

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

CHF

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'.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Knöpfel'.

Martin Knöpfel
Audit expert

Zürich, 8 March 2017