

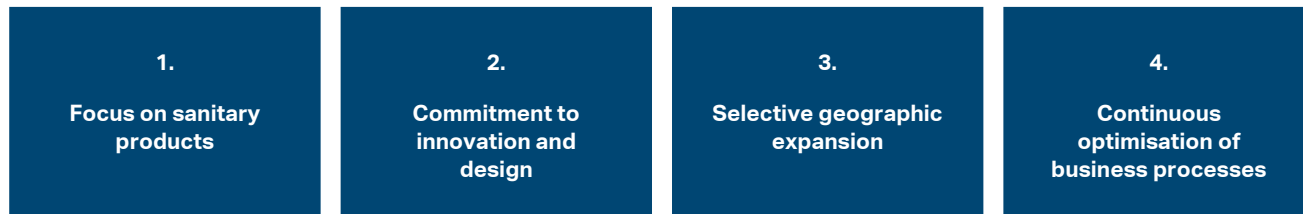
BUSINESS REPORT

BUSINESS AND FINANCIAL REVIEW

2019

STRATEGY

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



- 1. Focus on sanitary products:** Geberit concentrates on installation and flushing systems for sanitary facilities, piping systems for transporting water in buildings, as well as bathroom systems. In these areas, Geberit has comprehensive know-how and supplies high-quality, integrated and water-saving sanitary technology as well as attractive design.
- 2. Commitment to innovation and design:** Continuously optimising and extending the product range is crucial for future success. Innovative strength is founded on research in areas such as hydraulics, acoustics, statics, fire protection and hygiene, as well as process and materials technology. The insights gained are systematically applied in the development of products and systems for the benefit of customers. The focus here – where appropriate – is on the combination of design and functionality.
- 3. Selective geographic expansion:** An important factor in long-term success is stronger growth in markets in which Geberit products or technology are still under-represented. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, South East Asia, Australia, the Gulf Region, South Africa and India. With the exception of North America and Australia, the company mainly engages in project business in these markets. The company always adheres strictly to the existing high standards in terms of quality and profitability.
- 4. Continuous optimisation of business processes:** Efficient processes will help to establish a leading and competitive cost structure on a long-term basis. Process optimisation will be partly achieved through Group-wide projects and partly through employees identifying improvement potential in their day-to-day work, thus making a major contribution toward positive development.

STRATEGIC SUCCESS FACTORS

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

- a clear, long-term strategy
- the focus on sanitary products
- solid, sustainable → **growth and earnings drivers**
- a strong competitive position
- an innovative product range, developed in accordance with customer needs
- a proven, customer-focused business model
- a → **sustainability**-oriented business management philosophy
- a stable management team
- a lean, functional organisation with clear responsibilities
- a result- and customer-oriented, partnership-based and down-to-earth → **corporate culture**

MEDIUM-TERM GOALS

Geberit has set itself the goal of establishing new standards for sanitary products, continually developing these standards and thereby gaining market shares. Among other things, this approach yields net sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its net sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows.

The growth in net sales in local currencies, after adjustments for acquisitions, is expected to be between 4 and 6 percent in the medium term as an average over one economic cycle, and an operating cashflow (EBITDA) margin of between 28 and 30 percent is expected to be achieved. A third quantitative target has also been set – return on invested capital (ROIC) – which is expected to reach 25 percent in the medium term.

To achieve the Geberit Group's expected growth and be prepared for upcoming major projects, greater investments are currently being made in property, plant and equipment – around 6% of net sales during each of the next two to three years.

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

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

1. **"Push-Pull" sales model**, which concentrates on the key decision-makers in the sanitary industry (wholesalers, plumbers and sanitary engineers, architects, general contractors, investors, showroom operators)
2. **Technology penetration**, which involves replacing outdated technologies with new, more innovative sanitary products and systems
3. **Value strategy**, to increase the proportion of higher-added-value products – particularly in markets in which Geberit products already have a high degree of penetration
4. **Geberit AquaClean initiative**, to further expand the shower toilet category in Europe as well as Geberit's market position in this category
5. **Innovation leadership** in the sanitary industry in order to set new standards and to get additional competitive advantages
6. **Continuous process and cost optimisation** to protect the high operating margins

VALUE-ORIENTED MANAGEMENT

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

The remuneration model for Group management as a whole (220 employees) involves a remuneration portion that is dependent on the company's performance and which is calculated on the basis of four equally weighted key figures – including the value-oriented key figure "return on invested capital" (ROIC). In addition to the salary, there is an annual option plan for the Group Executive Board and other management members. Allotments under the option plan are also linked to a target figure for return on invested capital. Details can be found in the → **Remuneration Report**.

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

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

RISK MANAGEMENT

For information on risk management, see also → **Corporate Governance, 3.7 Information and control instruments vis-à-vis the Group Executive Board, third paragraph.**

As part of the process of risk identification, risk analysis and risk management, the following risks have been rated as significant for the Geberit Group:

PERFORMANCE OF THE EUROPEAN BUILDING CONSTRUCTION INDUSTRY

Renovations, which are less cyclical, account for a significant share of total sales. Consequently, the Geberit Group is well protected against fluctuations in construction activity. Given that modern sanitary technology still has relatively low levels of penetration in many markets, there is also a considerable degree of long-term potential for sales growth – regardless of the economic climate.

AVAILABILITY OF RAW MATERIALS

Professional, institutionalised purchase processes help to ensure that raw materials are available.

CHANGES IN THE COMPETITIVE ENVIRONMENT

Innovative products as well as the comprehensive range of products in place since the integration of the ceramics business ensure that the Geberit Group is able to maintain its leading market position. The company's partnership with the craft sector and its constructive collaboration with wholesalers also play a key role as part of the three-stage sales model.

INFORMATION TECHNOLOGY

The Geberit Group is continually working to improve the security of its IT infrastructure. This includes taking defensive measures against cyberthreats as well as detecting and dealing with any cyberattacks efficiently. Extensive measures have been established in the interests of business continuity.

The company's IT systems undergo a comprehensive and detailed security check involving the input of an external specialist on a regular basis. The last security check was made in 2018 and confirmed that the company's IT systems have an adequate level of security.

COMPLIANCE WITH LAWS

The Geberit Group is exposed to various legal risks that arise from normal business activity. Comprehensive → **compliance processes** are in place for the purpose of preventing violations of the law or regulations.

MANAGEMENT OF CURRENCY RISKS

In general, the effects of currency fluctuations are warded off as far as possible with an efficient natural hedging strategy. This entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. As a consequence of the natural hedging strategy, currency fluctuations have no significant impact on operating margins. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). In terms of a sensitivity analysis, the following changes can be assumed if the Swiss franc should be 10% weaker or stronger than all other currencies:

- Net sales: +/-9%
- EBITDA: +/-9%
- EBITDA margin: +/-0 percentage points

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

MARKET ENVIRONMENT

MIXED MARKET ENVIRONMENT

The construction sector varied from country to country in 2019. In the year-on-year comparison, the market environment was characterised by lower growth.

In November 2019, Euroconstruct forecasted an increase in building construction for **Europe** in 2019 of +1.5%. At +1.9%, new construction reported stronger growth than renovations (+1.2%). However, the volume for new buildings still lagged a long way behind the record highs of 2007/2008 in 2019. In contrast, renovation volumes – both in residential and non-residential construction – again reached the level seen at that time. With an increase of +1.8%, non-residential construction was the most important growth factor in building construction in 2019. Residential construction increased by +1.3%. According to Euroconstruct, the following countries that are important to Geberit in terms of sales experienced mixed results in 2019: the Netherlands (+3.7%), Austria (+2.7%), Belgium (+2.1%) and Italy (+2.0%) saw strong growth, while Germany saw a minor increase of +0.8%. In contrast, sales in Switzerland fell by -0.5% according to Euroconstruct. Compared to 2018, there was a significant slowdown in growth in most European countries.

Of the total European construction volume of EUR 1,637 billion in 2019, around 80% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40 percent. In spite of stronger growth, new construction as a share of total building construction continued to lag behind the renovation business in 2019.

