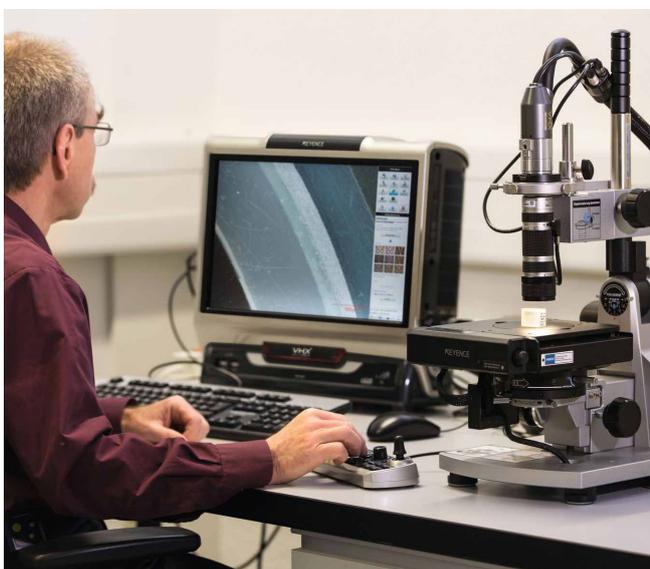
Probing the limits

Sanitary products have to work perfectly for decades. This is why Geberit attaches utmost importance to selecting the best possible product material. In its own laboratories, Geberit systematically goes to the limits – and beyond.

Today, plastics technologists and product developers can choose from thousands of different materials, many of which are subject to ongoing further development and optimisation. This also includes polyethylene – a key plastic in the thermoplastics class (the lead picture of this annual report shows black-coloured plastic granulate for Geberit fittings).

The wide world of polyethylene

Geberit uses polyethylene (PE for short) in different compositions to manufacture products such as cisterns, components of building drainage systems and drinking water pipes. The most suitable PE type is evaluated for each product in the company's own materials laboratories.



Using a digital microscope, Robert Fleischmann, materials technology specialist, examines a pipe section that has been exposed to a solution containing a high level of chlorine for an extended period of time.



In these autoclaves, samples are exposed to excess oxygen and "cooked" at high pressure until they become brittle.

High requirements

In sanitary technology, the service life of a material is one of the most important selection criteria. For example, plastic pipes for drinking water and discharge piping systems in buildings have to fulfil extremely demanding functional specifications according to ISO standards and yield a certified service life of 50 years. As it would not be realistic to test new materials for 50 years before they can be used in practice, the ageing process has to be accelerated during the testing phase.

Comprehensive testing

Various tests are carried out to evaluate the long-term properties of materials and predict their service life. For example, a PE material for drinking water applications is exposed for months to warm water containing a high level of chlorine in order to test how resistant it is to this relatively aggressive element. This is relevant given the fact that potable water in many places contains chlorine, albeit in very low concentrations. In another series of tests, samples of the same material are "cooked" at high pressure in autoclaves containing excess oxygen until they become brittle. The degradation mechanisms and its progression over time is then examined using state-of-the-art analytical equipment.

These tests and analyses can often take several years. If a material performs well in all of these tests, Geberit may decide to take advantage of these benefits in new or existing products.

How strong is a toilet?

→ Interactive application: geberit.com/annualreport > Competences > Statics

Solid as a rock

A full-grown Kodiak bear and a well-equipped Harley-Davidson can each tip the scales at 400 kilogrammes. The Geberit installation elements for wall-hung WCs are designed to handle such a weight.

Wall-hung WC and bidet ceramic appliances have to be designed so that they can withstand loads of up to 400 kilogrammes. This is a European standard specification. As a matter of consistency, Geberit also designs the installation elements for drywall or solid construction to be able to cope with such a load. "When a toilet in front of a drywall is exposed to maximum loaded, the load-bearing installation element is only permitted to deform slightly," explains Oliver Wolff, Head of Building Physics at Geberit International. "If the degree of deformation exceeds our defined limit values, cracks can appear in the wall tiles or other damage can occur, which we of course want to avoid at all costs."

Realistic load test

The Geberit installation elements for wall-hung WCs and bidets are statically designed to be able to bear a load of up to 400 kilogrammes. The maximum load for washbasins and urinals is 150 kilogrammes, and 100 kilogrammes for support handles. For the statics tests in the building technology and acoustics laboratory, the installation elements are built in exactly as they would be at a normal building site. The only difference to real construction situations is that a steel support frame for the test weights – and not a washbasin or WC ceramic appliance – is screwed into the installation elements. This is mainly done for safety reasons.

Narrow tolerances

To be able to precisely measure drops and deformations, the installation elements are equipped with measuring rods at specifically defined points. Laser crosshairs provide the relevant reference points. The drop at the front end of the support frame and the deformation of the installation element are measured before, during and after the test. If they exceed the narrow tolerances defined by Geberit, the design of the installation element has to be revised and improved.



René Gmür, statics specialist at Geberit, lowers eight steel plates with a total weight of 400 kilogrammes onto a support frame that is attached to a Duofix element in the very same way as a WC ceramic appliance. The degree of deformation of the Duofix element is precisely measured by means of laser light.

Testing galore

As a provider of comprehensive installation systems for drywall and solid construction, Geberit possesses extensive know-how in structural analysis. In a building technology and acoustics laboratory that is indeed unique in Europe, Geberit's experienced building physicists carry out several hundred statics tests each year. Thanks to these tests, the product developers can access an extensive database with the results of over 2,500 statics tests. They are also supported in their work by experts who carry out complex statics calculations using powerful simulation programmes.

Wide-ranging knowledge

→ [Interactive application: geberit.com/annualreport](https://geberit.com/annualreport) > Competences > Brilliant minds

More than 50 employees work in the Technology & Innovation department at Geberit. Here are some of them. They represent all the professions currently found in this area. Which professions these are is revealed by the engineers, technologists, scientists and specialists themselves at the click of a mouse.



Editorial

Dear Shareholders

The 2016 financial year was shaped by a positive environment in the construction industry and the integration of the ceramics business. Our excellent results allowed us to further consolidate our position as the leading supplier of sanitary products in Europe.

Net sales increased by 8.3% in 2016, to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a positive foreign currency effect of +0.7% and an acquisition- and divestment-related net increase of 1.2%. The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 16.2% to CHF 686.5 million and the correspondingly adjusted EBIT margin came to 24.4%. Adjusted net income rose by 18.4% to CHF 584.0 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 19.8% to CHF 15.85. The non-adjusted figures were CHF 640.1 million for the EBIT, CHF 548.2 million for net income and CHF 14.88 for earnings per share. Free cashflow rose by 16.5% to CHF 563.9 million.

The integration of the Sanitec business that started in the second quarter of 2015 continued to progress according to plan in the reporting year. Since 1 January 2016, we have been operating as a single company with a completely integrated sales organisation in all markets. In 2016, the focus also fell on the harmonisation of processes and systems as well as the realisation of synergies. The Koralle Group acquired as part of Sanitec was sold to AFG Arbonia-Forster-Holding AG on 1 July 2016 due to limited synergies with the core business. Koralle provides shower enclosures and generated net sales of some EUR 40 million with 240 employees in 2015.

The forward-looking, continuously optimised product portfolio is an important factor for the success of Geberit. In 2016 we once again expanded our proven range with major innovations and thus further extended our market position. With regard to piping systems, for example, we launched the Geberit Silent-Pro building drainage system. This plug-in system is state of the art with a high degree of sound insulation, versatile fire protection solutions and simple installation. With our new urinal system, we can optimally equip public rest rooms. There is a choice between conventional water flush, individually programmed water flush or operation entirely without water. Rimless ceramics and free access to all connectors simplify the cleaning process and reduce the maintenance costs of this product. We also launched the Glow bathroom range in northern Europe. Glow includes washbasins, WCs and bidets as well as bathroom furniture.

As already announced in the last annual report, with a view to future growth and the continued optimisation of existing logistics processes, we are investing some EUR 40 million in order to expand the central logistics center in Pfullendorf. In the reporting year, the extensive and complex storage and conveyor technology was installed, the employees were trained in operating all the new systems and all required test runs were carried out. The project is on track, both in terms of timing and finances, with commissioning scheduled for spring 2017.

The development of the Geberit share price was pleasing once again. As per 31 December 2016, the share price grew by 20.0% to CHF 408.20. In the same period, the Swiss Market Index (SMI) lost 6.8%. We wish to let the shareholders participate in the excellent development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose at the General Meeting a dividend of CHF 10.00, which is 19.0% higher than in the previous year. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. The General Meeting of 6 April 2016 approved the proposal to cancel the shares that were bought back by means of capital reduction. This took place on 20 June 2016. Given the solid financial position, the Board of

Directors has decided to initiate a new share buyback programme of up to CHF 450 million with a maximum duration of three years. The programme is expected to start at the end of the second quarter of 2017.

There will be changes on the Board of Directors. Regi Aalstad will not be standing for re-election at the ordinary General Meeting on 5 April 2017 as she wishes to concentrate on other duties. We would like to thank her warmly for her contribution to the further development of the company. → **Eunice Zehnder-Lai** will be recommended to the General Meeting as her successor and new Member of the Board of Directors.

In the Group Executive Board, the tasks of the products area have been divided between Operations and Product Management & Innovation since 1 September 2016. This organisational change takes account of the many demanding and complex projects as well as the potential arising from the integration of the ceramics business. It also strengthens two of our four strategic pillars – innovation and continuous optimisation of business processes. The Group Division Operations is now headed by Michael Reinhard while Egon Renfordt-Sasse – previously responsible for Marketing & Brands on the Group Executive Board – is the new Head of Group Division Product Management & Innovation. Martin Baumüller took over as Head of Group Division Marketing & Brands and joined the Group Executive Board.

We owe the good results in 2016 and the successful integration of the Sanitec activities to the high degree of motivation and professionalism of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

The Geberit Group's 2017 financial year is expected to see further progress with the integration of the ceramics business. We wish to focus on continuing to consolidate the sales teams in the countries. Another emphasis will be on the further harmonisation of systems and processes, further development of the product range, and continuous improvements in the ceramics manufacturing. However, just as important will be the focus on our daily business. The objective shall be to provide convincing services in all markets and, as in previous years, gain market shares. There will be concerted marketing of the new products that have been introduced in recent years, focusing on greater penetration of markets in which Geberit products or technologies are still under-represented, and on further expansion of the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes. We are convinced that the company is very well equipped for the upcoming opportunities and challenges.

Yours sincerely,



Albert M. Baehny
Chairman of the Board of Directors



Christian Buhl
CEO

Geberit share information

Share price performance in the year under review

Beginning the year at CHF 340.20, the share price then rose continuously to more than CHF 370 by the end of April. Following the publication of the half-year results in August, the price climbed further and reached an all-time high of CHF 434.10 at the end of August. The price then tailed off slightly until the end of the year and closed at CHF 408.20. Overall, this corresponds to a substantial increase of 20.0% in 2016. In the same period, the Swiss Market Index (SMI) lost 6.8%. Viewed over the past five years, the Geberit share posted an annual average increase of 17.7% (SMI +6.7%). The Geberit Group's market capitalisation reached CHF 15.1 billion at the end of 2016.

The Geberit shares are listed on the SIX Swiss Exchange, Zurich.

At the end of 2016, the free float as defined by SIX was 100%.

Distribution

Given a normal market environment, Geberit achieves solid free cashflow, which is invested in organic growth, used to repay debts, applied towards any acquisitions or distributed to shareholders. The capital structure is prudently maintained and the company strives for a solid balance sheet structure with a buffer of liquidity. On the one hand, this policy guarantees the financial flexibility necessary to achieve growth targets, and on the other hand it offers investors security. Surplus liquid funds are distributed to shareholders. Geberit continued this shareholder-friendly distribution policy last year as well.

Over the last five years, around CHF 1.8 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of the Geberit share has risen from CHF 181.00 at the end of 2011 to CHF 408.20 at the end of 2016.

The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 5 April 2017 an increase in the dividend of 19.0% to CHF 10.00 in line with the higher earnings per share. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. When the programme ended, this represented 2.0% of the share capital recorded in the Commercial Register. The share buyback was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The ordinary General Meeting of 6 April 2016 approved the proposal to cancel the repurchased shares by means of a capital reduction. This took place on 20 June 2016.

Communication

Geberit publishes current and comprehensive information simultaneously for all market participants and interested parties on the website

→ www.geberit.com, including ad hoc announcements. Among other things, the current version of the investor presentation is available on the website at any time. In addition, interested parties may add their names to a mailing list → www.geberit.com/media/services/mailling-list/ in order to receive the most recent information relating to the company.

Share price development 1.1. until 31.12.2016



Source: Thomson Reuters

Share price development 22.6.1999 (IPO) – 31.12.2016



Basis: 1:10 stock split implemented on 8 May 2007
Source: Thomson Reuters

Total distribution to shareholders and share buybacks

(in CHF million)

	2012	2013	2014	2015	2016	Total
Distribution	242	248	282	311	309	1,392
Share buyback	198	0	37	160	51	446
Total	440	248	319	471	360	1,838

Distribution paid

(in CHF per share)

	2012	2013	2014	2015	2016
Dividend	-	3.80	7.50	8.30	8.40
Capital redemption	6.30	2.80	-	-	-
Total	6.30	6.60	7.50	8.30	8.40

CEO Christian Buhl, CFO Roland Iff and the Head Corporate Communications & Investor Relations Roman Sidler are in charge of communication with shareholders, the capital market and the general public. Contact details can be found on the website in the relevant sections. Information relating to Geberit is provided in the form of regular media information, media and analysts' conferences, as well as financial presentations.

Contact may be established at any time at
→ corporate.communications@geberit.com

Comprehensive share information can be found at
→ www.geberit.com > [investors](#) > [share information](#)

Major data relating to the Geberit share

	31.12.2016
Registered shareholders	27,159
Capital stock (CHF)	3,704,192.70
Number of registered shares of CHF 0.10 each	37,041,427
Registered shares	22,354,320
Treasury stock	239,869
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Thomson Reuters	GEBN.S

Key figures

(in CHF per share)

	2015	2016
Net income	13.23 ¹	15.85 ¹
Net cashflow	16.00	18.97
Equity	39.76	44.39
Distribution	8.40	10.00 ²

¹ Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income, as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

² Subject to approval of the General Meeting 2017

Time schedule

	2017
General Meeting	5 Apr
Dividend payment	11 Apr
Interim report first quarter	2 May
Half-year report	17 Aug
Interim report third quarter	31 Oct

	2018
First information 2017	18 Jan
Results full year 2017	13 Mar
General Meeting	4 Apr
Dividend payment	10 Apr
Interim report first quarter	3 May

(Subject to minor changes)

Management structure

Board of Directors

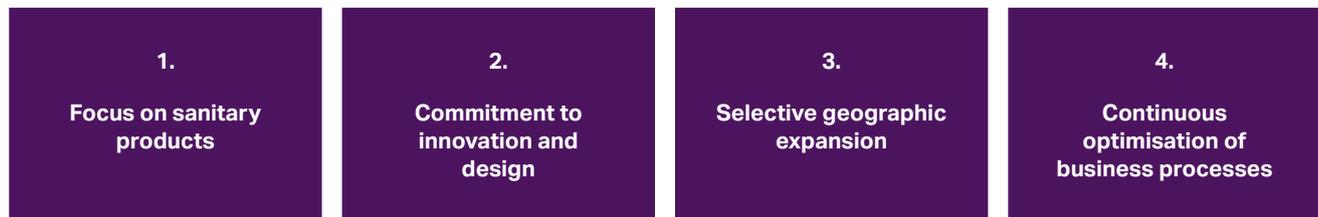
Chairman Albert M. Baehny	Vice Chairman Hartmut Reuter
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CEO Division	Sales Europe	Sales International	Marketing & Brands	Operations	Product Management & Innovation	Finance
Chief Executive Officer Christian Buhl	Member Executive Board Karl Spachmann	Member Executive Board Ronald van Triest	Member Executive Board Martin Baumüller	Member Executive Board Michael Reinhard	Member Executive Board Egon Renfordt-Sasse	Member Executive Board Roland Iff
Human Resources Roland Held	Germany Clemens Rapp	North America Andreas Nowak	Marketing Bathroom Systems / Installation and Flushing Systems Severin Daniels	Purchasing Adriaan 't Gilde	Quality Christian Englisch	Controlling Andreas Jäger
Communications / Investor Relations Roman Sidler	Switzerland Hanspeter Tinner	Far East / Pacific Ronald Kwan	Marketing Piping Systems Arnd Gildemeister	Logistics Gerd Hailfinger	Technology / Innovation Felix Klaiber	Treasury Thomas Wenger
Strategic Planning Andreas Lange	Nordic Countries Lars Risager	Middle East / Africa Ronald van Triest	Marketing Operations Daniela Koch	Production Plant IBA* Robert Lernbecher	Accredited Test Laboratory Markus Tanner	Information Technology Markus Enz
Environment / Sustainability Roland Högger	Italy Giorgio Castiglioni		Pricing / Master Data Management Frank Heuser	Production Plant EFA** Martin Ziegler	Products Installation and Flushing Systems Egon Renfordt-Sasse	Taxes Jürgen Haas
Shower Toilet Margit Harsch	Netherlands Menno Portengen		Digital Dirk Wilhelm	Production Plant CER*** Robert Lernbecher a. i.	Products Piping Systems Pietro Mariotti	Legal Services Albrecht Riebel
	Belgium Thierry Geers				Products Bathroom Systems Jörn Ikels	Internal Audit Martin Reiner
	Austria / Hungary / Romania Stephan Wabnegger					
	France Yves Danielou					
	United Kingdom Mark Larden					
	Poland Przemyslaw Powalacz					
	Ukraine Oleksiy Rakov					
	Czech Republic / Slovakia Vladimir Sedlacko					
	Adriatic Region Miran Medved					
	Iberian Peninsula David Mayolas					
	Russia Irina Buralkina					
	Key Account Management Michael Albrecht					
	Business Development / OEM / Industry Tobias Beck					

* IBA: Injection / Blow Moulding / Assembly
** EFA: Extrusion / Forming / Assembly
*** CER: Ceramics

Strategy

With its innovative solutions for sanitary products, Geberit aims to achieve sustained improvement in the quality of people's lives. Its proven, focused strategy for doing so is based on the four pillars "Focus on sanitary products", "Commitment to innovation and design", "Selective geographic expansion" and "Continuous optimisation of business processes".



