

GEBERIT GROUP

# **BUSINESS REPORT**

## 2019

# EDITORIAL

Dear shareholders,

We look back on a very good business and financial year despite a generally weaker market environment compared to the previous 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 strengthening it outside Europe.

## HIGH PROFITABILITY ADDITIONALLY IMPROVED

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%. Operating profit (EBIT) increased by 1.7% to CHF 757 million; the EBIT margin reached 24.5%. The increase in the operating 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. 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 a natural currency hedging, the currency development did not have any negative impact on the operating margin. Net income rose by 3.3% to CHF 647 million, which led to a return on net sales of 21.0%. Earnings per share were up by 4.4% to CHF 17.97. Free cashflow increased by 10.7% to CHF 644 million, above all due to the gratifying rise in operating cashflow.

We were able to reduce the environmental impact in relation to currency-adjusted net sales (eco-efficiency) by 6.9% in the reporting year. The CO<sub>2</sub> impact in relation to currency-adjusted net sales also decreased by 7.0% in 2019. Since the acquisition of the ceramics business in 2015, we have reduced the corresponding relative environmental and CO<sub>2</sub> impact overall by 27.5% and 26.4% respectively.

## INNOVATION AS THE FOUNDATION FOR FUTURE GROWTH

In 2019, we once again expanded our product range, launching numerous new products on the market. Here the most important:

- 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.

## CONSISTENT DIGITAL SUPPORT FOR SANITARY ENGINEERS, PLUMBERS AND END USERS

We also continued with digitalisation in 2019 and further expanded corresponding competencies and capacities primarily in marketing and product development. In accordance with our digitalisation strategy, one key aspect in activities was again in marketing 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 (Building Information Modelling) was given a high priority here. BIM is an interdisciplinary planning method for optimising the entire planning and building process and enables architects, sanitary engineers and building owners to share information efficiently. For a number of years now, Geberit has been providing BIM users with relevant product data and calculation modules. In the reporting year, we extended the

support and can now ensure that sanitary engineers always have up-to-date data for planning at their disposal. 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. 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 are rounded off by other digital helpers, such as a calculator for using the Mapress metallic piping system in industrial applications or a self-learning programme for detecting actuator plates. A new campaign aimed at increasing the level of communication with end users was implemented in a completely digital manner. It is based on the realisation that nowadays, a large majority of potential end users first take inspiration online before visiting a specialist showroom or qualified specialist partners. All in all, 22% of the entire marketing budget was invested in digital tools and digital campaigns.

### **BRAND HARMONISATION IN FULL SWING**

We were able to implement an important step in the new brand strategy in 2019. In the key markets Germany, Belgium, Austria and Switzerland – plus several Eastern European countries – we replaced ceramic products and bathroom series from Keramag 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 customer 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 we already started 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.

### **EFFICIENT PRODUCTION NETWORK**

All our production plants display an ongoing capability for renewal. Despite the diversity of the materials and production technologies used, our approach is determined uniformly: all improvements are consistently geared to the principle of flow production. We target maximum efficiency and flexibility 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 projects listed below are just three of the prime examples of the many major and minor improvements made in the production processes:

- The "SigmaLine" project in the plant in Rapperswil-Jona (CH), in which different subprocesses for packaging actuator plates – from laser marking to packing in boxes – were linked together using sensor technology, resulting in a substantial increase in capacity.
- The automation of various process steps used for sorting the ceramic sanitary appliances after the firing process in the plant in Bromölla (SE).
- The integration of flexible packaging cells directly into the production lines in the plant in Givisiez (CH) – a major step forward towards the planned flow production of multilayer pipes here.

## GLOBALLY ENGAGED

We take our social responsibilities seriously, including the undertaking of social projects involving our own apprentices since 2008. The projects exhibit a strong relationship to the topic of water and to our core competencies. In 2019, ten of our apprentices travelled to Cambodia where several schools in Siem Reap province were renovated and equipped with new sanitary facilities. We also continued our partnership with the Swiss development organisation Helvetas with a series of initiatives. 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. A knowledge transfer project was launched, where 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.

Our activities in the area of social commitment are rounded off by a multitude of other initiatives and fundraising campaigns 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.

## CONTINUED ATTRACTIVE DISTRIBUTION POLICY

In 2019, the Geberit share price increased by 42.1% to CHF 543.20. In the same period, the Swiss Market Index (SMI) posted gains of 26.0%. As in the past, we wish to let the shareholders benefit from the very good development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose to the General Meeting an increase in the dividend of 4.6% to CHF 11.30, which is slightly above the increase in the previous year. The payout ratio of 63.4% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme, launched on 6 June 2017, was also continued. By 31 December 2019, around 765,000 shares, or 2.1% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 323 million, CHF 47 million thereof in 2019. 67.7% of the free cashflow was therefore distributed to our shareholders during the reporting year as part of the dividend payment and the share buyback programme.

## CHANGES IN THE BOARD OF DIRECTORS

At the General Meeting on 3 April 2019, Bernadette Koch was elected as a new member of the Board of Directors of Geberit AG in place of Jørgen Tang-Jensen, who did not stand – after seven years in the Board – for re-election. At the beginning of October 2019, we received the sad news of the passing of our member of the Board of Directors Thomas M. Hübner. With him, Geberit lost not only a committed and motivated colleague, who contributed a great deal to the positive development of the company with his comprehensive international experience and network, but also a highly valued person.

## SINCERE GRATITUDE

We owe the very good results in the reporting year to the great commitment, high degree of motivation and expertise of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude to you, esteemed shareholders, for your continued great trust in our company.

## OUTLOOK FOR THE YEAR 2020

Geopolitical risks have increased substantially, leading to more instability and volatility in the global economy. Despite this, our 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. Our 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. Our 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, we want to accompany these measures 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. Focal points in 2020 will be the implementation of the digitalisation strategy and the continued brand harmonisation. We want to continue to firmly seize 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”. We are convinced that we are very well equipped for the upcoming opportunities and challenges.

Yours sincerely,

Albert M. Baehny  
Chairman of the Board of Directors



Christian Buhl  
CEO



# GEBERIT SHARE INFORMATION

## SHARE PRICE PERFORMANCE IN THE REPORTING YEAR

The Geberit share price started the trading year 2019 at CHF 382.30. After increasing mostly in line with the Swiss Market Index (SMI) throughout the year, there was a significant increase in growth momentum in the fourth quarter, with the price reaching an all-time record high of CHF 550.40 shortly before the end of the year. The Geberit share price closed the trading year at CHF 543.20, corresponding to an increase of 42.1%. In the same period, the SMI posted gains of 26.0%. Viewed over the past five years, the Geberit share posted an annual average increase of 9.9% (SMI +3.4%). The Geberit Group's market capitalisation reached CHF 20.1 billion at the end of 2019.

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

At the end of 2019, the free float as defined by SIX was 100%.

## DISTRIBUTION

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

In 2019, CHF 389 million was distributed to shareholders as part of the dividend payment. The share buyback programme, launched on 6 June 2017, was also continued. By 31 December 2019, around 765,000 shares, or 2.1% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 323 million, CHF 47 million thereof in 2019. CHF 436 million, or 67.7% of the free cashflow, was therefore distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programme.

Over the last five years, around CHF 2.3 billion has been paid out to shareholders in the form of distributions or share buybacks, which corresponds to 83.6% of the free cashflow in this period.

