

1. INTRODUCTION

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 2019. 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 2020 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
2. Foreword by the Chairman of the Nomination and Compensation Committee
3. Remuneration at a glance
4. Determination of remuneration
5. Remuneration architecture
6. Board of Directors: remuneration and share ownership in 2019
7. Group Executive Board: remuneration and share/option ownership in 2019
8. Summary of share and option plans 2019
9. Summary of shares and options held by employees and management as of 31 December 2019
10. Report of the statutory auditor

For additional information on business development in 2019 see also → **Business and financial review**.

2. FOREWORD 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 2019 Remuneration Report.

Following the election of the members of the Nomination and Compensation Committee during the General Meeting for 2019, Thomas M. Hübner was welcomed as a new member of the Committee. Unfortunately, we unexpectedly had to bid farewell to our esteemed colleague in October of this year after his valuable contributions. We will greatly miss him as a valued member of the Board of Directors.

The construction sector varied from country to country in 2019. In the year-on-year comparison, the market environment was characterised by lower growth. Nevertheless, we can look back on a very good financial year. Thanks to convincing currency-adjusted net sales growth and further improved, high profitability, we succeeded in further consolidating our position as leading supplier of sanitary products in Europe and increasing it outside Europe. The increase in the operating cashflow margin compared with the previous year was above all driven by lower raw material prices, higher sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. In addition, a change to the IFRS accounting standard had a positive impact on the EBITDA development. Strong tariff-related increases in personnel expenses and one-off costs in connection with brand harmonisation had a negative effect. As a result of the strategy of striving for natural currency hedging, the currency development did not have any negative impact on the operating margin. 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, the NCC performed a thorough external review of the market conformance and competitiveness of the remuneration paid to the Board of Directors. The remuneration system and the amount of remuneration for Geberit's Board of Directors conform to standard market practice and the Board of Directors confirmed that no changes were necessary.

The changes to the remuneration programmes for the Group Executive Board that had been adopted by the Board of Directors in the previous year were duly implemented in the year under review. The programmes were primarily harmonised and the entire system simplified, although the value of the programmes is roughly the same:

- All options granted under the long-term incentive plan (MSOP) and under the management share purchase plan (MSPP) are subject to three-year cliff vesting and a maturity of nine years from 2019. The main purpose of these changes is to simplify and harmonise the remuneration system for the Group Executive Board.
- The long-term share ownership plan is subject to new clawback and malus provisions of the type already applicable to the short-term incentive programme including MSPP.

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 2020 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 Group Executive Board for the 2021 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 2020 General Meeting and the remuneration awarded to the Group Executive Board in 2019 are within the limits approved at the 2019 General Meeting and 2018 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. In our view, this report contains all relevant information. We are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with shareholders' interests.

Yours sincerely,

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

Hartmut Reuter
Chairman of the Nomination & Compensation Committee

3. REMUNERATION AT A GLANCE

BOARD OF DIRECTORS

SUMMARY OF CURRENT COMPENSATION SYSTEM

In order to ensure the independence in their supervisory function, members of the Board of Directors receive a fixed remuneration only, in the form of cash and shares, with a blocking period of four years.

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

See also → 5. Remuneration architecture, 5.1 Board of Directors

COMPENSATION IN 2019

The compensation awarded to the Board of Directors for the term of office until the Annual General Meeting 2019 is within the limits approved by the shareholders at the Annual General Meetings:

Comparison period	Approved amount (CHF)	Effective amount (CHF)
AGM 2018 – AGM 2019	2,350,000	2,277,427
AGM 2019 – AGM 2020	2,350,000	2,192,919*

* As the compensation period is not yet completed, the final amount (including social security contributions) will be included in the Remuneration Report for Financial Year 2020.

GROUP EXECUTIVE BOARD

SUMMARY OF CURRENT COMPENSATION SYSTEM

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 targets. It consists of short-term and long-term elements:

Base salary	Pay for the function	Fixed salary
Benefits	Cover retirement, death and disability risks, attract and retain	
Short-Term Incentive	Drive and reward performance, attract and retain	Variable salary
Share Participation Programme (MSPP)	Align with shareholders' interests	
Long-Term Incentive (Share Option Plan/ MSOP)	Drive and reward long-term performance, align with shareholders' interests, attract and retain	

See also → 5. Remuneration architecture, 5.2 Group Executive Board

COMPENSATION IN 2019

The compensation awarded to the Group Executive Board in the financial year 2019 is within the limits approved by the shareholders at the Annual General Meeting:

Comparison period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2019	11,500,000	10,277,787

Performance in the financial year 2019

The weighted average of all elements used to calculate the variable cash remuneration slightly exceeded the targets.

