

# REMUNERATION REPORT

The Remuneration Report provides an overview of Geberit's remuneration principles and programmes, as well as information about the determination method for the remuneration. It also includes the remuneration of the members of the Board of Directors and of the Group Executive Board for the business year 2017. The report provides the relevant information to be considered by the shareholders when making their decision regarding the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2018 General Meeting for approval.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations (Ordinance), 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 2017
6. Group Executive Board: remuneration and share/option ownership in 2017
7. Summary of share and option plans 2017
8. Summary of shares and options held by employees and management as of 31 December 2017
9. Report of the statutory auditor

For additional information on business development in 2017 see also → **Business and financial review**.

# 1. INTRODUCTION BY THE CHAIRMAN OF THE NOMINATION & COMPENSATION COMMITTEE

Dear shareholders,

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to present the 2017 Remuneration Report.

As of the 2017 General Meeting, we welcomed Eunice Zehnder-Lai as a new member of the NCC.

The 2017 financial year was shaped by a generally positive market environment as well as the achievement of the most important milestones regarding the integration of the ceramics business. Good results were achieved overall. Increased sales volumes, a positive product mix effect, and synergies from the Sanitec integration had a positive effect on the operating results. Three factors in particular – namely higher raw material prices, increased personnel expenses and depreciation – had a negative impact. The Remuneration Report summarises how these results impacted the variable remuneration made to the members of the Group Executive Board under the different remuneration components.

During the reporting year, future changes were announced for the management of Geberit: Martin Ziegler was appointed to the Group Executive Board as the new Head of Operations as of 1 January 2018, succeeding Michael Reinhard, who retired after 13 years with Geberit. This internal appointment is a result of our continued focus on the assessment of performance and succession planning for positions on the Group Executive Board.

The NCC also continued to review the compensation programmes in order to ensure their alignment with the business strategy and with 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 Remuneration Report and of the say-on-pay vote for 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 2018 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 the maximum aggregate remuneration awarded to the Executive Board for the 2019 business year. Additionally, 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 2018 General Meeting and the remuneration awarded to the Group Executive Board in 2017 are within the limits approved at the 2017 General Meeting and 2016 General Meeting respectively.

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 enhance the compensation system. We have every confidence that you will find this report informative. We are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with 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
- Participation plans 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 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.

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

Variable remuneration drives and rewards best-in-class performance based on ambitious and stretched targets. It consists of short-term and long-term elements:

- Short-term variable remuneration is based on the 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 element rewards individual performance as well as company success.
- 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 with those of shareholders and to foster retention of the executives.

Variable remuneration is capped to avoid rewarding 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)

Pursuant to the Articles of Incorporation and the Organisational Regulations of Geberit AG, the NCC supports the Board of Directors (BoD) in the fulfilment 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 (GEB)
- 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
- 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 <sup>1</sup> , LTI <sup>2</sup> )		Proposes	Approves	
Individual remuneration of the other members of the GEB	Proposes	Reviews	Approves	
LTI <sup>2</sup> grant for all other eligible parties	Proposes	Reviews	Approves	
Remuneration Report		Proposes	Approves	Consultative vote

<sup>1</sup> Short-Term Incentive

<sup>2</sup> Long-Term Incentive

The NCC consists of independent and non-executive members of the Board of Directors only who are elected annually by the shareholders at the General Meeting. Since the 2017 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman as well as Eunice Zehnder-Lai and Jørgen Tang-Jensen as members.

The NCC meets at least three times per year. In 2017, it held three meetings covering, among others, the predefined recurring agenda items illustrated below. The participation rate for NCC meetings in 2017 was 100%.