According to estimates by the Bureau of Economic Analysis, gross domestic product (GDP) rose by +2.3% in the **US**, meaning the economy grew slower than in 2018 (+2.9%). Investments in building construction fell by -1.6% according to figures for the US construction industry as published by the U.S. Department of Commerce, United States Census Bureau. Within building construction, investments in non-residential construction slightly increased by +0.2%, which was down significantly compared to the previous year (+4.4%). While investments in the public security, hotel and office buildings sectors remained positive, the department store/retail sector lagged behind compared to the previous year. The healthcare/hospitals and schools/universities sectors, which are important for Geberit, developed with +1.2% slightly stronger on the whole compared to the previous year (+0.4%). Residential construction in the reporting year performed better than in the previous year: the number of building permits for new private residential units increased by +3.9% after the previous year's performance of +2.8%.

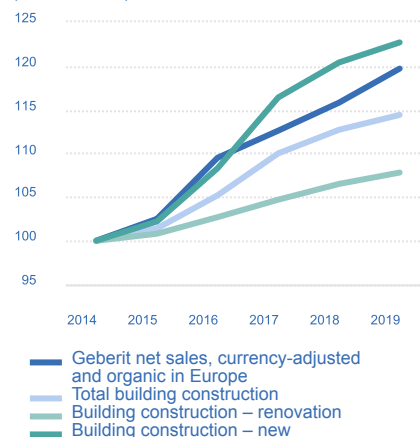
In the **Far East/Pacific** region, economic growth amounted to +4.3% – slightly down on the previous year (+4.7%) but significantly higher than global economic growth (+2.5%). At around 60%, more than half of the global growth once again originated from the Far East/Pacific region, where all relevant economies enjoyed positive growth. China contributed around 65% to the growth of this region. As in the previous year, the Chinese residential construction sector continued to grow moderately in both tier one and tier two cities.

In the **Middle East/Africa** region, economic growth experienced a slowdown as a result of the political uncertainties in the region. At +1.1%, growth in 2019 was significantly down on the figures seen in previous years.

(The aforementioned figures covering the world economy and the performance of the Far East/Pacific and Middle East/Africa regions were published in the October 2019 edition of the IMF World Economic Outlook.)

Construction output and Geberit net sales in Europe 2015–2019

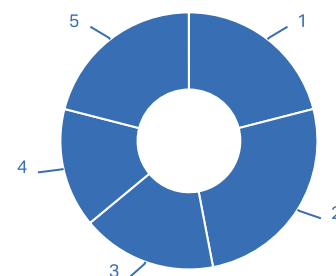
(Index: 2014 = 100)



Source: 88th Euroconstruct conference in Warsaw (PL), November 2019, and 87th Euroconstruct conference in Rome (IT), June 2019

Total construction output Europe 2019

(EUR 1,637 billion)



- 1 Residential – new (21%)
- 2 Residential – renovation (26%)
- 3 Non-residential – new (17%)
- 4 Non-residential – renovation (15%)
- 5 Civil engineering (21%)

Source: 88th Euroconstruct conference in Warsaw (PL), November 2019

NET SALES

CONVINCING CURRENCY ADJUSTED NET SALES GROWTH

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 convincing currency-adjusted net sales growth was achieved in a challenging, yet generally positive environment in the construction industry – particularly as a result of successful market activities.

The currency exchange losses contained in net sales amounted to CHF 102 million. In 2019, 63% of net sales were generated in euros, 10% in Swiss francs, 5% in US dollars, 4% in British pounds and 18% in other currencies.

The following changes in net sales in the markets and product areas are currency-adjusted.

MOSTLY POSITIVE PERFORMANCE IN THE INDIVIDUAL MARKETS

Net sales in **Europe**, the largest region, rose by 3.4% in 2019 as a whole. Strong growth was achieved in the Benelux countries (+7.4%), United Kingdom/Ireland (+5.3%), Austria (+5.2%), the Iberian Peninsula (+4.9%), Switzerland (+3.9%) and Germany (+3.2%). Eastern Europe (+2.9%), the Nordic Countries (+2.6%) and Italy (+1.3%) also grew. On the other hand, France declined slightly (-0.4%). Outside Europe, the greatest net sales growth was recorded in the **Far East/Pacific** region (+9.0%), whereas the **Middle East/Africa** region expanded slightly (+1.3%) and **America** was only slightly higher than in the previous year (+0.5%).

PIPING SYSTEMS WITH THE STRONGEST GROWTH

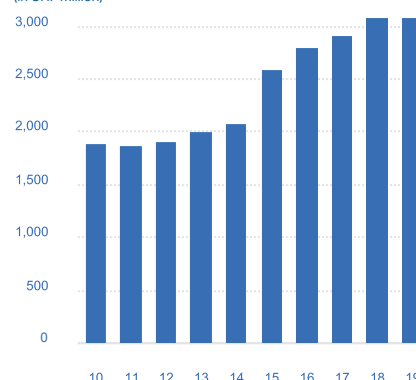
In the product areas, net sales for **Installation and Flushing Systems** climbed by +4.5%. As in the previous year, this growth was driven by two factors: firstly, Installation and Flushing Systems saw accelerated growth in the European expansion markets as a result of synergies from the integration of the ceramics business. Secondly, Geberit was also able to gain market shares in Central European markets through the sale of higher-added-value products that had been launched in earlier years.

At +5.8%, **Piping Systems** was the product area with the greatest growth. This above-average performance was underpinned by Building Drainage Systems as well as Supply Systems, with the former particularly supported by the products that had been launched in recent years.

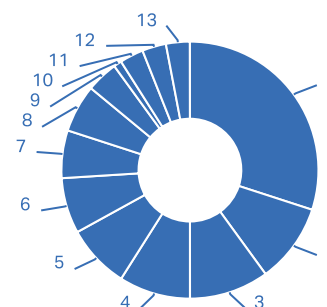
Net sales for the **Bathroom Systems** product area were unchanged over the previous year (+0.0%). The shower toilet business continued to perform strongly. This product area suffered from the weak market environment in the Nordic Countries, which are a disproportionately important market for this product area, negative effects from the → **switch to the Geberit brand** in local ceramic markets and the exit from low-margin ceramic business.

Net sales development 2010–2019

(in CHF million)

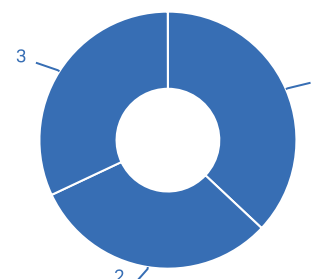


Net sales by markets/regions in 2019



- 1 Germany (30%)
- 2 Nordic Countries (10%)
- 3 Eastern Europe (10%)
- 4 Switzerland (9%)
- 5 Benelux (8%)
- 6 Italy (7%)
- 7 France (6%)
- 8 Austria (6%)
- 9 United Kingdom/Ireland (4%)
- 10 Iberian Peninsula (1%)
- 11 America (3%)
- 12 Far East/Pacific (3%)
- 13 Middle East/Africa (3%)

Net sales by product areas 2019



- 1 Installation and Flushing Systems (37%)
- 2 Piping Systems (31%)
- 3 Bathroom Systems (32%)

RESULTS

HIGH PROFITABILITY FURTHER IMPROVED

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 following result comparisons relate to adjusted prior year figures.

The operating cashflow (EBITDA) rose by 4.2% to CHF 904 million, its highest ever level in Geberit's history despite the negative currency effects. The EBITDA margin grew from 28.2% in the previous year to 29.3%. The increase in the EBITDA margin compared with the previous year was above all attributable to 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.

Operating profit (EBIT) rose by 1.7% to CHF 757 million, and the EBIT margin reached 24.5% (previous year 24.2%). Net income rose by 3.3% to CHF 647 million (previous year CHF 626 million), which led to a return on net sales of 21.0% (previous year 20.3%). The slightly disproportionate growth when compared with operating profit was due to an improvement in the financial result and a slightly lower tax rate. Earnings per share were up by 4.4% to CHF 17.97 (previous year CHF 17.21).

