

BUSINESS REPORT

**BUSINESS AND
FINANCIAL REVIEW**
2020

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.

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

Growth

1. Focus on sanitary products

“Push-Pull” business model, which concentrates on the key decision-makers in the sanitary industry (wholesalers, plumbers and sanitary engineers, architects, general contractors, investors, showroom operators)

Technology penetration, which involves replacing outdated technologies with new, more innovative sanitary products and systems

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

2. Commitment to innovation and design

Innovation leadership in the sanitary industry in order to set new standards and to get additional competitive advantages

3. Selective geographic expansion

Selective technology penetration of new markets where sustainable, profitable and organic growth are possible through the introduction of or the market penetration with European sanitary technology

Profitability

4. Continuous optimisation of business processes

Continuous process and cost optimisation to protect the high operating margins

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.

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 and thus includes 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. Another security check is planned for 2021, with the goal of examining whether the IT systems are also adequately prepared and protected against newly emerged risks.

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

MARKET ENVIRONMENT IMPACTED BY COVID-19

The construction sector varied from country to country in 2020. The market environment was largely characterised by negative growth figures as a result of the COVID-19 pandemic.

In November 2020, Euroconstruct forecasted a decrease in building construction for **Europe** in 2020 of -8.8%, an improvement on the estimation made in mid-2020 (-12.7%). At -10.5%, new construction reported a stronger decline than renovations (-7.3%). Both non-residential construction (-9.2%) and residential construction (-8.6%) saw a decline in 2020. According to Euroconstruct, the following countries that are important to Geberit in terms of sales experienced mixed results in 2020: a strong decline was seen in the United Kingdom (-22.4%), France (-14.4%), Italy (-9.7%) and Belgium (-9.1%), with slight decreases in Austria (-3.3%), the Netherlands (-3.1%), Switzerland (-2.3%) and Germany (-1.6%). According to the figures in the October 2020 edition of the IMF World Economic Outlook, a significant share (around 40%) of the global decline in economic performance originated in Europe, with a GDP growth rate of -7.5%.

Of the total European construction volume of EUR 1,566 billion in 2020, 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. New construction as a share of total building construction continued to lag behind the renovation business in 2020.

According to estimates by the Bureau of Economic Analysis, gross domestic product (GDP) fell by -3.5% in the **US** (previous year +2.2%). Investments in building construction increased by +4.7% according to figures from the United States Census Bureau. Within building construction, investments in residential construction increased by +11.8%. Investments in non-residential construction remained constant (previous year -2.4%). The COVID-19 pandemic impacted the accommodation, office buildings and retail sectors in particular. The healthcare/hospitals and schools/universities segments, which are important for Geberit, developed with +4.3% substantially stronger and with -0.8% substantially weaker, respectively, compared to the previous year (+1.2% and +4.1%, respectively).

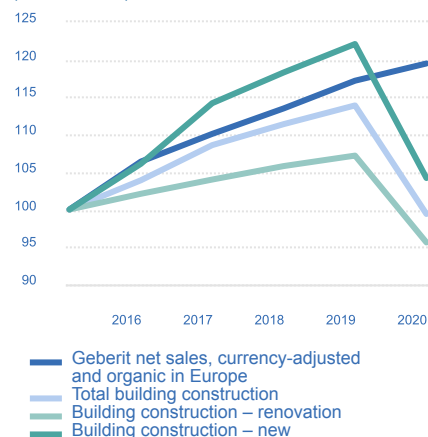
In the **Far East/Pacific** region, economic growth amounted to -2.0% in 2020. While negative, this figure was still a significant improvement on global economic growth (-4.6%). At just under 20%, less than one-fifth of the global economic decline originated from the Far East/Pacific region (previous year 60% contribution to growth). China continued to grow (+1.9%), although at a much less pronounced rate than in the previous year (+6.1%). The Chinese residential construction sector grew moderately in both tier one and tier two cities. At 2 to 3%, growth in tier one cities was below that seen in tier two cities (5 to 6%) due to the lower availability of plots for new buildings.

Following moderate growth in the previous year, economic growth in the **Middle East/Africa** region declined by -5.4% in the reporting year.

(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 2020 edition of the IMF World Economic Outlook.)