See also → **7. Group Executive Board, 7.1 Performance in 2019**

REMUNERATION 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.

COMPENSATION GOVERNANCE

- Authority for decisions related to remuneration is 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.
- The Remuneration Report for the preceding period is subject to a consultative vote.

See also → **4. Determination of remuneration**

4. DETERMINATION OF REMUNERATION

4.1 NOMINATION AND COMPENSATION COMMITTEE (NCC)

Pursuant to the Articles of Incorporation and the Organisational Regulations of Geberit AG (see also → **Articles of Incorporation**), 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 Incorporation		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 , 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 meets at least three times per year and 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 2019 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman as well as Eunice Zehnder-Lai and Thomas M. Hübner as members. In 2019, the NCC held three regular meetings covering, among others, the predefined recurring agenda items illustrated below. The participation rate for NCC meetings was 89%. Thomas M. Hübner was only able to attend the first meeting of the NCC in August 2019 (Thomas M. Hübner passed away 4 October 2019). He was replaced by Bernadette Koch as of 5 October 2019.

	February	August	December
Remuneration policy	- Participation programme (STI and LTI programme, review ongoing throughout the year)		
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	- General update of Corporate Governance - Target remuneration (following year) - Target setting for STI (following year) - Option valuation and definition of performance criteria LTI for next grant
BoD matters		- Benchmarking of BoD remuneration	- BoD remuneration (following year) - BoD evaluation
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 - Target income Head International Audit (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.

4.2 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 performed at that time was conducted on the basis of a peer group comprising industrial companies of a similar scale and geographic presence with headquarters in Switzerland. The peer group comprised Autoneum, Barry Callebaut, Bucher, Dätwyler, dormakaba, Ems-Chemie, Georg Fischer, Givaudan, Logitech, Lonza, Mettler-Toledo, OC Oerlikon, Schindler, Schweiter, SFS, Sika, Sonova, Sulzer and Zehnder. 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 financial year 2019. 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 system and amount are reviewed periodically by the NCC. This includes regular participation in comparative studies. In 2019, consulting company Agnès Blust Consulting AG performed such a review on the basis of a comparative analysis of 19 Swiss industrial companies traded on the SIX Swiss Exchange. The remuneration analysis was conducted on the basis of a peer group of industrial companies with comparable market capitalisation, sales and employee numbers. The peer group comprised ABB, ams, Aryzta, Barry Callebaut, Clariant, Dätwyler, dormakaba, Forbo, Georg Fischer, Givaudan, LafargeHolcim, Logitech, Lonza, OC Oerlikon, Schindler, Sika, Sonova, Straumann and Sulzer. This consulting company is also advising the NCC on other matters of relevance for remuneration. It has no other consulting mandates from Geberit.

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.



4.3 SHAREHOLDER INVOLVEMENT

In the last seven years, based on the feedback received from 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.

4.4 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 (Article 21):
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 (Article 22):
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 (Article 23):
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 (Article 26):
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 best 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 → **5. Remuneration architecture, 5.1 Board of Directors**).

5. REMUNERATION ARCHITECTURE

5.1 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 the 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 structure and amount of the remuneration for the members of the Board of Directors were reviewed by an independent consulting company in the year under review. The analysis indicated that the remuneration system for the Board of Directors of Geberit is in line with customary market practices and that therefore no modifications to the structure and amount of remuneration for the Board of Directors were necessary:

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 2020 General Meeting to the 2021 General Meeting is provided in the invitation to the 2020 General Meeting.

5.2 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 2019
Base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive, STI	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract and retain	1-year performance period	Sales, EBITDA margin, EPS, ROIC, individual objectives
	Share Participation Programme MSPP	Matching share options in case of an investment of variable cash in restricted shares, cost-free share options	Align with shareholders' interests	Shares: 3-year restriction period Share options: 3-year vesting period, 9-year plan period	Share options: ROIC
Long-Term Incentive, LTI	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance, align with shareholders' interests, retain	3-year performance period, 9-year plan period	ROIC
Benefits	Pension	Swiss pension funds (Gemeinschaftsstiftung, Wohlfahrtsfonds)	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract and 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 STI (assuming 100% achievement of all financial business goals) form the so-called target income. The base salary makes up 70% of the target income and the variable remuneration 30%. In addition, it is possible to obtain an increase of up to 10% in the variable remuneration component of the target income based on the achievement of individual qualitative performance indicators.

