

# INTRODUCTION STAKEHOLDER PANEL

As part of the sustainability reporting on the financial year 2020, Geberit consulted a panel of external stakeholders for the fifth time in September 2020. The results of the external stakeholder panel's analysis are documented in the → **Panel Statement**. The external review and the recommendations contained therein are dealt with in detail in the → **Response from Geberit to the Panel Statement**.

## PANEL'S OBJECTIVE AND ROLE

The objective of the external stakeholder panel was to receive feedback on the sustainability performance, materiality analysis and sustainability strategy. The panel also aimed to examine whether the most important topics are included in sustainability communication and whether the concerns of the stakeholders are taken into consideration. The opportunities and risks of climate change that are of relevance to Geberit were also assessed.

The panel's review does not include an examination of the accuracy of the data and information presented by Geberit.

## PANEL COMPOSITION AND INDEPENDENCE

The stakeholder panel comprises six independent → **members** with different areas of expertise with respect to Geberit's core business. To ensure the panel's independence in this process, the discussions were overseen and moderated by an external party.

The → **Panel Statement** contains the review of all panel members. The panel is a consensus group. In cases where a consensus could not be reached, the diverging opinions were documented in the statement. As a basic principle, the views expressed by the panel members are their own and do not necessarily reflect the views of their respective organisation or employer.

## PROCESS AND RESULTS

The process comprised several steps and was conducted and documented in a systematic manner:

- Prior to the stakeholder dialogue, all panel members received access to all documents on sustainability reporting (including the sustainability strategy) for analysis. Additionally, the panel members were asked to assess the opportunities and risks for Geberit in terms of climate change using a questionnaire prior to the dialogue.
- In September 2020, the panel met with CEO Christian Buhl, members from Corporate Communications and the Sustainability team for a half-day externally moderated workshop.
- In February 2021, the panel was consulted once again, the revised sustainability strategy presented and the → **Panel Statement** finalised.
- Following this, the → **Response from Geberit to the Panel Statement** was finalised on the basis of current reporting on the financial year 2020.
- The next stakeholder panel is planned for 2022.

# MEMBERS STAKEHOLDER PANEL 2020



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Moderator: Dr. Barbara Dubach

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# PANEL STATEMENT

## OVERALL IMPRESSION

The stakeholder panel considers Geberit's sustainability strategy and reporting to be very comprehensive. It is apparent that the sustainability approach is firmly established within the company: economic, environmental and social goals are pursued. The panel is impressed at how Geberit has consistently and continuously improved its sustainability performance over the years, and how it backs up achievements with facts. The successful integration of Sanitec is also seen as having made a significant contribution to sustainable development.

Geberit should continue to work on its goals and address new challenges. The panel sees Geberit as a beacon for sustainable transformation in the sanitary industry. The company should continue to take a visible leading role in the industry in terms of sustainability and climate change mitigation – what is built today still has to meet sustainability demands and be able to be dismantled decades down the line.

Another task is the commitment towards long-term goals. Above all, climate change mitigation incorporating a climate neutrality strategy will pose a challenge here. There is also a need for action in implementing the circular economy in the construction industry.

## OPPORTUNITIES AND RISKS ASSOCIATED WITH CLIMATE CHANGE

The panel members assume that the political and regulatory framework conditions in terms of climate change mitigation will change and become stricter. In connection with this, it is expected that the interest in environmental and sustainability data on the part of the various stakeholders will also continue to increase. The panel estimates a "moderate" demand for water-saving products as a result of climate change. The reasoning given for this is that Geberit is mainly active in Europe, while saving water is primarily of importance in non-OECD countries in the medium term. However, it is expected that there will be a general growth in demand for products that improve drinking water quality and hygiene. The market will also increasingly demand products that can be repaired and reused, or which are compatible with a circular economy.

Geberit has performed strongly in continuously reducing CO<sub>2</sub> emissions over the past 15 years. Of particular note is that the reduction of greenhouse gas emissions is upheld by all business areas, and that the CO<sub>2</sub> strategy is focused on important energy savings and energy efficiency potential. The presentation of the calculated CO<sub>2</sub> and water footprint across the entire value chain is considered as being important contextual information.