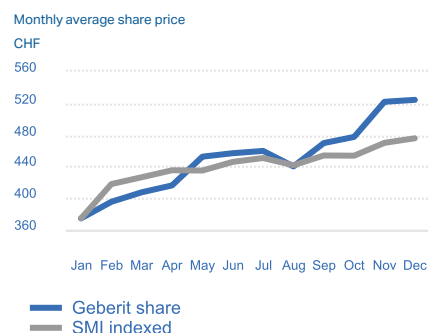
The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 1 April 2020 an increase in the dividend of 4.6% to CHF 11.30, which is slightly above the increase in the previous year. The payout ratio of 63.4% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

## COMMUNICATION

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

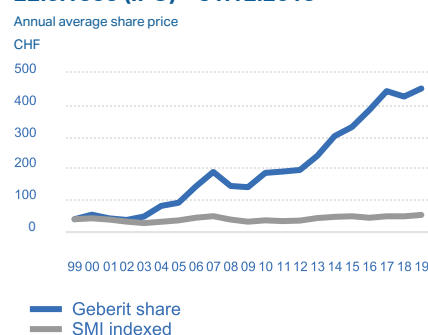
→ [www.geberit.com](http://www.geberit.com), including ad hoc announcements. Among other things, the current version of the investor presentation is available on the website at any time. In addition, interested parties may add their names to a mailing list → [www.geberit.com/maillinglist](http://www.geberit.com/maillinglist)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

### Share price development 1.1. – 31.12.2019



Source: Thomson Reuters

### Share price development 22.6.1999 (IPO) – 31.12.2019



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

### Total distribution to shareholders and share buybacks (in CHF million)

	2015	2016	2017	2018	2019	Total
Distribution	311	309	368	381	389	1,758
Share buyback	160	51	92	185	47	535
<b>Total</b>	<b>471</b>	<b>360</b>	<b>460</b>	<b>566</b>	<b>436</b>	<b>2,293</b>

### Distribution paid (in CHF per share)

	2015	2016	2017	2018	2019
<b>Dividend</b>	<b>8.30</b>	<b>8.40</b>	<b>10.00</b>	<b>10.40</b>	<b>10.80</b>

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

Contact may be established at any time at  
→ [corporate.communications@geberit.com](mailto:corporate.communications@geberit.com)

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

## Major data relating to the Geberit share

31.12.2019

Registered shareholders	32,775
Capital stock (CHF)	3,704,142.70
Number of registered shares of CHF 0.10 each	37,041,427
Registered shares	21,167,232
Treasury shares	1,034,123
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH0030170408
Telekurs	GEBN
Thomson Reuters	GEBN.S
Bloomberg	GEBN.VX

## Key figures

(in CHF per share)

	2018	2019
Net income <sup>1</sup>	17.21	17.97
Net cashflow	20.53	23.16
Equity	47.94	52.74
Distribution <sup>2</sup>	10.80	11.30

<sup>1</sup> Adjusted for costs in connection with the Sanitec acquisition and integration; 2019 and beyond: no extra costs occur anymore

<sup>2</sup> Subject to approval of the General Meeting 2020

## Time schedule

2020

General Meeting	1 Apr
Dividend payment	7 Apr
Interim report first quarter	30 Apr
Half-year report	18 Aug
Interim report third quarter	29 Oct

2021

First information 2020	14 Jan
Results full year 2020	11 Mar
General Meeting	14 Apr
Dividend payment	20 Apr
Interim report first quarter	4 May
Half-year report	19 Aug
Interim report third quarter	3 Nov

(Subject to minor changes)

# MANAGEMENT STRUCTURE

1 January 2020

## Board of Directors

**Chairman**  
Albert M. Baehny

**Vice Chairman**  
Hartmut Reuter

CEO	Sales Europe	Sales International	Marketing & Brands	Operations	Product Management & Innovation	Finance
<b>Chief Executive Officer</b> Christian Buhl	<b>Member Executive Board</b> Karl Spachmann	<b>Member Executive Board</b> Ronald van Triest	<b>Member Executive Board</b> Martin Baumüller	<b>Member Executive Board</b> Martin Ziegler	<b>Member Executive Board</b> Egon Renfordt-Sasse	<b>Member Executive Board</b> Roland Iff
<b>Human Resources</b> Roland Held	<b>Germany</b> Clemens Rapp	<b>North America</b> Andreas Nowak	<b>Digital</b> Dirk Wilhelm	<b>Purchasing</b> Adriaan 't Gilde	<b>Quality</b> Andreas Lange	<b>Controlling</b> Andreas Jäger
<b>Communications / Investor Relations</b> Roman Sidler	<b>Switzerland</b> Reto Bättig	<b>Far East / Pacific</b>	<b>Installation and Flushing Systems / Bathroom Systems</b> Tobias Mayr	<b>Logistics</b> Gerd Hailfinger	<b>Technology / Innovation</b> Thomas Mattle	<b>Treasury</b> Thomas Wenger
<b>Strategic Planning</b> Cyril Stutz	<b>Nordic Countries</b> Lars Risager	<b>China</b> Tony Zhang	<b>Piping Systems</b> Renato Di Rubbo	<b>Production Plants P &amp; M*</b> Robert Lernbecher	<b>Accredited Test Laboratory</b> Markus Tanner	<b>Information Technology</b> Johan Engvall
<b>Sustainability</b> Roland Högger	<b>Italy</b> Giorgio Castiglioni	<b>NSEA</b> Simon Wong	<b>Marketing Operations</b> Daniela Koch	<b>Production Plants C &amp; M**</b> Martin Ziegler	<b>Products Installation and Flushing Systems</b> Marcel Heierli	<b>Taxes</b> Jürgen Haas
<b>Shower Toilet</b> Margit Harsch	<b>The Netherlands</b> Menno Portengen	<b>Pacific</b> Eric Lander	<b>Pricing</b> Frank Heuser	<b>Production Plants CER***</b> Simon Imhof	<b>Products Bathroom Systems</b> Jörn Ikels	<b>Legal</b> Albrecht Riebel
	<b>Belgium</b> Thierry Geers	<b>Middle East / Africa</b> Ronald van Triest	<b>Master Data Management</b> Jürgen Lay		<b>Products Piping Systems</b> Arnd Gildemeister	<b>Internal Audit</b> Martin Reiner
	<b>Austria</b> Guido Salentinig		<b>Technical Documentation</b> Werner Trefzer			
	<b>France</b> Yves Danielou					
	<b>United Kingdom</b> Mark Larden					
	<b>Poland</b> Przemyslaw Powlacz					
	<b>Ukraine</b> Oleksiy Rakov					
	<b>Czech Republic / Slovakia</b> Vladimir Sedlacko					
	<b>Adriatic Region</b> Miran Medved					
	<b>Iberian Peninsula</b> David Mayolas					
	<b>Russia</b> Irina Buralkina					
	<b>Hungary</b> Tamás Kószeghy					
	<b>Romania</b> Catalin Mitroi					
	<b>Key Account Management</b> Michael Albrecht					
	<b>Business Development / OEM / Industry</b> Tobias Beck					

\* P & M: Plastics and Metal  
\*\* C & M: Composite and Metal  
\*\*\* CER: Ceramics



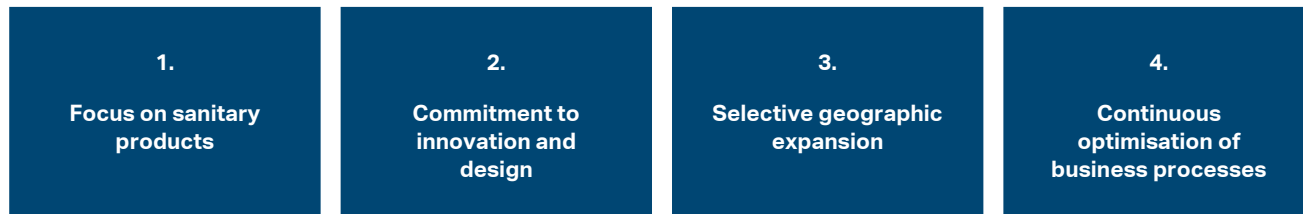
BUSINESS REPORT

# **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%.

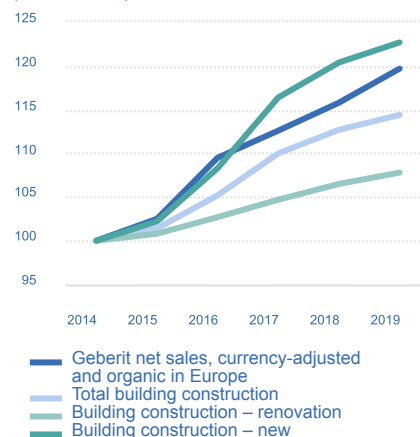
In the **Far East/Pacific** region, economic growth amounted to +4.3% – slightly down on the previous year (+4.7%) but significantly higher than global economic growth (+2.5%). At around 60%, more than half of the global growth once again originated from the Far East/Pacific region, where all relevant 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

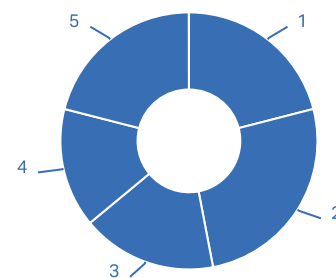
(Index: 2014 = 100)



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

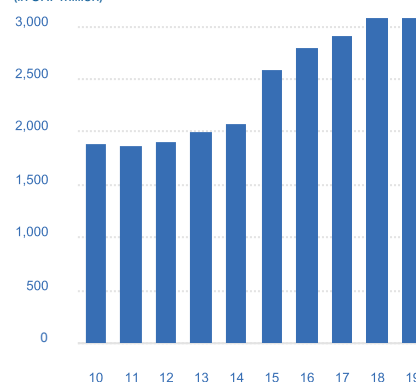
In the product areas, net sales for **Installation and Flushing Systems** climbed by +4.5%. As in the previous year, this growth was driven by two factors: firstly, Installation and Flushing Systems saw accelerated growth in the European expansion markets as a result of synergies from the integration 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.