The financial objectives include equal weightings of sales performance and earnings per share (EPS) compared with the previous year as well as the margin on earnings before interest, taxes, depreciation and amortisation (EBITDA margin) and 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. Geberit wants to reinforce its position as market leader and consistently achieve above-average performance. As a general principle, the results achieved in the previous year must be specifically improved 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 short-term variable remuneration is capped, are determined. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives must not exceed 60% of the target income.

To find out how the 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, leadership skills, entry in new markets, management of strategic projects and leadership.

The maximum payout for the individual objectives must 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 of 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, 1.5 free share options are provided for each share purchased through the programme. The options are subject to a performance-based vesting period of three years. The other features of the options and the performance condition, average ROIC, are the same as those applicable to the options granted under the Long-Term Incentive MSOP programme (see also → **Long-Term Incentive, LTI**).

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

Termination reason	Plan rules		
	Unvested options	Vested options	Restricted shares
Good leaver	Retirement benefits		
	Invalidity	Full exercise based on effective performance at regular vesting date	Immediate unblocking
	Other reasons		Regular blocking period
	Liquidation/change of control*	Accelerated full vesting based on effective performance at date of termination as determined by the Board of Directors	Regular exercise period
	Death	Accelerated full vesting based on target achievement	Immediate unblocking
Bad leaver	Inadequate performance/ conduct**	Forfeiture	Regular exercise period Regular blocking 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.

** Inadequate performance or conduct on the part of members of the Group Executive Board is determined at the due discretion of the Board of Directors.

LONG-TERM INCENTIVE (LTI)

The purpose of the Long-Term Incentive (Management Stock 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. In order to simplify the remuneration structure for the Group Executive Board, the vesting period for the MSOP and the options under the MSPP have been harmonised and the vesting period shortened to three years with effect from 1 January 2019. The performance-tied vesting period for the LTI is in line with standard practice at other listed Swiss companies. In order to keep the economic value of the performance options comparable to the previous plans, the maturity of the options has been reduced from 10 years to 9 years with effect from 1 January 2019.

The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested 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 performance criterion annually on the basis of a recommendation submitted by the Nomination and Compensation Committee. Two thirds of the options vest upon the target value being achieved. In addition, a minimum level of performance (threshold value) under which no options vest and a maximum level of performance (cap) at which 100% of the options vest are defined. Both the target and the cap are ambitious and are substantially above the weighted average cost of capital. The payout amounts between the threshold value and the cap are determined by linear interpolation. The options can be exercised between the respective vesting date, three years after being granted, 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.

Every year, the Board of Directors determines the grant of share options. In 2019, the fair value of options granted amounted to 60% of the target income for the CEO and to between 40 and 50% of the target income for the other members of the Group Executive Board. For some 100 additional participants of the Group management, the fair value amounted to 10% of the target income.

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

Termination reason	Plan rules	
	Unvested options	Vested options
Good leaver	Retirement benefits	
	Invalidity	Pro-rata exercise based on effective performance at regular vesting date
	Other reasons	
	Liquidation/change of control*	Accelerated full vesting based on effective performance at date of termination as determined by the Board of Directors
	Death	Accelerated full vesting based on target achievement
Bad leaver	Inadequate performance/ conduct**	Forfeiture
		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.

** Inadequate performance or conduct on the part of members of the Group Executive Board is determined at the due discretion of the Board of Directors.

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 could as such 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 149 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 149 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 clawback policy on payments made under the Short-Term Incentive programme and the Long-Term Incentive programme. Those provisions foresee that in case of financial restatement due to non-compliance with accounting standards and/or fraud, and/or in case of violation of the law or internal rules by a participant, the Board of Directors may deem all or part of any unpaid short-term incentive or unvested long-term incentive to be forfeited (malus provision) and/or may seek reimbursement of all or part of any paid short-term incentive or vested long-term incentive. The clawback and malus provisions may be enacted for a period of three years following the year subject to a financial restatement and/or the year of the fraudulent behaviour.