	February	August	December
<b>Remuneration policy</b>	- Participation programme (employee participation programme, LTI grant)		- Target income Head Internal Audit (following year)
<b>GEB matters</b>	- Individual performance appraisal (previous year) - STI payout (previous year) - Vesting of equity awards (previous years)	- Benchmarking of GEB remuneration - 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
<b>BoD matters</b>			- BoD remuneration (following year) - BoD evaluation
<b>Governance</b>	- 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 - Corporate update - Update on diversity	- 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, every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2017, 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, Willis Towers Watson (Switzerland). This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies headquartered in Switzerland: ABB, AMS, Aryzta, Barry Callebaut, Clariant, Dätwyler, dormakaba, Forbo, Georg Fischer, Givaudan, LafargeHolcim, Logitech, Lonza, OC Oerlikon, Schindler, Sika, Sonova, Straumann and Sulzer. The study, together with other published data, was used to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2018. While many different factors (such as the individual role, experience in the role and contribution, company performance and affordability) are considered to determine remuneration levels, the policy of Geberit is to provide a target remuneration that is in principle positioned around the market median.

With 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 Willis Towers Watson, which covered companies of the Swiss Market Index Mid (SMIM).

#### 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. The 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 achievement against those objectives is assessed after year-end. The performance appraisal is the basis for the determination of the actual remuneration.



### 3.3 SHAREHOLDER INVOLVEMENT

In the last five years, based on the feedback received by shareholders and shareholder representatives, Geberit has made significant efforts to improve the remuneration disclosure in terms of both transparency and of the level of detail provided about the remuneration principles and programmes. The positive outcome of the consultative votes on the Remuneration Reports since 2013 indicates that shareholders welcome the progress made. Geberit will continue to submit the Remuneration Report to a consultative shareholder vote at the General Meeting, so 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 so that the Board of Directors has sufficient flexibility to make any necessary amendments to the remuneration programmes. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned with 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 the → **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 remuneration for committee work. The remuneration is paid in form of 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 expense allowance but is not entitled to additional fees for committee attendance.

The compensation amounts have remained unchanged since the last review in 2016 as follows:

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 contributions to social security. The members of the Board of Directors are not covered 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 2018 General Meeting to the 2019 General Meeting is provided in the invitation to the 2018 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 2017
<b>Base salary</b>	Annual base salary	Monthly cash payments	Pay for the function		
<b>Short-Term Incentive</b>	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
<b>Long-Term Incentive</b>	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
<b>Benefits</b>	Pension	Gemeinschafts-stiftung, 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, considerations from the perspective of 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 approximately 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 equal weightings of sales performance, earnings before interest and taxes (EBIT) and earnings per share (EPS) compared with the previous year as well as the return on invested capital (ROIC). These financial objectives have been chosen because they are key value drivers for Geberit and generally reward for growing the business and gaining market share (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.

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 Di-

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

rectors 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 of 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 at → **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		
<b>Death</b>	Accelerated full vesting based on effective performance at the date of termination as determined by the BoD	Regular exercise period	Immediate unblocking
<b>Retirement or disability</b>	Full vesting at regular vesting date	Regular exercise period	Immediate unblocking
<b>Other reasons than death, retirement or disability</b>	Forfeiture	90-day exercise period	Regular blocking period
<b>Change of control*</b>	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 2017, the market value of options granted amounts to 60% 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 2017 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, an additional 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

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

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:

Termination reason	Plan rules	
	Unvested options	Vested options
<b>Death</b>	Accelerated pro-rata 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
<b>Retirement or disability</b>	Pro-rata vesting (on the basis of the number of full months worked) at regular vesting date	Regular exercise period
<b>Other reasons than death, retirement or disability</b>	Forfeiture	90-day exercise period
<b>Change of control*</b>	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 148 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 148 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 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 2017

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 2017, members of the Board of Directors received a total remuneration of TCHF 2,283 (previous year TCHF 2,296). 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 to the previous year.

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

	A. Baehny Chairman CHF	H. Reuter Vice Chairman CHF	E. Zehnder-Lai <sup>1</sup> CHF	F. Ehrat CHF	T. Hübner CHF	J. Tang- Jensen CHF	Total CHF
<b>2017</b>							
<b>Remuneration of the Board of Directors</b>							
Accrued remuneration <sup>2</sup>	270,000	320,000	165,000	235,000	220,000	220,000	1,430,000
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	44,843	15,161	8,140	11,360	10,689	0 <sup>3</sup>	90,193
<b>Total</b>	<b>944,843</b>	<b>350,161</b>	<b>184,390</b>	<b>261,360</b>	<b>245,689</b>	<b>235,000</b>	<b>2,221,443</b>

<sup>1</sup> E. Zehnder-Lai has been a member of the Board of Directors since 5 April 2017.