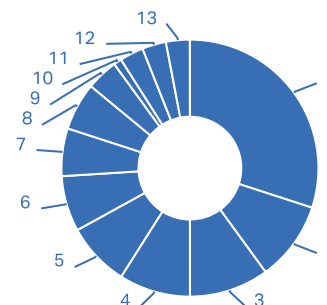
Net sales for the **Bathroom Systems** product area were unchanged over the previous year (+0.0%). The shower toilet business continued to perform strongly. This product area suffered from the weak market environment in the Nordic Countries, which are a disproportionately important market for this product 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)

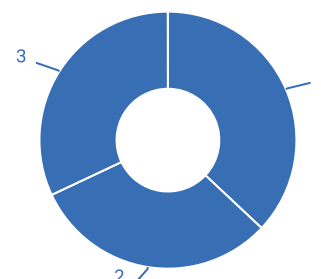


## Net sales by markets/regions in 2019



- 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**.

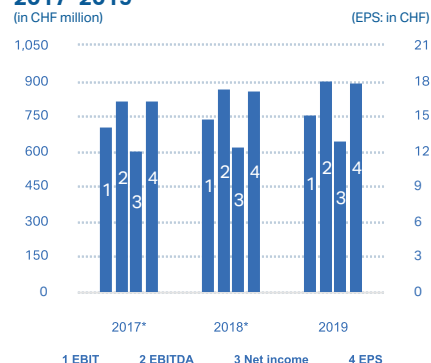
The net financial result improved to CHF -14 million (previous year CHF -20 million) due to lower currency losses and extraordinary financing costs that had arisen in the previous year. Tax expenses grew from CHF 90 million to CHF 96 million. This resulted in a tax rate of 12.9% (previous year 13.1%).

## 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

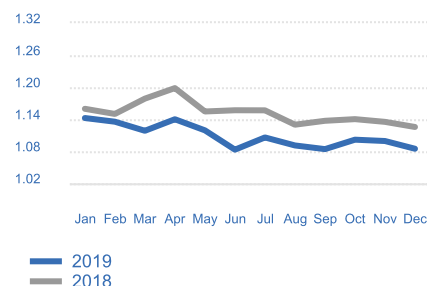


\* Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)

## EUR/CHF exchange rates

2018/2019

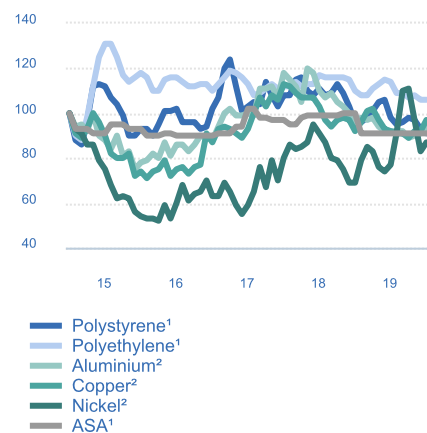
(Period-end exchange rates)



## Raw material price development

2015–2019

(Market price; index: December 2014 = 100)



<sup>1</sup> Source: Kunststoff Information Verlagsgesellschaft mbH

<sup>2</sup> 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.

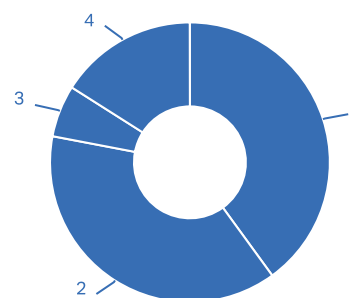
As in the previous year, the biggest single ongoing undertaking was the conversion and new-build project in Langenfeld (DE). Further significant projects concerned the sites in Ozorków (PL), Rapperswil-Jona (CH) and Slavuta (UA).

## 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

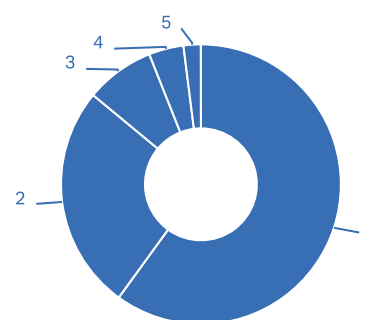
(as of 31 December)

	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
<b>Total</b>	<b>11,630</b>	<b>100</b>	<b>11,619</b>	<b>100</b>

## 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:

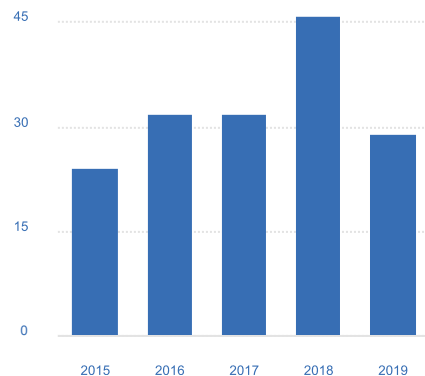
- The particularly high-quality → **CleanLine 80** model will be added to the successful shower channel portfolio. It is available in various metal colours and comes with a collector profile with integrated slope, which further simplifies installation by the tiler.
- The → **Geberit Pluvia roof drainage 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.

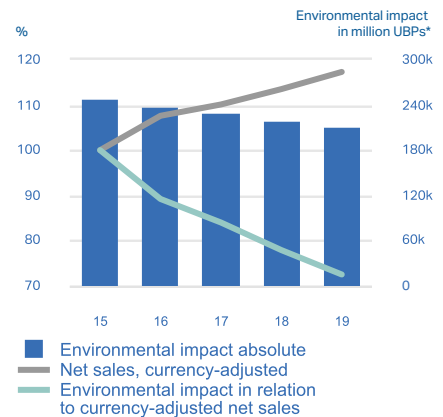
## ENVIRONMENTAL MANAGEMENT IN PRODUCTION

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.

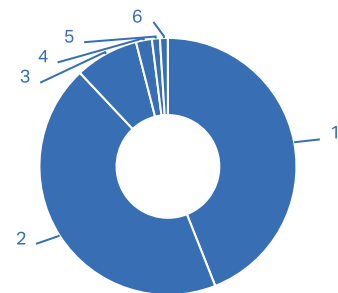
## Environmental impact 2015–2019

(index: 2015 = 100)



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

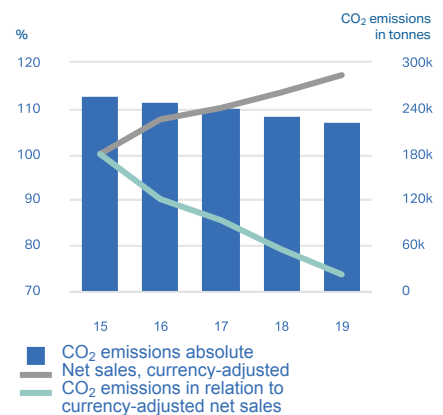
## Distribution environmental impact 2019



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

## CO<sub>2</sub> emissions 2015–2019

(index: 2015 = 100)



CO<sub>2</sub> 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 → **CO<sub>2</sub> strategy** for reducing → **CO<sub>2</sub> 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 CO<sub>2</sub> 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 → **CO<sub>2</sub> balance sheet** and all measures taken to reduce CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 m<sup>3</sup>)

### MANUFACTURING

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



**0.02%**  
(1.0 million m<sup>3</sup>)

### 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 m<sup>3</sup>)

### DISPOSAL

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



**< 0.01%**  
(0.2 million m<sup>3</sup>)

## 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 CO<sub>2</sub> 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.

BUSINESS REPORT

# **CORPORATE GOVERNANCE**

2019

# 1. GROUP STRUCTURE AND SHAREHOLDERS

## 1.1 GROUP STRUCTURE

The operational Group structure is shown in the diagram → **Annual Report 2019, Business Report, Management structure, p. 8.**

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalisation, Swiss securities identification number and ISIN code, please refer to → **Annual Report 2019, Business Report, Geberit share information, p. 6.**

The Group's consolidated subsidiaries are listed in the → **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 33**, stating the company name and head office, share capital and equity interest held by the Group companies. Except for Geberit AG, the scope of consolidation does not include any listed companies.