- 1. Focus on sanitary products:** Geberit concentrates on "behind the wall" sanitary and piping systems for transporting water in buildings, as well as bathroom ceramics and ceramics complementary products "in front of the wall". In these areas, Geberit has comprehensive know-how and supplies high-quality, integrated and water-saving sanitary technology as well as attractive design.
- 2. Commitment to innovation and design:** continuously optimising and extending the product range is crucial for future success. Innovative strength is founded on research and development in areas such as hydraulics, statics, fire protection, hygiene and acoustics, as well as process and materials technology. The insights gained are systematically applied in the development of products and systems for the benefit of customers. Here, the aspects of design are constantly growing in importance.
- 3. Selective geographic expansion:** an important factor in long-term success is stronger growth in those markets outside Europe in which Geberit products or technology are still under-represented. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast Asia, Australia, the Gulf Region, South Africa and India. With the exception of North America and Australia, the company mainly engages in project business in these markets. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
- 4. Continuous optimisation of business processes:** the purpose behind this focus is to ensure a leading, competitive cost structure in the long term. This is partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

Strategic success factors

The success of the Geberit Group is based on a series of success factors. The most important are:

- a clear, long-term strategy
- the focus on sanitary products
- solid, sustainable → **growth and earnings drivers**
- a strong competitive position
- an innovative product range, developed in accordance with customer needs
- a proven, customer-focused business model
- a stable management structure
- a lean, high-performance organisation with optimised processes
- a unique corporate culture

Medium-term goals

Geberit has set itself the goal of being the standard-bearer for sanitary products, continually developing those products in a sustainable way and thereby gaining market shares. Among other things, this approach yields sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows.

The medium-term goals were reappraised in autumn 2015 following the acquisition of Sanitec and the switching of reporting to net sales from the 2015 financial year onwards. Once the Sanitec business has been successfully integrated, from 2018 onwards the growth in net sales in local currencies, after adjustments for acquisitions, is expected to be between 4 and 6 percent in the medium term as an average over one economic cycle, and an operating cashflow (EBITDA) margin of between 28 and 30 percent is expected to be achieved. A third quantitative target has also been set: return on invested capital (ROIC), which from 2018 is expected to reach 25 percent.

2017 and 2018 will each see around CHF 150 million investments in property, plant and equipment in order to achieve the expected growth, for upcoming larger projects and due to the integration of the Sanitec business.

Further growth through acquisitions has not been ruled out. However, any potential acquisition will have to satisfy strict strategic and financial criteria.

The following growth and earnings drivers are crucial to achieving the ambitious medium-term goals:

1. **"Push-Pull" sales model**, which concentrates on the key decision-makers in the industry
2. **Technology penetration**, which involves replacing outdated technologies with new, more innovative sanitary products and systems
3. **Value strategy**, to increase the proportion of higher-added-value products – particularly in markets in which Geberit products already have a high degree of market penetration
4. **Geberit AquaClean**, to further expand the shower toilet category in Europe
5. **Innovation leadership** in the sanitary industry, in order to set new standards
6. **Continuous process and cost optimisation**

Value-oriented management

Value orientation aspects are considered in all areas of the company.

The remuneration model for Group management as a whole involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the value-oriented key figure "return on invested capital". In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on invested capital. Details can be found in the → [Remuneration Report](#).

Investments in property, plant and equipment above a certain amount are approved only if strict criteria are met. In this context, it is mandatory that an investment return be achieved that exceeds the cost of capital plus a premium.

In the interests of value-oriented management, important projects are tracked over the long term following project completion, and the achievement of objectives is evaluated annually by the Group Executive Board.

Management of currency risks

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. This hedging is almost entirely successful, particularly as regards the euro and US dollar. There are, however, minor deviations arising from the Swiss franc, British pound and the Nordic and Eastern European currencies. As a consequence of the natural hedging strategy, currency fluctuations only have a minor impact on the margins. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects).

In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or stronger than all other currencies:

- Net sales: +/-8% to +/-10%
- EBITDA: +/-9% to +/-11%
- EBITDA margin: approximately +/-0.5 percentage points

For more information on the management of currency risks, see also the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, → 4. Risk Assessment and Management, Management of Currency Risks** and the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 15. Derivative Financial Instruments**.

Sanitec integration

For Geberit, the acquisition of Sanitec in February 2015 represented an expansion of its strategic focus. The future product portfolio was enhanced with bathroom ceramics. Geberit became the European market leader for sanitary products and in particular strengthened its position in regions such as the Nordic Countries, France, United Kingdom and Eastern Europe, in which Geberit had not yet gained a firm foothold. The acquisition combined technical know-how in sanitary technology “behind the wall” with design expertise “in front of the wall”. It also supported the Group’s key → **growth and earnings drivers** and will create added value.

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year. Since 1 January 2016, Geberit and the former Sanitec units have been operating as a single company in sales activities in all markets with joint order and invoicing processes. In 2016, the focus also fell on the harmonisation of processes and systems and the realisation of synergies.

Market environment

Improved business climate

As in previous years, the construction industry in 2016 was shaped by developments that varied by region. The market environment was, however, friendlier than in the previous year.

In November 2016, Euroconstruct forecasted an increase in building construction for **Europe** in 2016 of +2.9%, which confirmed the previous report of mid-2016. A comparison with older forecasts explains the more positive outlook: at the beginning of 2015, Euroconstruct still expected building construction to increase by +2.3% in 2016. At +4.5%, new construction reported stronger growth in 2016 than renovations (+1.6%). Although the volume for new buildings still lagged behind the record highs of 2007/2008 in 2016, renovation volumes were almost on a par again with the level seen at that time. At +3.9%, residential construction was the growth driver for building construction in 2016. The following countries that are important to Geberit in terms of sales did well in 2016: the Netherlands (+6.8%), the Nordic Countries (+6.2%), Belgium (+4.0%), Germany (+2.5%), Italy (+1.9%), Austria (+1.7%) and Switzerland (+0.5%).

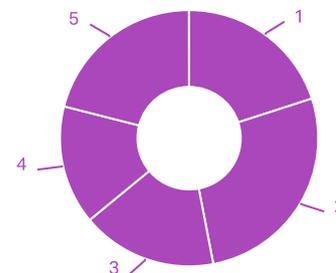
Of the total European construction volume of EUR 1,441 billion in 2016, 79% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40 percent. In spite of stronger growth, new construction as a share of total building construction once again lagged slightly behind the renovation business in 2016.

In the **US**, gross domestic product (GDP) rose by 1.6% and the economy grew considerably slower than in 2015 (+2.6%). Investments in building construction increased by 5.9%. Within building construction, investments in non-residential construction increased by 8.0% in total, which was less than in the previous year (+13.8%). This development was supported by the office, hotel and commercial buildings sector. The health care/hospitals and schools/universities segments, which are important for Geberit, developed with +4.7% slightly below the previous year (+5.0%). Residential construction slowed down further in the reporting year: the number of building permits for new private residential units only increased by 0.4% in the reporting year after the previous year's good performance of 12.4% (these figures for the US construction industry were published by the U.S. Department of Commerce, United States Census Bureau).

In the **Far East/Pacific** region, economic growth at +4.7% was on a par with the previous year (+4.6%). At +2.5%, global economic growth was considerably lower. At 62% (previous year 55%), more than half of the global growth once again originated from the Far East/Pacific region, where all relevant economies enjoyed positive growth. As in previous years, China contributed around two-thirds to the growth of this region. In spite of the comparatively good macroeconomic situation, activity in the Chinese residential construction sector remained low, in particular in the smaller conurbations, as the market is burdened by large numbers of unsold residential properties.

Total construction output Europe 2016

(EUR 1,441 billion)

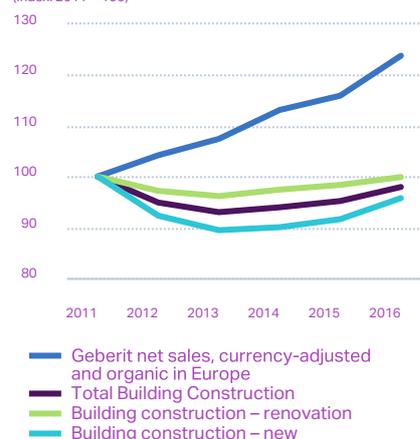


- 1 Residential - New (20%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (15%)
- 5 Civil engineering (21%)

Source: 82nd Euroconstruct Conference in Barcelona (ES), November 2016

Construction output and Geberit net sales in Europe 2012 - 2016

(Index: 2011 = 100)



Source: 82nd Euroconstruct Conference in Barcelona (ES), November 2016, and 81th Euroconstruct Conference in Dublin (IRL), June 2016

Net sales

Very good sales development

Cumulative net sales in 2016 increased by 8.3% to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a foreign currency effect of +0.7% and an acquisition- and divestment-related increase of 1.2%.

The net sales for the second half of 2015 of the Koralle Group (sold at the end of June 2016) and the net sales for January 2016 of the Sanitec Group (acquired in February 2015) were not included in the calculation of organic growth. The net effect of these eliminations amounted to CHF 31.7 million.

The currency gains contained in net sales amounted to CHF 18 million. In 2016, 62% of net sales were generated in euros, 10% in Swiss francs, 5% in US dollars and 4% in British pounds.

The following changes in net sales in the markets and product areas relate to currency-adjusted, organic developments.

Convincing developments in European markets

The biggest region, **Europe**, grew by 6.8%. Austria (+12.3%), the Nordic Countries (+11.1%) and Central/Eastern Europe (+10.4%) posted double-digit growth. The other European markets/countries also reported convincing growth, with +7.9% for the Benelux Countries, +6.5% for the Iberian Peninsula, +6.4% for Switzerland, +5.4% for United Kingdom/Ireland, +4.8% for France, +4.7% for Germany and +3.9% for Italy. **Far East/Pacific** (+4.3%), **Middle East/Africa** (+3.5%) and **America** (+0.2%) posted below-average growth compared to the European markets.

Sanitary Systems reported strongest growth

Net sales for the **Sanitary Systems** product area amounted to CHF 1,263.5 million, corresponding to growth of 9.2%.

Net sales for the **Installation Systems** product line, at 28.1% of Group net sales the most important product line, rose by 8.0%. This growth was strongly supported by the drywall elements, high-quality actuator plates and the synergies that were realised from the Sanitec integration. Growth of 14.3% was posted by the **Cisterns and Mechanisms** product line, which accounts for 9.1% of total net sales. This above-average growth was driven by the reduction of the order backlog for the newly-launched premium shower toilet AquaClean Mera on the one hand, and on the other by continued strong demand for the Monolith WC module. Net sales for the **Faucets and Flushing Systems** product line, which accounts for 4.4% of total net sales, increased by 3.0% in 2016. The below-average result for this product line was due to the difficult market conditions faced by the US subsidiary Chicago Faucets in business with schools and hospitals. Sales of urinal systems, however, trended very well. Net sales for the **Waste Fittings and Traps** product line rose by 14.3%. The share of total Group net sales came to 3.4%. This product line posted the strongest growth of all, primarily because of the great success of the CleanLine shower channel launched in the market in the previous year.

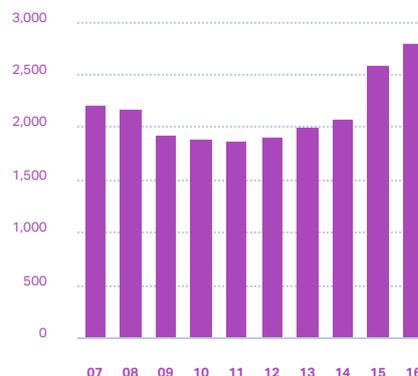
Net sales for the **Piping Systems** product area increased by 2.5% to CHF 823.8 million. As in the previous year, growth for this product area lagged behind Sanitary Systems.

Building Drainage Systems grew by 4.4%. The share of total net sales reached 10.7%. The Silent-PP sound-insulating drainage system and the PE drainage system experienced positive development. Sales for the **Supply Systems** product line increased by 1.4%. This product line contributed 18.6% to total net sales. The product line was burdened by the carbon steel piping systems, which suffered from low copper prices. Stainless steel piping systems, however, reported encouraging growth.

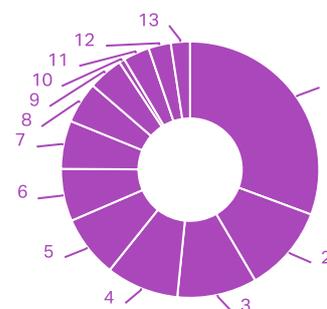
The **Sanitary Ceramics** product area posted organic, currency-adjusted growth of +6.5% to CHF 721.7 million. Measured for the year as a whole (inclusive of Sanitec's sales for January 2016), currency-adjusted growth was +4.9%.

Net sales development 2007 – 2016

(in CHF million)



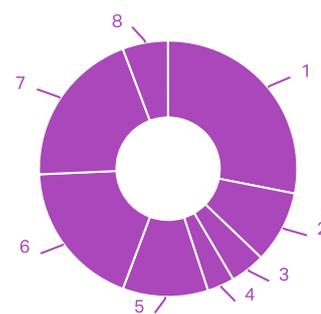
Net sales by markets/regions 2016



- 1 Germany (30.7%)
- 2 Nordic Countries (10.9%)
- 3 Switzerland (10.0%)
- 4 Central/Eastern Europe (9.1%)
- 5 Benelux (7.8%)
- 6 Italy (6.6%)
- 7 France (6.1%)
- 8 Austria (5.2%)
- 9 United Kingdom/Ireland (4.4%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.3%)
- 12 Far East/Pacific (2.8%)
- 13 Middle East/Africa (2.4%)

The **Bathroom Ceramics** product line grew by 8.3%. The contribution of this product line, which is the second largest measured by Group net sales, came to 20.0%. Wall-hung WC ceramic appliances and WC seats were the most important drivers of growth. Net sales for the **Ceramics Complementary Products** product line, which accounted for 5.7% of Group net sales, improved by 0.7%. This comparatively low growth rate was due to the fact that the installation systems of the former Sanitec, which fall under this product line, are increasingly being substituted by Geberit systems.

Net sales by product areas and product lines 2016



- Sanitary Systems (45,0%)
- 1 Installation Systems (28,1%)
- 2 Cisterns and Mechanisms (9,1%)
- 3 Faucets and Flushing Systems (4,4%)
- 4 Waste Fittings and Traps (3,4%)
- Piping Systems (29,3%)
- 5 Building Drainage Systems (10,7%)
- 6 Supply Systems (18,6%)
- Ceramics (25,7%)
- 7 Bathroom Ceramics (20,0%)
- 8 Ceramics Complementary Products (5,7%)

Results

Improved profitability

In the 2016 financial year, the results of the Geberit Group were once again impacted by acquisition, divestment and integration costs, and income related to the Sanitec acquisition – albeit much lower than in the previous year. For better comparability, adjusted figures are shown and commented on.

The adjusted operating cashflow (adj. EBITDA) rose by 14.6% to CHF 794.9 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 28.3% compared with 26.7% in the previous year. Foreign currency developments did not have any material impact on the adjusted EBITDA margin.

The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices.

The adjusted operating profit (adj. EBIT) rose by 16.2% to CHF 686.5 million, and the adjusted EBIT margin reached 24.4% (previous year 22.8%). Adjusted net income improved by 18.4% to CHF 584.0 million, which led to an adjusted return on sales of 20.8% (previous year 19.0%). The adjusted earnings per share were up by 19.8% to CHF 15.85 (previous year CHF 13.23). This above-average increase when compared with the operating results is explained by an improved financial result and a slightly smaller number of shares.

Operating expenses remain on track

Total adjusted operating expenses increased by 6.0% in 2016 to CHF 2,122.5 million, which is below average when compared to the net sales growth. As a percentage of net sales, this equates to 75.6% (previous year 77.2%).

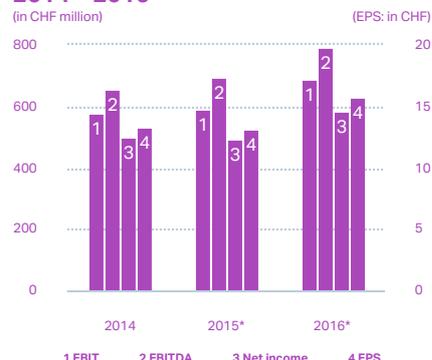
The adjusted cost of materials increased by 2.3% to CHF 773.5 million, whereas in percentage of net sales dropped substantially from 29.1% in the previous year to 27.5%. Expenditure was reduced by lower purchase prices for industrial metals and plastic, even though the prices for these materials started trending upwards again in the second half of the year. Adjusted personnel expenses grew by 6.4% to CHF 696.2 million, which equates to 24.8% of net sales (previous year 25.2%). Adjusted for acquisition and currency effects, the adjusted personnel expenses were only slightly higher. The largely tariff-related salary increases were partly offset by synergies and efficiency gains, see also → [Business and financial review, employees](#). Adjusted depreciation rose by 4.0% to CHF 99.7 million. The adjusted amortisation of intangible assets amounted to CHF 8.7 million (previous year CHF 6.7 million). Adjusted other operating expenses increased – in part driven by the acquisition – by 11.1% to CHF 544.4 million.

The adjusted net financial result came to CHF -9.3 million, which is an improvement of CHF 7.9 million compared with the previous year. This development can be explained by the exceptional expenditure incurred in connection with the financing of the Sanitec acquisition in the previous year and foreign currency gains (rather than the previous year's foreign currency losses). Adjusted tax expenses grew by CHF 12.6 million to CHF 93.2 million. This resulted in a slightly lower adjusted tax rate compared with 2015 of 13.8% (previous year 14.0%). A number of one-off effects led to this lower rate.

Acquisition and integration costs in the income statement lower than in previous year

The negative special effects (see table below) arising from the Sanitec acquisition/integration amounted to CHF 10 million as regards EBITDA, CHF 46 million as regards EBIT, and CHF 36 million as regards net income. The non-adjusted figures were CHF 785.2 million for EBITDA, CHF 640.1 million for EBIT, CHF 548.2 million for net income, and CHF 14.88 for earnings per share.