For further information on both programmes, please also refer to → **5. Remuneration architecture, 5.2 Group Executive Board.**

6. BOARD OF DIRECTORS: REMUNERATION AND SHARE OWNERSHIP IN 2019

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 2019, members of the Board of Directors received a total remuneration of TCHF 2,244 (previous year TCHF 2,280). Remuneration for regular board activities and committee assignments amounted to TCHF 2,055 (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	H. Reuter Vice Chairman	E. Zehnder-Lai	F. Ehrat	B. Koch ¹	Total
	CHF	CHF	CHF	CHF	CHF	CHF
2019						
Remuneration of the Board of Directors						
Accrued remuneration ²	270,000	320,000	220,000	235,000	172,167	1,217,167
Cash remuneration	615,000					615,000
Expenses	15,000	15,000	15,000	15,000	11,250	71,250
Contributions to social insurance	41,938	15,516	10,954	11,636	8,696	88,740
Total	941,938	350,516	245,954	261,636	192,113	1,992,157

¹ B. Koch has been a member of the Board of Directors since 3 April 2019.

² Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2020 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 four 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 (J. Tang-Jensen¹, T. Hübner²)							
Accrued remuneration							55,000
Cash remuneration							167,444
Expenses							15,167
Contributions to social insurance							14,594
Total							252,205

¹ J. Tang-Jensen was a member of the Board of Directors until 3 April 2019.

² T. Hübner was a member of the Board of Directors until 4 October 2019.

	A. Baehny Chairman	H. Reuter Vice Chairman	E. Zehnder-Lai	F. Ehrat	T. Hübner	J. Tang-Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2018							
Remuneration of the Board of Directors							
Accrued remuneration ¹	270,000	320,000	220,000	235,000	220,000	220,000	1,485,000
Cash remuneration	615,000						615,000
Expenses	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Contributions to social insurance	41,612	15,140	10,706	11,350	10,706	0	89,514
Total	941,612	350,140	245,706	261,350	245,706	235,000	2,279,514

¹ Director's fee booked, but not yet paid as at 31 December. Payment was made in the first quarter of 2019 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 four 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 (none)

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

For the period from the 2019 General Meeting to the 2020 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,192,919. This is within the limit of CHF 2,350,000 approved by the 2019 General Meeting.

RECONCILIATION BETWEEN THE REPORTED BOARD COMPENSATION AND THE AMOUNT APPROVED BY THE SHAREHOLDERS AT THE GENERAL MEETING

(in CHF)	1*	2**	3***	4****	5*****	6*****
GM19-GM20	2019	1 Jan 2019 to 2019 GM	1 Jan 2020 to 2020 GM	2019 GM to 2020 GM	GM 2019	GM 2019
BoD (total)	2,244,362	-569,878	518,435	2,192,919	2,350,000	93%
GM18-GM19	2018	1 Jan 2018 to 2018 GM	1 Jan 2019 to 2019 GM	2018 GM to 2019 GM	GM 2018	GM 2018
BoD (total)	2,279,514	-571,957	569,878	2,277,435	2,350,000	97%

* 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 2020

**** 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 2019 and 2018, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	F. Ehrat	B. Koch	E. Zehnder-Lai	Total
2019						
Shareholdings Board of Directors						
Shares	71,415	9,030	3,348	10	877	84,680
Call options	41,864*	0	0	0	0	41,864
Share of voting rights	0.19%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.23%

* A. Baehny options until 2014 as CEO

	A. Baehny Chairman	H. Reuter Vice Chairman	F. Ehrat	T. Hübner	J. Tang-Jensen	E. Zehnder-Lai	Total
2018							
Shareholdings Board of Directors							
Shares	70,778	9,023	2,798	1,343	2,920	363	87,225
Call options	41,864*	0	0	0	0	0	41,864
Share of voting rights	0.19%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.24%

* A. Baehny options until 2014 as CEO

As of 31 December 2019, 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.

7. GROUP EXECUTIVE BOARD: REMUNERATION AND SHARE/OPTION OWNERSHIP IN 2019

This section is audited by the external auditor.

7.1 PERFORMANCE IN 2019

Consolidated net sales in 2019 increased by 0.1% to CHF 3,083 million. This total growth comprised growth in local currencies of +3.4% and a negative foreign currency effect of -3.3%. The results in 2019 were no longer impacted by one-off costs related to the Sanitec acquisition, which is why adjusted figures will no longer be shown as of the reporting year. The result comparisons relate to adjusted prior year figures. Operating cashflow (EBITDA) increased by 4.2% to CHF 904 million; the EBITDA margin reached 29.3%. The increase in the EBITDA margin compared with the previous year was above all driven by lower raw material prices, higher net sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. In addition, a change to the IFRS accounting standard had a positive impact on the EBITDA development. Strong tariff-related increases in personnel expenses and one-off costs in connection with brand harmonisation had a negative effect. As a result of the strategy of striving for natural currency hedging, the currency development did not have any negative impact on the operating margin. Earnings per share were up by 4.4% to CHF 17.97 (previous year CHF 17.21). The return on invested capital (ROIC) rose to 23.1% (previous year 22.6%).