## 1.2 SIGNIFICANT SHAREHOLDERS

The listed significant shareholders within the meaning of Art. 663c of the Swiss Code of Obligations (Schweizerisches Obligationenrecht, OR) and Art. 120 Para. 1 of the Financial Market Infrastructure Act (Finanzmarktinfrastrukturgesetz, FinfraG) held more than 3% of the voting rights or share capital recorded in the Commercial Register on 31 December 2019.

Disclosure notifications reported to Geberit during 2019 and published by Geberit via the electronic publishing platform of SIX Swiss Exchange can be viewed at → **[www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html)**.

## 1.3 CROSS-SHAREHOLDINGS

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

## 1.4 IMPORTANT CHANGES TO THE ARTICLES OF INCORPORATION

No amendments to the Articles of Incorporation were made in the 2017, 2018 and 2019 financial years.

The current Articles of Incorporation can be viewed online at → **[www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications)**.

### Significant shareholders\*

(as of 31 December 2019) in %

BlackRock Inc., New York, USA	5.21
-------------------------------	------

\* In accordance with the corresponding reports to the SIX Swiss Exchange

## 2. CAPITAL STRUCTURE

### 2.1 CAPITAL

Amount of ordinary, authorised and conditional capital of the company as of 31 December 2019:

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

### 2.2 AUTHORISED AND CONDITIONAL CAPITAL DETAILS

As of 31 December 2019, the Geberit Group had no conditional or authorised capital.

### 2.3 CHANGES IN CAPITAL

For Geberit AG's changes in capital, see table.

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in the Financial Report of this Annual Report 2019 (→ **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity**), including the Notes to the Consolidated Financial Statements (→ **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21**), to the information in the → **Annual Report 2019, Financials, Financial Statements Geberit AG, Financial Statements Geberit AG** as well as to the 2017 figures in the 2018 Annual Report (Consolidated Financial Statements Geberit Group: → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity** and → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21**; → **Annual Report 2018, Financials, Financial Statements Geberit AG**).

In June 2017, the company announced a share buyback programme that is expected to last until 5 June 2020. The repurchased shares are to be cancelled via capital reduction.

### 2.4 SHARES AND PARTICIPATION CERTIFICATES

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

With the exception of the treasury shares held by the company, each share registered with voting rights in the share register of the company carries one vote at the General Meeting and each share (whether or not it is entered in the share register) carries a dividend entitlement. All dividends that have not been collected within five years of their due date are forfeited to the company in accordance with Art. 27 of the company's → **Articles of Incorporation** and allocated to the general reserve. As of 31 December 2019, the company held 1,034,123 treasury shares.

No participation certificates of the Geberit Group are outstanding.

The current Articles of Incorporation can be viewed online at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).

### 2.5 PROFIT-SHARING CERTIFICATES

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

### 2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

Upon request and presentation of evidence of the transfer, acquirers of shares are registered as shareholders with voting rights in the share register if they explicitly declare to hold the shares in their own name and for their own account. Art. 5 of the → **Articles of Incorporation** stipulates that the Board of Directors may register nominees as shareholders with voting rights in the

MCHF	31.12.2017	31.12.2018	31.12.2019
Share capital	3.7	3.7	3.7
Reserves	637.2	757.3	837.2
Retained	505.2	482.7	560.0

share register up to a maximum of 3% of the share capital. The Board of Directors may register nominees as shareholders with voting rights in excess of such registration limitation, provided the nominees disclose detailed information and shareholdings of the persons for which they hold 0.5% or more of the share capital.

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

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

In the reporting year 2019, there were two registrations in the share register of shares with voting rights held by nominees. In both instances, the nominee requested the registration of shares in excess of the 3% registration limitation. The Board of Directors approved this because the nominees in question met the requirements in the Articles of Incorporation that would enable such an exemption.

As of 31 December 2019, two nominees were registered in the share register of Geberit AG with voting rights of more than 3% of the total outstanding share capital:

- Chase Nominees Ltd.: 6.81%
- NorTrust Nominees Ltd.: 3.50%

The Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the 2019 reporting year.

According to Art. 11 of the → **Articles of Incorporation**, amendments to the provisions regarding the restriction of the transferability of registered shares require a resolution of the General Meeting passed by at least two-thirds of the votes represented. For the procedure and the conditions for cancelling the restriction of the transferability, see → **Annual Report 2019, Business Report, Corporate Governance, 6. Participatory Rights of Shareholders, p. 53**.

The current Articles of Incorporation can be viewed online at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).

## 2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → **Annual Report 2019, Business Report, Remuneration Report, 8. Summary of share and option plans 2019, p. 77** and → **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 17** in the Consolidated Financial Statements of the Geberit Group.



## 3. BOARD OF DIRECTORS

### 3.1/3.2 MEMBERS OF THE BOARD OF DIRECTORS

At the end of 2019, the Board of Directors was composed of five non-executive, independent members. Up to the beginning of October 2019, the Board of Directors was composed of six non-executive, independent members. However, following the → **death of Thomas M. Hübner** at the beginning of October the Board was then reduced to five members. The composition of the Board of Directors should reflect strategic requirements, the company's targets, geographical presence and corporate culture. The Board of Directors should be diverse in every respect, i.e. in terms of gender, nationality, geographical/regional experience and business experience.

#### Albert M. Baehny (1952)

- **Chairman of the Board of Directors since 2015 (Executive Chairman of the Board of Directors from 2011 to 2014), non-executive, independent member of the Board of Directors since 2011**
- **Swiss citizen**
- **Chairman of the Board of Directors and CEO a.i. Lonza Group AG, Basel (CH); Member of the Board of Directors Investis, Crans-Montana (CH)**

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

Albert M. Baehny was not a member of any Management Board of a Geberit Group company in the three years preceding the reporting period. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



#### Felix R. Ehrat (1957)

- **Non-executive, independent member of the Board of Directors since 2013**
- **Swiss citizen**
- **Chairman of the Board of Directors Globalance Bank AG, Zurich (CH); Member of the Board of Directors Hyos Invest Holding AG, Zurich (CH); Member of the Advisory Committee RepRisk AG, Zurich (CH); Member of the Advisory Board Accenture, Zurich (CH); Member of the Advisory Board Loanbox, Zurich (CH)**

Felix R. Ehrat received his doctorate of law from the University of Zurich (CH) in 1990, where he previously also received his law degree in 1982. He was admitted to practice as a lawyer in Switzerland in 1985. In 1986, he completed an LL.M. at the McGeorge School of Law in Sacramento (US). He has also completed a number of management training courses, including at Harvard University in Boston (US). From October 2011 to June 2018, he was Group General Counsel of Novartis and, since 1 January 2012, was a member of the Executive Committee of the Novartis Group, a company in which he has held a number of other executive positions (e.g. Compliance, Country Management). Felix R. Ehrat is a leading practitioner of corporate, banking and mergers and acquisitions law, as well as an expert in corporate governance and arbitration. He started his career as an Associate with Bär & Karrer in Zurich (CH) in 1987, became Partner in 1992 and advanced to Senior Partner (2003–2011) and Executive Chairman of the Board of Directors (2007–2011) of the firm. During his career to date, Felix R. Ehrat was a chairman and member of various Boards of Directors at listed and non-listed companies, including a chairman and member of various respective audit committees. Furthermore, he has held posts in major business organisations, e.g. member of the board at economiesuisse (2013–2015) and Chairman of Swiss-Holdings (2015–2017). He is a lecturer at the University of St. Gallen (CH).



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

---

#### **Bernadette Koch (1968)**

- **Non-executive, independent member of the Board of Directors since 2019**
- **Swiss citizen**
- **Member of the Board of Directors Mobimo Holding AG, Lucerne (CH); Member of the Board of Directors Swiss Post AG, Bern (CH); Member of the Board of Directors PostFinance AG, Bern (CH)**

Bernadette Koch is a graduate business economist and a certified public accountant. She has over 25 years of experience in auditing and financial reporting, which she acquired at EY Switzerland. As Global Client Service Partner, she was responsible for the auditing mandates of national and international companies. Furthermore, she brings a wide range of experience from her role as the Talent Officer of EY Assurance Switzerland and as a member of the Management Committee from EY Switzerland's Auditing division. She worked for EY until 2018. Today, Bernadette Koch shares her extensive experience as a Board of Directors member and advisor.