A long-term goal of climate neutrality can only be achieved if Geberit continues to follow this path consistently and aligns itself to the political framework conditions. In production, for example, renewable hydrogen could be considered as a combustible for the ceramic kilns. The kilns are currently still powered by natural gas. The company must align itself to current efforts from similar branches in the European Union here. In logistics, renewable hydrogen could also play a role in operating trucks with fuel cells. A systematic change in methods is needed to achieve climate neutrality within the company.

Outside the company, solutions should be sought primarily in collaboration with partners from the supply chain, logistics or the construction industry. The panel is sceptical of the value of CO<sub>2</sub> certificates for Geberit as the focus should be on the company's own efforts. Certificates can only be an interim solution. However, the panel believes it is a good idea to monitor this topic further.

## SUSTAINABILITY STRATEGY AND PERFORMANCE

In general, the sustainability strategy is assessed as "convincing". According to the panel, challenges exist above all in topics with a more fundamental and longer-term orientation: the need for a decoupling of economic growth and resource consumption was put forward, which may result in new approaches in terms of the business model. The panel also broached the issue of the dominance of ceramic as a product material in the bathroom, which brings challenges from an eco-balance perspective due to its energy-intensive production.

Strategically, Geberit should drive forward the transformation of the sanitary industry in its role as European market leader. Above all, this also applies to the circular economy. According to the panel, technical building systems must also quickly become compatible with the circular economy. This means that all products meet the requirements of the circular economy in full. In order to be able to fulfil these criteria, bonded and welded connections should be dispensed with and the declaration of materials ensured. Geberit should strive towards achieving zero waste and ensure that sold products can be returned to the manufacturer at the end of their service life or otherwise reused. Disruptive business models could also be considered here, such as renting products instead of selling them.

In terms of social aspects, in isolated cases the panel sees the need to address topics in a more strategic way or to take greater account of these in the performance specification. One example here is diversity in the Group Executive Board and in managerial positions. The company's performance could be illustrated more clearly under employer responsibility. Ergonomic aspects for plumbers during product installation should be explored in more detail.

## SUSTAINABILITY COMMUNICATION

According to the panel, Geberit's annual sustainability reporting is of a high standard. It includes all important areas, is transparent and documents the commitment of the company in a credible way. The commitment towards the Sustainable Development Goals (SDG) and the targeted reporting here were also met with positive feedback.

In the opinion of the panel, the comparison of sustainability performance across several years (up to ten years) is of particular interest and could be enhanced further. At some points, reporting on social aspects could be more concise. Additional information on how diversity is promoted among the workforce and which goals Geberit wishes to achieve here would also be desirable.

In discussions, it becomes clear that future challenges will be seen more in customer and marketing communications: Geberit is well positioned to convincingly demonstrate the challenges and sustainable solutions for the sanitary industry, investors and end users. A key topic here in communications is the long-term perspective, as what is built today will still be standing in 2050.

## FINAL REMARKS

The panel members thank Geberit for its open and respectful dialogue. They would like to see Geberit management implement topics such as climate neutrality within the company or the establishment of climate change mitigation in the remaining value chain, and promote sustainable innovations.

The continuation of a biennial stakeholder panel as proposed by Geberit is welcomed in order to provide input on the sustainable transformation of Geberit and the sanitary industry as part of a think tank.

# RESPONSE FROM GEBERIT TO THE PANEL STATEMENT

Geberit thanks the members of the stakeholder panel for the constructive discussions and valuable suggestions. For over 20 years, Geberit has been committed to sustainability and wants to take on a leading role in the change towards a more sustainable sanitary industry. The analyses and suggestions made by the panel offer welcome assistance in this regard.

In terms of the change towards a more sustainable sanitary industry, the acquisition and integration of the Sanitec Group was an important first step. As a result, all fixtures and fittings in the bathroom – from ceramic appliances and bathroom furniture in front of the wall to innovative, functional sanitary technology behind the wall – can be combined appropriately. Geberit supports green building in its broader sense primarily through its products, which are based on eco-design principles and meet many of the criteria for a circular economy. This also includes the support of holistic planning with the help of interdisciplinary Building Information Modelling (BIM).

Geberit invests constantly in new products and infrastructure, sets itself ambitious sustainability goals, monitors adherence to these goals and communicates on the achievement of objectives in a transparent way. The strategy also includes long-term goals, such as the halving of accidents by 2025 and climate change mitigation.