EBIT, EBITDA, Net income, Earnings per share (EPS) 2014 – 2016

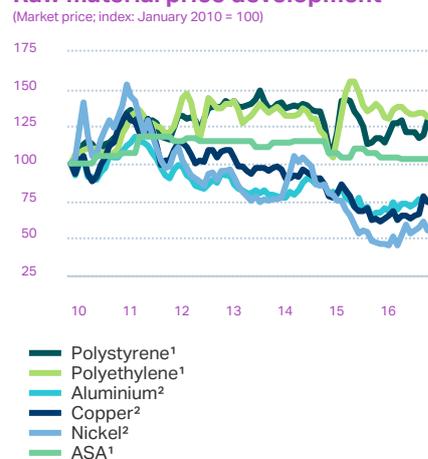


* Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income as well as amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

EUR/CHF exchange rates 2015/2016



Raw material price development



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Increase in free cashflow

The considerably higher operating cashflow (EBITDA) and an improved financial result on the one hand and higher absolute tax expenditure on the other led to an increase in net cashflow of 17.2% to CHF 699.0 million. A slight decline in the investments in property, plant and equipment and negative effects of the change in net working capital resulted in an increase in free cashflow of 16.5% to CHF 563.9 million (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 28. Cashflow figures**). Free cashflow was used to pay distributions of CHF 309.3 million to shareholders, to repay debts of net CHF 172.8 million and, as part of the last phase of the share buyback programme, to buy back shares for CHF 50.7 million.

Acquisition and integration related costs

(in CHF million)

	2015	2016
Transaction costs	7	0
Integration costs	27	10
Inventory revaluation charge*	28	0
Total cost on EBITDA level	62	10
Depreciation and amortisation*	31	36
Total cost on EBIT level	93	46
Financing costs	6	0
Tax effect	-28	-10
Total cost on net income level	71	36

* mainly related to purchase price allocation

Financial structure

Solid financial foundation

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group.

Total assets increased from CHF 3,553.8 million to CHF 3,601.1 million. Liquid funds increased from CHF 459.6 million to CHF 509.7 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 340.6 million. Debts were reduced to CHF 970.9 million (previous year CHF 1,139.2 million). This resulted in a reduction in net debt by CHF 218.4 million to CHF 461.2 million at the end of 2016. This development resulted from the strong free cashflow, the dividend payment to the shareholders, share buybacks and the repayment of debts (see also → **Increase in free cashflow**).

At CHF 147.3 million, net working capital was on a par with the previous year (previous year CHF 146.6 million). Property, plant and equipment increased from CHF 715.4 million to CHF 726.5 million, while goodwill and intangible assets dropped from CHF 1,757.1 million to CHF 1,681.1 million.

The ratio of net debt to equity (gearing) improved from 45.9% in the previous year to 28.2%. The equity ratio reached a very solid 45.4% (previous year 41.7%). Based on average equity, the adjusted return on equity (ROE) was 38.3% (previous year 32.2%); the non-adjusted value of this ratio was 35.9% (previous year 27.6%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,704.6 million at the end of 2016 (previous year CHF 2,504.9 million). The adjusted return on invested capital (ROIC) was 21.5% (previous year 20.1%); the non-adjusted value of this ratio was 20.2% (previous year 17.0%). For details on the non-adjusted gearing, ROE and ROIC calculations, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital**.

The Geberit Group held 239,869 treasury shares on 31 December 2016, which equals 0.6% of the shares entered in the Commercial Register. These shares are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares. The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. When the programme ended, this represented 2.0% of the share capital recorded in the Commercial Register. The share buyback was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The ordinary General Meeting of 6 April 2016 approved the proposal to cancel the shares that were bought back by means of capital reduction. This took place on 20 June 2016.

Debt

(in CHF million; as of 31 December)

	2014	2015	2016
Long-term debt	6.6	1,135.5	966.7
Total debt	10.5	1,139.2	970.9
Liquid funds	749.7	459.6	509.7
Net debt	-739.2	679.6	461.2

Investments

Slightly lower investments

In 2016, investments in property, plant and equipment and intangible assets amounted to CHF 139.1 million, CHF 8.2 million or 5.6% less than in the previous year. As a percentage of net sales, the investment ratio was 5.0% (previous year 5.7%). All larger investment projects were carried out as planned.

The bulk of investments went toward machinery, building conversions and new building projects, and the procurement of tools and moulds for new products. The biggest project was the expansion of the logistics centre in Pfullendorf (DE), which will commence operations in spring 2017. Additionally, investments were made in important development projects and the further optimisation of production processes.

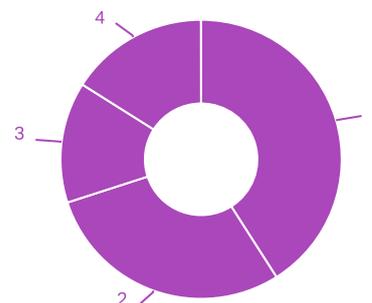
In 2016, 41% of total investments, or CHF 57.7 million, went toward expanding infrastructure, 16% or CHF 22.9 million was used to acquire tools and equipment for new product developments, 29% or CHF 39.7 million was invested in the modernisation of property, plant and equipment, while 14% or CHF 18.8 million was used for rationalisation measures relating to property, plant and equipment.

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2012	2013	2014	2015	2016
	86.0	98.0	104.8	147.3	139.1
In % of net sales	4.5	4.9	5.0	5.7	5.0

Investments by purpose



- 1 Capacity expansion (41%)
- 2 Modernisation (29%)
- 3 Rationalisation (14%)
- 4 New products (16%)

Employees

Decreasing number of employees

At the end of 2016, the Geberit Group employed 11,592 staff worldwide, which is 534 employees or 4.4% less than in the previous year. This is mainly due to fewer people employed in the ceramics plants, synergies as a result of the consolidation of functions and efficiency-enhancing measures, as well as the sale of the Koralle Group. Based on the average headcount of 11,972, net sales per employee amounted to TCHF 234.6, or 12.8% more than in the previous year.

Broken down by business process, staff numbers were as follows: marketing and sales employed 24.5% of the staff members (previous year 23.9%). 61.7% worked in production (previous year 62.6%). Additionally, 8.2% (previous year 7.8%) of the employees worked in administration, and 3.6% (previous year 3.6%) in research and development. The share of apprentices was 2.0% (previous year 2.1%).

An attractive employer

First-rate employees guarantee the company's success in the future. With this in mind, efforts were again made in 2016 to position Geberit on the job market as an attractive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. For example, specialists from various departments attended a series of university career fairs together with Human Resources managers.

Geberit offers its employees attractive employment conditions. In 2016, personnel expenses – adjusted for special effects in connection with the Sanitec integration – amounted to CHF 696.2 million (previous year CHF 654.2 million). The employees can also participate in share participation plans at attractive conditions, see → [Financial Statements of the Geberit Group, 17. Participation Plans](#) and → [Remuneration Report](#). Equal opportunities and the same salaries for men and women are embedded in the corporate philosophy. The proportion of female employees at the end of 2016 was 24% (previous year 25%), and for senior management this figure was 9% (previous year 8%). Since 2016, the six-member Board of Directors now has a female member once again.

The capital of tomorrow

Geberit employed 233 apprentices at the end of 2016 (previous year 255). The transfer rate to a permanent employment relationship was 75% (previous year 64%). The target is 75%. All apprentices are essentially required to work at several sites during their training. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Apprentices also have the option of working abroad for a period of six months on completion of their apprenticeship. Such apprenticeship programmes took participants to the US, India and South Africa.

The two-stage Potentials Management Programme continues to be held. The aim is to selectively identify talents throughout the company and support them along their path to middle or senior management. Initial experience of managerial or project management responsibility are part of this. The problems investigated in project work as part of the programme are geared towards the reality at the company and provide the decision-makers involved with concrete bases for action. The Potentials programme is intended to help fill at least half of all vacant managerial positions within the company with internal candidates. In 2016, this was achieved for 88% of all Group management vacancies (previous year 40%).

Fair and uniform conditions for all

The standard Performance Assessment, Development and Compensation (PDC) process has been in place since 2012. This standardised process enables the company to gain an overview of the available potential. PDC has several goals: to reinforce the performance culture, increase transparency and better identify and promote talents. Except for the employees who work directly in the production processes, all employees of the original Geberit

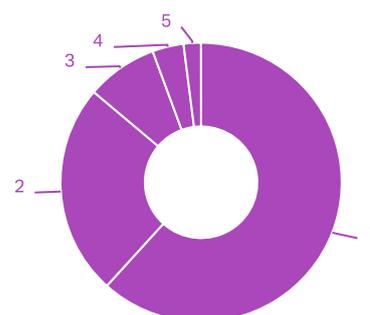
Employees by countries

(as of 31 December)

	2015	Share in %	2016	Share in %
Germany	3,319	27	3,282	28
Poland	1,532	13	1,515	13
Switzerland	1,333	11	1,336	12
Ukraine	1,089	9	627	5
France	693	6	691	6
China	665	5	637	5
Austria	541	4	532	5
Sweden	431	4	419	4
Italy	425	4	434	4
Others	2,098	17	2,119	18
Total	12,126	100	11,592	100

Employees by business processes 2016

(as of 31 December)



- 1 Production (61.7%)
- 2 Marketing and Sales (24.5%)
- 3 Administration (8.2%)
- 4 Research and Development (3.6%)
- 5 Apprentices (2.0%)

Group have now been incorporated into the PDC process. The circle of participants is currently being extended to include the managers of the former Sanitec. PDC in practice means that the individual performance as well as the potential for future development are assessed by several supervisors. The direct supervisor then has to give employees feedback on their performance, development and compensation. As regards compensation, the standardised job assessments used throughout the Group provide a solid reference system.

Group-wide survey carried out

84% of the employees took part in the Group-wide survey carried out in the reporting year. This encouraging response rate shows that the employees are prepared and willing to participate in the development of the company.

A very good sign is that more than 80% of the employees are positive or at least neutral about the integration, even though such processes always go hand in hand with much personal uncertainty. The survey also revealed cultural differences between the original Geberit and the acquired Sanitec units, and confirmed that the integrated organisation has some way to go until it is really one company.

Since October, the local Geberit companies have been discussing the survey results and evaluating and implementing measures in all areas flagged for action by the feedback from the employees.

Identity and Code of Conduct consolidated

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. In this regard, the → **Geberit Compass** – which formulates the identity of Geberit (“What we do, what motivates us, what is responsible for our success, how we work together”) – and the → **Geberit Code of Conduct** for employees serve as the applicable guidelines (see also → **Compliance**). The Compass, together with a letter from the CEO, was delivered to all employees of the new, enlarged Geberit Group at the end of 2015.

Focus on occupational safety

Geberit’s vision is to be an accident-free company. The extension of the production network following the integration of the Sanitec plants and the resulting increase in staff numbers led to the adjustment of the targets in 2015. Using 2015 as the reference year, the aim is to halve the number of accidents by 2025. By then, the AFR (Accident Frequency Rate) is to be reduced to a value of 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to 90 (number of days lost per million working hours).

The accident frequency dropped to 9.8 in 2016 (previous year 11.4), a reduction of 14.0%. In contrast, the accident severity increased by 1.6% to 209 in the same period (previous year 206). In the reporting year, many optimisation measures were implemented at the different plants (see also → **Production**), all of which play a central role in occupational safety. Special attention continues to be paid to changes in behaviour, as the majority of occupational accidents and time lost are still attributable to carelessness. Occupational safety has been part of the annual appraisal of plant managers since 2013.

Customers

Market cultivation remains intense

With the integration of the ceramics business in its established sales structures, Geberit substantially strengthened its presence in many markets. Since the beginning of 2016, each market has been serviced by one local sales company only. The more than 800 advisors deployed throughout Europe no longer focus on specific product areas, but rather on different customer segments, such as the wholesale trade, plumbers and planners, architects and showrooms. This means that the advisors must have very broad product knowledge in order to provide comprehensive support to their customers.

Architects, planners and engineering offices are increasingly using BIM (Building Information Modelling) to optimise and integrate their processes. Nowadays, it is essential for manufacturers of sanitary products to provide the relevant BIM data, in particular for large projects. Geberit has therefore started recording the BIM data for all relevant products, and now makes the data available for download to customers across the world.

For decades, Geberit's broad range of training opportunities has been a proven instrument for retaining customers. During the reporting year, more than 30,000 customers were provided with education and further training on Geberit products, tools and software tools at the 25 Geberit information centres in Europe and overseas. In addition, a total of around 90,000 customers became more familiar with Geberit know-how and products at external events, some of which were organised in cooperation with market partners.

Market presence of Geberit AquaClean expanded further

The advertising measures for Geberit AquaClean shower toilets focused on 13 campaign markets in Europe. As in the previous year, the Geberit AquaClean truck went on a major tour, this time to the Netherlands, Belgium, the UK and for a second time to Germany. Under the motto "My first time", the mobile showroom and test unit offered interested parties the opportunity to try out an AquaClean shower toilet at their leisure and assess the various models.

The strategy of offering potential end users the opportunity to try out a shower toilet for themselves was also followed in Italy, Denmark, Austria and Switzerland. The Swiss and Austrian sales companies, for example, made a mobile AquaClean WC lounge available to the public at selected concerts, sporting events and other major events. In the reporting year, it was possible to establish contact with around 15,000 end users with these two lounges.

The international sales initiative for mid-range and high-end hotels also made excellent progress. More than 60 new hotel projects were acquired in the reporting year, which pushed up the number of four- and five-star hotels equipped with AquaClean shower toilets in Europe to 350.

The premium AquaClean Mera model launched in September of the previous year met with a very positive response in all markets. This unexpected level of success led to an order backlog, which has since been reduced by the fast expansion of our internal capacity to produce the sophisticated ceramic sanitary appliances. Demand, which has remained persistently high, has been met on time again since the fourth quarter.

Direct link to sanitary professionals

Most of Geberit's marketing activities continued to target sanitary professionals and entrepreneurs. Proven measures such as customer visits, training and the publication of regularly updated technical documents, brochures and magazines, online platforms and apps were continued and developed further. The successful "Geberit On Tour" campaign was repeated for the sixth time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers and offered plumbers the opportunity to assess Geberit innovations and solutions directly on site. In 2016, more than 25,000 visitors were addressed at more than 900 events in 16 countries.

Fully integrated trade fair presence

In 2016, numerous trade fairs were once again used as platforms to demonstrate Geberit's innovative strength and to foster and enlarge the network of contacts in the market. Important trade fairs attended were Batibouw in Brussels, the Ideal Home Show in London, Swissbau in Basel, Aquatherm in Vienna, SHK in Essen as well as the Kitchen & Bath Industry Show in Las Vegas. Architects and designers were specifically targeted at the Fuori Salone and the Salone del bagno in Milan.

A new trade fair concept was developed in the reporting year and successfully implemented for the first time in Belgium in October. With this concept, several brands can be exhibited jointly at Geberit's stand, which guarantees a first-class presentation of ceramic sanitary appliances and bathroom furniture in addition to the regular, more technical product range. The achievable synergies include the reduction of the exhibition space required at a trade fair – in the previous year, Geberit still needed three large exhibition stands at the ISH in Frankfurt – and the joint presentation of products and improved cross-selling opportunities.

Innovation

Ongoing high investment in the future

Geberit's innovative strength, which is above average for the sector, is founded on its own, wide-ranging research and development (R&D) activities. In the reporting year, a total of CHF 72.3 million (previous year CHF 63.4 million) or 2.6% of net sales was invested in the development and improvement of processes, products and technologies. Additionally, as part of the → **Investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. Over the last financial year, Geberit applied for 32 patents, bringing the total for the last five years to 118.

All product developments go through an established innovation and development process, which ensures that the Group's creative potential and know-how are used to the optimum extent and that development activities focus on the needs of the market. Customer benefits and a system approach are of central importance here. Since the beginning of 2016, the development projects of the acquired Sanitary Ceramics business area have also been following this process.

Holistic solutions thanks to wide-ranging expertise

Geberit leads the sector when it comes to technologies such as virtual engineering, hydraulics, materials technology, sound insulation, statics, fire protection, hygiene, electronics, surface technology and process engineering. Thanks to the bundling of expertise under one roof, the company can develop sophisticated solutions in-house.

An example of this holistic approach is the → **Geberit tap system**, which will be launched in the market in 2017. Electronic washbasin taps will be installed in the sanitary facilities of public or semi-public buildings such as airports, sport stadiums, schools and catering establishments. They enable a hygienic hand washing. These taps usually also save a lot of water. In high-traffic locations, however, they have to be quite robust to withstand rough treatment. Most electronic taps are standard washbasin-mounted taps. Wall-mounted taps are quite rare, even though they are much more practical. They leave the entire washbasin area free, which makes cleaning easier and the washing of hands a better ergonomic exercise. To date, however, there has been no way to safely and reliably install such systems. Geberit's new tap system enables a new way of thinking: electronic tap systems can be flawlessly installed in the wall from the outset and are slim, shapely yet still very robust. With the exception of the infrared sensor, the electronics, mixer, valves and power supply are stored in a separate function box. This box is built into the prewall under the washbasin, which makes it easily accessible and also puts it outside of the wet zone. This opens up entirely new design opportunities. The tap system, which is also available in a washbasin-mounted version, not only offers an attractive price-performance ratio but also promises to be very economical; there are three available power supply options: connection to the mains supply, battery operation or a self-sustaining power supply by means of a generator unit driven by the pressure of the tap water.

New products for sophisticated markets

The following products were newly launched on the market in 2016:

- → **Geberit Silent-Pro**, the highly sound-insulating building drainage plug-in system represents the state of the art, with a proven high degree of sound insulation, versatile fire protection solutions, simple installation, first-class materials and unrivalled quality. The sound insulation is largely achieved by a low-resonance product material and a consistent decoupling from the building structure.
- Whether urinal systems are needed for a stadium or for a modern hotel – with the new → **Geberit urinal system**, such infrastructures can be tailored optimally to the customer's needs. There is a choice between conventional water flush, individually programmed water flush or operation entirely without water. Rimless ceramic appliances and unobstructed access to all connections simplify cleaning and reduce maintenance costs.

R&D expenditures

(in CHF million)

	2012	2013	2014	2015	2016
	49.8	50.9	55.8	63.4	72.3
In % of net sales	2.6	2.5	2.7	2.4	2.6

- The ceramic appliances in the → **Glow bathroom range** are characterised by their harmonious forms. The bath range, which is marketed under the IDO and Porsgrund brands in Northern Europe, comprises washbasins, WCs and bidets as well as bathroom furniture.