Construction output and Geberit net sales in Europe 2016–2020

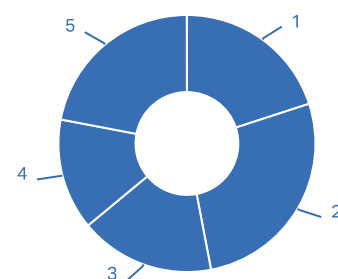
(Index: 2015 = 100)



Source: 89th Euroconstruct conference in Stockholm (SE), June 2020

Total construction output Europe 2020

(EUR 1,566 billion)



- 1 Residential – new (20%)
- 2 Residential – renovation (27%)
- 3 Non-residential – new (17%)
- 4 Non-residential – renovation (14%)
- 5 Civil engineering (22%)

Source: 90th Euroconstruct conference in Munich (DE), November 2020

GEBERIT AND COVID-19

SIGNIFICANT IMPACTS CAUSED BY THE FIRST LOCKDOWN WAVE

From mid-March to mid-May, the construction industry in Europe was massively impacted by the COVID-19 pandemic. In several countries – Italy, France, the United Kingdom and Spain – most construction sites remained closed for extended periods. Meanwhile, in the other countries the restrictions enforced as a result of the pandemic led to a slowing of construction activities. Moreover, the showrooms for sanitary products across Europe remained largely closed for around two months. Outside Europe, construction activity was massively restricted in some cases too.

The decline in net sales at Geberit during this period was unprecedented in the scale, speed and simultaneity of events. Net sales fell by 29% in April and by 15% in May – the biggest monthly declines in sales seen for decades and also significantly greater than those seen in 2008/2009, for example. In these two months, volumes decreased by 23%.

Despite the restrictions enforced due to COVID-19, the supply chain at Geberit remained intact during 2020. Although five small plants were closed by the authorities for a few weeks, the regional supply chain setup and the high share of in-house production ensured stability.

KEY DECISIONS MADE AT THE END OF MARCH 2020 FOR DEALING WITH THE CRISIS

No restructuring	<ul style="list-style-type: none">• Think long term – anti-cyclical investing• No change of strategic agenda
Emerge stronger from the crisis	<ul style="list-style-type: none">• Undiminished presence with customers• Short-time work only as an absolute last resort• "Housekeeping" and strengthening of competences• Gain market shares – both short- and long-term• Accelerate share buyback
Ongoing adaptation to the current situation	<ul style="list-style-type: none">• Maximise flexibility• Targeted cost-saving programme

The key element of the cost-saving programme – which was driven bottom up and implemented within just a few days – was the dividing up of all activities into three categories by the managers of all levels:

- A: immediate stop
- B: stop if crisis deteriorates further
- C: No change

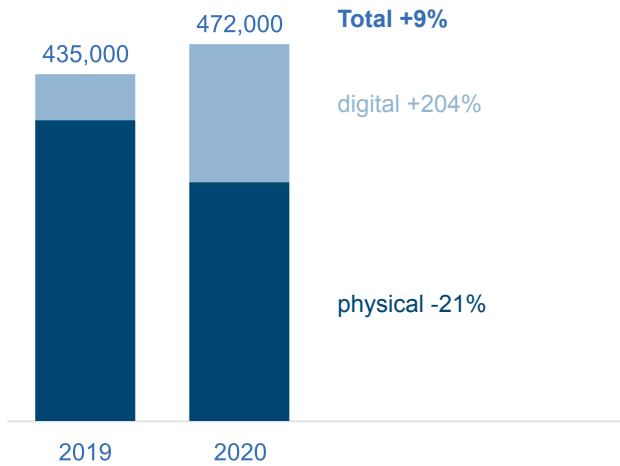
As a result, it was possible to determine the short- and medium-term savings potential within a short period of time and to align the organisation with activities to be stopped or to be continued. This also made it possible to prevent negative impacts on long-term potential.

EMERGING STRONGER FROM THE CRISIS THANKS TO A DEDICATED APPROACH

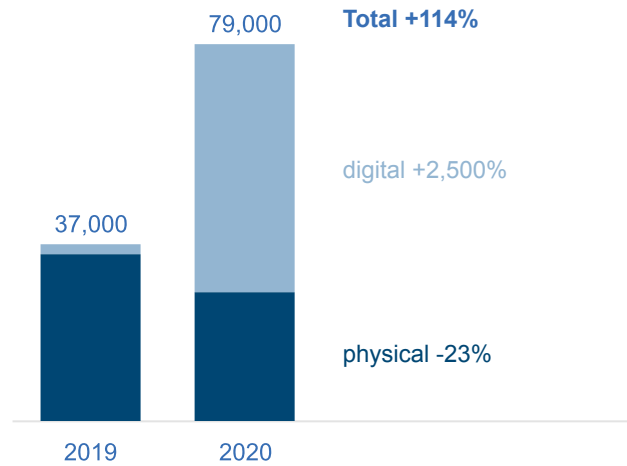
Due to high levels of cost flexibility as part of the aforementioned cost-saving programme and to active price management, it was largely possible to offset the margin losses seen in the most critical months April and May – which saw a volume decline of 23%.