OPERATING EXPENSES UNDER CONTROL

All items within operating expenses were affected by positive currency effects. The cost of materials dropped by 3.7% to CHF 860 million, representing a lower share of net sales at 27.9%, compared to 29.0% in the previous year. This decline was due to lower prices of raw materials – both industrial metals and plastics – as well as positive mix effects. Personnel expenses rose by 1.1% to CHF 752 million, which equates to 24.4% of net sales (previous year 24.2%). This increase was due to strong tariff-related increases in salaries and higher personnel expenses needed for handling greater volumes as well as new recruiting at various sales companies. Depreciation rose to CHF 127 million (previous year CHF 105 million) primarily as a result of a change in the IFRS accounting standard. Amortisation of intangible assets increased slightly to CHF 20 million (previous year CHF 19 million). Other operating expenses fell by 1.5% to CHF 567 million despite the increased marketing expenses as a result of → **brand harmonisation**.

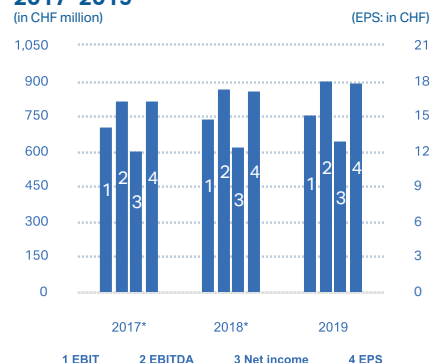
The net financial result improved to CHF -14 million (previous year CHF -20 million) due to lower currency losses and extraordinary financing costs that had arisen in the previous year. Tax expenses grew from CHF 90 million to CHF 96 million. This resulted in a tax rate of 12.9% (previous year 13.1%).

FURTHER SIGNIFICANT INCREASE IN FREE CASHFLOW

The higher operating cashflow in particular as well as lower investments in net working capital compared to the previous year and lower cash tax payments had a positive impact on cashflow. However, the slight increase in investments in property, plant and equipment compared with the previous year had a negative effect. All in all, free cashflow increased by 10.7% to CHF 644 million despite negative currency effects (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 28. Cashflow figures**). The free cashflow margin reached 20.9% (previous year 18.9%). CHF 436 million, or 67.7% of the free cashflow, was distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programme.

EBIT, EBITDA, Net income, Earnings per share (EPS)

2017–2019

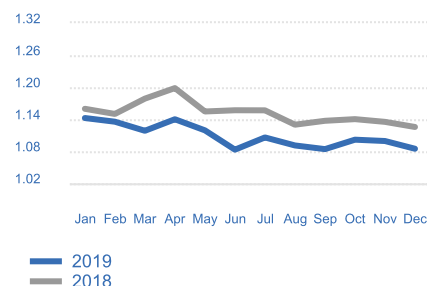


* Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)

EUR/CHF exchange rates

2018/2019

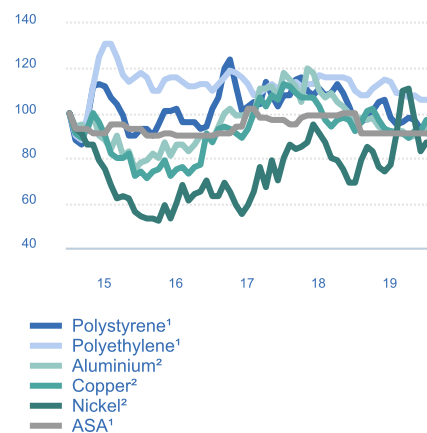
(Period-end exchange rates)



Raw material price development

2015–2019

(Market price; index: December 2014 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

FINANCIAL STRUCTURE

SOUND FINANCIAL FOUNDATION

The further increase in free cashflow (+10.7%) allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group.

In April 2019, two new CHF bonds of CHF 125 million each were issued, thus enabling an expiring bond to be refinanced and the maturity structure of the debt to be optimised.

Total assets increased from CHF 3,502 million to CHF 3,725 million. Liquid funds (including marketable securities and other short-term investments) grew from CHF 282 million to CHF 428 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 591 million. At CHF 837 million, debt remained at the previous year's level. Overall, this resulted in a decline in net debt of CHF 146 million to CHF 409 million at the end of 2019.

Net working capital dropped by CHF 4 million year-on-year to CHF 202 million. Property, plant and equipment increased from CHF 829 million to CHF 920 million primarily as a result of a change in the IFRS accounting standard. Goodwill and intangible assets declined from CHF 1,652 million to CHF 1,597 million due to amortisation and exchange-rate effects.

The ratio of net debt to equity (gearing) contracted from 31.8% in the previous year to 21.5%. The equity ratio reached a very solid 51.0% (previous year 49.8%). The ratio of net debt to EBITDA dropped slightly to 0.5x (previous year 0.6x). Based on average equity, the return on equity (ROE) came to 35.8% (previous year 34.5%). Average invested operating capital, comprising net working capital, property, plant and equipment, goodwill and intangible assets amounted to CHF 2,810 million at the end of 2019 (previous year CHF 2,823 million). The return on invested capital (ROIC) rose to 23.1% (previous year 22.6%).

The Geberit Group held 1,034,123 treasury shares on 31 December 2019, which equals 2.8% of the shares entered in the Commercial Register. Of these, 764,551 (2.1% of the shares entered in the Commercial Register) originate from the ongoing share buyback programme, while the remaining 269,572 are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares.

The aforementioned share buyback programme began on 6 June 2017. Over a maximum period of three years, shares for a total amount of maximum CHF 450 million will be repurchased, less withholding tax. The shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. Execution has been delegated to an external third party. By 31 December 2019, 764,551 shares had been acquired at a sum of CHF 323 million. The average purchase price per share was CHF 422.88. During the reporting year, 113,750 shares were acquired as part of the programme at a sum of CHF 47 million.

Debt

(in CHF million; as of 31 December)

| | 2017 | 2018 | 2019 |
|---|------|------|------|
| Long-term debt | 891 | 683 | 811 |
| Total debt | 895 | 837 | 837 |
| Liquid funds (including marketable securities and other short-term investments) | 413 | 282 | 428 |
| Net debt | 482 | 555 | 409 |

INVESTMENTS

HIGHER INVESTMENTS

In 2019, investments in property, plant and equipment and intangible assets amounted to CHF 167 million – CHF 5 million or 3.1% more than in the previous year. As a percentage of net sales, the investment ratio was 5.4% (previous year 5.3%). 40% of the total investments went towards capacity expansion. 38% was invested in the modernisation of property, plant and equipment and, hence, in further enhancement in production efficiency, 6% was used for rationalisation measures relating to property, plant and equipment, while 16% was used to acquire tools and equipment for new product developments. All larger investment projects were carried out as planned.

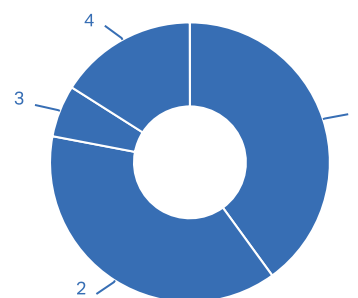
As in the previous year, the biggest single ongoing undertaking was the conversion and new-build project in Langenfeld (DE). Further significant projects concerned the sites in Ozorków (PL), Rapperswil-Jona (CH) and Slavuta (UA).

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------|------|------|------|------|------|
| | 147 | 139 | 159 | 162 | 167 |
| In % of net sales | 5.7 | 5.0 | 5.5 | 5.3 | 5.4 |

Investments by purpose 2019



- 1 Capacity expansion (40%)
- 2 Modernisation (38%)
- 3 Rationalisation (6%)
- 4 New products (16%)

EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY

At the end of 2019, the Geberit Group employed 11,619 staff worldwide, equivalent to a small decline of 11 employees or 0.1% compared to the previous year. An increase in personnel in various sales companies and an increasing number of apprentices in Germany and Switzerland were slightly offset by a net reduction in staff numbers in production, which was primarily attributable to the termination of the remaining employment relationships as part of the closure of two ceramics plants in 2017.

Based on the average headcount of 11,631, net sales per employee amounted to TCHF 265, or 1.5% more than in the previous year.