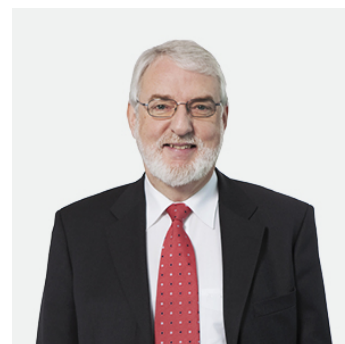
Bernadette Koch was not a member of any Management Board of a Geberit Group company in the three years preceding the reporting period. Apart from her Board of Directors' mandate, she does not have any significant business relations with the Geberit Group.

---

#### **Hartmut Reuter (1957)**

- **Vice Chairman of the Board of Directors since April 2016; non-executive, independent member of the Board of Directors since 2008**
- **German citizen**
- **Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Münden (DE)**

After graduating (Master's in Industrial Engineering; majoring in Controlling and Finance) from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) as a Business Management Trainee in 1981. During more than 15 years with Bosch, he occupied various finance and management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997 to 2009, Hartmut Reuter was a member of the Group Executive Board of the Rieter Group in Winterthur (CH). During his first five years, he started as Head of Controlling, then he became the Head of the Corporate Center, responsible for all financial and strategic functions. From 2002, he was CEO of the Rieter Group. Since 2009, he has worked as a freelance management consultant and has held positions in various supervisory boards.



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

---

#### **Eunice Zehnder-Lai (1967)**

- **Non-executive, independent member of the Board of Directors since 2017**
- **Citizen of Switzerland and Hong Kong**
- **Member of the Board of Directors DKSH Holding AG, Zurich (CH); Member of the Board of Directors Julius Bär Group Ltd., Zurich (CH); Member of the Board of Directors Julius Bär & Co. Ltd., Zurich (CH); Member of the Board of Trustees Asia Society Switzerland Foundation, Zurich (CH)**

Eunice Zehnder-Lai holds a Master of Business Administration from Harvard Business School (US) and a Bachelor of Arts from Harvard University (US). From 2014 until the end of November 2018, she was CEO of IPM Institut für Persönlichkeitsorientiertes Management, a firm headquartered in Pfäffikon (CH) that offers solutions aimed at enhancing the efficiency of organisations with customers, teams and employees in companies. Before joining IPM, she spent almost 20 years working in the finance industry for LGT Capital Partners, Goldman Sachs and Merrill Lynch in New



York, London, Hong Kong and Switzerland. She worked in asset management, private wealth management and corporate finance, as well as for Procter & Gamble in marketing and brand management.

Eunice Zehnder-Lai was not a member of any Management Board of a Geberit Group company in the three years preceding the reporting period. Apart from her Board of Directors' mandate, she does not have any significant business relations with the Geberit Group.

---

For former members of the Board of Directors who have left the Board during the past five years, please refer to the following links:

- → **Thomas M. Hübner**, left the Board on 4 October 2019
- → **Jørgen Tang-Jensen**, left the Board on 3 April 2019
- → **Regi Aalstad**, left the Board on 5 April 2017
- → **Robert F. Spoerry**, left the board on 6 April 2016

### 3.3 REGULATIONS IN THE ARTICLES OF INCORPORATION CONCERNING THE NUMBER OF PERMISSIBLE ACTIVITIES IN ACCORDANCE WITH ART. 12 PARA. 1 CLAUSE 1 OAEC

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

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

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

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

Mandates in the sense of Art. 24 of the → **Articles of Incorporation** are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

The current Articles of Incorporation can be viewed online at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).

### 3.4 ELECTIONS AND TERMS OF OFFICE

The term of office for a member of the Board of Directors is one year and ends at the closing of the following ordinary General Meeting. Members of the Board of Directors are elected on an individual basis. Re-election is possible.

In addition to the members of the Board of Directors, the Chairman of the Board of Directors is also elected by the General Meeting. The term of office for the Chairman of the Board of Directors is also one year and ends at the closing of the following ordinary General Meeting. Re-election is possible. If the position of Chairman of the Board of Directors is vacant, the Board of Directors is to appoint a new Chairman of the Board of Directors from among its members for the remaining term of office.

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

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

Hartmut Reuter (Chairman) and Eunice Zehnder-Lai were re-elected to the Nomination and Compensation Committee at the ordinary General Meeting on 3 April 2019. Thomas M. Hübner was newly elected to the Nomination and Compensation Committee. The constitution subsequent to the ordinary General Meeting 2019 resulted in the following composition of the Audit Committee: Felix R. Ehrat (Chairman), Bernadette Koch, Hartmut Reuter. Hartmut Reuter continues to hold the office of Vice Chairman of the Board of Directors.

Member of the Board of Directors → **Thomas M. Hübner** passed away at the beginning of October 2019. Within the context of succession planning, the Geberit AG Board of Directors will nominate → **Werner Karlen** as a new member of the Board of Directors at the General Meeting on 1 April 2020.

The Chairman of the Board of Directors and all remaining members of the Board of Directors will be standing for re-election for a further year. Werner Karlen will be nominated to become a new member of the Nomination and Compensation Committee at the General Meeting 2020, replacing Bernadette Koch, who joined the Nomination and Compensation Committee at the beginning of October 2019 following the death of Thomas M. Hübner. The composition of the committees and holder of the office of Vice Chairman are also to remain unchanged.

### 3.5 INTERNAL ORGANISATIONAL STRUCTURE

The organisation of the Board of Directors is governed by law, the company's → **Articles of Incorporation (www.geberit.com/investors/downloads/publications)** and the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications)** (see also → **Annual Report 2019, Business Report, Corporate Governance, 3. Board of Directors, 3.6 Definition of areas of responsibility, p. 47**).

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

The Board of Directors meets whenever business so requires, but at least four times a year generally for a day each (2019: nine meetings or telephone conferences). Each meeting or telephone conference that took place in 2019 lasted four hours on average. Meetings shall be chaired by the Chairman or, in the event of his incapacity, by the Vice Chairman. The Board of Directors shall appoint a Secretary, who need not be a member of the Board of Directors. The Chairman of the Board of Directors may invite members of the Group Executive Board to attend meetings of the Board of Directors. During the reporting year, one or more members of the Group Executive Board took part in the nine meetings. None of the meetings involved the participation of external consultants.

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

The regular meetings of the Board of Directors and committees are scheduled early, so that as a rule all members participate in person or via telephone.

The participation rate for meetings of the Board of Directors in 2019 was 94%.

	5 Mar	11 Mar	3 Apr	4/5 Jul	14 Aug	29 Aug	30 Aug	25 Oct	3 Dec
Albert M. Baehny	X	X	X	X	X	X	X	X	X
Felix R. Ehrat	X	X	X	X	X	X	X	X	X
Thomas M. Hübner <sup>1</sup>	X	-	X	X	X	X	X	n/a	n/a
Bernadette Koch <sup>2</sup>	n/a	n/a	n/a	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X
Jørgen Tang-Jensen <sup>3</sup>	X	-	-	n/a	n/a	n/a	n/a	n/a	n/a
Eunice Zehnder-Lai	X	X	X	X	X	X	X	X	X

<sup>1</sup> Thomas M. Hübner was a member of the Board of Directors until 4 October 2019

<sup>2</sup> Bernadette Koch has been a member of the Board of Directors since 3 April 2019

<sup>3</sup> Jørgen Tang-Jensen was a member of the Board of Directors until 3 April 2019

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

### **NOMINATION AND COMPENSATION COMMITTEE (NCC)**

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

The Nomination and Compensation Committee consists of three independent, non-executive members of the Board of Directors. The members of the Nomination and Compensation Committee are elected individually and annually by the ordinary General Meeting. The Chairman of the Nomination and Compensation Committee is appointed by the Board of Directors. If the Nomination and Compensation Committee is not complete, the Board of Directors is to appoint members to fill the corresponding position(s) for the remaining term of office. As a result, Thomas M. Hübner was replaced by Bernadette Koch in the Nomination and Compensation Committee as of 5 October 2019 following his death at the beginning of October 2019. The Nomination and Compensation Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. In the event of a tie, the Chairman shall have the casting vote.

The members of the Nomination and Compensation Committee as of 31 December 2019 were Hartmut Reuter (Chairman), Bernadette Koch and Eunice Zehnder-Lai. The committee meets at least three times a year generally for a half day each (2019: three meetings). Each meeting or telephone conference that took place in 2019 lasted three hours on average. During the reporting year, one or more members of the Group Executive Board took part in the three meetings. None of the meetings involved the participation of external consultants.

The participation rate for meetings in 2019 was 89%.