The variable cash remuneration (STI) of the Group Executive Board is determined on the basis of the following key performance indicators, which all have the same weighting: sales performance and EPS compared with the previous year as well as EBITDA margin and 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 clearly exceeded the targets.

7.2 REMUNERATION AWARDED IN 2019

The remuneration of the Group Executive Board amounted to TCHF 10,278 in 2019 (previous year TCHF 8,727). The remuneration of the CEO amounted to TCHF 3,058 in the same period (previous year TCHF 2,503). The total remuneration of the Group Executive Board in 2019 was higher than in the previous year due to the very good results in variable remuneration and higher social security contribution due to exercise of call options by members of the Group Executive Board.

The CEO's variable compensation represented 89.6% of his fixed salary. For the other members of the Executive Committee, the variable compensation represented between 87.8% and 92.3% of their individual fixed salary.

At the 2018 General Meeting, the shareholders approved a maximum aggregate amount of TCHF 11,500 for the remuneration of the Group Executive Board for the year 2019. The compensation awarded for that period amounts to TCHF 10,278 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2019, compared with the maximum potential amount of remuneration, is provided with the invitation to the ordinary General Meeting 2020.

The following table shows details of remuneration for 2019 and 2018:

	2019		2018	
	C.Buhl CEO	Total	C.Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	966,810	3,412,642	931,801	3,342,650
- Variable salary ¹	866,600	3,032,650	541,350	1,947,550
<i>thereof in shares in 2019²</i>			<i>540,978</i>	<i>1,232,454</i>
Shares/options				
- Call options MSOP 2019/2018 ³	840,399	2,488,670	809,885	2,357,518
- Call options MSPP 2019/2018 ⁴	52,415	119,412	43,639	109,830
Non-cash benefits				
- Private share of company vehicle ⁵	7,056	45,646	7,056	46,380
Expenditure on pensions				
- Pension plans	90,262	524,743	88,390	497,124
- Social insurance	232,583	637,875	78,092	408,123
- Contribution health/accident insurance	2,187	16,149	2,476	18,172
Total⁶	3,058,312	10,277,787	2,502,689	8,727,347

¹ The amounts to be paid (current year), and the amounts effectively paid (previous year) respectively 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 406.75 (PY CHF 432.20).

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 Stock Option Programme (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 406.75 (PY CHF 432.20); definitive acquisition of the option ("vesting") dependent on various conditions, 3-year vesting period (1 tranche at 100%); the total value of the call options is evaluated as of the grant date and afterwards measured according to the expected achievement of objectives. Market value of CHF 39.39 determined using the binomial method (PY 3-5-year vesting period (3 tranches at 33%) CHF 39.29).

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 406.75 (PY CHF 432.20); definitive acquisition of the option ("vesting") dependent on various conditions, 3-year vesting period (1 tranche at 100%); the total value of the call options is evaluated as of the grant date and afterwards measured according to the expected achievement of objectives. Market value of CHF 39.39 determined using the binomial method (PY 1-4-year vesting period (4 tranches at 25%) CHF 36.61).

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.**

7.3 SHAREHOLDINGS OF GROUP EXECUTIVE BOARD

As of the end of 2019 and 2018, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Baumüller	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Ziegler	Total
2019										
Shareholdings Group Executive Board										
Shares			12,772	28,316	3,408	646	12,000	400	2,908	60,450
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
Call options¹										
End of vesting period:										
Vested	2021–2026	372.20	8,041	695	3,228	10,240	119	1,431	2,316	26,070
2020	2023–2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024–2028	409.97	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025–2028	424.97	47,421	22,641	11,294	10,714	19,765	14,498	11,377	137,710
2023	2028	432.20	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			95,629	44,956	21,494	31,373	39,330	29,245	18,858	280,885
Percentage potential share of voting rights options			0.26%	0.12%	< 0.1%	< 0.1%	0.11%	< 0.1%	< 0.1%	0.76%

¹ Purchase ratio 1 share for 1/1.5 options. The unvested options are subject to a performance-based vesting condition.