Broken down by business process, staff numbers were as follows: production employed 60% of the staff members, with a further 26% in marketing and sales. Additionally, 8% of the employees worked in administration, and 4% in research and development. The share of apprentices was 2%.

INCREASING USE OF DIGITAL CHANNELS FOR REACHING EMPLOYEES

Committed, well-skilled employees with comprehensive know-how are decisive to the company's future success. With this in mind, efforts continued in 2019 to position Geberit on the job market as a progressive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. Potential employees are increasingly being addressed via digital channels. Whilst classic job advertisements are still used, employee portraits and success stories are also utilised. Here, employees detail their everyday tasks and explain why they consider Geberit to be a good employer – increasingly via short films. In addition, campus recruitment activities were continued in 2019 with appearances at trade fairs and an increased digital presence. There was a special focus here on universities of applied sciences who offer education and further training in the field of ceramics manufacturing.

In 2019, personnel expenses amounted to CHF 752 million. Once again, the employees were also able to take part in share participation plans at attractive conditions, see → **Financial Statements of the Geberit Group, 17. Participation Plans** and → **Remuneration Report**. Equal opportunities and the same salaries for women and men are embedded in the corporate philosophy. The proportion of female employees at the end of 2019 was 24% (previous year 24%), and for senior management this figure was 11% (previous year 9%). The five-member Board of Directors has two female members.

FURTHER EXPANSION OF EDUCATION AND TRAINING

Geberit employed 264 apprentices at the end of 2019 (previous year 247). The transfer rate to a permanent employment relationship was 85% (previous year 89%). As experience abroad and the transfer of know-how are an advantage for both young employees and the company alike, all apprentices should have the opportunity to gain insights into several sites during their training. Additionally, apprentices have the option of working abroad for a period of six months on completion of their apprenticeship.

A two-stage Potentials Management Programme aims to identify talents throughout the company and support them along their path to middle or senior management. The programme includes topics such as strategy, digitalisation, the management of change processes, leadership skills and culture. Furthermore, the issues investigated as part of project work are geared towards strategic tasks of relevance to Geberit and provide the decision-makers involved with concrete bases for action. Part of the programme was carried out for the second time in collaboration with the University of St. Gallen (CH). The Potentials programme is intended to help fill at least half of all vacant managerial positions with internal candidates. In 2019, this was achieved for 58% of all Group management vacancies (previous year 57%).

In 2019, the ceramics plants in Poland, Germany, Ukraine, Finland, Italy, France and Portugal saw the continuation of an initiative aimed at improving leadership skills at various hierarchical levels. This initiative is planned at Group level, adapted to local requirements and put into practice in multi-day workshops involving local coaches. Furthermore, training courses targeting

Employees by countries

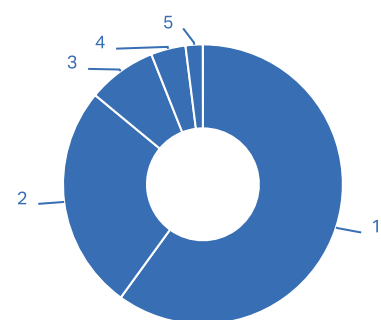
(as of 31 December)

| | 2018 | Share in % | 2019 | Share in % |
|--------------|---------------|------------|---------------|------------|
| Germany | 3,282 | 28 | 3,267 | 28 |
| Poland | 1,655 | 14 | 1,658 | 14 |
| Switzerland | 1,395 | 12 | 1,435 | 12 |
| Ukraine | 660 | 6 | 639 | 5 |
| Austria | 557 | 5 | 555 | 5 |
| Italy | 520 | 4 | 533 | 5 |
| China | 530 | 5 | 531 | 5 |
| Others | 3,031 | 26 | 3,001 | 26 |
| Total | 11,630 | 100 | 11,619 | 100 |

Employees by business processes

2019

(as of 31 December)



- 1 Production (60%)
- 2 Marketing and sales (26%)
- 3 Administration (8%)
- 4 Research and development (4%)
- 5 Apprentices (2%)

the development of managerial staff were implemented within the sales organisations in the European countries. The aim of these courses is to strengthen the leadership skills of the regional sales managers.

NEW APPRAISAL PROCESS LAUNCHED

valYOU – a new Performance assessment, Development and Compensation process – was developed in the reporting year. A new, key element of valYOU is succession planning for each individual position. Furthermore, the further development of individual employees is also actively supported through systematic feedback discussions. At the end of 2019, management personnel from the participating pilot companies visited a two-day workshop and became familiar with the new processes, the underlying concept and the new IT tool.

GUIDING PRINCIPLES FOR ALL EMPLOYEES

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **Compass**, which formulates the identity of Geberit (“What we do, what motivates us, what is responsible for our success, how we work together”), and the → **Code of Conduct for employees** serve as the applicable guidelines.

OCCUPATIONAL HEALTH AND SAFETY CAMPAIGN STARTED

Occupational health and safety has highest priority within the Geberit Group. Using 2015 as the reference year, the aim is to halve the number of accidents by 2025. By then, the AFR (Accident Frequency Rate) is also to be reduced to a value below 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to below 90 (number of days lost per million working hours). At 9.8, the accident frequency was virtually unchanged in 2019 (previous year 9.7). The accident severity rose slightly by 3.4% to 187.6 in the same period (previous year 181.5). There were no severe or fatal accidents.

26 of the 29 production plants are certified in accordance with the new occupational health and safety standard ISO 45001. The Geberit Safety System (GSS) defines occupational health and safety principles as well as processes that are applicable throughout the Group. All production plants and the central logistics centre in Pfullendorf (DE) have a safety manager. Since the beginning of 2017, a “Geberit Safety Team” has also been playing an active role in systematically developing occupational health and safety by defining key topics and highlighting best practices, among others.

In terms of occupational health and safety, special attention is paid to changes in behaviour, as the majority of occupational accidents and time lost are still attributable to negligence. A campaign on occupational health and safety was started in 2019 focusing on training and raising awareness on this topic. A programme based on eLearning aimed at employees in production and logistics should help to correctly identify danger areas in the workplace and rectify them consistently, among other areas.

The active promotion of employee health – thus ensuring they remain fit and able to work – is very important at Geberit. With this in mind, a diverse vitality programme is offered at 17 production and sales sites in the fields of exercise, mental fitness, nutrition and the working environment. The most comprehensive programme here is “Geberit Vital”, which can be accessed by around 40% of the workforce.

CUSTOMERS

BRAND HARMONISATION IN FULL SWING

An important step in the new brand strategy was implemented in 2019. In the key markets Germany, Belgium, Austria and Switzerland – plus several Eastern European countries – ceramic products and bathroom series from Keramag were replaced with the Geberit brand. This streamlining of the brand portfolio affected almost all areas of the company – including production, logistics, product data, marketing and the sales organisations.

The brand switch meant it was necessary to replace over 20,000 Keramag products with identical products bearing the Geberit logo in around 3,000 showrooms and exhibitions in the reporting year. This brand switch was completed successfully thanks to a strong partnership with wholesalers and meticulous preparation. A second phase will see three further regional ceramics brands being replaced by Geberit in France, Italy and the Netherlands in 2020, preparations for which already took place during the reporting year.

Focusing more keenly on the strong Geberit brand – a brand that is firmly established in the sanitary industry – has numerous advantages. Foremost among these are the concentration of marketing activities, the simplification of production and the consolidation of product information.

DESIGN MEETS FUNCTION – MORE THAN JUST WORDS

As the sponsor of an exhibition dedicated to the design pioneer Victor Papanek at the prestigious Vitra Design Museum, Geberit invited architects and interior designers from across Europe to Weil am Rhein (DE) at the beginning of 2019. The guests not only gained a new insight into Papanek's ideas, but were also able to view innovative Geberit bathroom solutions, which were met with a very positive response.

The direct targeting of architects and interior designers was further intensified in many Geberit markets. The "Design Meets Function" credo underlines the ability to offer products in front of the wall that have both a timeless design and clever functions. This credo can be seen most clearly in the new, integrated bathroom solution Geberit ONE.