	25 Feb	29 Aug	3 Dec
Hartmut Reuter	X	X	X
Thomas M. Hübner <sup>1</sup>	n/a	X	n/a
Bernadette Koch <sup>3</sup>	n/a	n/a	–
Jørgen Tang-Jensen <sup>2</sup>	X	n/a	n/a
Eunice Zehnder-Lai	X	X	X

<sup>1</sup> Thomas M. Hübner was a member of the Nomination and Compensation Committee from 3 April 2019 until 4 October 2019

<sup>2</sup> Bernadette Koch succeeded the late Thomas M. Hübner as a member of the Nomination and Compensation Committee from 5 October 2019

<sup>3</sup> Jørgen Tang-Jensen was a member of the Nomination and Compensation Committee until 3 April 2019

The Nomination and Compensation Committee supports the Board of Directors in fulfilling its duties specified by law and the → **Articles of Incorporation ([www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications))** in the area of the compensation and personnel policy of the Geberit Group. The powers and duties of the Nomination and Compensation Committee are based on the following principles:

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

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

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

The organisation, detailed responsibilities, functioning and reporting of the Nomination and Compensation Committee are stipulated in the → **Organisational Regulations for the Nomination and Compensation Committee (NCC)** ([www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications)) of the Board of Directors of Geberit AG.

#### AUDIT COMMITTEE (AC)

The Audit Committee consists of three independent, non-executive members of the Board of Directors. They are appointed annually by the Board of Directors. The Board of Directors appoints a member of the Audit Committee as Chairman. The Audit Committee shall be quorate if a majority of its members are present. Resolutions are passed with the majority of votes cast. The CEO and CFO as well as the internal and external auditors attend the meetings if necessary. In 2019, the CEO and CFO attended each meeting of the Audit Committee, at least in part. None of the meetings involved the participation of external consultants. Furthermore, the committee is entitled to hold meetings exclusively with representatives of the external as well as the internal auditors. The Audit Committee has direct access to the internal auditors and can obtain all the information it requires within the Geberit Group and consult the responsible employees.

As of 31 December 2019, the Audit Committee was composed of Felix R. Ehrat (Chairman), Bernadette Koch and Hartmut Reuter. It meets at least twice a year, generally for a half day each (2019: four meetings). Each meeting or telephone conference that took place in 2019 lasted four hours on average.

The participation rate for meetings in 2019 was 100%.

	25 Feb	1 May	9 Aug	29 Aug	Dec <sup>3</sup>
Felix R. Ehrat	X	X	X	X	
Thomas M. Hübner <sup>1</sup>	X	n/a	n/a	n/a	
Bernadette Koch <sup>2</sup>	n/a	X	X	X	
Hartmut Reuter	X	X	X	X	

<sup>1</sup> Thomas M. Hübner was a member of the Audit Committee until 3 April 2019

<sup>2</sup> Bernadette Koch has been a member of the Audit Committee since 3 April 2019

<sup>3</sup> The meeting in December was moved to January 2020 due to scheduling reasons

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The external auditors take part in two of the meetings. In the first meeting of the year, they present their report on the financial statements. The second meeting, which takes place in the third quarter, focuses on the planning of the upcoming audit of the financial statements and developments in the regulatory environment. The Audit Committee monitors the implementation of the conclusions of the audit. In addition, the Audit Committee assesses the functionality of the internal control system, including risk management (see also → **Annual Report 2019, Business Report, Corporate Governance, 3. Board of Directors, 3.7 Information and control instruments vis-à-vis the Group Executive Board, p. 47**). The Audit Committee supports the Board of Directors with corporate governance and compliance issues, monitors the relevant corporate governance and compliance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

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

The current Articles of Incorporation as well as the Organisational Regulations of the Board of Directors of Geberit AG (including the Allocation of Powers and Duties), the Nomination and Compensation Committee and the Audit Committee can be viewed online at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).

### 3.6 DEFINITION OF AREAS OF RESPONSIBILITY

Pursuant to Swiss Corporate Law and Art. 17 of the → **Articles of Incorporation** at Geberit AG, the Board of Directors has the following non-transferable and irrevocable responsibilities:

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

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Further areas of responsibility of the Board of Directors are set out in the → **Organisational Regulations of the Board of Directors of Geberit AG** and the → **Supplement to the Organisational Regulations** ([https://annualreport.geberit.com/geberit/annual/2019/gb/English/pdf/supplement\\_BoD.pdf](https://annualreport.geberit.com/geberit/annual/2019/gb/English/pdf/supplement_BoD.pdf)).

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

As of the end of 2019, the Group Executive Board is composed of the Chief Executive Officer and six other members. The members of the Group Executive Board are appointed by the Board of Directors based on the proposal of the Nomination and Compensation Committee.

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

The current → **Articles of Incorporation** as well as the → **Organisational Regulations of the Board of Directors of Geberit AG**, the → **Nomination and Compensation Committee (NCC)** and the → **Audit Committee (AC)** can be viewed at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).

### 3.7 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE GROUP EXECUTIVE BOARD

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

mation on the development of the workforce and liquidity and on the investments made, the composition of the shareholders as well as market expectations in regard to the business development.

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

Based on the → **Organisational Regulations of the Board of Directors of Geberit AG** and the → **Organisational Regulations for the Audit Committee** of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks associated with the business activities. This process includes risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for controlling risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis (see → **Annual Report 2019, Business Report, Business and financial review, Strategy and goals, Risk management, p. 14**). For information on the management of financial risks, refer to → **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 4**. For information on other risks recorded in the reporting year and how they are dealt with, refer to → **Annual Report 2019, Business Report, Business and financial review, Strategy and goals, Risk management., p. 14** In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimisation proposals of previous audits.

The → **Organisational Regulations of the Board of Directors of Geberit AG**, the → **Organisational Regulations of the Nomination and Compensation Committee (NCC)** and the → **Organisational Regulations of the Audit Committee** can be viewed online at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).



## 4. GROUP EXECUTIVE BOARD

### 4.1/4.2 MEMBERS OF THE GROUP EXECUTIVE BOARD

At the end of 2019, the Group Executive Board was composed of seven members.

#### Christian Buhl (1973)

- **Chairman of the Group Executive Board (CEO) since 2015**
- **Member of the Group Executive Board since 2015**
- **With Geberit since 2009**
- **Swiss citizen**

Christian Buhl studied physics (Dipl. Phys. ETH) at the Swiss Federal Institute of Technology (ETH) in Zurich (CH) before undertaking his doctorate (Dr. oec. HSG) in the area of financial market research at the University of St. Gallen (CH). From 2000 to 2003, he worked as a teaching and research assistant at the Swiss Institute of Banking and Finance in St. Gallen (CH) and in research and teaching at the Centre for Economic Research at the University of Basel (CH). From 2004 to 2008, Christian Buhl worked at McKinsey & Company, Zurich (CH), where he undertook projects for various Swiss and international industrial companies, supporting them in the areas of strategy, M&A, marketing and organisation. He joined Geberit in 2009, initially as Head Strategic Planning, before taking over responsibility for the Geberit AquaClean shower toilet business. From 2012 to the end of 2014, Christian Buhl was Managing Director of the German sales company – the most important sales unit within the Geberit Group. He has been the Chief Executive Officer (CEO) of the Geberit Group since 2015; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**



#### Roland Iff (1961)

- **Head of Group Executive Area Finance (CFO)**
- **Member of the Group Executive Board since 2005**
- **With Geberit since 1993**
- **Swiss citizen**
- **Vice Chairman of the Board of Directors VZ Holding AG, Zurich (CH)**
- **Member of the Board of Directors Bauwerk Boen AG, Wallisellen (CH)**

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic. oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. In 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Executive Area Finance (CFO) of the Geberit Group since 2005; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**



#### Martin Baumüller (1977)

- **Head of Group Executive Area Marketing & Brands**
- **Member of the Group Executive Board since 2016**
- **With Geberit since 2011**
- **Swiss citizen**

Martin Baumüller completed his Master's degree in International Management at the University of St. Gallen (CH) and an MBA at Nanyang Technological University in Singapore (SG) in 2001. In 2005, he received his doctorate from the University of Bern (CH) with his dissertation on "Managing Cultural Diversity". He began his career as a freelance consultant for strategy and market expansion projects from 2001 to 2003. From 2005 to 2010 he worked for McKinsey & Company in Zurich (CH), first on various projects for pharmaceutical, chemical and transportation clients and later as Engagement Manager responsible for global projects in various industries and as a member of the Strategy & Corporate Finance team. He joined Geberit as Head Strategic Planning in 2011. From 2012 to 2016 he was responsible as Head of Geberit AquaClean for the management and development of the entire shower toilet



business of the Geberit Group. He has been Head of Group Executive Area Marketing & Brands since 2016; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**