## OPPORTUNITIES AND RISKS ASSOCIATED WITH CLIMATE CHANGE

Geberit thanks the panel for their assessment of the challenges associated with climate change. Back in 2016, Geberit adopted the guidelines set out by the Science Based Targets Initiative in order to define a long-term CO<sub>2</sub> reduction pathway and to reduce absolute CO<sub>2</sub> emissions to below 240,000 tonnes by 2021. Geberit already reached this goal ahead of schedule by the end of 2018.

The current CO<sub>2</sub> strategy expires in 2021 and will be revised in the coming year. The suggestion of achieving climate neutrality within the company in the long term will be discussed internally. The topic of renewable hydrogen as a combustible in the high-temperature kilns used for producing ceramics is an interesting suggestion by the panel and will be followed up as part of an initiative in the ceramics industry. The company wants to achieve improvements by saving energy, increasing energy efficiency and gradually increasing the share of renewable energy sources.

## SUSTAINABILITY STRATEGY AND PERFORMANCE

The decoupling of economic growth and resource consumption as noted by the panel is already on Geberit's agenda, with a contribution made above all through consistent eco-design. A core aspect in product development is keeping the environmental impact of the materials used as low as possible. This can be achieved by eliminating unnecessary components, choosing alternative materials or redesigning components so that they require less material. High added value with the lowest possible consumption of resources is one of Geberit's overall goals. However, the success of such approaches also depends on the acceptance of internal and external customers. It must be made clear to these customers that less material or the use of recycled materials does not result in restricted functionality or poorer quality.

The panel points out the relatively high ecological footprint of ceramic as a product material. Geberit is unable to offer a viable alternative here for the time being as ceramic remains the preferred material with end users in terms of its durability, hygiene and cleaning properties. However, since the integration of the ceramics business, Geberit is now able to optimally combine systems in front of and behind the wall and use ceramic in combination with other materials in an appropriate and resource-saving way. Furthermore, the investments made in efficient, industrial ceramic production together with the retrofitted kilns also contribute to more environmentally friendly and climate-friendly production methods.

As part of the European vision for a resource-saving circular economy, efforts are being made to close internal and external material cycles. The aim is to further minimise resource and energy usage, lengthen the service life of products as far as possible, and ensure good product reparability thanks to a comprehensive range of spare parts with long-term availability of up to 25 years. It should be noted here that Geberit products already have a very long service life when in use, as many of them will be installed in buildings for decades. This is guaranteed through the use of top-class materials and the application of strict quality requirements. Furthermore, Geberit products are usually backwards-compatible and can be cleaned and repaired easily.

As early as the product development phase, attention is paid towards ensuring simple, tool-free and ergonomic work where possible. Furthermore, numerous tools are available that simplify the installation process. This should be illustrated more clearly in future as part of reporting.

In terms of employer responsibility, Geberit wants to position itself as an attractive employer and strives to offer jobs of the highest quality. The corporate culture at Geberit is characterised by a simple, functional organisation with flat hierarchies and a high degree of personal responsibility and modesty. In this way, Geberit motivates every employee in exploiting their potential to the full and contributing to the success of the company. Geberit supports its employees here with long-term education and further training, for example.

When it comes to diversity, Geberit's attitude is a simple yet fundamental and natural one – the company offers all employees the same opportunities and strives towards finding the best candidate for every position. This is an integral part of the corporate culture. As recommended by the panel, this topic will be illustrated in more detail in future reports. Geberit would welcome more women in managerial positions. However, as is typical for the industry the number of women in management is only increasing slowly at present. Know-how and expertise also play a major role at Geberit. As a result, employees with extensive experience are an important part of the company. Around 20% of the employees have worked at the company for periods in excess of 15 years.

## SUSTAINABILITY COMMUNICATION

Geberit is pleased to note that its sustainability reporting is considered as being of a high standard. A ten-year comparison is already available in the annual report, and longer time periods can also be shown when needed. Geberit has also recognised that there is an increasing need for more communication on the topic of sustainability in the markets – both in terms of products and the company itself – and will focus on this area in future.

## FINAL REMARKS

Geberit thanks all the panel members for their valuable contribution. The next stakeholder panel is planned for 2022.