An increasing number of events for architects and interior designers will also be held in various markets outside Europe, including China, Australia, South Africa and the Gulf region. The goal here is to also increasingly promote the company as a manufacturer of all-round solutions for the bathroom to this influential target group, in addition to emphasising its existing first-class reputation as a supplier of technical sanitary products.

CONTINUED STRONG PRESENCE IN THE SANITARY INDUSTRY

As before, a significant share of the varied marketing activities is targeted at plumbers and sanitary engineers. This especially applies to the ongoing, personalised and frequently project-related support given to installation companies and planning offices by Geberit sales representatives. Their work is supported by → **digital tools**, technical documentation, catalogues, brochures, magazines and a wide range of training opportunities unique in the sector.

Geberit assists the wholesale partners in their activities with a dedicated sales team, by offering comprehensive printed and electronic marketing materials as well as efficient order and delivery processes, which are becoming increasingly common in electronic form. This is to ensure that Geberit products are as widely available on the market as possible and that new products are well marketed. The aim is to work with wholesalers to ensure that the craft sector as well as end users receive professional support.

CONSISTENT DIGITAL SUPPORT FOR SANITARY ENGINEERS AND PLUMBERS

Geberit further expanded capacities and skills within the Digital Marketing team, with the aim of developing and launching digital tools faster, more efficiently and according to the needs of the respective target groups.

The support of BIM was given a high priority here. Building Information Modelling (BIM) is an interdisciplinary planning method for optimising the entire planning and building process. Architects, sanitary engineers and building owners use BIM to share information efficiently. This helps them to avoid planning errors and improve productivity, which brings advantages in major construction projects in particular.

For a number of years now, Geberit has been providing BIM users with support in the form of product data and calculation modules. A special plug-in has now been developed for the Revit planning software, which gives sanitary engineers direct access to compact 3D models and the corresponding planning parameters that are always kept up to date. The small size of the individual files allows them to be used easily. The roll-out for the most important product categories took place in autumn 2019 in Germany, Austria and Switzerland, and also in markets outside Europe.

Another important digital tool is the online catalogue for craftsmen. Information relating to products and spare parts is available from a single source and can be displayed on various devices. Information searches are intuitive, also enabling easy navigation on mobile devices at the construction site. The reporting year also saw the release of a revised version of another tool designed for everyday use, namely the Geberit app for craftsmen. This offers sanitary professionals support when it comes to the correct installation of Geberit products. Things were rounded off by other digital helpers, such as a calculator for using the Mapress metallic piping system in industrial applications and a self-learning programme for detecting actuator plates. All in all, 22% of the entire marketing budget was invested in digital tools and digital campaigns.

TRAINING A BIG HIT

During the reporting year, around 35,000 professionals were provided with training on Geberit products, tools, software tools and installation skills at 29 Geberit information centres in Europe and overseas. New showrooms were set up for this purpose at numerous locations, such as Nieuwegein (NL) or Krakow (PL). Furthermore, plumbers, architects and sanitary engineers were supported via webinars on fire protection and sound insulation, drinking water hygiene and other specialist topics. Around 85,000 additional customers also became more familiar with Geberit know-how and products at external training events, many of which were organised in cooperation with local wholesale partners.

STRONG TRADE FAIR PRESENCE CONTINUES

In 2019, numerous trade fairs were once again used as platforms to foster and enlarge the network of contacts in the market and to introduce new products and innovations. At the ISH in Frankfurt (DE) – the sanitary industry's leading international trade fair – numerous elements were added to the trade fair concept, which had already proven its worth in the preceding years. The goal here was to effectively showcase relevant product ranges from the Group to the end user – especially the integrated bathroom solution Geberit ONE, which was presented to the public for the first time at this trade fair. Other important presentations were made at Idéobain in Paris (FR), BAU in Munich (DE), KBC in Shanghai (CN), Mosbuild in Moscow (RU), Cevisama in Valencia (ES) and VVS in Odense (DK). Architects and designers were specifically targeted at the Fuori Salone during the Design Week in Milan (IT).

INCREASING FOCUS ON THE END USER

In autumn, a new end user campaign was launched in Germany, Austria and Switzerland under the title "Better bathrooms, better lives". Increasing the level of communication with end users is a further step in a long-term strategy, which started with the integration of the ceramics business and has continued since with the focus on the Geberit brand.

The campaign consists of three digital elements: an advertising campaign in digital media, the websites of the local sales companies and a customer relationship management (CRM) system. Nowadays, a large majority of potential end users first take inspiration online before visiting a specialist showroom. As a consequence, the Geberit websites have been enriched specifically with inspirations, information and digital tools that are both relevant and helpful for the end user. Potential customers are made aware of the websites by a campaign in digital media. They then receive additional advice and support from qualified specialists after they register in the CRM system.

In addition to an increasingly extensive range of digital tools, Geberit also published comprehensive, high-quality product documentation in numerous countries for plumbing exhibitions and partners, which can then be distributed to end users and building owners.

HIGH-PROFILE CAMPAIGN FOR SHOWER TOILETS

The advertising campaign for AquaClean shower toilets – which was launched in 2018 and also aimed at the end user – was continued in the reporting year and again met with a positive response in all 15 campaign markets. Another tour of the Geberit AquaClean truck across Europe was also organised. The mobile showroom and test

unit offered interested parties the opportunity to try out a shower toilet at their leisure and compare the various models. End users in other markets were also given numerous opportunities to try out a shower toilet. This included mobile AquaClean WC lounges, which were made available to the public at selected major events such as concerts and sporting events in Switzerland, Austria, Germany, France and the Netherlands. Furthermore, a fleet of ten AquaClean trailers – each fitted out with two shower toilets – also visited numerous local events.

With the “Test at home” campaign, potential customers were given the chance to try out a shower toilet at home for free. In most cases, the interested parties wanted to keep their installed Geberit AquaClean beyond the trial period. Encouraged by the success in Germany and Switzerland, this campaign was extended to include Belgium and Austria in the reporting year.

The international sales initiative for hotels also made encouraging progress. More hotel projects were acquired in the reporting year, including the Intercontinental Park Lane in London and the Edelweiss Salzburg Mountain Resort in Salzburg. The number of four- and five-star hotels equipped with AquaClean shower toilets in Europe now totals around 500.

INNOVATION

INNOVATION AS THE FOUNDATION FOR FUTURE GROWTH

Geberit's innovative strength, which is above average for the sector, is founded on its own, wide-ranging research and development (R&D) activities. In the reporting year, a total of CHF 77 million (previous year CHF 78 million) – or 2.5% of net sales – was invested in the development and improvement of processes, products and technologies. Additionally, as part of the → **investments in property, plant and equipment and intangible assets**, considerable sums were invested in tools and equipment for the production of newly developed products. In the reporting year, 29 patents were applied for. Aside from 2018, this is in line with the long-term average. In the last five years, Geberit has applied for a total of 163 patents.

The scientists and engineers at Geberit have the very latest equipment at their disposal for their development projects. For example, they use several state-of-the-art 3D printers for making prototypes. In the reporting year, a scanning electron microscope for material analysis was added to the infrastructure for materials technology, whilst an additional test facility for standard-compliant sound measurements was set up at the Building Technology and Acoustics Laboratory.

All product developments go through an established innovation and development process, which ensures that the Group's creative potential and know-how are used to the optimum extent and that development activities focus on the needs of the market. Customer benefits, quality and a system approach are of central importance here.

NEW PRODUCTS FOR SOPHISTICATED MARKETS

Among others, the following products were newly launched on the market in 2019:

- The bathroom series → **Geberit ONE** combines Geberit's know-how in sanitary technology and ceramics expertise. The system solution offers an appreciably better quality of life. In concrete terms, this means greater cleanliness, more space and greater flexibility. Sanitary professionals benefit from increased planning reliability and more efficient workflows.
- The → **SuperTube technology** is a space-saving alternative to the conventional discharge stack layout in high-rise buildings. SuperTube ensures a continuous column of air throughout the discharge stack and enables horizontal pipes of up to six metres in length without a slope. This renders the installation of a separate ventilation pipe in the discharge stack unnecessary.
- The new → **DuoFresh odour extraction** unit removes unpleasant odours directly from the WC ceramic appliance. It can be installed in all cisterns from the Sigma range, including as a retrofitted solution. In addition to the air filter, the module has an orientation light and an insert for in-cistern blocks.
- The successful → **Geberit AquaClean Sela shower toilet** underwent a technical redevelopment. It now offers even more comfort – for example in the form of WhirlSpray shower technology – and also impresses thanks to a more economical use of water and electricity. Thanks to its redesign, it is now among the most elegant shower toilets on the market.