---

#### **Egon Renfordt-Sasse (1957)**

- **Head of Group Executive Area Product Management & Innovation**
- **Member of the Group Executive Board since 2015**
- **With Geberit since 1997**
- **German citizen**

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen (DE) in 1986. He began his career at Battenfeld-Fischer in Troisdorf (DE), where he held several positions until 1997, the last of which as manager of the Technical Parts profit centre. In 1997, he joined the Geberit Group as product manager responsible for the Installation Systems product line. From 2001 to 2003, he was responsible for Sales Engineering – among other things – at Geberit's German sales company. He then became Head of Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head of Group Marketing. From 2015 to 2016 he was Head of Group Executive Area Marketing & Brands. He has been Head of Group Executive Area Product Management & Innovation since 2016; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**

---



#### **Karl Spachmann (1958)**

- **Head of Group Executive Area Sales Europe**
- **Member of the Group Executive Board since 2011**
- **With Geberit since 1997**
- **German citizen**

Karl Spachmann graduated in business and organisational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer and press officer until 1990. In 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of Group Executive Area Sales Europe since 2011; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**

---



#### **Ronald van Triest (1969)**

- **Head of Group Executive Area Sales International**
- **Member of the Group Executive Board since 2015**
- **With Geberit since 2015**
- **Dutch citizen**

Ronald van Triest completed his Master's degree in Management and Organisation at the University of Groningen (NL) in 1996. He started his career at Royal Philips, where he held various roles until 2006. These were initially in the areas of marketing and sales, before a second phase where he took on wide-ranging responsibilities in the areas of product management, M&A and executive management. He operated predominantly from Singapore and Hong Kong. From 2007 to 2009, he was General Manager Sales at China Electronics Corporation in Shenzhen (CN), where he was responsible for sales, marketing, service and logistics and managed staff in China, Singapore, Russia and Turkey. From 2010 to 2015, he worked for Ellipz Lighting in Singapore. As CEO and Managing Director, he was responsible for setting up and developing the Asian business. Among other things, he established a joint venture in Beijing, set up the local production, R&D and sales and created sales channels in Southeast Asia and the Middle East, as well as a joint venture in India. Since 2015, Ronald van Triest has been Head of Group Executive Area Sales International of the Geberit Group; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**



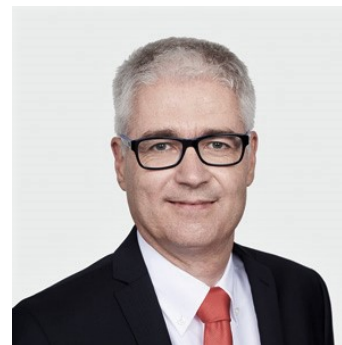
---

## Martin Ziegler (1969)

- **Head of Group Executive Area Operations**
- **Member of the Group Executive Board since 2018**
- **With Geberit since 1995**
- **Swiss citizen**
- **Member of the Board of Directors Piacabo SA, Agarone (CH)**

Martin Ziegler completed his Master's degree in Industrial Engineering at ETH Zurich (CH) in 1994. Following his time as an assistant at ETH, he joined the Geberit Group in 1995. He initially worked for Geberit as a project manager in a German production plant before later becoming Head of Quality for the Group and working as Managing Director of the piping production plant in Givisiez (CH). From 2003, he headed up the Piping Systems product area at Group level for ten years – with the exception of one year where he worked in Shanghai (CN) as Head of Operations and Product Manager for the Asia/Pacific region. Since 2012, he has been responsible for the Group's 13 EFA (Extrusion, Forming, Assembly) production plants. Since 2018, he has been Head of Group Executive Area Operations; see also → **Annual Report 2019, Business Report, Management structure, p. 8.**

---



For former members of the Group Executive Board who have left the Board during the past five years, please refer to the following links:

- → **Michael Reinhard**, left the board on 31 December 2017

### 4.3 REGULATIONS IN THE ARTICLES OF INCORPORATION CONCERNING THE NUMBER OF PERMISSIBLE ACTIVITIES IN ACCORDANCE WITH ART. 12 PARA. 1 CLAUSE 1 OAEC

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

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

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

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

Mandates in the sense of Art. 24 of the → **Articles of Incorporation** of Geberit AG are mandates in supreme governing bodies or in an advisory board of legal entities that are required to be recorded in the Commercial Register or in a corresponding foreign register.

The current Articles of Incorporation can be viewed online at → **[www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications)**.

### 4.4 MANAGEMENT CONTRACTS

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

## 5. COMPENSATIONS, SHAREHOLDINGS AND LOANS

See → **Annual Report 2019, Business Report, Remuneration Report, p. 59**. The Remuneration Report is also available at → [www.geberit.com/investors/corporate-governance/remuneration-report](http://www.geberit.com/investors/corporate-governance/remuneration-report).

Art. 21 of the → **Articles of Incorporation (www.geberit.com/investors/downloads/publications/)** contains the relevant regulations relating to the principles of performance-based remunerations as well as remunerations in the form of shares, option rights and similar instruments. Art. 22 f. of the → **Articles of Incorporation** includes provisions regarding approval at the General Meeting of the maximum aggregate remunerations for the members of the Board of Directors and the Group Executive Board, as well as regarding the additional amount for the Group Executive Board. According to Art. 26 of the → **Articles of Incorporation**, no loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

# 6. PARTICIPATORY RIGHTS OF SHAREHOLDERS

## 6.1 VOTING RIGHTS RESTRICTIONS AND REPRESENTATION

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

According to Art. 11 of the → **Articles of Incorporation**, resolutions may also be passed and elections carried out at General Meetings by electronic means at the instruction of the Chairman.

Shareholders can be represented at the General Meeting only by their legal representative, another voting shareholder or the independent proxy in accordance with Art. 10 of the company's → **Articles of Incorporation**. The company recognises only one representative per share.

Company shareholders have the option of using the → **Sherpany platform (www.sherpany.com)** to appoint their independent proxy for every General Meeting. A description of the method for registering and voting via the Sherpany platform is sent to all shareholders recorded in the share register.

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

For limitations on transferability and nominee registrations, see → **Annual Report 2019, Business Report, Corporate Governance, 2. Capital structure, 2.6 Limitations on transferability and nominee registrations, p. 39.**

Art. 10 f. of the → **Articles of Incorporation** contains provisions regarding voting rights, proxy and independent proxy. The current Articles of Incorporation can be viewed online at → **www.geberit.com/investors/downloads/publications**.

## 6.2 QUORUMS REQUIRED BY THE ARTICLES OF INCORPORATION

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

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

## 6.3/6.4 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS/ AGENDA

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

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

## 6.5 INSCRIPTIONS INTO THE SHARE REGISTER

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

# 7. CHANGES OF CONTROL AND DEFENCE MEASURES

## 7.1 OBLIGATION TO MAKE AN OFFER

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

The current Articles of Incorporation can be viewed online at → [www.geberit.com/investors/downloads/publications](http://www.geberit.com/investors/downloads/publications).

## 7.2 CHANGE OF CONTROL CLAUSES

For agreements and plans in the event of a change of control, see → **Annual Report 2019, Business Report, Remuneration Report, 5. Remuneration architecture, p. 67.**

## 8. AUDITORS

### 8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

PricewaterhouseCoopers AG, Zurich (CH), has been the auditor of the Geberit Group since 1997 and of Geberit AG since its foundation in 1999. Lead auditor Beat Inauen has been in charge of the auditing mandate since 2015. The lead auditor is rotated every seven years.

### 8.2 AUDITING FEES

In 2019, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,773 for services in connection with the audit of the financial statements of Group companies as well as the Consolidated Financial Statements of the Geberit Group.

### 8.3 ADDITIONAL FEES

For additional services, PricewaterhouseCoopers invoiced TCHF 465 relating to tax consultancy and support as well as TCHF 51 for other services. Therefore, the non-audit fees amount to 29% of the audit fees.

### 8.4 INFORMATION TOOLS OF THE EXTERNAL AUDITORS

The external auditors take part in two of the meetings of the Audit Committee. In the first meeting of the year, they present their report on the financial statements. The second meeting, which takes place in the third quarter, focuses on the planning of the upcoming audit of the financial statements and developments in the regulatory environment. Representatives of the internal auditors attend all meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions.