For more details on new products in 2016, see → **the magazine Facts & Figures 2016**.

Several new product launches are planned for 2017. Among them will be:

- Geberit's latest shower toilet → **Geberit AquaClean Tuma**, which stands out with a sophisticated product concept and simple yet elegant design. It is offered as a complete solution including a rimless WC ceramic appliance. Alternatively, it is also available as a WC enhancement solution that can be combined with the previously installed ceramic appliances.
- The shower surface → **Geberit Setaplano** is made from high-quality solid material. It feels warm, is non-slip and easy to clean. To simplify the work at the building site and ensure reliable sealing, as many components as possible are pre-mounted at the plant. New, ultra-flat traps were developed for the shower surface.
- The new modular → **Geberit tap system** represents clever installation technology, different energy concepts and elegant wall-mounted or washbasin-mounted taps. The taps can be mounted quickly and flawlessly. Mixer, valves, electronics and power supply are stored in a function box, which is mounted under the washbasin where it is protected from moisture.
- The competitively priced new → **Geberit Volex** supply system consists of multilayer pipes and brass press fittings. It is suitable for drinking water as well as heating installations. The range comprises all standard pipe diameters and fittings.

For more details on new products in 2017, see → **the magazine Facts & Figures 2017**.

Production

A single common denominator

Following the sale of the two Koralle plants in the reporting year, the Geberit Group operates of 33 plants, six of which are located overseas. A wide range of production technologies are applied in these plants, which fall into three categories:

- Ceramic moulding (CER)
- Injection moulding, blow moulding and assembly (IBA)
- Extrusion, metalforming and thermoforming and appliance construction (EFA)

During the reporting year, the Geberit Production System (GPS 2.0) was implemented at all plants of the former Sanitec Group. All managers were trained in its "lean manufacturing" principles. These courses are now being expanded to all employees. The clearly defined and central objective of GPS 2.0 is the change in production philosophy from the workshop principle of step-by-step manufacturing to a comprehensive system of continuous flow production aimed at maximising efficiency and resource conservation.

In spite of the diversity of production technologies, efforts to further standardise and optimise the processes progressed well in the reporting year. The "OneERP" project to harmonise the IT systems and standardise the business processes has been implemented at the Polish production sites at the beginning of 2017. The project will be progressively implemented at all former Sanitec plants in the coming years.

Interdisciplinary support

A key condition for achieving efficiency gains with innovative processes in the plants is the establishment of a centre of expertise for each production area. The future course for this was set at the ceramics plant in Haldensleben (DE): Haldensleben is ready, both in terms of infrastructure and staff, to assume its future role as the Group's lead ceramics plant and to test new processes before these are implemented at its sister plants.

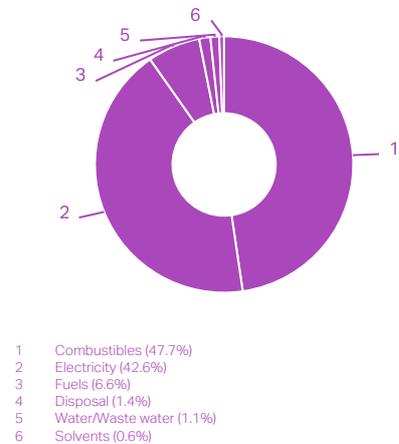
Environmental management in production

The acquisition of Sanitec and, in particular, the integration of the new ceramics plants had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of ceramic sanitary appliances is very energy-intensive. For this reason, the Group's energy consumption increased fivefold in 2015. Its environmental impact and CO₂ emissions also increased significantly. The environmental impact was reduced in the reporting year. The absolute environmental impact decreased by 4.0%, even though currency-adjusted net sales increased by 7.6% in the same period. Thereby, the absolute environmental impact of the former Sanitec plants decreased. The environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 10.8%. As regards the long-term target, which is based on a decrease of 5% per year, Geberit therefore remains on course.

CO₂ emissions were reduced in 2016 by 3.0% to 250,108 tonnes. In relation to currency-adjusted net sales, emissions decreased by 9.9%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy now also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective purchasing of high-quality, renewable energy. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

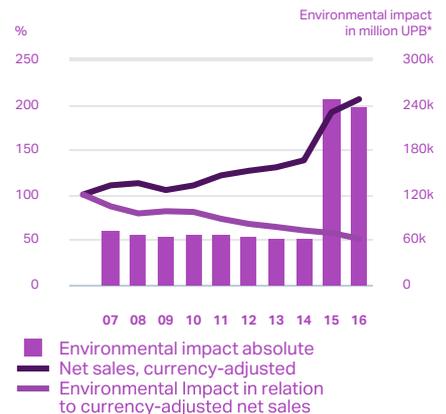
Geberit aims to further reinforce its position as industry leader in the area of sustainability. Thus the ambitious reduction targets formulated in 2006 continue to apply: eco-efficiency and relative CO₂ emissions should be improved by 5% per year (see also → **Sustainability Strategy 2017-2019**). One of the

Distribution environmental impact 2016



Environmental impact 2007 – 2016

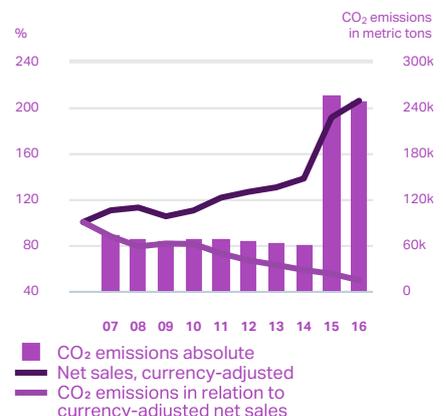
(Index: 2006 = 100)



* UPB = Ecopoints in accordance with the Swiss Ecological Scarcity Method (upgraded version 2013)

CO₂ emissions 2007 – 2016

(Index: 2006 = 100)



main instruments that helps achieve this goal is the integrated Geberit management system, which unites the themes of quality, environment, health and occupational safety as well as energy. By the end of 2018, all former Sanitec sites are to be integrated into this system and will accordingly comply with the requirements of the standards → **ISO 9001 (quality)**, → **ISO 14001 (environmental management)** and → **OHSAS 18001 (health and safety protection)**. Adding certification according to ISO 50001 (energy management) will be on the agenda for selected sites. A number of certifications were successfully completed in the reporting year.

Logistics and procurement

Uniform IT standards for Group logistics

The integration of the ceramics business into Group logistics continued in 2016, with efforts focusing on a full integration of reporting activities and the introduction of the Geberit Logistics Operation System (G-LOS). At the end of 2016, the logistics infrastructure of the ceramics business comprised 14 distribution sites of varying sizes across Europe.

At the Pfullendorf logistics centre – the central logistics centre of the original Geberit – SAP EWM, a new storage management system, was introduced in January 2016 and defined as the new standard for IT systems in Group logistics.

Logistics centre expansion project on track

The logistics centre in Pfullendorf in south Germany is the logistics hub for almost all Geberit sanitary technology products. With a view to future growth and the continued optimisation of existing logistics processes, the decision was made in 2014 to further expand the capacities of this centre and invest around EUR 40 million by 2017. In January 2016, only nine months after the groundbreaking ceremony, the topping-out ceremony for the new 19,200-square-metre logistics space took place and the installation of extensive and complex storage and conveyor technology began. In the last quarter of the reporting year, employees received training on the new systems and all necessary test runs were completed. The project is on track both in terms of timing and finances, with commissioning scheduled for spring 2017.

Continued optimisation of transport management

Since the introduction of integrated Group logistics in 2010, central transport management has played an important role as the interface between plants, markets and transport service providers, enabling cost- and resource-efficient transport solutions in the process. Transport between the company's own production plants, for instance, is combined with customer deliveries. This reduces the number of empty kilometres and increases truck capacity utilisation → **Strategy Green Logistics**. In the reporting year, the implementation of Geberit processes and standards also continued in relation to transport service providers for ceramic products and bathroom furniture. Furthermore, Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions.

Ceramics business suppliers integrated

Structured like a network, the Corporate Purchasing department is responsible worldwide (except in the USA) for procuring raw materials, semi-finished and finished products, commercial products, and services.

In the reporting year, an uninterrupted supply of raw materials and semi-finished products to all plants was largely guaranteed. Temporary bottlenecks only arose in relation to externally purchased sanitary ceramics appliances and a number of actuator plates made of metal.

Beside minimising lost working time as well as costs, the primary purpose of comprehensive supplier management is to safeguard supplies.

All business partners and suppliers are obligated to maintain → **comprehensive standards**. This applies to quality, socially responsible and healthy working conditions, environmental protection and the commitment to fair business practices. The basis for cooperation is the → **Code of Conduct for Suppliers**. This Code is aligned with the principles of the United Nations Global Compact and is binding for every new supplier. The suppliers to the ceramics business acquired in the previous year are also required to abide by these standards. By the end of 2016 more than 80% of the most important 250 suppliers to the former Sanitec had signed the Code, bringing the number of suppliers that had signed the Code in total to 1084 by the end of the reporting year. This represents over 90% of the Geberit Group's purchasing volume.

In 2017, a "Supplier Integrity Line" is to be launched, thus allowing suppliers to anonymously report via a third party any violations of the Code of Conduct for Suppliers by Geberit employees.

Sustainability

Sustainability – a guiding element of corporate culture

For decades, sustainability has been an integral part of Geberit's corporate culture. A firmly established sustainability strategy ensures that key objectives are measurable, making a valuable contribution to the corporate culture in the process. As part of the integration of Sanitec, the Group's high sustainability standards were rolled out to apply to the new units. The focus of sustainable business management is on water-saving and durable products, resource-saving and environmentally friendly production, procurement and logistics with high environmental and ethical standards, and on good, safe working conditions for all employees worldwide. Geberit exercises its social responsibility just as consistently, through the continuance of its own social projects as well as its partnership with the Swiss development organisation Helvetas. Furthermore, numerous awards are proof of the company's distinctly sustainable approach.

Water management is a global challenge

Approved by the United Nations in 2015, the Sustainable Development Goals comprise 17 specific targets and indicators which countries are required to implement by 2030. The business world plays a pivotal role in implementing these targets and indicators. Goal number 6, which calls for equitable access to clean drinking water and basic sanitation for all people worldwide, is of particular importance to Geberit. Intelligent, sustainable water management is crucial to achieving this goal. A growing world population, migration, urbanisation, climate change and natural disasters mean that even regions that are currently well supplied with water are not immune to their situation deteriorating. Sanitary technology must take these global developments into account, with water-saving, resource-efficient products set to become increasingly important in future.

Ecolabels for environmentally friendly sanitary products are now standard within the EU. The industry also has its own voluntary labels that relate to the water efficiency of products. For example, the WELL label (Water Efficiency Label) of the European umbrella organisation for valve manufacturers EUnited, which was introduced in 2011, serves as an information and orientation aid. Of a total of eleven Geberit product groups that have already been certified – corresponding to just under 700 sales products – ten are represented in the highest class, accounting overall for 18% of Group sales.

A Geberit value chain analysis in the form of a water footprint shows that nearly 100% of water consumption is attributable to the product usage phase. Sparing, careful use of water as a valuable resource is one of Geberit's core areas of focus.

Water footprint throughout the value chain in 2016*

Provision of raw materials

0.2% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.2%
(6.3 million m³)

Manufacturing

A mere 0.03% of the water is used in the manufacture of products at Geberit in 2016.



0.03%
(1.1 million m³)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2016 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.76%
(3,425 million m³)

Disposal

0.01% of the total amount of water is used for disposal of Geberit products.



0.01%
(0.2 million m³)

* Geberit organic

Well equipped for green building

Green building is becoming ever more important in both the public and private construction sector, with European standards that define the use of sustainable products and systems in buildings gaining in significance. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. Consequently, there is demand among investors, project developers, owners and tenants for system providers with comprehensive know-how in green building which will enable the relevant standards to be met. Geberit is addressing this demand with water and energy-saving, low-noise and durable products, thereby positioning itself in the front line with regard to green building, as numerous green building reference projects prove. For example, the reporting year saw the inauguration of the → **Port House** – a BREEAM-certified building designed by Zaha Hadid Architects, located in the heart of the docklands of the Belgian city of Antwerp. → **Oasia Downtown** in Singapore is a 27-storey high rise that meets the Green Mark Certified standard, and a perfect example of the concept of the “minicity” – a new approach to addressing the problem of high-density living. Another example to underscore the importance of green building is the “NEST” modular research and innovation house that has been opened in Switzerland. Equipped with various Geberit products, the building offers innovative companies a unique opportunity to test new technologies, materials and systems in real-life conditions.

Sustainability means long-term value added

Geberit is committed to a binding sustainability strategy that is closely linked to the company's core areas of focus and also applies to the company's newly added sites.

A total of eleven sustainability modules continue to form the basis of this strategy. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety**, → **eco-design in product development** or → **social responsibility**.

Sustainability strategy



Since 2007, a sustainability performance review of the Geberit Group has been prepared annually in accordance with the guidelines of the Global Reporting Initiative (GRI). An internal process to define the essential aspects of sustainability at Geberit was the key starting point for introducing the current GRI G4 guidelines. In 2016, for the third time an → **external stakeholder panel** was convened for the purpose of reviewing the → **materiality analysis** along with the sustainability strategy and related communication. Reporting on the 2016 financial year already takes key input from the stakeholder panel into account.

All aspects of the GRI G4 guidelines can be found in the → **Sustainability Performance Report** for 2016. The information disclosed within the scope of this report fulfils the “comprehensive” transparency grade set out in the GRI G4 guidelines, as verified by → **GRI**.

Since 2008, Geberit has been a member of the United Nations Global Compact – a global agreement between businesses and the UN designed to make globalisation more socially responsible and environmentally friendly. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The → **Code of Conduct** and the → **Code of Conduct for Suppliers** further incorporate the topic of sustainability. Continuously improved → **compliance processes** ensure compliance with directives. In addition, a system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Corporate Governance, 3. Board of Directors, 3.7 Information and Control Instruments vis-à-vis the Group Executive Board**.

The activities in terms of sustainable business management are rewarded by the capital market. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the share is a component of the Dow Jones Sustainability Europe Index (DJSI Europe), the STOXX Europe Sustainability Index and the FTSE EO 100 Index series. Renowned sustainability funds also hold the shares in their portfolios. Geberit wants to continue to play a pivotal role in the “Sustainability” and “Water” investment segments, which are still gaining in importance.

Technology, innovation – and sustainability

At Geberit, technology and innovation go hand in hand with sustainability. This is why the eco-design approach has been consistently applied since 2007 as part of the Group’s innovation and development process. All environmental aspects are examined, from the selection of raw materials right through to disposal. Every new product must be better than its predecessor from an ecological perspective. The new → **electronic tap system**, which may be equipped with a self-sustaining power supply, is an example of this.

Product life cycle assessments are important decision-making tools for the development processes, providing arguments for the use of resource-efficient products. Geberit has produced detailed life cycle assessments for various important products. The environmental product declarations (EPDs) in accordance with the Euro-

European standard EN 15804 are also becoming increasingly important and can also be used directly for green building standards such as LEED. EPDs present relevant, comparable and verified information about products' environmental performance in a transparent manner. In 2016, an EPD was drawn up for the Piave washbasin tap.

Compliance

Compliance provides clarity

In the reporting year, there was a repeat of the Group-wide survey on correct practice regarding donations. The survey showed that the giving of donations to business partners continues to be very moderate in nature, normally taking the form of non-critical customer invitations to sporting or other events, as well as free material or tool consignments in connection with sales activities. Any local Geberit companies carrying out incentive programmes for their customers first consulted the legal department. All managing directors subsequently gave explicit confirmation that no donations were made to public officials or to business partners in connection with ongoing projects.

The reporting year also saw the completion of risk assessment in relation to agents, which involved all local sales companies being surveyed on their collaboration with agents. It was established that only a small number of companies work with agents and that there is no exposure to risk. An adapted code of conduct for agents – based on → **Geberit's Code of Conduct** – was nevertheless drawn up, with its contents communicated to agents accordingly.

Raising awareness through training and reporting

Geberit's Code of Conduct, drawn up in 2008, and of which a new version has been available since the start of 2015, focuses on antitrust legislation and corruption – fields with their own dedicated guidelines which are accessible to relevant employees. A range of training events on antitrust legislation were held for the managing directors of the European sales companies on the one hand and members of the sales teams in Scandinavia on the other. In addition, the sales employees of the European sales companies and members of the Group management again attended an eLearning course on antitrust legislation. A repeat of the antitrust legislation eLearning course is also planned for 2017 at the non-European sales companies, while supplementary face-to-face training will take place at more European sales companies. Furthermore, the theme of antitrust legislation will be integrated as a standard element in the internal audit team's audit programme.

The Geberit Integrity Line, which was established in 2013 and has also been available to employees of the former Sanitec Group since 2015, recorded a number of cases during the reporting year that were subsequently investigated. One of these cases resulted in the discovery of shortcomings at a local company, which ultimately led to changes in personnel.

Social responsibility

Water matters

Innovative sanitary technology continuously improves the quality of people's lives. Geberit rigorously pursues this mission. The guideline for employees, the → **Geberit Compass**, sets this out.

Besides improving quality of life through innovative sanitary products, Geberit takes its social responsibilities seriously – which is why it has for many years undertaken social projects involving its own apprentices. These projects always exhibit a relationship to the topic of water and to the company's core competencies. Apart from being involved in the projects, the young people who take part become familiar with other cultures and acquire new social, linguistic and professional competencies – experiences that will aid their personal and professional development. Furthermore, these social projects make a tangible contribution to the Sustainable Development Goals of the United Nations, which include giving all humans access to clean drinking water and basic sanitation by 2030.

In 2016, the apprentices travelled to Warsaw (PL). Employees of Geberit Poland had become aware of a school in the Warsaw district of Wola with sanitary installations that were in urgent need of renovation. The 300 or so children at → **Żwirki i Wigury primary school** were being educated in a building constructed in 1949. With the school unable to afford renovations, the bathrooms, toilets and showers were in poor condition. In stepped the local Geberit sales company with a plan to renovate and expand the school's existing toilet facilities and common rooms. In October 2016, a Geberit team comprising ten apprentices, a technical manager and a coach spent two weeks at the school installing the sanitary facilities. In addition, various activities involving the schoolchildren were organised during this time. Geberit Poland also prepared a number of interactions with the pupils following completion of the project. These related to the theme of water, giving the children a playful and interesting take on how to conserve this valuable resource.