<sup>2</sup> Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2018 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.

<sup>3</sup> No more social insurance contributions in Switzerland in 2017.

	CHF
<b>Remuneration of former members of the Board of Directors (R. Aalstad*)</b>	
Accrued remuneration	55,000
Expenses	3,750
Contributions to social insurance	2,713
<b>Total</b>	<b>61,463</b>

\* R. Aalstad was a member of the Board of Directors until 5 April 2017.

	A. Baehny Chairman CHF	H. Reuter Vice Chairman <sup>1</sup> CHF	R. Aalstad <sup>2</sup> CHF	F. Ehrat CHF	T. Hübner CHF	J. Tang- Jensen CHF	Total CHF
<b>2016</b>							
<b>Remuneration of the Board of Directors</b>							
Accrued remuneration <sup>3</sup>	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
<b>Total</b>	<b>947,156</b>	<b>335,777</b>	<b>184,402</b>	<b>257,454</b>	<b>237,861</b>	<b>245,709</b>	<b>2,208,359</b>

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

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

<sup>3</sup> Director's fee booked, but not yet paid as at 31 December. Payment was 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

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

\* R. Spoerry was a member and Vice Chairman of the Board of Directors until 6 April 2016.

For the period from the 2017 General Meeting to the 2018 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,279,943. This is within the limit of CHF 2,350,000 approved by the 2017 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*****
GM17–GM18	2017	1 Jan 2017 to 2017 GM	1 Jan 2018 to 2018 GM	2017 GM to 2018 GM	2017 GM	2017 GM
<b>BoD (total)</b>	<b>2,282,906</b>	<b>-574,920</b>	<b>+571,957</b>	<b>2,279,943</b>	<b>2,350,000</b>	<b>97%</b>
GM16–GM17	2016	1 Jan 2016 to 2016 GM	1 Jan 2017 to 2017 GM	2016 GM to 2017 GM	2016 GM	2016 GM
<b>BoD (total)</b>	<b>2,296,068</b>	<b>-574,948</b>	<b>+574,920</b>	<b>2,296,040</b>	<b>2,350,000</b>	<b>98%</b>

\* 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) / budget value for 2018

\*\*\*\* 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 2017 and 2016, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	E. Zehnder- Lai	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
<b>2017</b>							
<b>Shareholdings Board of Directors</b>							
Shares	56,812	8,318	0	2,281	858	2,511	70,780
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%	0.19%

\* A. Baehny options until 2014 as CEO

	A. Baehny Chairman	H. Reuter Vice Chairman	R. Aalstad	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
<b>2016</b>							
<b>Shareholdings Board of Directors</b>							
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

As of 31 December 2017, 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 2017

This section is audited by the external auditor.

### 6.1 PERFORMANCE IN 2017

Consolidated net sales in 2017 increased by 3.5% to CHF 2,908.3 million. Total growth comprised organic growth in local currencies of 3.5%, a foreign currency effect of +1.2% and a divestment effect of -1.2%. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on the results. Operating profit (EBIT) adjusted for these effects increased by 2.9% to CHF 706.1 million and the correspondingly adjusted EBIT margin came to 24.3%. Increased sales volumes and a positive product mix effect had a positive impact on the operating results, as did synergies from the Sanitec integration. In particular higher raw material prices, increased personnel expenses and depreciation had a negative impact. Adjusted net income rose by 3.5% to CHF 604.2 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 3.7% to CHF 16.43. The average Return on Invested Capital (ROIC) was 22.4% (prior year 21.5%).

To determine the variable cash remuneration (STI) of the members of the Group Executive Board, the following Key Performance Indicators (KPI) are used: sales performance, EBIT and EPS compared with the previous year as well as ROIC. The achievement of qualitative individual targets is also taken into consideration. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration slightly exceeded the targets.