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and supports the Board of Directors in the nomination of the auditor for the attention of the ordinary General Meeting. The Audit Committee uses the following criteria to assess the performance and fees of the auditors: technical and operational expertise; independence and objectivity; adequate use of resources; focus on areas that involve significant risk for Geberit; willingness to challenge and re-evaluate; ability to provide effective, practical recommendations; open and effective communication and coordination with the Audit Committee, the internal auditors and the Group Executive Board. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → **Annual Report 2019, Business Report, Corporate Governance, 3. Board of Directors, 3.5 Internal organisational structure, Audit Committee (AC), p. 46.**

## 9. INFORMATION POLICY

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

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

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

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

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

For further details on the Geberit Group's information policy, including a time schedule (containing General Meeting dates, publication dates for quarterly and half-year reports, and dividend payment dates), please refer to → **Annual Report 2019, Business Report, Geberit share information, Communication, p. 6.**

Headquarters:  
Geberit AG  
Schachenstrasse 77  
8645 Jona  
→ [www.geberit.com](http://www.geberit.com)



## 10. SUBSEQUENT EVENTS

Group Executive Board member Egon Renfordt-Sasse will retire effective 31 March 2020. In this connection, the two Group Executive Areas Operations and Product Management & Innovation will be simultaneously merged to form the new Group Executive Area Products & Operations under the management of Group Executive Board member Martin Ziegler.

Furthermore, the Board of Directors of Geberit AG has appointed Clemens Rapp as the new Head of Sales Europe and a member of the Group Executive Board. He will take up his role on 1 April 2020 and replaces Karl Spachmann, who is leaving the company at his own request.

Given the sound financial foundation, the Board of Directors has decided to initiate a new share buyback programme of up to CHF 500 million with a maximum duration of two years. The programme is expected to start in the second or the third quarter of 2020.

BUSINESS REPORT

# **REMUNERATION REPORT**

2019

# 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', with a large, stylized initial 'R' at the top.

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:

<b>Base salary</b>	Pay for the function	Fixed salary
<b>Benefits</b>	Cover retirement, death and disability risks, attract and retain	
<b>Short-Term Incentive</b>	Drive and reward performance, attract and retain	Variable salary
<b>Share Participation Programme (MSPP)</b>	Align with shareholders' interests	
<b>Long-Term Incentive (Share Option Plan/ MSOP)</b>	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 <sup>1</sup> , LTI <sup>2</sup> )		Proposes	Approves	
Individual remuneration of the other members of the GEB	Proposes	Reviews	Approves	
LTI <sup>2</sup> grant for all other eligible parties	Proposes	Reviews	Approves	
Remuneration Report		Proposes	Approves	Consultative vote

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

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

The NCC 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
<b>Remuneration policy</b>	- Participation programme (STI and LTI programme, review ongoing throughout the year)		
<b>GEB matters</b>	- 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
<b>BoD matters</b>		- Benchmarking of BoD remuneration	- BoD remuneration (following year) - BoD evaluation
<b>Governance</b>	- AGM preparation (maximum amounts of remuneration of GEB and BoD to be submitted to say-on-pay votes)	- Review of shareholders' and proxy advisors' feedback on the Remuneration Report	- 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
<b>Base salary</b>	Annual base salary	Monthly cash payments	Pay for the function		
<b>Short-Term Incentive, STI</b>	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
<b>Long-Term Incentive, LTI</b>	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
<b>Benefits</b>	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](http://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	
<b>Good leaver</b>	Retirement benefits		Immediate unblocking	
	Invalidity	Full exercise based on effective performance at regular vesting date		
	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	Immediate unblocking
	Death	Accelerated full vesting based on target achievement		
<b>Bad leaver</b>	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
<b>Good leaver</b>	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
<b>Bad leaver</b>	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 <sup>1</sup>	Total
	CHF	CHF	CHF	CHF	CHF	CHF
<b>2019</b>						
<b>Remuneration of the Board of Directors</b>						
Accrued remuneration <sup>2</sup>	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
<b>Total</b>	<b>941,938</b>	<b>350,516</b>	<b>245,954</b>	<b>261,636</b>	<b>192,113</b>	<b>1,992,157</b>

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

<sup>2</sup> 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
<b>Remuneration of former members of the Board of Directors (J. Tang-Jensen<sup>1</sup>, T. Hübner<sup>2</sup>)</b>							
Accrued remuneration							55,000
Cash remuneration							167,444
Expenses							15,167
Contributions to social insurance							14,594
<b>Total</b>							<b>252,205</b>

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

<sup>2</sup> 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
<b>2018</b>							
<b>Remuneration of the Board of Directors</b>							
Accrued remuneration <sup>1</sup>	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
<b>Total</b>	<b>941,612</b>	<b>350,140</b>	<b>245,706</b>	<b>261,350</b>	<b>245,706</b>	<b>235,000</b>	<b>2,279,514</b>

<sup>1</sup> 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
<b>Total</b>	<b>0</b>

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
<b>BoD (total)</b>	<b>2,244,362</b>	<b>-569,878</b>	<b>518,435</b>	<b>2,192,919</b>	<b>2,350,000</b>	<b>93%</b>
GM18-GM19	2018	1 Jan 2018 to 2018 GM	1 Jan 2019 to 2019 GM	2018 GM to 2019 GM	GM 2018	GM 2018
<b>BoD (total)</b>	<b>2,279,514</b>	<b>-571,957</b>	<b>569,878</b>	<b>2,277,435</b>	<b>2,350,000</b>	<b>97%</b>

\* Compensation earned during financial year as reported (A)

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

\*\*\* Plus compensation accrued from January to General Meeting of year following financial year (C)/budget value for 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
<b>2019</b>						
<b>Shareholdings Board of Directors</b>						
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
<b>2018</b>							
<b>Shareholdings Board of Directors</b>							
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 <sup>1</sup>	866,600	3,032,650	541,350	1,947,550
<i>thereof in shares in 2019<sup>2</sup></i>			<i>540,978</i>	<i>1,232,454</i>
Shares/options				
- Call options MSOP 2019/2018 <sup>3</sup>	840,399	2,488,670	809,885	2,357,518
- Call options MSPP 2019/2018 <sup>4</sup>	52,415	119,412	43,639	109,830
Non-cash benefits				
- Private share of company vehicle <sup>5</sup>	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
<b>Total<sup>6</sup></b>	<b>3,058,312</b>	<b>10,277,787</b>	<b>2,502,689</b>	<b>8,727,347</b>

<sup>1</sup> 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.

<sup>2</sup> Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 406.75 (PY CHF 432.20).

<sup>3</sup> Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management 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).

<sup>4</sup> Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Programme (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 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).

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

<sup>6</sup> 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
<b>2019</b>										
<b>Shareholdings Group Executive Board</b>										
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%
<b>Call options<sup>1</sup></b>										
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
<b>Total options</b>			<b>95,629</b>	<b>44,956</b>	<b>21,494</b>	<b>31,373</b>	<b>39,330</b>	<b>29,245</b>	<b>18,858</b>	<b>280,885</b>
Percentage potential share of voting rights options			0.26%	0.12%	< 0.1%	< 0.1%	0.11%	< 0.1%	< 0.1%	0.76%

<sup>1</sup> 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
<b>2018</b>										
<b>Shareholdings Group Executive Board</b>										
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%
<b>Call options<sup>1</sup></b>										
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
<b>Total options</b>			<b>78,425</b>	<b>44,744</b>	<b>14,520</b>	<b>23,757</b>	<b>33,075</b>	<b>20,064</b>	<b>11,073</b>	<b>225,658</b>
Percentage potential share of voting rights options			0.21%	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.61%

<sup>1</sup> 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
<b>Total</b>			<b>32,579</b>	

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
<b>Total</b>				<b>124,713</b>	

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 <sup>1</sup> 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

<sup>1</sup> 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
<b>Total</b>		<b>527,852</b>	<b>390.33</b>	<b>527,852</b>	<b>390.33</b>

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
<b>Outstanding 1 January</b>	<b>461,881</b>	<b>373.39</b>	<b>46,063</b>	<b>382.21</b>	<b>507,944</b>	<b>374.19</b>	<b>473,375</b>	<b>351.52</b>
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
<b>Outstanding 31 December</b>	<b>483,552</b>	<b>389.35</b>	<b>44,300</b>	<b>401.06</b>	<b>527,852</b>	<b>390.33</b>	<b>507,944</b>	<b>374.19</b>
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



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

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

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