Global commitments

Geberit continued its extensive partnership with the Swiss development organisation Helvetas, supporting the new Helvetas campaign with a substantial sum of money. The "Change of Perspective" project was also implemented, as two Swiss plumbers travelled to Nepal in the autumn for the first time, working there for a week with two Nepalese colleagues. Their Nepalese counterparts returned the compliment a short time later, visiting and working with the Swiss plumbers in their home country for a week. The "Change of Perspective" project is set to continue in 2017. In addition, 17 Geberit employees visited Nepal for a voluntary two-week deployment in November 2016, helping a village community in western Nepal to construct a water pipeline. Geberit also made a major donation to support Helvetas-run water projects in Nepal.

In partnership with the Swiss Cooperation Office in Ukraine and the Ukraine education ministry, and with technical assistance from Geberit, a vocational school for plumbers was opened in 2016 in the Ukrainian city of Odessa. As the sixth establishment of its kind to be supported by Geberit in Ukraine, the school will provide apprentices with a professional, contemporary training in plumbing.

The cooperation with the non-profit organisation Swiss Water Partnership was continued. This platform seeks to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future challenges and promote international dialogue on water.

A multitude of other initiatives and collection campaigns at a local level round off the Geberit Group's social responsibilities. As a basic principle, all social projects and the use of funds are regularly checked by Geberit employees in the respective country or in partnership with non-governmental organisations (NGOs), even after completion of the projects in question. For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All donations and related commitments are neutral from a party political point of view. Furthermore, no donations were made to parties or politicians. As a rule, no political statements are made and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

Changes in Group structure

Due to limited synergies with the core business, the Koralle Group was sold to AFG Arbonia-Forster-Holding AG on 1 July 2016 for EUR 33.0 million plus cash. Geberit took over Koralle as part of the Sanitec acquisition in 2015. Employing 240 people, the supplier of shower enclosures operated mainly in the Swiss, German and Austrian markets. In the first half of 2016, Koralle contributed CHF 22.6 million to net sales, CHF 2.1 million to EBIT and CHF 1.7 million to net income of the Geberit Group.

In addition, there were various changes to the legal structure of the Geberit Group, mainly in connection with the integration of the Sanitec Group. Please see also the [→ Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure.](#)

Outlook

Construction industry looking more positive

The construction industry should develop favourably in 2017. However, the individual regions/markets and construction sectors will carry on performing very differently. In **Europe**, the recovery that began in the previous year should continue. Overall, a favourable market environment is expected for Germany, the Nordic Countries, Switzerland, Austria, France, the Benelux Countries and the countries of Eastern Europe. The situation in Italy should stabilise, while the uncertainty in the United Kingdom will continue as a result of Brexit. In **North America**, stagnation is predicted in the public sector construction industry, which is important to Geberit's business in the USA, along with moderate growth in residential construction. In the **Far East/Pacific** region, the Chinese residential construction sector should stabilise, while the business climate in Australia and India is expected to be positive. In terms of the **Middle East/Africa** region, the outlook in South Africa remains sound, whereas the construction industry in the Gulf countries will continue to see low activity due to the depressed oil price.

Fluctuations in the Swiss francs compared to other important currencies used by the Geberit Group will continue to affect sales and earnings. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). In general, the effects of currency fluctuations on margins are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. The influence of currency fluctuations on operating profit margins is relatively small due to the natural hedging strategy. With regard to the impact of foreign currency effects, please refer to the information and the sensitivity analysis in the → **Management of currency risks** section.

In the first half of 2017, raw material prices are likely to exceed their prior-year level – driven mainly by higher prices for industrial metals and, to a lesser extent, for plastics.

Geberit

The Geberit Group's 2017 financial year will see further progress with the integration of the ceramics business. A focus will be on continuing to consolidate the sales teams in the countries; another emphasis will be on the further harmonisation of systems and processes, further development of the product range, and continuous improvements in the ceramics manufacturing. However, Geberit will pay just as much attention to its daily business. The objective will be to perform strongly in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years, focusing on greater penetration of markets in which Geberit products or technologies are still under-represented, and on further expansion of the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes.

The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation, an established cooperation based on trust with our market partners in both commerce and trade, and the Group's continued solid financial foundation are vital to our future success.

1. Group structure and shareholders

1.1 Group structure

The operational Group structure is shown in the diagram → [Management Structure](#).

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalisation, Swiss securities identification number and ISIN code, please refer to → [Geberit share information](#).

The Group's consolidated subsidiaries are listed in → [Note 33, Group companies as of 31 December 2016](#), to the Consolidated Financial Statements, stating the company name and head office, share capital and equity interest held by the Group companies. Except for Geberit AG, the scope of consolidation does not include any listed companies.

1.2 Significant shareholders

The significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht, OR) and Art. 120 Para. 1 of the Financial Market Infrastructure Act (Finanzmarktinfrastrukturgesetz, FinfraG) were entered in the company's share register on 31 December 2016 as holding more than 3% of the voting rights or share capital recorded in the Commercial Register, or held more than 3% of the voting rights or share capital recorded in the Commercial Register on 31 December 2016.

Disclosure notifications reported to Geberit during 2016 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at → www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3 Cross-shareholdings

In terms of equity interests or voting rights, the Geberit Group has no cross-shareholdings with any other companies that exceed a threshold of 5%.

1.4 Important changes to the Articles of Incorporation

As a consequence of the new provisions of the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), the Articles of Incorporation were amended in April 2014. No amendments to the Articles of Incorporation were made in the 2015 financial year. In the 2016 financial year, the Articles of Incorporation were amended due to the capital reduction agreed on 6 April 2016 (see → [2.4 Shares and participation certificates](#)).

The current Articles of Incorporation can be viewed online at → www.geberit.com/investors/downloads/publications.

Significant shareholders*

(as of 31 December 2016)

in %

BlackRock, New York, USA	4.84
Capital Group Companies, Inc., Los Angeles, USA	4.94

* In accordance with the corresponding reports to SIX Swiss Exchange

2. Capital structure

2.1 Capital

Amount of ordinary, authorised and conditional capital of the company as of 31 December 2016:

Ordinary capital:	CHF 3,704,142.70
Conditional capital:	–
Authorised capital:	–

2.2 Authorised and conditional capital details

As of 31 December 2016, the Geberit Group had no conditional or authorised capital.

2.3 Changes in capital

For Geberit AG's changes in capital, see the following table:

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2016 (→ **consolidated statements of changes in equity and consolidated statements of comprehensive income** and → **Note 21, capital stock and treasury shares**, to the information in the → **Financial Statements of Geberit AG** as well as to the 2014 figures in the → **2015 Annual Report** (Geberit Group's Consolidated Financial Statements: → **consolidated statements of changes in equity and statements of comprehensive income**, and → **Note 21, capital stock and treasury Shares**; → **Financial Statements of Geberit AG**).

	31.12.2014	31.12.2015	31.12.2016
	MCHF	MCHF	MCHF
Share capital	3.8	3.8	3.7
Reserves	875.1	875.1	617.2
Retained earnings	316.4	305.0	393.6

2.4 Shares and participation certificates

The share capital of Geberit AG is fully paid in and amounts to CHF 3,704,142.70. It is divided into 37,041,427 registered shares with a par value of CHF 0.10 each.

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register of the company carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. All dividends that have not been collected within five years of their due date are forfeited to the company in accordance with the company's → **Articles of Incorporation** and allocated to the general reserve. As of 31 December 2016, the company held 239,869 treasury shares. The ordinary General Meeting of 6 April 2016 approved the proposal of the Board of Directors to cancel the 757,000 treasury shares acquired as part of the share buyback program announced in March 2014 and completed by the end of February 2016 by means of capital reduction. This capital reduction was entered in the Commercial Register on 20 June 2016.

No participation certificates of the Geberit Group are outstanding.

2.5 Profit-sharing certificates

No profit-sharing certificates of the Geberit Group are outstanding.

2.6 Limitations on transferability and nominee registrations

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register if they explicitly declare to hold the shares in their own name and for their own account. The → **Articles of Incorporation** provide for the registration of a maximum of 3% of the shares held by nominees, which may be permitted by the Board of Directors. The Board of Directors may register nominees as shareholders with voting rights in excess of such registration limitation, provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

The Board of Directors has the power to delete entries in the share register retroactively as of the date of entry if the registration has been made on the basis of false information. It may give the concerned shareholder the opportunity to comment in advance. In any case, the shareholder concerned is informed without delay about the deletion.

Furthermore, the → **Articles of Incorporation** do not contain any restrictions in terms of registration or voting rights.

In the reporting year 2016, there were no registrations in the share register of shares held by nominees of up to a maximum of 3% of the share capital or in excess of this registration limitation. Moreover, the Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the reporting year.

According to the → **Articles of Incorporation**, amendments to the provisions regarding the restriction of the transferability of registered shares require a resolution of the general meeting passed by at least two thirds of the votes represented. For the procedure and the conditions for cancelling the restriction of the transferability, see → **Annual Report 2016, Corporate Governance, 6. Participatory Rights of the Shareholders**.

2.7 Convertible bonds and warrants/options

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → **Remuneration Report** and → **Note 17, participation plans** in the Consolidated Financial Statements of the Geberit Group.

3. Board of Directors

3.1/3.2 Members of the Board of Directors

At the end of 2016, the Board of Directors was composed of six members.

Albert M. Baehny (1952)

Non-executive Chairman of the Board of Directors since 2015 (Executive Chairman of the Board of Directors from 2011 to 2014), Member of the Board of Directors since 2011

Swiss citizen

CEO Regent Lighting AG, Basel (CH); Member of the Board of Directors Investis, Crans-Montana (CH)

Albert M. Baehny graduated with a degree in biology from the University of Fribourg (CH). In 1979, he started his career in the research department of Sero-Hypolab. His further career comprised various marketing, sales, strategic planning and global management positions with Dow Chemicals Europe (1981–1993), Ciba-Geigy/Ciba SC (1994–2000), Vantico (2000–2001) and Wacker Chemie (2001–2002). For more than 20 years, Albert M. Baehny gathered relevant knowledge and expertise with global business responsibility. Before joining Geberit, he was Senior Vice President of Wacker Specialties. At Geberit he was Head of Group Division Marketing and Sales Europe from 2003–2004. From 2005 until the end of 2014, Albert M. Baehny was Chief Executive Officer (CEO) of the Geberit Group. He has been Chairman of the Board of Directors since 2011.

Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Regi Aalstad (1964)

Non-executive, independent member of the Board of Directors since 2016

Norwegian citizen

Member of the Board of Directors Telenor, Fornebu (NO)

Regi Aalstad holds a Master of Business Administration in International Business from the University of Michigan (US). Until 2014, she worked for over 25 years at Procter & Gamble (P&G) in various divisions as General Manager and Vice President in Europe, the Middle East and Africa, and was also responsible for paper and hygiene products in Asia. Her career started in 1988 at the Nordic subsidiary of P&G. From 2005, she was a member of the Global Business Leadership Council of P&G. She also served as Vice President of Baby Care until 2014 in the CEEMEA division (Central Eastern Europe, Middle East & Africa).

Regi Aalstad has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from her Board of Directors' mandate, she does not have any significant business relations with the Geberit Group.



Felix R. Ehrat (1957)

Non-executive, independent member of the Board of Directors since 2013

Swiss citizen

Group General Counsel and Member of the Executive Committee Novartis since 2011, Basel (CH); Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); Member of the Board of Directors Hyos Invest Holding AG, Zurich (CH); Chairman of SwissHoldings, Bern (CH); Member of the Board of Trustees Avenir Suisse, Zurich (CH)

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. In 1986, he completed an LL.M. at the McGeorge School of Law in the USA. He has completed a number of management training courses, including at Harvard University in Boston (US). He has been Group General Counsel of Novartis since October 2011 and a member of the Executive Committee of the Novartis Group since 1 January 2012. Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in 1987, became Partner in 1992 and ad-



vanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm. During his career to date, Felix R. Ehrat was a chairman and member of various Boards of Directors at listed and non-listed companies.

Felix R. Ehrat has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

Thomas M. Hübner (1958)

**Non-executive, independent member of the Board of Directors since 2015
Swiss citizen**

Member of the Board of Directors and Lead Director B&M European Value Retail S.A., Luxembourg (LU); Chairman of the Board of Directors Burger King SEE S.A., Brussels (BE)

Thomas M. Hübner completed a Master's degree in International Restaurant & Hospitality Management at the Hotel Management School in Zurich (CH) in 1982. In 1996, he received an Executive MBA from the University of St. Gallen (CH). Thomas M. Hübner was Chief Operating Officer at McDonald's in Switzerland from 1988 to 1990, and was responsible for the Czech Republic and Slovakia from 1990 to 1995. He held the role of CEO at Prodega AG (CH) from 1996 to 2000. At Metro Cash & Carry International GmbH (DE), he was Chief Operating Officer for Eastern Europe and Russia from 2000 to 2002, and CEO from 2002 to 2008. From 2008 to 2011, he was both Chairman of the Board of Directors of Citrus International (CH) and Vice Chairman of the Board of Directors of Contract Farming India (CH). From 2011 to 2013, Thomas M. Hübner was Executive Director Europe & International Partnerships and a member of the Group Executive Board at Carrefour SA (FR). Furthermore, for three years up to 2014 he was Co-Chairman of ECR (Efficient Consumer Response) Europe, the most important European retail and manufacturer association.

Thomas M. Hübner has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Hartmut Reuter (1957)

Vice Chairman of the Board of Directors since April 2016; non-executive, independent member of the Board of Directors since 2008

German citizen

Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Münders (DE)

After graduating in industrial engineering from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997–2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur (CH); for the last seven of those years he was CEO of the company. Since then, he has worked as a freelance management consultant and has held positions in various supervisory bodies.

Hartmut Reuter has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Jørgen Tang-Jensen (1956)

Non-executive, independent member of the Board of Directors since 2012

Danish citizen

CEO Velux A/S, Hørsholm (DK); Member of the Board of Directors

Coloplast A/S (DK); Member of the Confederation of Danish Industry Business

Political Committee; Chairman of the Board of Directors Danish Green Investment Fund (DK)



Jørgen Tang-Jensen holds an MSc in Economics & Business Administration from the Business School in Aarhus (DK). He has also completed a number of management further training courses at the IMD in Lausanne (CH) and at Stanford University (US). Jørgen Tang-Jensen has been CEO of the Danish building materials manufacturer VELUX A/S since 2001. After completing his studies, Jørgen Tang-Jensen joined the VELUX Group in 1981 and worked in various executive positions in the main VELUX sales and production companies until being appointed CEO in 2001. As a managing director, he was responsible for the respective national companies in Denmark from 1989–1991, France from 1991–1992, the United States in 1996 and Germany from 1999–2000.

Jørgen Tang-Jensen has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

3.3 Regulations in the Articles of Incorporation concerning the number of permissible activities in accordance with Art. 12 Para. 1 Clause 1 OaEC

Members of the Board of Directors may hold up to five mandates in profit-oriented legal entities and up to five mandates in non-profit-oriented legal entities or charitable legal entities outside the Geberit Group.

Mandates of a member of the Board of Directors in legal entities which are controlled by the company, or which control the company as well as mandates held by such member in their capacity as a member of the Board of Directors of the company, or held by order and on behalf of the company or legal entities controlled by it, shall not count as mandates in legal entities outside the Geberit Group.

Mandates of a member of the Board of Directors of the company in legal entities outside the Geberit Group which are under common control, as well as mandates held by such member in their capacity as a member of the supreme governing body or of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it, shall be deemed one mandate outside the Geberit Group.

Mandates held by a member of the Board of Directors in their main activity as a member of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it, shall not count as mandates within the meaning of this provision.

Mandates in the sense of the → **Articles of Incorporation** are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

3.4 Elections and terms of office

Since 1 January 2014, pursuant to Art. 3 of the OaEC, the term of office for a member of the Board of Directors ends at the closing of the following ordinary General Meeting. Members of the Board of Directors are elected on an individual basis. Re-election is possible.

Also since 1 January 2014, the Chairman of the Board of Directors is elected by the General Meeting. Their term of office also ends at the closing of the following ordinary General Meeting. Re-election is possible. If the position of Chairman of the Board of Directors is vacant, the Board of Directors is to appoint a new Chairman of the Board of Directors from among its members for the remaining term of office.

Since 1 January 2014, members of the Nomination and Compensation Committee are also elected annually and on an individual basis at the General Meeting. Only members of the Board of Directors are eligible. Their term of office ends at the closing of the following ordinary General Meeting. Re-election is possible.

The members of the Board of Directors, Chairman of the Board of Directors and members of the Committees retire from their positions at the next ordinary General Meeting following their 70th birthday.

Robert F. Spoerry no longer stood for re-election at the ordinary General Meeting on 6 April 2016. Regi Aalstad was newly elected to the Board of Directors. Hartmut Reuter (Chairman), Regi Aalstad and Jørgen Tang-Jensen were elected to the Nomination and Compensation Committee. The constitution subsequent to the ordinary General Meeting resulted in the following composition of the Audit Committee: Felix R. Ehrat (Chairman), Thomas M. Hübner, Hartmut Reuter. Hartmut Reuter assumed of-
fice as Vice Chairman of the Board of Directors.

Regi Aalstad will not be standing for re-election at the ordinary General Meeting in 2017. Within the context of succession planning, the Geberit AG Board of Directors will nominate Eunice Zehnder-Lai as a new member of the Board of Directors and – if elected as member of the Board of Directors – as a new member of the Nomination and Compensation Committee. The Chairman of the Board of Directors and all remaining members of the Board of Directors will be standing for re-election for a further year. The composition of the committees and holder of the office of Vice Chairman are also to remain unchanged.

3.5 Internal organisational structure

The organisation of the Board of Directors is governed by law, the Company's → **Articles of Incorporation** and the → **Organisational Regulations of the Board of Directors of Geberit AG** (see also → **"Definition of areas of responsibility"**).