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Baumüller	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Ziegler	Total
2018										
Shareholdings Group Executive Board										
Shares			7,404	31,564	3,078	1,546	12,500	300	2,416	58,808
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
Call options¹										
End of vesting period:										
Vested	2020–2024	332.00	13,219	8,836	3,706	6,166	807	60	2,857	35,651
2019	2022–2026	394.76	11,600	7,665	754	4,074	6,766	2,621	980	34,460
2020	2023–2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024–2028	409.97	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025–2028	434.08	13,439	6,623	3,088	3,098	6,056	4,067	2,071	38,442
2023	2028	432.20	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			78,425	44,744	14,520	23,757	33,075	20,064	11,073	225,658
Percentage potential share of voting rights options			0.21%	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.61%

¹ Purchase ratio 1 share for 1 option. The unvested options are subject to a performance-based vesting condition.

As of 31 December 2019, 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.

8. SUMMARY OF SHARE AND OPTION PLANS 2019

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

In 2019, 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 (ESPP)	2021	2,424	18,903	264.40
Management share purchase plan (MSPP)	2022	99	10,278	406.75
Board of Directors compensation	2023	6	3,398	406.75
Total			32,579	

The 32,579 shares required for these plans were taken from the stock of treasury shares.

In 2019, Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under these plans, the following numbers of options are expected to be allocated with final effect at the end of the vesting period*.

	End of vesting period	Maturity	Number of participants	Number of options expected to be allocated	Exercise price CHF
Management share purchase plan (MSPP)	2019–2022	2028	99	10,278	406.75
Option plan (MSOP)	2019–2022	2028	92	114,435	406.75
Total				124,713	

The fair value of the options granted in 2019 amounted to CHF 39.39 (MSPP) and CHF 39.39 (MSOP) on average 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 ¹ CHF	Expected Ø volatility %	Expected Ø dividend yield %	Contractual period Years	Risk-free Ø interest rate %
Management share purchase plan (MSPP)	406.75	16.51	2.55	9	-0.27
Option plan (MSOP)	406.75	16.51	2.55	9	-0.27

¹ The exercise price corresponds to the average price of Geberit shares for the period from 5. – 18.3.2019.

Costs resulting from share participation plans amounted to CHF 2.9 million in 2019 (previous year CHF 3.0 million); those for option plans totalled CHF 4.7 million (previous year CHF 3.8 million).

* The number of options expected to be allocated with final effect at the end of the vesting period depends on target achievement (average ROIC) and has been calculated on the basis of expected target achievement.

9. SUMMARY OF SHARES AND OPTIONS HELD BY EMPLOYEES AND MANAGEMENT AS OF 31 DECEMBER 2019

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 2019, the Board of Directors, the Group Executive Board and the employees owned a combined total of 372,600 (previous year 386,381) 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 at 31 December 2019*:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2020–2026	117,637	311.78	117,637	311.78
2020	2023–2027	76,187	398.75	76,187	398.75
2021	2024–2028	139,186	416.12	139,186	416.12
2022	2025–2028	160,422	412.59	160,422	412.59
2023	2028	34,420	432.20	34,420	432.20
Total		527,852	390.33	527,852	390.33

This table also includes options under participation plans from earlier years that have different terms and vesting conditions.

The following movements took place in 2019 and 2018*:

	MSOP		MSPP		Total 2019		Total 2018	
	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	461,881	373.39	46,063	382.21	507,944	374.19	473,375	351.52
Granted options	114,435	406.75	10,278	406.75	124,713	406.75	116,779	432.20
Forfeited options	7,012	534.74	246	416.61	7,258	530.74	25,390	398.31
Expired options	0	0	0	0	0	0	0	0
Exercised options	85,752	324.36	11,795	331.75	97,547	325.25	56,820	293.37
Outstanding 31 December	483,552	389.35	44,300	401.06	527,852	390.33	507,944	374.19
Exercisable at 31 December	99,437	299.76	18,200	377.43	117,637	311.78	143,895	293.39

This table also includes options under participation plans from earlier years that have different terms and vesting conditions.

The options outstanding at 31 December 2019 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 6.4 years.

* The number of options expected to be allocated with final effect at the end of the vesting period depends on target achievement (average ROIC) and has been calculated on the basis of expected target achievement.

10. REPORT OF THE STATUTORY AUDITOR



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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 2019

We have audited the accompanying → **remuneration report** of Geberit AG for the year ended 31 December 2019. 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 6 to 9 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 2019 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

Zurich, 9 March 2020