For more details on new products in 2019, see the magazine → **Facts & Figures 2019**.

Several new product launches are planned for 2020. These will include the following:

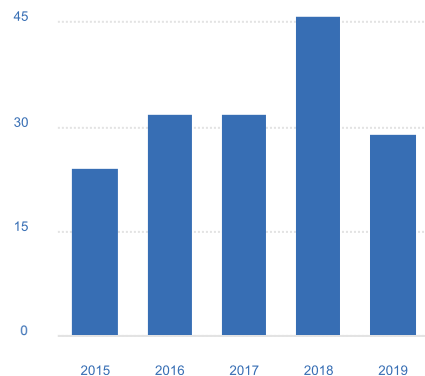
- The particularly high-quality → **CleanLine 80** model will be added to the successful shower channel portfolio. It is available in various metal colours and comes with a collector profile with integrated slope, which further simplifies installation by the tiler.
- The → **Geberit Pluvia roof drainage system** is designed for use on large and extremely large roofs. The system is used all over the world – including in monsoon regions. Geberit Pluvia works according to the principle of

R&D expenditures

(in CHF million)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------|------|------|------|------|------|
| | 63 | 72 | 78 | 78 | 77 |
| In % of net sales | 2.4 | 2.6 | 2.7 | 2.5 | 2.5 |

Number of new patents



negative pressure, meaning water is suctioned off the roof. Newly developed fastening elements ensure maximum stability for pipes installed underneath the roof, which are subjected to heavy loads.

- The trend towards individualisation also brings with it increasing demands from end users. With this in mind, the high-quality → **actuator plates Sigma50 and Sigma21** are available in a wide range of different materials and models that can be combined with each other in a variety of ways.
- The → **Selnova and Renova bathroom series** in the lower and middle price segment have been expanded with the addition of various ceramic sanitary appliances with optimised designs. Thanks to the depth of the product range, both series are used regularly in project business and in bathroom renovations.

For more details on new products in 2020, see the magazine → **Facts & Figures 2020**.

PRODUCTION

AN EFFICIENT NETWORK

The Geberit Group operated 29 plants in the reporting year, 23 of which are located in Europe, three in the US, two in China and one in India. The plants fall into the following three categories depending on the processed materials and production technologies:

- Ceramics (10 plants)
- Plastics & Metal (12 plants)
- Composites & Metal (7 plants)

GPS AS A GUIDELINE FOR PRODUCTION

All Geberit plants display an ongoing capability for renewal. Despite the diversity of the materials and production technologies used, the approach is determined uniformly: all improvements are consistently geared to the principle of flow production. Maximum efficiency and flexibility are targeted in this way, which is reflected in the reliable, timely supply of products to customers and savings in important resources such as working time and materials. The benchmarks of flow production are set out in the Geberit Production System (GPS 2.0). GPS 2.0 is the guideline for production processes in which the principles for efficient manufacturing are combined.

Numerous measures pertaining to GPS 2.0 were again initiated, promoted or brought to a conclusion in the reporting year. The "SigmaLine" project in Rapperswil-Jona (CH) and the changes made in Bromölla (SE) and Givisiez (CH) are just some of the prime examples of the many major and minor improvements made in the production processes. In Rapperswil-Jona, different sub-processes for packaging actuator plates – from laser marking to packing in boxes – were linked together using sensor technology, resulting in a substantial increase in capacity. In Bromölla, various process steps used for sorting the ceramic sanitary appliances after the firing process were automated. Finally, work also began on integrating flexible packaging cells directly into the production lines in Givisiez – a major step forward towards the planned flow production of multilayer pipes here.

The principles of GPS 2.0 also form the basis of all investments made in the production network. In the reporting year, these included the commissioning of two shuttle kilns in Slavuta (UA) and four new casting workbenches at the plant in Wesel (DE).

IMPACTS OF THE BRAND SWITCH

The streamlining of the brand portfolio (see the section on → **Customers**) had a direct effect on the production plants. The replacement of Keramag in the reporting year and the upcoming replacement of Allia, Pozzi Ginori and Sphinx with the Geberit brand in 2020 required a special effort that will pay off in the medium and long term through the reduction in complexity of the existing product range.

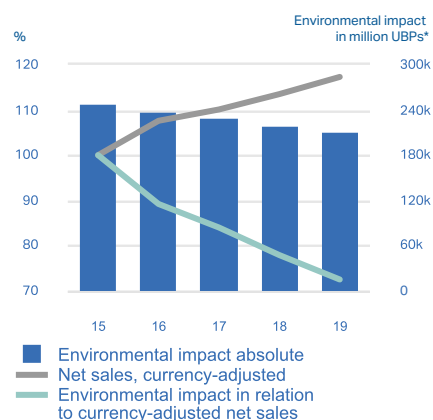
ENVIRONMENTAL MANAGEMENT IN PRODUCTION

As already mentioned, continuous improvements at the plants are aimed at increasing efficiency by saving resources. The topic of sustainability is also implemented in production through GPS 2.0. One example of this is the use of recycled plastic. At the plants in Pfullendorf (DE), Ruše (SI) and Rapperswil-Jona (CH), bought-in plastic regrunulate is used to manufacture components for actuator plates, fill and flush valves, and for the Monolith sanitary module.

The absolute environmental impact of the Geberit Group decreased by 3.7%, even though currency-adjusted net sales increased by 3.4% in the same period. The environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 6.9%. As regards the long-term target, which is based on an average annual decrease of 5% per year, Geberit therefore remains on course.

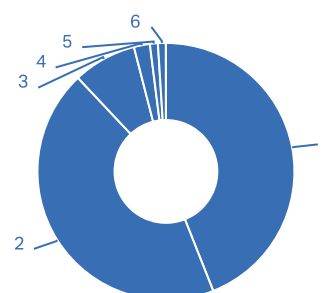
Environmental impact 2015–2019

(index: 2015 = 100)



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

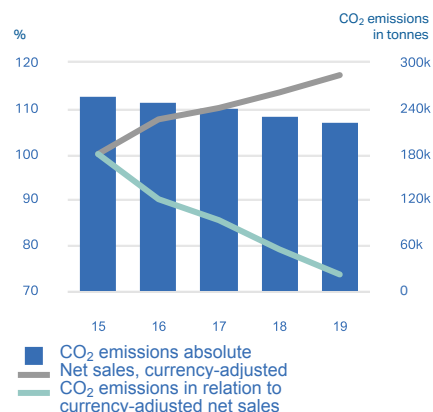
Distribution environmental impact 2019



- 1 Combustibles (44%)
- 2 Electricity (44%)
- 3 Fuels (8%)
- 4 Disposal (2%)
- 5 Water/Waste water (1%)
- 6 Solvents (1%)

CO₂ emissions 2015–2019

(index: 2015 = 100)



CO₂ emissions were reduced in 2019 by 3.8% to 222,639 tonnes. In relation to currency-adjusted net sales, emissions decreased by 7.0%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption. Increasing efficiency forms the second pillar. The third pillar entails the targeted sourcing of high-quality renewable energies. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

Geberit aims to further reinforce its leading position in the branch in the area of sustainability. Eco-efficiency and relative CO₂ emissions are to be improved by 5% per year (see also → **Sustainability Strategy 2020–2022**). One major system helping to achieve this target is the integrated Geberit Management System, which unites aspects such as quality, environment, occupational health and safety and energy. By the end of 2020, all production plants are to be integrated into this system. At the end of the reporting year, 28 of the 29 production plants were certified in accordance with ISO 9001 and 14001 as well as the occupational health and safety standard ISO 45001 resp. OHSAS 18001. Certification according to ISO 50001 (energy management) is taking place for selected sites.