As a result of the entry into force of the OaEC on 1 January 2014 and the amendments made to the → **Articles of Incorporation** in this respect, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee are each to be elected annually and on an individual basis by the ordinary General Meeting. After each ordinary General Meeting, the Board of Directors elects the Vice Chairman from among its members, as well as the Chairman of the Nomination and Compensation Committee and the Chairman and the members of the Audit Committee.

The Board of Directors meets whenever business so requires, but at least four times a year generally for one day each (2016: ten meetings or telephone conferences). Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors.

The Board of Directors shall be quorate if a majority of its members are present. Attendance can also be effected via telephone or electronic media. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person or via telephone. The participation rate for meetings of the Board of Directors in 2016 was 97%.

	15 Feb	8 Mar	14 Mar	6 Apr	30 Jun	15 Aug	31 Aug	1 Sep	26 Oct	2 Dec
Albert M. Baehny	X	X	X	X	X	–	X	X	X	X
Regi Aalstad ¹	n/a	n/a	n/a	n/a	X	X	X	X	X	X
Robert F. Spoerry ²	n/a	X	X	–	n/a	n/a	n/a	n/a	n/a	n/a
Felix R. Ehrat	X	X	X	X	X	X	X	X	X	X
Thomas M. Hübner	X	X	X	X	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X	X	X	X	X	X	X

1) Regi Aalstad has been a member of the Board of Directors since 6 April 2016

2) Robert F. Spoerry was a member of the Board of Directors until 6 April 2016

The Board of Directors has formed two committees composed exclusively of non-executive and independent Board members:

Nomination and Compensation Committee (NCC; formerly Personnel Committee)

The compensation and nomination tasks and responsibilities are combined in this Committee.

The Nomination and Compensation Committee consists of three independent, non-executive members of the Board of Directors. The members of the Nomination and Compensation Committee are elected individually and annually by the ordinary General Meeting. The Chairman of the Nomination and Compensation Committee is appointed by the Board of Directors. If the Nomination and Compensation Committee is not complete, the Board of Directors is to appoint members to fill the corresponding position(s) for the remaining term of office. The Nomination and Compensation Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The members of the Nomination and Compensation Committee as of 31 December 2016 were Hartmut Reuter (Chairman), Regi Aalstad and Jørgen Tang-Jensen. The committee meets at least three times a year generally for a half day each (2016: three meetings). The participation rate for meetings in 2016 was 100%.

The Nomination and Compensation Committee supports the Board of Directors in fulfilling its duties specified by law and the → **Articles of Incorporation** in the area of the compensation and personnel policy of the Geberit Group. The powers and duties of the Nomination and Compensation Committee are based on the following principles:

1. Preparation and periodical review of the Geberit Group's compensation policy and principles and personnel policy, performance criteria related to compensation and periodical review of their implementation, as well as submission of the respective proposals and recommendations to the Board of Directors.
2. Preparation of all relevant decisions of the Board of Directors in relation to the nomination and compensation of the members of the Board of Directors and of the Group Executive Board, as well as submission of the respective proposals and recommendations to the Board of Directors.

The overall responsibility for the duties and competencies assigned to the Nomination and Compensation Committee remains with the Board of Directors.

The Board of Directors may delegate further powers and duties to the Nomination and Compensation Committee in respect of nomination, compensation and related matters.

The organisation, detailed responsibilities, functioning and reporting of the Nomination and Compensation Committee are stipulated in the → **Organisational Regulations of the Nomination and Compensation Committee (NCC)** of the Board of Directors of Geberit AG.

Audit Committee (AC)

The Audit Committee consists of three independent, non-executive members of the Board of Directors. They are appointed annually by the Board of Directors. The Board of Directors appoints a member of the Audit Committee as Chairman. The Audit Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. The CEO and CFO as well as the internal and external auditors attend the meetings if necessary. Furthermore, the committee is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. The Audit Committee has direct access to the internal auditors and can obtain all the information it requires within the Geberit Group and consult the responsible employees.

As of 31 December 2016, the Audit Committee was composed of Felix R. Ehrat (Chairman), Thomas M. Hübner and Hartmut Reuter. It meets at least twice a year, generally for a half day each (2016: five meetings). The participation rate for meetings in 2016 was 100%.

	26 Feb	31 Aug	1 Dec
Hartmut Reuter	X	X	X
Regi Aalstad ¹	n/a	X	X
Robert F. Spoerry ²	X	n/a	n/a
Jørgen Tang-Jensen	X	X	X

1) Regi Aalstad has been a member of the Nomination and Compensation Committee since 6 April 2016

2) Robert F. Spoerry was a member of the Nomination and Compensation Committee until 6 April 2016

	26 Feb	26 Apr	9 Aug	31 Aug	2 Dec
Felix R. Ehrat	X	X	X	X	X
Thomas M. Hübner ¹	n/a	X	X	X	X
Hartmut Reuter	X	X	X	X	X
Robert F. Spoerry ²	X	n/a	n/a	n/a	n/a

1) Thomas M. Hübner has been a member of the Audit Committee since 6 April 2016.

2) Robert F. Spoerry was a member of the Audit Committee until 6 April 2016.

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal and external auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. It also assesses the functionality of the internal control system, including risk management (refer to → **"3.7 Information and control instruments vis-à-vis the Group Executive Board"**). The Audit Committee supports the Board of Directors with corporate governance and compliance issues, monitors the relevant corporate governance and compliance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

The organisation, detailed responsibilities, functioning and reporting of the Audit Committee are set out in the → **Organisational Regulations of the Audit Committee (AC)** of the Board of Directors of Geberit AG.

3.6 Definition of areas of responsibility

Pursuant to Swiss Corporate Law and the → **Articles of Incorporation** at Geberit AG, the Board of Directors has the following non-transferable and irrevocable responsibilities:

- The ultimate management of the Company and the giving of the necessary directives
- The establishment of the organisation
- The structuring of the accounting system and the financial controls, as well as the financial planning
- The appointment and removal of the persons entrusted with the management and the representation
- The ultimate supervision of the persons entrusted with the management; in particular, in view of compliance with the law, → **Articles of Incorporation**, regulations and directives
- The preparation of the annual report and of the compensation report as well as the preparation of the General Meeting and the implementation of its resolutions
- The notification of the judge in case of overindebtedness

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Further areas of responsibility of the Board of Directors are set out in the → **Organisational Regulations of the Board of Directors** and the → **Supplement to the Organisational Regulations**.

To the extent legally permissible and in accordance with its → **Organisational Regulations**, the Board of Directors has assigned the operational management to the Chief Executive Officer (CEO). The individual duties assigned to the CEO are governed in particular by the → **Supplement to the Organisational Regulations**. The CEO is authorised to further delegate powers to individual members of the Group Executive Board and/or to other executives of the Geberit Group.

As of the end of 2016, the Group Executive Board is composed of the Chief Executive Officer and six other members. The members of the Group Executive Board are appointed by the Board of Directors based on the proposal of the Nomination and Compensation Committee.

The → **Articles of Incorporation** and/or the → **Organisational Regulations of the Board of Directors** regulate the duties and powers of the Board of Directors as a governing body, the Chairman and the committees. The Organisational Regulations also define the rights and duties of the Group Executive Board, which are set forth in more detail in the Internal Regulations for the Group Executive Board. The → **Supplement to the Organisational Regulations** contains a detailed list of the decision-making powers and Group management duties.

The Organisational Regulations of the → **Board of Directors**, the → **Nomination and Compensation Committee** and the → **Audit Committee** can be viewed at → www.geberit.com/company/downloads/publications/.

3.7 Information and control instruments vis-à-vis the Group Executive Board

At every meeting, the members of the Group Executive Board inform the Board of Directors of current business developments and major business transactions of the Group or Group companies. Between meetings, the Board of Directors is comprehensively informed in writing about current business developments and the company's financial situation on a monthly basis. Essentially, this report contains key statements on the Group and market development, information and key figures on the Group sales and profit development (in January, April, July and October, it contains statements only on sales development and not on profit development), statements on sales development in the individual product lines and countries or regions as well as an analysis on the share price development. The more extensive quarterly report additionally contains the expectations of the operational management on the development of results until the end of the financial year, information on the development of the workforce and liquidity and on the investments made, the composition of the shareholders as well as market expectations in regard to the business development.

Furthermore, the Chairman of the Board of Directors and the Chief Executive Officer are in contact at regular intervals with respect to all major issues of corporate policy. Each member of the Board of Directors may individually demand information with respect to all matters of the Group or Group companies.

Based on the → **Organisational Regulations of the Board of Directors** and the → **Organisational Regulations of the Audit Committee (AC)** of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks associated with the business activities. This process includes risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for controlling of risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis. For information on the management of financial risks, refer to → **Notes to the Consolidated Financial Statements, 4. "Risk assessment and management"**. In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimisation proposals of previous audits.

4. Group Executive Board

4.1/4.2 Members of the Group Executive Board

At the end of 2016, the Group Executive Board was composed of seven members.

Christian Buhl (1973)

Chief Executive Officer (CEO) since 2015
Member of the Group Executive Board since 2015
with Geberit since 2009
Swiss citizen

Christian Buhl studied physics (Dipl. Phys. ETH) at the Swiss Federal Institute of Technology (ETH) in Zurich (CH) before undertaking his doctorate (Dr. oec. HSG) in the area of financial market research at the University of St. Gallen (CH). From 2000 to 2003, he worked as a teaching and research assistant at the Swiss Institute of Banking and Finance in St. Gallen and in research and teaching at the Centre for Economic Research at the University of Basel (CH). From 2004 to 2008, Christian Buhl worked at McKinsey & Company, Zurich (CH), where he undertook projects for various Swiss and international industrial companies, supporting them in the areas of strategy, M&A, marketing and organisation. He joined Geberit in 2009, initially as Head Strategic Planning, before taking over responsibility for the Geberit AquaClean shower toilet business. From 2012 to the end of 2014, Christian Buhl was Managing Director of the German sales company – the most important sales unit within the Geberit Group. He has been the Chief Executive Officer (CEO) of the Geberit Group since 2015; see also → [Management Structure](#).



Roland Iff (1961)

Member of the Group Executive Board since 2005
with Geberit since 1993
Head of Group Division Finance (CFO)
Swiss citizen
Vice Chairman of the Board of Directors VZ Holding AG, Zurich (CH)

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic.oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head Group Controlling. Beginning in October 1997, he served as Head Group Treasury. Roland Iff has been Head Group Division Finance (CFO) of the Geberit Group since 2005; see also → [Management Structure](#).



Martin Baumüller (1977)

Member of the Group Executive Board since 1 September 2016
with Geberit since 2011
Head of Group Division Marketing & Brands
Swiss citizen

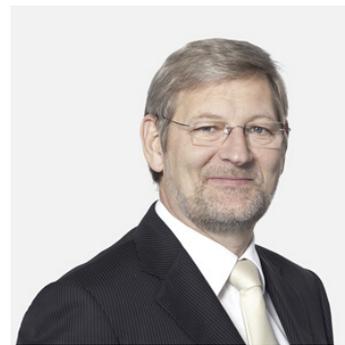
Martin Baumüller completed his Master's degree in International Management at the University of St. Gallen (CH) and an MBA at Nanyang Technological University in Singapore (SG) in 2001. In 2005, he received his doctorate from the University of Bern (CH) with his dissertation on "Managing Cultural Diversity". He began his career as a freelance consultant for strategy and market expansion projects from 2001 to 2003. From 2005 to 2010 he worked for McKinsey & Company in Zurich (CH), first on various projects for pharmaceutical, chemical and transportation clients and later as Engagement Manager responsible for global projects in various industries and as a member of the Strategy & Corporate Finance team. He joined Geberit as Head Strategic Planning in 2011. From 2012 until the end of August 2016 he was responsible as Head Geberit AquaClean for the management and development of the entire shower toilet business of the Geberit Group. The Board of Directors of Geberit AG has appointed Martin Baumüller as Head of Group Division Marketing & Brands with effect from 1 September 2016; see also → [Management Structure](#).



Michael Reinhard (1956)

**Member of the Group Executive Board since 2005
with Geberit since 2004
Head of Group Division Operations
German citizen
Member of the Board of Directors Reichle & De-Massari AG, Wetzikon (CH)**

Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) and was awarded a PhD in materials science from the Deutsche Kunststoffinstitut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with management functions of increasing overall responsibility. In 1995, he became Vice President of Schott's Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing Division comprising 2,400 employees. At Geberit, Michael Reinhard became Head Group Division Sales in 2005. From 2006 until the end of August 2016 he was Head Group Division Products. Since 1 September 2016 he has been Head Group Division Operations; see also → [Management Structure](#).



Egon Renfordt-Sasse (1957)

**Member of the Group Executive Board since February 2015
with Geberit since 1997
Head of Group Division Product Management & Innovation
German citizen**

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen University (DE) in 1986. He began his career at Battenfeld-Fischer in Troisdorf (DE), where he held several positions until 1997, the last of which as manager of the Technical Parts profit centre. In 1997, he joined the Geberit Group as product manager responsible for the Installation Systems product line. From 2001 to 2003, he was responsible for Sales Engineering – among other things – at Geberit's German sales company. He then became Head Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head Group Marketing. From 2015 until the end of August 2016 he was Head Group Division Marketing & Brands. Since 1 September 2016 he has been Head Group Division Product Management & Innovation; see also → [Management Structure](#).



Karl Spachmann (1958)

**Member of the Group Executive Board since 2011
with Geberit since 1997
Head of Group Division Sales Europe
German citizen**

Karl Spachmann graduated in business and organisational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer, platoon leader and press officer until 1990. In early 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of the Division Sales Europe since 2011; see also → [Management Structure](#).



Ronald van Triest (1969)

**Member of the Group Executive Board since 2015
with Geberit since 2015
Head of Group Division Sales International
Dutch citizen**



Ronald van Triest completed his Master's degree in Management and Organisation at the University of Groningen (NL) in 1996. He started his career at Royal Philips, where he held various roles until 2006. These were initially in the areas of marketing and sales, before a second phase where he took on wide-ranging responsibilities in the areas of product management, M&A and executive management. He operated predominantly from Singapore and Hong Kong. From 2007 to 2009, he was General Manager Sales at China Electronics Corporation in Shenzhen (CN), where he was responsible for the sales, marketing, service and logistics and managed staff in China, Singapore, Russia and Turkey. From 2010 to 2015, he worked for Ellipz Lighting in Singapore. As CEO and Managing Director, he was responsible for setting up and developing the Asian business. Among other things, he established a joint venture in Beijing, set up the local production, R&D and sales and created sales channels in South-East Asia and the Middle East, as well as a joint venture in India. Since 2015 Ronald van Triest has been Head of Group Division Sales International of the Geberit Group; see also → [Management Structure](#).

4.3 Regulations in the Articles of Incorporation concerning the number of permissible activities in accordance with Art. 12 Para. 1 Clause 1 OaEC

Members of the Group Executive Board may hold up to two mandates in profit-oriented legal entities and up to four mandates in non-profit-oriented legal entities or charitable legal entities outside the Geberit Group.

Mandates of a member of the Group Executive Board in legal entities which are controlled by the company, or which control the company as well as mandates held by such member in their capacity as a member of the Group Executive Board of the company, or held by order and on behalf of the company or legal entities controlled by it, shall not count as mandates in legal entities outside the Geberit Group.

Mandates of a member of the Group Executive Board of the company in legal entities outside the Geberit Group which are under common control, as well as mandates held by such member in their capacity as a member of the supreme governing body or of the group management of a legal entity outside the Geberit Group or held by order and on behalf of such legal entity or legal entities controlled by it, shall be deemed one mandate outside the Geberit Group.

The acceptance of mandates from members of the Group Executive Board in legal entities outside the Geberit Group must be approved in advance by the Board of Directors or, if delegated to it, the Nomination and Compensation Committee.

Mandates in the sense of the → [Articles of Incorporation](#) of Geberit AG are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

4.4 Management contracts

The Group has not entered into any management contracts with companies (or natural persons) outside the Geberit Group.

5. Compensations, shareholdings and loans

See → [Remuneration Report](#).

6. Participatory rights of shareholders

6.1 Voting rights restrictions and representation

The voting right may be exercised only if the shareholder is recorded as a voting shareholder in the share register of Geberit AG. Treasury shares held by the company do not entitle the holder to vote.

Shareholders can be represented at the General Meeting only by their legal representative, another voting shareholder or the independent proxy in accordance with the company's → [Articles of Incorporation](#). The company recognises only one representative per share.

The Board of Directors determines the requirements concerning powers of attorney and instructions in accordance with the legal provisions and can issue regulations to this effect.

For limitations on transferability and nominee registrations, see → [Corporate Governance, 2. Capital structure, Clause 2.6 Limitations on transferability and nominee registrations](#).

6.2 Quorums required by the Articles of Incorporation

The company's → [Articles of Incorporation](#) do not stipulate any resolutions of the General Meeting that can be passed only by a larger majority than that envisaged by law.

6.3/6.4 Convocation of the General Meeting of Shareholders/agenda

The General Meeting is convened by the Board of Directors at the latest 20 days before the date of the meeting. No resolutions may be passed on any subject not announced in this context. Applications to convene an extraordinary General Meeting or for the performance of a special audit are exempt from this rule and may be made by any shareholder during a General Meeting without prior announcement. Shareholders representing shares with a par value of CHF 4,000 may demand inclusion of items on the agenda. Such requests must be made at least 45 days before the General Meeting in writing by stating the items of the agenda and the motions.

Furthermore, outside a General Meeting, one or more shareholders representing together at least 3% of the share capital may jointly request that an extraordinary General Meeting is called. This is made in writing by indicating the agenda items and the motion, and in the case of elections the names of the proposed candidates.

6.5 Inscriptions into the share register

In the invitation to the General Meeting, the Board of Directors will announce the cut-off date for inscription into the share register that is authoritative with respect to the right to participate and vote.

7. Changes of control and defence measures

7.1 Obligation to make an offer

There are no regulations in the Articles of Incorporation with respect to opting-up or opting-out.

7.2 Change of control clauses

For agreements and plans in the event of a change of control, see the → [Remuneration report](#).

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, has been the auditor of the Geberit Group since 1997 and of Geberit AG since its foundation in 1999. Lead auditor Beat Inauen has been in charge of the auditing mandate since 2015.

8.2 Auditing fees

In 2016, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,810 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

8.3 Additional fees

For additional services, PricewaterhouseCoopers invoiced TCHF 737 relating to tax consultancy and support as well as TCHF 49 for other services. Therefore, the non-audit fees amount to 43% of the audit fees.