### 6.2 REMUNERATION AWARDED IN 2017

The remuneration of the Group Executive Board amounted to TCHF 9,608 in 2017 (previous year TCHF 9,126). The remuneration of the CEO amounted to TCHF 2,401 in 2017 (previous year TCHF 2,287). The higher total remuneration in 2017 for the Group Executive Board compared to the previous year is the result of various factors:

Increasing effects:

- Expansion of Group Executive Board by one member (as of 1 September 2016)
- Selected base salary increases to align remuneration to the market
- Selected higher option grants (LTI) to align remuneration to the market or due to promotion to Group Executive Board
- Increase of MSPP options as a larger amount of variable remuneration was drawn in shares
- One-off employer contribution to company pension funds due to reduction of pension conversion rate

Reducing effect:

- Target achievement in the STI programme lower than in the previous year

At the 2016 General Meeting, the shareholders approved a maximum aggregate compensation amount of TCHF 9,950 for the Group Executive Board for the year 2017. The compensation paid for that period amounts to TCHF 9,608 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2017, compared with the maximum potential amount of remuneration, is provided with the invitation to the Ordinary General Meeting 2018.

The following table shows details of remuneration for 2017 and 2016:

	2017		2016	
	C. Buhl CEO	Total	C. Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	861,809	3,449,744	791,804	3,145,644
- Variable salary <sup>1</sup>	516,250	2,013,879	709,550	2,776,122
<i>thereof in shares in 2017<sup>2</sup></i>			707,983	2,099,536
Shares/options				
- Call options MSOP 2017/2016 <sup>3</sup>	749,955	2,475,927	574,986	2,123,866
- Call options MSPP 2017/2016 <sup>4</sup>	56,385	167,211	29,705	81,824
Non-cash benefits				
- Private share of company vehicle <sup>5</sup>	7,056	48,978	7,056	45,040
Expenditure on pensions				
- Pension plans and social insurance	206,854 <sup>6</sup>	1,433,489 <sup>6</sup>	171,254	937,049
- Contribution health/accident insurance	2,497	18,319	2,454	16,382
<b>Total<sup>7</sup></b>	<b>2,400,806</b>	<b>9,607,547</b>	<b>2,286,809</b>	<b>9,125,927</b>

<sup>1</sup> 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.

<sup>2</sup> 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 435.95 (PY CHF 361.75).

<sup>3</sup> 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 435.95 (previous year CHF 361.75); definitive acquisition of the option ("vesting") dependent on various conditions, 3-5-year blocking period (3 tranches at 33%). Market value of CHF 39.87 (previous year CHF 31.42) determined using the binomial method.

<sup>4</sup> 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 435.95 (previous year CHF 361.75); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 34.72 (previous year CHF 26.81) determined using the binomial method.

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

<sup>6</sup> Including one-off compensation in pension provision due to pension scheme modifications (reduction of pension conversion rate).

<sup>7</sup> 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 2017 and 2016, 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
<b>2017</b>										
<b>Shareholdings Group Executive Board</b>										
Shares			6,212	32,840	2,500	2,452	12,407	200	2,850	59,461
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
<b>Call options*</b>										
End of vesting period:										
Vested	2018–2023	306.01	7,474	9,172	3,783	4,779	3,236	10	2,922	31,376
2018	2021–2024	357.20	5,745	7,091	7,261	2,631	6,140	50	784	29,702
2019	2022–2026	382.28	11,302	7,484	7,989	4,074	6,647	2,596	697	40,789
2020	2023–2027	398.85	13,053	7,427	7,895	3,664	6,632	4,602	1,926	45,199
2021	2024–2027	398.85	12,776	7,299	7,770	3,567	6,554	4,592	1,878	44,436
2022	2027	435.95	6,270	3,176	3,314	1,504	2,926	2,006	1,504	20,700
<b>Total options</b>			<b>56,620</b>	<b>41,649</b>	<b>38,012</b>	<b>20,219</b>	<b>32,135</b>	<b>13,856</b>	<b>9,711</b>	<b>212,202</b>
Percentage potential share of voting rights options			0.15%	0.11%	0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.57%