Thanks to the high flexibility of the employees – particularly in the production plants and in logistics – it was possible to largely avoid short-time work and thus financial support from the state. Across the Group, COVID-19 did not result in any dismissals, nor did it result in any salary reductions for the employees.

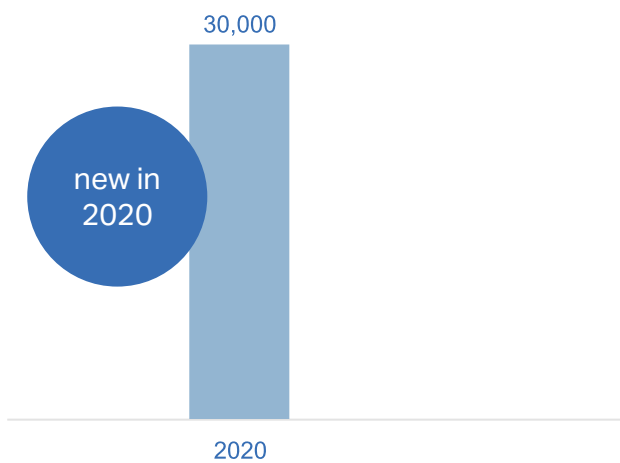
Customer contacts



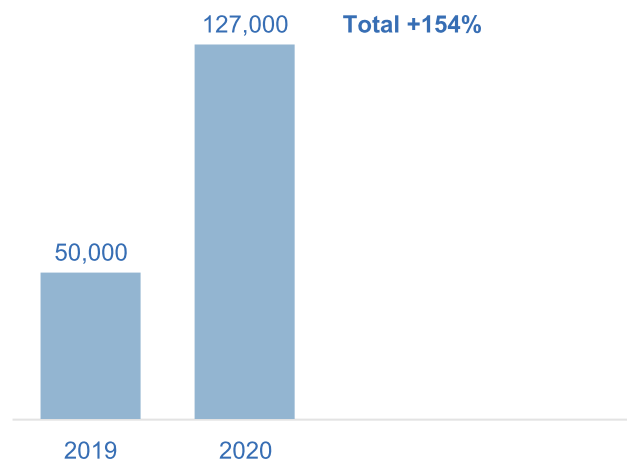
Customer trainings (number of participants)



Virtual showrooms and fairs (visitors)



Virtual internal training sessions



In terms of marketing and sales, it was even possible to increase the number of contacts with customers. Despite a reduction in face-to-face meetings, the overall number of customer contacts increased by 9% in 2020 as a result of the significant increase in virtual contacts of over 200%. The number of virtual customer trainings increased from 2,000 to 52,000, with the total number of trainings carried out across the entire Group seeing an increase of 114% as a result – despite the significant reduction in physical training activities. Furthermore, virtual showrooms were quickly established and virtual trade fairs held, which were visited by over 30,000 customers across 2020 as a whole.

Finally, investments were also made in further training of employees through eLearning, podcasts and webcasts. 20 newly created modules in a wide range of areas resulted in a 154% increase in internal virtual training sessions to 127,000.

MOST IMPORTANT INSIGHTS OF THE COVID-19 CRISIS FOR GEBERIT

- Three key success factors**
- **Availability – liquidity, products, customer presence**
 - **Flexibility – no short-time work**
 - **No overreactions – stay calm, act prudently**
-

- Proven crisis resistance**
- **Resilient business model**
 - **Undiminished pricing power**
 - **Robust supply chain**
 - **Value creation also during a crisis**
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- Enlarged capabilities**
- **Significant progress in digitalisation – leveraged beyond the crisis**
 - **Increased sales and marketing effectiveness**
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NET SALES

CURRENCY-ADJUSTED NET SALES GROWTH DESPITE CRISIS

Consolidated net sales in 2020 decreased by 3.1% to CHF 2,986 million. This development comprised an increase in local currencies of 1.3% and a negative foreign currency effect of 4.4%. Currency-adjusted growth – and thus the gain of further market shares – was achieved despite the significant sales decrease seen in the second quarter as a result of COVID-19. This favourable performance was down to the strong market position, successful crisis management and the conscious decision to not furlough employees in order to also maintain the levels of contact with customers during the lockdown periods.

The currency exchange losses contained in net sales amounted to CHF 136 million. In 2020, 64% of net sales were generated in euros, 10% in Swiss francs, 4% in US dollars, 3% in British pounds and 19% in other currencies.