LOGISTICS AND PROCUREMENT

HARMONISATION OF IT SYSTEMS IN CERAMICS LOGISTICS

At the end of 2019, Group logistics comprised the central logistics centre for installation and flushing systems and piping systems in Pfullendorf (DE) as well as a decentralised network of 13 European distribution sites for bathroom products.

The integration of the ceramics business into Group logistics was completed in 2019. Thanks to the Geberit Logistics Operation System (GLOS) – a system used for the continuous improvement of business processes – all logistics sites for ceramic sanitary appliances and furniture were able to achieve further improvements in process quality.

In connection with the OneERP project – where the IT systems and processes are adjusted to the Group ERP standard – the storage management system SAP EWM was also successfully launched in Poland, Sweden and Finland in 2019, following on from the Pfullendorf site the previous year.

IMPACTS OF THE BRAND SWITCH

The major challenges posed by the → **brand switch** from a logistics point of view were to manage old inventories optimally, to be prepared for the switch itself, and to still be able to meet market demands at all times. Thanks to coordinated processes and smooth cooperation between production, logistics and sales, it was possible to ensure that bottlenecks did not occur in the markets at any time during the switchover process.

SYNERGIES IN TRANSPORT MANAGEMENT

Great importance is attached to central transport management as the interface between suppliers, production plants, wholesalers and transport service providers in order to enable cost- and resource-optimised transport solutions. Customers generally receive orders of sanitary technology products in a single truck delivery. This not only reduces the number of empty kilometres, it also increases truck capacity utilisation and reduces CO₂ emissions (see also → **Strategy Green Logistics**). Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions.

COMPLIANCE WITH CODE OF CONDUCT FOR SUPPLIERS CHECKED

The Corporate Purchasing department is responsible worldwide (except in the USA) for procuring raw materials, semi-finished and finished products, commercial products, and services. Besides minimising risks of downtime as well as costs, the primary purpose of comprehensive supplier management is to safeguard supplies.

All business partners and suppliers are obligated to comply with → **comprehensive standards**. This applies to quality, socially responsible and healthy working conditions as well as environmental protection and the commitment to fair business practices. The basis for cooperation is the → **Code of Conduct for Suppliers**. This Code is aligned with the principles of the United Nations Global Compact and is available in 15 languages. As of the end of the reporting year, a large majority of suppliers as measured in terms of purchasing volumes had signed the Code.

Corporate Purchasing and Sustainability jointly ensure that the standards found in the Code of Conduct are upheld by conducting regular EHS (Environment, Health and Safety) audits. The number of audits made and their content are selected with the help of a risk matrix. The goal of these audits is to also check compliance with the respective national legislation and regulations in the areas of environmental protection and occupational health and safety. The audits are carried out by an independent third-party company. Appropriate measures are initiated where required. During the reporting year, four external audits on EHS were carried out at suppliers in the area of procurement.

SUPPLIER INTEGRITY LINE

Introduced in 2017, the Supplier Integrity Line from Geberit allows suppliers to anonymously report any violations of the guidelines set out in the Code of Conduct for Suppliers by Geberit employees and by competitors. The hotline is free of charge for users and is operated by an independent service company in a total of eleven languages. Violations can also be reported online via an external URL. No violations of the guidelines set out in the Code of Conduct for Suppliers were reported in 2019.

SUSTAINABILITY

LONG-TERM ORIENTED

An initial environmental strategy was tabled and specific measures implemented at Geberit as far back as 1990. Over the years, this strategy was gradually developed into a comprehensive → **Sustainability strategy**, which is now an integral part of the corporate culture. The sustainability strategy bundles together current and future projects, initiatives and activities, and contains clear responsibilities with measurable objectives, derived measures and quantifiable key figures for effective monitoring. In this strategy, aspects relating to employees and society, plus the environment and economy are given equal consideration.

FOCUS ON FOUR GLOBAL GOALS

Approved by the United Nations in 2015, the Sustainable Development Goals comprise 17 specific targets and indicators which countries are required to implement by 2030 – with significant support from the business world. Four of these goals are particularly important to Geberit. The goal calling for “equitable access to clean drinking water and basic sanitation” for all people worldwide is key to the company’s efforts, as is the goal of “sustainable cities and communities”. With its durable sanitary technology, an important contribution is also made towards “developing robust infrastructures” and promoting “sustainable industrialisation”.

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

WATER FOOTPRINT THROUGHOUT THE VALUE CHAIN IN 2019

PROVISION OF RAW MATERIALS

0.16% of the total amount of water was required in the manufacture of raw materials for products.



0.16%
(7.3 million m³)

MANUFACTURING

A mere 0.02% of the water was used in the manufacture of products.



0.02%
(1.0 million m³)

USE

The greatest water consumption by far occurs during the use of products manufactured in 2019 during their entire service life (cisterns, urinal flushing systems and washbasin taps).



99.82%
(4,614 million m³)

DISPOSAL

Less than 0.01% of the total amount of water was used for the disposal of products.



< 0.01%
(0.2 million m³)

GREEN BUILDING SUPPORTED BY DIGITALISATION

Green building is becoming ever more important. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. As they increase transparency and are intended to provide data relating to sustainability, these standards also influence the planning processes in sanitary technology. For many years, Geberit has been creating product life cycle assessments and externally inspected environmental product declarations (EPDs) in accordance with the European standard EN 15804. EPDs present relevant, comparable and verified information about a product’s environmental performance in a transparent manner. One EPD for the Geberit → **AquaClean Sela** shower toilet was newly compiled in the reporting year.

In order to meet the increased demand for digitally available data, a medium- to long-term goal is the creation of a "material passport" for each individual product. This contains information on the product materials used and the associated ecological footprint.

DESIGNED FOR THE LONG TERM

Thanks to their top-class materials and strict quality requirements, Geberit products have a service life spanning several decades. Furthermore, they are usually backwards-compatible and can be cleaned, maintained and repaired easily. A significant proportion of the product range also has a guaranteed spare parts availability of up to 25 years. In production, the goal is to close internal material cycles, and to minimise waste and recycle it where appropriate. Additionally, plastics processing plants are also working towards constantly increasing the share of bought-in plastic regrulate used (post-consumer waste).

PERMANENT ADDED VALUE

The binding → **Sustainability strategy** – which is closely linked to the company's values and core areas of focus as well as the → **Sustainable Development Goals** of the United Nations – ensures that the objectives are measurable and that a significant contribution to the success of the company is thus guaranteed. A total of twelve sustainability modules form the basis of this strategy. Among these are occupational health and safety, social responsibility, conservation of resources, energy and CO₂ reduction, eco-design and green procurement.

Since 2007, a sustainability performance report of the Geberit Group has been prepared annually in accordance with the guidelines of the Global Reporting Initiative (GRI). This has been carried out according to the new GRI Standards since 2018. The information disclosed within the scope of this report has been compiled in accordance with the "Comprehensive" option contained in the GRI Standards. The sustainability reporting has been subjected to and has successfully completed the GRI Materiality Disclosures Service, see → **GRI label and formal GRI Content Index**. All aspects of the GRI Standards can be found in the → **Sustainability Performance Report** for 2019. The → **materiality analysis** reviewed by an → **external stakeholder panel** in 2018 as well as the sustainability strategy have been further developed.

Geberit has been a member of the United Nations (UN) Global Compact since 2008. The purpose of this worldwide agreement between companies and the UN is to place globalisation on a more social and ecological footing. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and anti-corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The → **Code of Conduct for Employees** and the → **Code of Conduct for Suppliers** further incorporate the topic of sustainability. Continuously improved → **compliance processes** ensure compliance with guidelines and directives. In addition, a system for the control and management of all risks involved in entrepreneurial activities is in place throughout the Group. For more information, see → **Risk management**.

ECO-DESIGN AS AN INTEGRAL PART OF EACH DEVELOPMENT PROCESS

The eco-design approach has been consistently applied at Geberit since 2007 as part of the Group's innovation and development process. All environmental aspects are examined, from the selection of raw materials right through to disposal. Every new product should be better than its predecessor from an ecological perspective.