\* 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	M. Baumüller	Total
<b>2016</b>										
<b>Shareholdings Group Executive Board</b>										
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%
<b>Call options*</b>										
End of 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
<b>Total options</b>			<b>36,186</b>	<b>31,093</b>	<b>32,595</b>	<b>15,091</b>	<b>35,448</b>	<b>7,678</b>	<b>5,930</b>	<b>164,021</b>
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

As of 31 December 2017, 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 2017

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

In 2017, 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**, a total of 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 2017 (ESPP)	2019	2,785	19,783	239.77
Management share purchase plan 2017 (MSPP)	2020	110	14,204	435.95
Directors programme 2017	2021	7	3,145	435.95
<b>Total</b>			<b>37,132</b>	

The 37,132 shares required for these plans were taken from the stock of treasury shares.

In 2017, 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, a total of 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 2017 (MSPP)	2018–2021	2024	110	14,204	435.95
Option plan 2017 (MSOP)	2020–2022	2027	93	109,590	435.95
<b>Total</b>				<b>123,794</b>	

The fair value of the options granted in 2017 amounted to CHF 34.72 (MSPP) and CHF 39.87 (MSOP) 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 $\sigma$ volatility	Expected $\sigma$ dividend yield	Contractual period	Risk free $\sigma$ interest rate
	CHF	%	%	Years	%
Management share purchase plan 2017 (MSPP)	435.95	16.95	2.28	7	-0.33
Option plan 2017 (MSOP)	435.95	16.88	2.28	10	-0.10

\* The exercise price corresponds to the average price of Geberit shares for the period from 07.–20.03.2017.

Costs resulting from participation plans amounted to CHF 4.3 million in 2017 (previous year CHF 2.6 million); those for option plans totalled CHF 3.2 million (previous year CHF 2.9 million).

## 8. SUMMARY OF SHARES AND OPTIONS HELD BY EMPLOYEES AND MANAGEMENT AS OF 31 DECEMBER 2017

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

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2017, the Board of Directors, the Group Executive Board and the employees owned a combined total of 362,011 (previous year 353,688) shares, i.e. 1.0% (previous year 1.0%), of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2017:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2018–2023	130,426	282.31	130,426	282.31
2018	2021–2024	73,781	319.79	70,230	313.92
2019	2022–2026	70,294	361.09	66,743	357.11
2020	2023–2027	82,242	397.91	42,161	361.75
2021	2024–2027	80,102	398.88	40,021	361.75
2022	2027	36,530	435.95	0	435.95
<b>Total</b>		<b>473,375</b>	<b>351.52</b>	<b>349,581</b>	<b>321.62</b>

The following movements took place in 2017 and 2016:

	MSOP		MSPP		Total 2017		Total 2016	
	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
<b>Outstanding 1 January</b>	<b>364,838</b>	<b>314.35</b>	<b>37,877</b>	<b>309.68</b>	<b>402,715</b>	<b>313.91</b>	<b>347,084</b>	<b>279.07</b>
Granted options	109,590	435.95	14,204	435.95	123,794	435.95	131,219	361.75
Forfeited options	1,920	361.87	67	305.66	1,987	359.97	3,269	296.03
Expired options	0	0	0	0	0	0	0	0
Exercised options	45,651	258.34	5,496	268.04	51,147	259.38	72,319	233.25
<b>Outstanding 31 December</b>	<b>426,857</b>	<b>351.34</b>	<b>46,518</b>	<b>353.09</b>	<b>473,375</b>	<b>351.52</b>	<b>402,715</b>	<b>313.91</b>
Exercisable at 31 December	114,128	280.71	16,298	293.21	130,426	282.31	86,867	260.16

The options outstanding at 31 December 2017 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 6.1 years.

## 9. REPORT OF THE STATUTORY AUDITOR



PricewaterhouseCoopers AG  
Birchstrasse 160  
CH-8050 Zürich  
Telephone +41 58 792 44 00  
Fax +41 58 792 44 10  
→ [www.pwc.ch](http://www.pwc.ch)

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

### REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE REMUNERATION REPORT 2017

We have audited the accompanying → **remuneration report** of Geberit AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 5 to 8 of the remuneration report.

#### 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 Geberit AG for the year ended 31 December 2017 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

Zurich, 12 March 2018