8.4 Information tools of the external auditors

Before every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. The external auditors attended three meetings of the Audit Committee in the reporting year 2016.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and supports the Board of Directors in the nomination of the auditor for the attention of the ordinary General Meeting. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → [item 3, Board of Directors, 3.5 Internal organisational structure, Audit Committee](#).

9. Information policy

Geberit maintains open and regular communication with its shareholders, the capital market and the general public with the CEO, CFO and the Head Corporate Communications & Investor Relations as direct contacts.

Printed summary annual reports as well as half-year reports are sent to shareholders. A comprehensive online version of the annual report, including an integrated sustainability report, is available on the website at → www.geberit.com/annualreport. Quarterly financial statements are published. Media and analysts' conferences are held at least once a year.

Contact may be established at any time at → corporate.communications@geberit.com. Contact addresses for investors, media representatives and the interested public can be found on the website at → www.geberit.com/contact/contacts/ under the appropriate chapters.

Interested parties may add their names to a mailing list available at → www.geberit.com/maillinglist, in order to receive ad hoc announcements or further information relating to the company. All published media releases of the Geberit Group from recent years can be downloaded at → www.geberit.com/media.

Official publications of Geberit AG shall be made in the Swiss Official Commercial Gazette (SOCG). Notices to shareholders shall be made by official publications or may also be made in writing to the addresses of the shareholders recorded in the share register.

For further details on the Geberit Group's information policy, including a time schedule, please refer to the → [Geberit share information](#).

Remuneration Report

The Remuneration Report provides an overview of Geberit's remuneration principles and programs, as well as information about the method of determination of remuneration. It also includes details of the remuneration of the members of the Board of Directors and of the Group Executive Board related to the business year 2016. The report provides important and relevant information to be considered by the shareholders when making their decision with regards to the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2017 General Meeting for approval.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations, the standards related to information on Corporate Governance issued by the SIX Swiss Exchange, as well as the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

The report is structured as follows:

1. Introduction by the Chairman of the Nomination and Compensation Committee
2. Remuneration policy and principles
3. Determination of remuneration
4. Remuneration architecture
5. Board of Directors: remuneration and share ownership in 2016
6. Group Executive Board: remuneration and share/option ownership in 2016
7. Summary of share and option plans 2016
8. Summary of shares and options held by employees and management as of 31 December 2016

Additional information on business development in 2016 see also → [Business and financial review](#).

1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholder

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to introduce the 2016 compensation report.

Following the election of the members of the NCC at the 2016 General Meeting, we welcomed Regi Aalstad as a new member of the committee. Furthermore, the Board of Directors appointed the signatory as Chairman of the Nomination and Compensation Committee for the term of office starting at the 2016 General Meeting.

2016 has been a very strong year for Geberit. The integration of Sanitec has been proceeding successfully according to plan. Geberit and the former Sanitec sales units have been operating as one company with common ordering and invoicing processes in all markets since 1 January 2016. In the year, the focus has been on harmonisation of processes and realisation of synergies. The successful integration of Sanitec has contributed to a strong financial and operational performance of Geberit. The compensation report summarises how these results impacted the variable incentive payments made to the members of the Group Executive Board under the different compensation plans.

During the reporting year, and in the context of the integration of Sanitec, the NCC has concentrated its effort on the assessment of the management team and the succession planning for positions on the Group Executive Board. Further, the NCC has continued to review the compensation programmes in order to ensure their alignment to the business strategy and to the long-term interests of our shareholders. Otherwise, the NCC performed its regular activities throughout the year such as the performance goal setting at the beginning of the year and the performance assessment at year end, the determination of the compensation of the members of the Board of Directors and of the Group Executive Board, as well as the preparation of the compensation report and of the say-on-pay vote at the General Meeting. You will find further information on our activities and on Geberit's compensation system and governance on the following pages.

At the 2017 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and to the Executive Board for the 2018 business year. Further, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will see in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2017 General Meeting and the remuneration awarded to the Group Executive Board in 2016 are in line with the limits approved by the 2016 General Meeting.

Looking ahead, we will continue to assess and review our compensation programmes to ensure that they are still fulfilling their purpose in the evolving context in which the company operates. We will pursue an open and regular dialogue with our shareholders as we continue to evolve the compensation system. We trust that you find this report informative. We are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with the shareholders' interests.

Yours sincerely,



Hartmut Reuter
Chairman of the Nomination & Compensation Committee

2. Remuneration policy and principles

Core principles

In order to ensure the company's success and to maintain its position as market leader, it is critical to attract, develop and retain the right talent. Geberit's remuneration programmes are designed to support this fundamental objective and are based on the following principles:

- Remuneration is competitive with that of other companies with which Geberit competes for talents
- Both company performance and individual contributions are recognised and rewarded
- Remuneration programmes are balanced between rewarding short-term success and long-term value creation
- Shareholding programmes foster the long-term commitment and mindset of executives and the alignment of their interests to those of the shareholders
- Executives are protected against risks through appropriate pension and insurance programmes

Remuneration of the Board of Directors

In order to ensure the independence of the Board of Directors in its supervisory function over the Group Executive Board, members of the Board of Directors receive a fixed remuneration in the form of cash and non-discounted shares with a blocking period of four years. The remuneration system for the Board of Directors does not contain any performance-related components (see also → [Remuneration architecture, Board of Directors](#)).

Remuneration of the Group Executive Board

The remuneration of the Group Executive Board consists of fixed and variable elements.

The base salary and benefits form the fixed remuneration and are based on prevalent market practice.

The variable remuneration drives and rewards best-in-class performance by way of continuously setting ambitious and stretched targets. The variable remuneration consists of short-term and long-term elements:

- The short-term variable remuneration is based on Geberit's value drivers sales, earnings before interest and tax (EBIT), return on invested capital (ROIC) and earnings per share (EPS), as well as individual objectives that are embedded in the annual performance management process. This remuneration balances the reward of individual performance and company success.
- The long-term variable remuneration is based on the return on invested capital (ROIC) and aims to reward sustainable performance, to align the interests of management to those of shareholders and to foster long-term retention of the executives.

The variable remuneration is capped in order to not reward inappropriate risk-taking or short-term profit maximisation at the expense of the long-term health of the company (see also → [Remuneration architecture, Group Executive Board](#)).

Governance and shareholders' involvement

Authority for decisions related to remuneration are governed by the Articles of Incorporation and the Organisational Regulations of Geberit AG.

The prospective maximum aggregate amounts of remuneration of the members of the Board of Directors and of the Group Executive Board are subject to a binding shareholders' vote at the General Meeting. In addition, the Remuneration Report for the preceding period is subject to a consultative vote (see also → [Determination of remuneration](#)).

3. Determination of remuneration

3.1 Nomination and Compensation Committee (NCC)

As determined in the Articles of Incorporation and in the Organisational Regulations of Geberit AG, the NCC supports the Board of Directors (BoD) in the fulfillment of its duties and responsibilities in the area of remuneration and personnel policy, including:

- Establishment and periodical review of the Group's remuneration policy and principles
- Yearly review of the individual remuneration of the CEO and of the other members of the Group Executive Board
- Yearly performance assessment of the CEO and of the other members of the Group Executive Board
- Preparation of the remuneration report
- Personnel development of the Group Executive Board (GEB)
- Succession planning and nomination for positions on the Group Executive Board
- Pre-selection of candidates for election or re-election to the Board of Directors

Approval and authority levels on remuneration matters:

Decision on	CEO	NCC	BoD	AGM
Remuneration policy and guidelines, in line with the provisions of the Articles of Association		proposes	approves	
Maximum aggregate amount of remuneration for the BoD and for the GEB		proposes	reviews	binding vote
Individual remuneration of members of the BoD		proposes	approves	
Individual remuneration of the CEO (including fixed remuneration, STI ¹ and LTI ²)		proposes	approves	
Individual remuneration of the other members of the GEB	proposes	reviews	approves	
LTI ² grant for all other eligible parties	proposes	reviews	approves	
Remuneration Report		proposes	approves	consultative vote

¹ Short-Term Incentive

² Long-Term Incentive

The NCC consists exclusively of independent and non-executive members of the Board of Directors, who are elected annually by the General Meeting. Since the 2016 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman, Regi Aalstad and Jørgen Tang-Jensen as members.

The NCC meets at least three times per year. In 2016, it held three meetings including, among others, the predefined recurring agenda items illustrated below. The participation rate for NCC meetings in 2016 was 100%.

	Beginning of year (Feb/March)	Summer (August)	End of year (December)
Remuneration policy		- Review of remuneration policy and programmes	
GEB matters	- Individual performance appraisal (previous year) - STI payout (previous year) - Vesting of equity awards (previous years)	- Succession planning for GEB positions - Talent management session	- Target remuneration (following year) - Target setting for STI (following year) - Option valuation and definition of performance criteria LTI for next grant
BoD remuneration			- BoD remuneration (following year)
Governance	- AGM preparation (maximum amounts of remuneration of GEB and BoD to be submitted to say-on-pay votes)	- Review of shareholders and proxy advisors feedback on the remuneration report	- Draft remuneration report - Agenda NCC for following year

As a general rule, the Chairman of the Board of Directors, the CEO and the Head of Corporate Human Resources participate in the meetings of the NCC. The Chairman of the NCC may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not take part in the section of the meetings where their own performance and/or remuneration are discussed. At the end of each meeting, a closed session takes place among the members of the NCC only.

After each meeting, the Chairman of the NCC reports to the Board of Directors on its activities and recommendations. The minutes of the NCC meetings are available to the full Board of Directors.

3.2 Process of determination of remuneration

Benchmarks and external consultants

Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, e.g. every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2015, a detailed analysis of the remuneration of the CEO and the other members of the Group Executive Board was carried out by an independent external compensation consulting firm, Towers Watson. This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies of comparable size and geographic scope and headquartered in Switzerland: Autoneum, Barry Callebaut, Bucher, Dätwyler, Ems-Chemie, Georg Fischer, Givaudan, dormakaba, Logitech, Lonza, Mettler-Toledo, OC Oerlikon, Schindler, Schweiter, SFS, Sika, Sonova, Sulzer and Zehnder. The study, together with other published data, served as basis to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2016. While many different factors, such as individual role and contribution, company performance and affordability, are considered to determine remuneration levels, the policy of Geberit is to provide target remuneration that is in principle positioned around the market median.

In regard to the remuneration of the Board of Directors, the remuneration and levels are reviewed periodically by the NCC. Such a review took place in 2015 with a benchmarking analysis provided by Towers Watson, which investigated companies of the Swiss Market Index Mid (SMIM). The study, together with other published data, served as basis to determine the remuneration of the members of the Board of Directors for the remuneration period starting at the 2016 General Meeting.

Performance management

The actual remuneration effectively paid out in a given year to the Group Executive Board members depends on the corporate results and on the individual performance. Individual performance is assessed through the formal annual performance management process: company and individual performance objectives are approved at the beginning of the business year and achievements against those objectives are assessed after year-end. The performance appraisal is the basis for the determination of the actual remuneration.



3.3 Shareholder involvement

In the last four years, based on the feedback received by shareholders and shareholders' representatives, Geberit has made significant efforts to improve the remuneration disclosure in terms of transparency and level of detail provided about the remuneration principles and programmes. The positive outcome of the consultative votes on the 2013, 2014 and 2015 Remuneration Reports indicates that shareholders welcome the progress made. Geberit foresees to continue to submit the Remu-

neration Report to a consultative shareholders' vote at the General Meeting, in order that shareholders have an opportunity to express their opinion about the remuneration system.

Articles of Incorporation

As required by the Ordinance, the → **Articles of Incorporation** of Geberit include the following provisions on remuneration:

- Principles applicable to performance-related pay:
the members of the Group Executive Board may be paid variable remuneration which may include short- and long-term elements and which is linked to the achievement of one or several performance criteria.
- Binding votes on maximum aggregate compensation amounts of the Board of Directors and Group Executive Board:
shareholders vote prospectively on the maximum aggregate remuneration amount for the Board of Directors until the next ordinary General Meeting and for the maximum aggregate remuneration amount for the Group Executive Board for the following business year. Further, shareholders can express their opinion on the remuneration principles and structure through a consultative vote on the remuneration report.
- Additional amount for payments to members of the Group Executive Board appointed after the vote on remuneration at the General Meeting:
for the remuneration of members of the Group Executive Board who have been appointed after the approval of the maximum aggregate remuneration amount by the General Meeting, and to the extent that the maximum aggregate remuneration amount as approved does not suffice, an amount of up to 40% of the maximum aggregate remuneration amount approved for the Group Executive Board is available without further approval of the General Meeting.
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Board:
no loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

The provisions of the Articles of Incorporation have been kept broad in order that the Board of Directors has sufficient flexibility to make amendments to the remuneration programmes in the future, if so necessary. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned to good practice in corporate governance; for example, the independent members of the Board of Directors are not eligible for any variable remuneration or retirement benefits (see also → **Remuneration architecture, Board of Directors**).

4. Remuneration architecture

4.1 Board of Directors

The remuneration of the members of the Board of Directors is defined in a regulation adopted by the Board of Directors and consists of an annual fixed retainer and a remuneration for their committee work. The remuneration is paid in form of restricted shares subject to a four-year blocking period. In addition, the members of the Board of Directors receive a lump sum to cover their expenses, paid out in cash.

The chairman of the Board of Directors receives an annual total fixed retainer paid 70% in cash and 30% in restricted shares subject to a four-year blocking period. The Chairman also receives the same expense allowance but is not entitled to additional fees for committee attendance.

The compensation amounts have been reviewed in 2016. The total fixed retainer of the Chairman has been reduced from TCHF 985 to TCHF 885 as the transition period to the new CEO has been successfully completed. Further, the annual fixed retainer of the members of the Board of Directors has been increased from TCHF 170 to TCHF 190 to align more closely to market practice.

Annual fees	in CHF	Delivery
Chairman	885,000	Cash and restricted shares
Vice-Chairman	245,000	Restricted shares
Member of the BoD	190,000	Restricted shares
Chairman of NCC / Audit Committee	45,000	Restricted shares
Member of NCC / Audit Committee	30,000	Restricted shares
Expense allowance	15,000	Cash

The remuneration is paid out at the end of the term of office and is subject to regular contributions to social security. The members of the Board of Directors are not insured under the company pension plan.

The shares are subject to an accelerated unblocking in case of death; they remain subject to the regular blocking period in all other instances.

Further information regarding the remuneration amounts for the period from the 2017 General Meeting to the 2018 General Meeting is provided in the invitation to the 2017 General Meeting.

4.2 Group Executive Board

The remuneration of the Group Executive Board is defined in a regulation adopted by the Board of Directors and consists of the following elements:

- Fixed base salary
- Variable cash remuneration (Short-Term Incentive (STI))
- Long-term equity participation plan (Long-Term Incentive (LTI))
- Additional employee benefits, such as pension benefits and perquisites

	Programme	Instrument	Purpose	Plan/performance period	Performance metrics in 2016
Base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract & retain	1-year performance period	Sales, EBIT, EPS, ROIC, individual objectives
	Share Participation Program MSPP	Matching share options in case of an investment of variable cash in restricted shares	Align with shareholders' interests	Shares: 3-year restriction period Share options: 4-year vesting period (staged), 7-year plan period	Share options: ROIC
Long-Term Incentive	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance, align with shareholders' interests, retain	5-year performance period (staged), 10-year plan period	ROIC
Benefits	Pension	Gemeinschaftsstiftung, Wohlfahrtsfonds	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & retain		

Base salary

The base salary is a fixed remuneration paid in cash on a monthly basis. It is determined on the basis of the scope and responsibilities of the position, the market value of the role and the qualifications and experience of the incumbent. The base salary is reviewed annually based on market salary information, the company's financial affordability and performance, and the evolving experience of the individual in the role.

Variable cash remuneration / Short-Term Incentive (STI)

The variable cash remuneration (STI) of the Group Executive Board and some 200 additional members of Group management rewards the achievement of annual financial business goals and of individual objectives agreed and evaluated within the annual performance management process.

The base salary and the variable cash remuneration (assuming 100% achievement of all objectives) form the so-called target income. The base salary makes up 70% of the target income and the variable remuneration 30%, out of which 25% is driven by the achievement of business goals and 5% by the achievement of individual objectives.

Functionality remuneration model

The financial objectives include sales, EBIT, earnings per share (EPS) and return on invested capital (ROIC), equally weighted. These financial objectives have been chosen because they are key value drivers and generally reward for growing the business and gaining market shares (top-line contribution), for increasing profitability over-proportionally through strong operating leverage (bottom-line contribution) and for investing the capital efficiently. Every year, on the basis of a recommendation made by the NCC, the Board of Directors determines the expected target level of performance for each financial objective for the following year. In order to strengthen the company's position as market leader and to continuously strive for superior performance, significant improvements against the previous year's achievements are generally required in order to meet the target level of performance, in line with the company's ambitious financial plan. The intention of this demanding target setting is to deliver best-in-class performance and to stay ahead of the market. In addition, a threshold level of performance, below which no variable remuneration is paid out, and a maximum level of performance, above which the variable remuneration is capped, are determined as well. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives shall not exceed 60% of the target income.

To find out how the functionality remuneration model works, visit the interactive graphic in the online Annual Report at → www.geberit.com/annualreport > **Business report > Remuneration report.**

The individual performance component is based on the achievement of individual objectives predefined at the beginning of the year between the CEO and individual members of the Group Executive Board, and for the CEO, between the Board of Directors and the CEO. The individual objectives are of a more qualitative and strategic nature and may include, for example, objectives related to product and service innovation, entry in new markets, management of strategic projects and leadership. The maximum payout for the individual objectives shall not exceed 10% of the target income.

As a result, the total variable cash remuneration for members of the Group Executive Board is capped at 70% of the target income, which corresponds to the annual base salary.

Members of the Group Executive Board have the opportunity to invest part or all their variable cash remuneration in shares of the company through the Management Stock Purchase Plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable cash remuneration to be invested in shares. The shares are blocked for a period of three years. In order to encourage executives to participate in the programme, a free share option is provided for each share purchased through the programme. The options are subject to a performance-based vesting period of four years: a quarter vest one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant. The other features of the options and the performance condition (return on invested capital ROIC) are the same as those applicable to the options granted under the Long-Term Incentive MSOP plan, see section → **Long-Term Incentive (LTI)**.