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

DEVELOPMENT ON TWO DIFFERENT PATHS IN THE INDIVIDUAL MARKETS

In the first half of the year, the construction industry in Europe was negatively impacted by the effects of the COVID-19 pandemic from mid-March to May. In the second half of the year, catch-up effects, the renewed build-up of inventories at wholesalers and government stimulus programmes – especially the temporary VAT reduction seen in Germany – led to strong sales growth. In 2020 as a whole, net sales in **Europe** rose by +2.0%. The development in individual countries and markets varied greatly depending on the extent and length of the lockdown seen in the construction industry in spring. In Germany (+7.3%), Austria (+5.0%), Switzerland (+4.1%), Eastern Europe (+3.2%) and the Nordic Countries (+2.9%), construction sites saw only limited restrictions and pleasing growth in currency-adjusted net sales was achieved across the year as a whole. Due to more restricted construction activities in Belgium, the Benelux Countries remained at the previous year's level. In contrast, the markets most seriously affected by the building site closures – the United Kingdom/Ireland (-15.7%), the Iberian Peninsula (-10.9%), Italy (-8.3%) and France (-6.9%) – still saw a significant drop in currency-adjusted net sales after twelve months. The negative impacts of the COVID-19 pandemic continued to be felt in regions outside Europe – in the **Middle East/Africa** (-14.1%) and **Far East/Pacific** (-7.2%). Net sales in **America** rose by +1.7%.

BATHROOM SYSTEMS WITH THE STRONGEST GROWTH

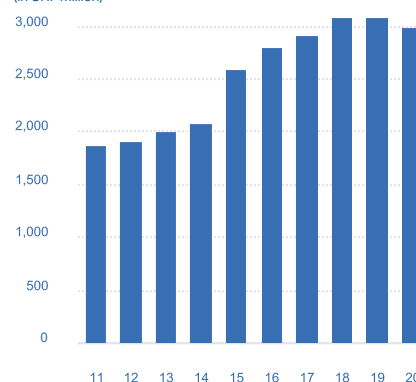
In the product areas, **Bathroom Systems** saw the strongest growth at +2.3%. This growth was the result of positive developments seen across the entire product range in general in this product area, despite the → **switch from local ceramics brands to the Geberit brand** that continued in the reporting year. The Geberit AquaClean shower toilet business saw particularly strong growth thanks to new products launched in recent years. Furthermore, the strong demand for products that focus on hygiene – such as touchless faucets, actuator plates and urinals as well as sanitary flush units – resulting from COVID-19 was a growth driver.

Net sales in the **Installation and Flushing Systems** product area increased by +2.1%. As in previous years, 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 and products that had been launched for the first time in earlier years.

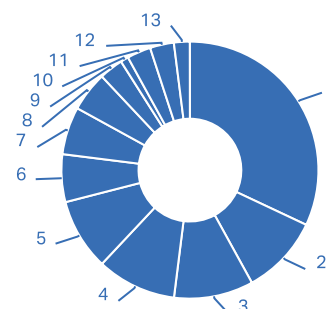
In contrast, the **Piping Systems** product area saw a slight fall of -0.8%, which was mainly due to the weaker new construction and project business.

Net sales development 2011–2020

(in CHF million)

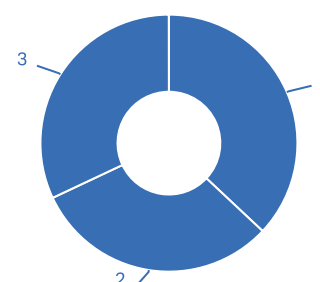


Net sales by markets/regions in 2020



- 1 Germany (32%)
- 2 Switzerland (10%)
- 3 Nordic Countries (10%)
- 4 Eastern Europe (10%)
- 5 Benelux (9%)
- 6 Italy (6%)
- 7 Austria (6%)
- 8 France (5%)
- 9 United Kingdom/Ireland (3%)
- 10 Iberian Peninsula (1%)
- 11 America (3%)
- 12 Far East/Pacific (3%)
- 13 Middle East/Africa (2%)

Net sales by product areas 2020



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

RESULTS

HIGH PROFITABILITY FURTHER IMPROVED – ABOVE ALL AS A RESULT OF COVID-19

The results were impacted by negative currency developments. However, results in local currencies increased on all levels despite the sales decrease as a result of COVID-19. Operating cashflow (EBITDA) rose by 2.4% to CHF 925 million. The EBITDA margin increased by 170 basis points to 31.0% (previous year 29.3%). This increase in the margin was mainly due to the COVID-19-related cost savings (particularly marketing and travel expenses), the high levels of flexibility in production and logistics, lower raw material prices, the natural currency hedging, and price increases. Thanks to these measures, it was also possible to compensate for the significant tariff-related increases in personnel expenses and additional investments in digitalisation initiatives.