GREATER IMPORTANCE OF SUSTAINABLE BUSINESS MANAGEMENT FOR THE CAPITAL MARKET

The activities in terms of sustainable business management are recognised by the capital market. Geberit is strongly represented in the sustainability stock indices and sustainability funds segment. For example, the share is a component of the STOXX Europe Sustainability Index and the FTSE4Good Index Series. Renowned sustainability funds also hold the shares in their portfolios. Geberit wants to continue to play a pivotal role in the "Sustainability" and "Water" investment segments.

COMPLIANCE

FOCUS ON BUSINESS-RELATED ASPECTS

In terms of Geberit's specific business activities, there is a particular focus on the topic of antitrust legislation, with data protection, corruption, product liability, environmental and occupational health and safety as well as employee rights also relevant from a compliance perspective. Audits and training courses are carried out on a regular basis as a means of inspecting and implementing the directives within the Group, the Code of Conduct for Employees and Code of Conduct for Suppliers, and also compliance with applicable laws. Additionally, the eLearning modules on antitrust legislation and data protection are practical tools that can be used for the straightforward training of employees.

FOCAL POINT DATA PROTECTION

The optimisation of the data protection processes introduced in 2018 also continued in the reporting year. At the start of the year, a proprietary, individual privacy policy was introduced in recruiting in the HR department. The eLearning module on data protection for employees was extended and is now available in 13 languages. Moreover, the topic of data protection was also incorporated in the management system and in reporting on the Code of Conduct. A further 19 Geberit companies were audited on data protection, including Portugal, Spain, Italy, France and Germany. Furthermore, the Group's central data protection organisation was also audited.

LEGAL ADVICE AND REPORTING

As part of enquiries from various Geberit markets, the Group's legal department dealt with the permissibility of bonus and discount systems, plus marketing and sales campaigns. In this advisory role, the legal department is able to quickly clear up any uncertainties and confusion. On the whole, the enquiries demonstrate a marked sensibility among the employees in relation to compliance topics, particularly in the area of antitrust legislation.

SOCIAL RESPONSIBILITY

PROJECTS WITH APPRENTICES

Geberit assumes social responsibility and combines this with the core topics of water and basic sanitation. Commitments should be linked to Geberit's know-how and the corporate culture. This approach contributes to the → **mission** of achieving sustained improvement in the quality of people's lives.

This mission includes social projects involving Geberit apprentices, which have been carried out since 2008 as part of the company's social responsibility. During their assignments in developing and newly industrialised countries, the young apprentices not only gain new intercultural, linguistic, professional and social competencies, but also often end up as ambassadors for the company and its social commitment following these formative weeks abroad. The social projects make a tangible contribution to the Sustainable Development Goals of the United Nations, which include giving all humans access to clean drinking water and basic sanitation by 2030.

Ten → **apprentices travelled to Cambodia** in 2019. Working in close cooperation with a Swiss non-governmental organisation that is committed to helping the people in Cambodia and with the support of Geberit South East Asia, several schools in Siem Reap province were renovated and equipped with new sanitary facilities in November 2019.

GLOBALLY ENGAGED

Geberit continued its partnership with the Swiss development organisation Helvetas with a series of initiatives and supported the new Helvetas campaign with a substantial sum of money. In March 2019, a group of 16 Geberit employees from the Nordic Countries travelled to Nepal and helped build a drinking water supply at a village community in the west of the country. The reporting year also saw a knowledge transfer project launched, where two Geberit employees will travel to Nepal in 2020 in order to pass on basic know-how in sanitary technology as part of a training project. The "Change of Perspective" project was also implemented again, as two Swiss plumbers travelled to Nepal in November 2019, working there for a week with two Nepalese colleagues. A major donation was also made to support Helvetas-run water projects around the world.

The Geberit Group's social commitment is rounded off by a multitude of other initiatives at a local level. In Germany, Austria and Switzerland, for example, simple assembly and packaging work is regularly awarded to workshops for people with disabilities. In the reporting year, this work amounted to around CHF 8 million and gave almost 500 people meaningful work.

As a basic principle, all social projects and the use of funds are regularly checked by Geberit employees in the respective country or in partnership with non-governmental organisations, including after completion of the projects in question. For an overview of donations and financial contributions, see → **Investments in infrastructure and services primarily for public benefit**. All donations are neutral from a party political point of view. No donations were made to parties or politicians. As a rule, no political statements are made, and no political lobbying is carried out. This is ensured globally as part of the annual audit of the Code of Conduct.

CHANGES IN GROUP STRUCTURE

There were no significant changes to the legal structure of the Geberit Group (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure** and → **33. Group companies as of 31 December 2019**).

OUTLOOK

UNCHANGED ENVIRONMENT EXPECTED IN THE CONSTRUCTION INDUSTRY

Geopolitical risks have increased substantially, leading to more instability and volatility in the global economy. Despite this, the forecasts for 2020 for the construction industry have not changed fundamentally compared to the previous year. Although difficult to assess, the Corona virus might impact the global economy on the demand and the supply side. A market outlook – in particular for markets like China or Italy – is therefore very difficult. The following outlook is based on the assumption that the Corona virus will not have a longer lasting negative impact on the construction industry. Considering this, the global construction industry is supposed to remain largely stable, however, the individual countries will perform differently. In **Europe**, a continued positive – but inconsistent – market environment is expected on the whole. Growth in certain markets is expected to slow down, mainly as a result of the number of building permits in residential construction, which has fallen for the first time since 2013. Despite healthy demand, growth potential in Germany will remain limited due to capacity constraints of installers. In the Nordic Countries, the situation for the individual countries looks mixed, with at best a stagnating market environment overall. In Switzerland, a slight decline in the market is expected as a result of a weaker performance in residential construction. While the market environment in Austria is expected to remain positive, the construction industry in Italy and France is likely to stagnate. The Eastern European markets are predicted to perform differently, with a positive environment in Poland, stagnation in Russia and challenging conditions in Turkey. In the United Kingdom, the construction market is likely to stabilise following the downturns experienced in the past two years. In the Benelux Countries, solid growth is expected in Belgium, with a flat market trend forecast in the Netherlands due to stricter environmental regulations. In **North America**, a slight downturn is predicted in the institutional construction industry – which is important to Geberit's business in the US. In the **Middle East/Africa** region, the market environment in the Gulf region will be defined by the ongoing political instability and liquidity problems, which makes a prediction extremely difficult. For South Africa, forecasts are cautious as a result of the uncertain economic development. In the **Far East/Pacific** region, continued moderate growth is expected in the Chinese residential construction sector. Whilst growth expectations in building construction in India are limited by the lack of liquidity, a continued decline in the construction industry is likely in Australia.

CURRENCIES AND RAW MATERIALS

Fluctuations in the Swiss franc compared to other important currencies used by the Geberit Group will continue to affect sales and earnings. Gains and losses result mainly from the translation of local results into Swiss francs (translation effects). However, currency fluctuations generally have no significant impact on operating margins due to natural currency hedging. Natural currency hedging entails making sure that costs in the various currency areas are incurred in the same proportion in which sales are generated. With regard to the impact of foreign currency effects, please refer to the information and the sensitivity analysis in the → **Management of currency risks** section. Increasing geopolitical risks and ongoing trade disputes mean that it remains very difficult to provide an outlook on the development of the raw material markets. As things currently stand, lower raw material prices are expected for the first quarter of 2020 compared to the fourth quarter of 2019.

GEBERIT

The objective is to perform strongly in all markets and, as in previous years, to gain further market shares. To this end, a particular focus is to be placed on new products that have been introduced in recent years, on markets in which Geberit products or technologies are still under-represented, as well as on the further expansion of the shower toilet business making all together an important contribution to this. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes in order to be able to achieve continued high margins and a strong free cashflow also in 2020.

The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. The possibilities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will continue to be firmly seized. Focal points in 2020 will be the implementation of the digitalisation strategy and the continued brand harmonisation. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation,

an established cooperation based on trust with the market partners in both commerce and trade, and the Group's continued solid financial foundation are vital to its future success.