In the event of termination of employment, the following provisions apply to MSPP shares and options:

Termination reason	Plan rules	Vested options	Restricted shares
	Unvested options		
Death	Accelerated full vesting based on effective performance at date of termination as determined by the BoD	Regular exercise period	Immediate unblocking
Retirement or disability	Full vesting at regular vesting date	Regular exercise period	Immediate unblocking
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period	Regular blocking period
Change of control*	Accelerated full vesting based on effective performance at date of termination as determined by the BoD	Regular exercise period	Immediate unblocking

* This rule only applies in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of a change of control or liquidation.

Long-Term Incentive (LTI)

The purpose of the Long-Term Incentive (Management Share Option Plan MSOP) is to ensure long-term value creation for the company, alignment of the interests of executives to those of shareholders and long-term retention of executives. The MSOP was revised, with the introduction of a performance-based vesting condition effective 1 January 2013 and with the extension of the vesting period to five years, effective 1 January 2016.

Every year, the Board of Directors determines the grant of share options. In 2016, the market value of options granted amounts to 50% of the target income for the CEO and to between 40 and 50% for the other members of the Group Executive Board. For some 100 additional participants of the Group management, the market value amounts to 10% of the target income.

The options granted in 2016 are subject to a vesting period staged over five years as follows: one third of the options can be exercised three years after the grant, a further third can be exercised four years after the grant and the remaining third can be exercised five years after the grant. The options have a term of 10 years (counted from the grant date) after which they expire.

The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Operating Capital (ROIC) over the respective vesting period. ROIC expresses how well the company is generating cash relative to the capital it has invested in its business. The Board of Directors determines a target level of performance for which the options will vest in full and a minimum level of performance (threshold), below which there is no vesting at all. Both the threshold and the target are ambitious: they are substantially above the weighted average cost of capital. The payout level between the threshold and the target is determined by linear interpolation. There is no over-achievement in the MSOP. The options can be exercised between the respective vesting date and the expiration date. The exercise price of the options corresponds to the fair market value of the underlying share at the time of grant.

In the event of termination of employment, the following provisions apply to MSOP options:

To find out how the long-term option programme (MSOP) works, visit the interactive graphic in the online Annual Report at → www.geberit.com/annualreport > **Business report** > **Remuneration report**.

Termination reason	Plan rules	Vested options
	Unvested options	
Death	Accelerated prorata vesting on the basis of the number of full months worked during the vesting period based on effective performance at date of termination as determined by the BoD	Regular exercise period
Retirement or disability	Pro-rata vesting (on the basis of the number of full months worked) at regular vesting date	Regular exercise period
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period
Change of control*	Accelerated full vesting based on effective performance at date of termination as determined by the BoD	Regular exercise period

* This rule only applies in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of a change of control or liquidation.

Disclosure of targets

Internal financial and individual targets under the STI and the LTI plans are considered commercially sensitive information. Communicating such targets would allow delicate insight into the strategy of Geberit and therefore may create a competitive disadvantage for the company. Therefore, the decision was made not to disclose the specifics of those targets at the time of their setting, but to provide a general comment on the performance at the end of the cycle. As a general principle, on a comparable basis, significant improvements against the previous year's achievements are required in order to meet the target level of performance, in line with the company's ambitious financial plan.

Benefits

Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 146 per annum, with age-related contribution rates equally shared between the company and the individual, and a supplementary plan in which income in excess of TCHF 146 is insured (including actual variable cash remuneration), up to the maximum amount permitted by law. The company pays for the entire contribution in the supplementary plan.

Furthermore, each member of the Group Executive Board is entitled to a company car and a representation allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

Employment terms and conditions

All members of the Group Executive Board have permanent employment contracts with notice periods of a maximum of one year. Members of the Group Executive Board are not entitled to any severance payment.

In order to ensure good corporate governance, Geberit has implemented a claw-back policy on payments made under the Short-Term Incentive programme, which covers situations where the company is required to restate its accounts due to non-compliance with financial reporting requirements under the securities laws at the time of disclosure. In such cases, the Board of Directors is empowered to recalculate the STI payout, taking into account the restated financial results, and to seek reimbursement of any STI amount paid in excess of the newly calculated amount. The claw-back clause is applicable for three years after the payment of the respective variable remuneration.

5. Board of Directors: remuneration and share ownership in 2016

This section is audited by the external auditor.

The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of cash and non-discounted restricted shares. In 2016, members of the Board of Directors received a total remuneration of TCHF 2,296 (previous year TCHF 2,293). Remuneration for regular board activities and committee assignments amounted to TCHF 2,100 (previous year TCHF 2,100). The structure of remuneration of the members of the Board of Directors has not changed compared with the previous year. The level has been decreased for the Chairman and been increased for the members of the Board of Directors, totally to the same extent.

Please refer to the following table for details pertaining to the remuneration of members of the Board of Directors:

	A. Baehny Chairman	H. Reuter Vice Chairman ¹	R. Aalstad ²	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2016							
Remuneration of the Board of Directors							
Accrued remuneration ³	270,000	306,250	165,000	231,250	212,500	220,000	1,405,000
Cash remuneration	615,000						615,000
Expenses	15,000	15,000	11,250	15,000	15,000	15,000	86,250
Contributions to social insurance	47,156	14,527	8,152	11,204	10,361	10,709	102,109
Total	947,156	335,777	184,402	257,454	237,861	245,709	2,208,359

¹ H. Reuter has been Vice Chairman of the Board of Directors since 6 April 2016

² R. Aalstad has been a member of the Board of Directors since 6 April 2016

³ Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2017 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is 4 years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

		CHF
Remuneration of former members of the Board of Directors (R. Spoerry*)		
Accrued remuneration		80,000
Expenses		3,750
Contributions to social insurance		3,959
Total		87,709

* R. Spoerry was a member of the Board of Directors until 6 April 2016

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	T. Hübner	H. Reuter	J. Tang- Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2015							
Remuneration of the Board of Directors							
Accrued remuneration	300,000	320,000	200,000	150,000	245,000	200,000	1,415,000
Cash remuneration	685,000	0	0	0	0	0	685,000
Expenses	15,000	15,000	15,000	11,250	15,000	15,000	86,250
Contributions to social insurance	52,825	15,145	9,788	7,388	11,807	9,794	106,747
Total	1,052,825	350,145	224,788	168,638	271,807	224,794	2,292,997

Remuneration of former members of the Board of Directors

Accrued remuneration	0
Expenses	0
Contributions to social insurance	0
Total	0

For the period from the 2016 General Meeting to the 2017 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,294,866. This is within the limit of CHF 2,350,000 approved by the 2016 General Meeting.

Reconciliation between the reported board compensation and the amount approved by the shareholders at the General Meeting

	1*	2**	3***	4****	5*****	6*****
GM16–GM17	2016	1 Jan 2016 to 2016 GM	1 Jan 2017 to 2017 GM	2016 GM to 2017 GM	2016 GM	2016 GM
BoD (total)	2,296,068	-574,948	+573,746	2,294,866	2,350,000	98%
GM15–GM16	2015	1 Jan 2015 to 2015 GM	1 Jan 2016 to 2016 GM	2015 GM to 2016 GM	2015 GM	2015 GM
BoD (total)	2,292,997	-531,090	+574,948	2,336,855	2,350,000	99%

* Compensation earned during financial year as reported (A)

** Less compensation earned from January to General Meeting of financial year (B)

*** Plus compensation accrued from January to General Meeting of year following financial year (C)

**** Total compensation earned for the period from General Meeting to General Meeting (A-B+C)

***** Amount approved by shareholders at respective General Meeting

***** Ratio between compensation earned for the period from General Meeting to General Meeting versus amount approved by shareholders

As of the end of 2016 and 2015, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	R. Aalstad	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
2016							
Shareholdings Board of Directors							
Shares	56,219	7,649	0	1,776	394	2,131	68,169
Options	55,231*	0	0	0	0	0	55,231
Percentage voting rights shares	0.15%	< 0.1%	0%	< 0.1%	< 0.1%	< 0.1%	0.18%

* A. Baehny options until 2014 as CEO

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	T. Hübner	H. Reuter	J. Tang- Jensen	Total
2015							
Shareholdings Board of Directors							
Shares	46,969	8,479	1,251	10	7,004	1,715	65,428
Options	63,688*	0	0	0	0	0	63,688
Percentage voting rights shares	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.17%

* A. Baehny options until 2014 as CEO

As of 31 December 2016, there were no outstanding loans or credits between the company and the members of the Board of Directors, closely related parties or former members of the Board of Directors.

6. Group Executive Board: remuneration and share/option ownership in 2016

This section is audited by the external auditor.

6.1 Performance in 2016

The successful integration of Sanitec has led to a strong financial and operational performance of Geberit in 2016.

Net sales increased by 8.3% in 2016, to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a positive foreign currency effect of +0.7% and an acquisition- and divestment-related net increase of 1.2%. The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 16.2% to CHF 686.5 million and the correspondingly adjusted EBIT margin came to 24.4%. Adjusted net income rose by 18.4% to CHF 584.0 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 19.8% to CHF 15.85. The non-adjusted figures were CHF 640.1 million for the EBIT, CHF 548.2 million for net income and CHF 14.88 for earnings per share. Free cashflow rose by 16.5% to CHF 563.9 million. The average Return on Invested Capital (ROIC) was 21.5% (prior year 20.1%).

To determine the variable cash remuneration (STI) of the members of the Group Executive Board, the following Key Performance Indicators (KPI) are used: Sales, EBIT, Earning per Share (EPS) and ROIC, all equally weighted. Furthermore, the achievement of qualitative individual targets is considered. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration exceeded the targets.

6.2 Remuneration awarded in 2016

The remuneration of the Group Executive Board amounted to TCHF 9,126 in 2016 (previous year TCHF 6,764). The remuneration of the CEO amounted to TCHF 2,287 in 2016 (previous year TCHF 1,786). The higher total remuneration in 2016 for the Group Executive Board compared to the previous year is the result of various factors:

- Compensation increase for the CEO in order to align compensation gradually to market
- The Group Executive Board was increased from six to seven members
- Target achievement in the STI programme was higher than in the previous year
- Selected higher option grants (LTI) to align compensation to market

The base salaries of the existing Group Executive Board, except for the CEO, remained unchanged. Contributions to company pension funds increased due to higher results in the variable compensation (STI), as well as the other benefits with the additional member of the Group Executive Board.

At the 2014 General Meeting, the shareholders approved a maximum aggregate compensation amount of TCHF 9,750 for the Group Executive Board for the year 2016. The compensation paid for that period amounts to TCHF 9,126 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2016, compared with the maximum potential amount of remuneration, is provided with the invitation to the Ordinary General Meeting 2017.

The following table – reviewed by the external auditor – shows details of remuneration for 2016 and 2015:

	2016		2015	
	C. Buhl CEO	Total	C. Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	791,804	3,145,644	756,800	2,819,507
- Variable salary ¹	709,550	2,776,122	401,500	1,459,092
<i>thereof in shares in 2016²</i>			400,819	1,034,605
Shares/options				
- Call options MSOP 2016/2015 ³	574,986	2,123,866	439,927	1,502,281
- Call options MSPP 2016/2015 ⁴	29,705	81,824	18,937	144,005
Non-cash benefits				
- Private share of company vehicle ⁵	7,056	45,040	6,648	39,864
Expenditure on pensions				
- Pension plans and social insurance	171,254	937,049	159,607	786,263
- Contribution health/accident insurance	2,454	16,382	2,238	13,388
Total⁶	2,286,809	9,125,927	1,785,657	6,764,400

¹ The amounts to be paid (current year), respectively the amounts effectively paid (previous year) are shown. The payment of the variable salary occurs in the following year. Members of the Group Executive Board are free to choose between a payment in shares or in cash.

² Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 361.75 (PY CHF 349.15).

³ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Option Programme (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 361.75 (previous year CHF 349.15); definitive acquisition of the option ("vesting") dependent on various conditions, 3-5-year blocking period (3 tranches at 33%); previous year 2-4 year blocking period (3 tranches at 33%). Market value of CHF 31.42 (previous year CHF 33.48) determined using the binomial method.

⁴ Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Programme (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 361.75 (previous year CHF 349.15); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 26.81 (previous year CHF 34.06) determined using the binomial method.

⁵ Valuation in accordance with the guidelines of the Swiss Federal Tax Administration FTA (0.8% of the purchase cost per month).

⁶ Immaterial payments (below CHF 500) are not included in the total. Overall, these payments do not exceed CHF 2,000 per member of the Group Executive Board.

The parameters taken into consideration in the option valuation model are set out in
→ **Note 17 Participation plans of the consolidated financial statements.**

6.3 Shareholdings of Group Executive Board

As of the end of 2016 and 2015, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Baumüller	Total
2016										
Shareholdings Group Executive Board										
Shares			4,588	31,812	2,500	2,336	8,691	40	1,343	51,310
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.14%
Call options*										
Vesting period:										
Vested	2017–2022	242.80	1,633	0	0	1,990	7,314	0	3,046	13,983
2017	2020–2023	306.01	5,841	9,172	9,308	2,789	8,013	10	995	36,128
2018	2021–2023	330.95	5,339	6,834	7,011	2,477	6,140	10	687	28,498
2019	2022–2026	355.45	10,896	7,227	7,739	3,920	6,647	2,556	600	39,585
2020	2023–2026	361.75	6,377	3,994	4,331	2,006	3,706	2,556	325	23,295
2021	2026	361.75	6,100	3,866	4,206	1,909	3,628	2,546	277	22,532
Total options			36,186	31,093	32,595	15,091	35,448	7,678	5,930	164,021
Percentage potential share of voting rights options			0.1%	< 0.1%	< 0.1%	< 0.1%	0.1%	< 0.1%	< 0.1%	0.44%

* Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	Total
2015									
Shareholdings Group Executive Board									
Shares			3,480	31,300	2,000	1,665	7,462	0	45,907
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0%	0.12%
Call options*									
Vesting period:									
Vested	2017–2021	225.54	1,547	0	375	2,298	2,103	0	6,323
2016	2017–2022	242.80	1,709	7,558	7,567	1,483	6,541	0	24,858
2017	2020–2022	287.43	5,564	9,044	9,183	2,692	7,935	0	34,418
2018	2021–2022	315.55	5,062	6,706	6,886	2,380	6,062	0	27,096
2019	2022	349.15	4,519	3,233	3,408	1,914	2,941	0	16,015
Total options			18,401	26,541	27,419	10,767	25,582	0	108,710
Percentage potential share of voting rights options			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0%	0.29%

* Purchase ratio 1 share for 1 option

As of 31 December 2016, there were no outstanding loans or credits between the company and the members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

7. Summary of share and option plans 2016

This section has been audited as part of the Financial Notes to the Consolidated Statements of Geberit Group.

In 2016 employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 17** of the consolidated financial statements (participation plans). Under the three different **share plans**, the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2016 (ESPP)	2018	2,234	18,661	235.14
Management share purchase plan 2016 (MSPP)	2019	91	8,600	361.75
Directors programme 2016 (DSPP)	2020	6	3,616	361.75
Total			30,877	

The 30,877 shares required for these plans were taken from the stock of treasury shares.

In 2016 Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, the following numbers of options were allocated.

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2016 (MSPP)	2017–2020	2023	91	8,600	361.75
Option plan 2016 (MSOP)	2019–2021	2026	88	122,619	361.75
Total				131,219	

The fair value of the options granted in 2016 amounted to CHF 26.81 (MSPP) and CHF 31.42 (MSOP Group Executive Board) at the respective grant date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price*	Expected σ volatility	Expected \emptyset dividend yield	Contractual period	Risk free \emptyset interest rate
	CHF	%	%	Years	%
Management share purchase plan 2016 (MSPP)	361.75	17.06	2.33	7	-0.61
Option plan 2016 (MSOP)	361.75	17.43	2.33	10	-0.42

* The exercise price corresponds to the average price of Geberit shares for the period from 8. – 21.3.2016.

Costs resulting from participation plans amounted to CHF 2.6 million in 2016 (prior year CHF 3.0 million); those for option plans totalled CHF 2.9 million (prior year CHF 3.0 million).

8. Summary of shares and options held by employees and management as of 31 December 2016

This section has been audited as part of the Financial Notes to the Consolidated Statements of Geberit Group.

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2016, the Board of Directors, the Group Executive Board and the employees owned a combined total of 353,688 (previous year 357,850) shares, i.e. 1.0% (previous year 0.9%), of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2016:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2017–2022	86,867	260.16	86,867	260.16
2017	2020–2023	94,138	292.12	94,138	292.12
2018	2021–2023	70,845	311.26	70,845	311.26
2019	2022–2026	67,393	357.15	67,393	357.15
2020	2023–2026	42,811	361.75	42,811	361.75
2021	2026	40,661	361.75	40,661	361.75
Total		402,715	313.91	402,715	313.91

The following movements took place in 2016 and 2015:

	MSOP		MSPP		Total 2016		Total 2015	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding 1 January	312,211	278.09	34,873	287.80	347,084	279.07	302,914	247.98
Granted options	122,619	361.75	8,600	361.75	131,219	361.75	97,747	349.15
Forfeited options	3,248	295.82	21	327.98	3,269	296.03	1,126	246.95
Expired options	0	0	0	0	0	0	0	0
Exercised options	66,744	231.59	5,575	253.10	72,319	233.25	52,451	230.85
Outstanding 31 December	364,838	314.35	37,877	309.68	402,715	313.91	347,084	279.07
Exercisable at 31 December	75,933	259.10	10,934	267.56	86,867	260.16	49,223	232.22

The options outstanding at 31 December 2016 had an exercise price of between CHF 192.85 and CHF 361.75 and an average remaining contractual life of 5.8 years.

9. Report of the statutory auditor



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Report of the statutory auditor
to the General Meeting
of Gerberit AG
Rapperswil-Jona

Report of the statutory auditor to the General Meeting on the remuneration report 2016

We have audited the → **Remuneration report** dated 8 March 2017 of Gerberit AG for the year ended 31 December 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration 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 remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration 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 remuneration 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 remuneration 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 remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration 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 remuneration report of Gerberit AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

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

Beat Inauen
Audit expert
Auditor in charge

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

Martin Knöpfel
Audit expert

Zürich, 8 March 2017