Despite higher amortisation, operating profit (EBIT) increased by 2.0% to CHF 772 million. The EBIT margin reached 25.8%, which was also significantly higher than the previous year (24.5%). Net income dropped slightly by 0.7% to CHF 642 million due to a higher tax rate and a lower financial result, with a return on net sales of 21.5% (previous year 21.0%). Despite the negative currency development, earnings per share of CHF 17.95 remained practically at the previous year's level (CHF 17.97).

OPERATING EXPENSES UNDER CONTROL

All items within operating expenses were affected by positive currency effects. The cost of materials dropped by 8.3% to CHF 789 million, representing a lower share of net sales at 26.4%, compared to 27.9% in the previous year. This decline was due to lower prices of raw materials, particularly plastics but also industrial metals. Personnel expenses fell slightly by 0.2% to CHF 750 million, which equates to 25.1% of net sales (previous year 24.4%). The strong tariff-related increases in salaries and higher pension expenses were more than offset by positive currency effects. Other operating expenses fell by 8.0% to CHF 522 million, primarily due to the aforementioned decrease in marketing and travel expenses as a result of COVID-19. At CHF 127 million, depreciation remained at the previous year's level. Amortisation of intangible assets increased to CHF 27 million (previous year CHF 20 million) as a result of a value adjustment connected to a ceramics brand.

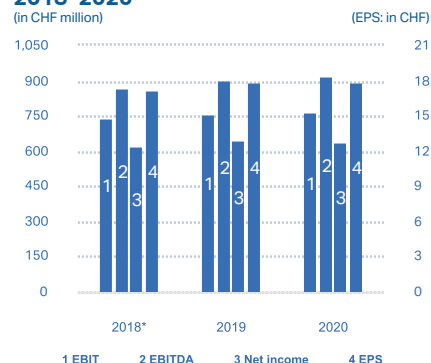
The net financial result fell to CHF -17 million (previous year CHF -14 million) due to higher currency losses as a result of the strong Swiss franc. Tax expenses grew from CHF 96 million to CHF 112 million due to the effects of the corporate tax reform in Switzerland. This resulted in a tax rate of 14.8% (previous year 12.9%).

FURTHER INCREASE IN FREE CASHFLOW

The higher operating cashflow, successful management of net working capital during the crisis and lower investments in property, plant and equipment due to COVID-19 had a positive impact on cashflow. All in all, free cashflow increased by 11.4% to a new record high of CHF 717 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 24.0% (previous year 20.9%). CHF 571 million, or 79.6% 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)

2018–2020

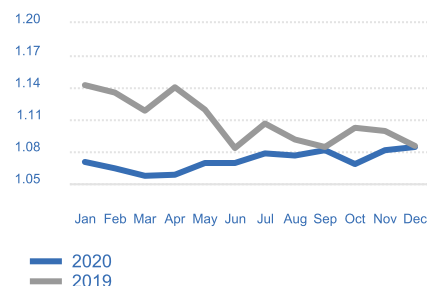


* Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)

EUR/CHF exchange rates

2019/2020

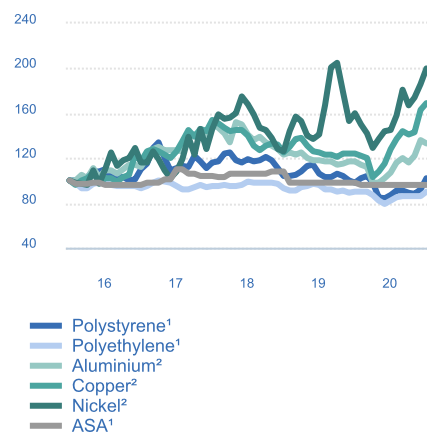
(Period-end exchange rates)



Raw material price development

2016–2020

(Market price; index: December 2015 = 100)



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

FINANCIAL STRUCTURE

CONTINUED STRONG FINANCIAL FOUNDATION DESPITE CRISIS

The further increase in free cashflow (+11.4%) allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group.

Total assets increased from CHF 3,725 million to CHF 3,751 million. Liquid funds (including marketable securities and other short-term investments) grew from CHF 428 million to CHF 469 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 583 million. Debt decreased from CHF 837 million in the previous year to CHF 779 million. Overall, this resulted in a decline in net debt of CHF 99 million to CHF 310 million at the end of 2020.

In the second quarter of 2020, a new CHF bond of CHF 300 million with a term of 2.5 years was issued in order to additionally secure liquidity. This enabled an expiring bond to be refinanced later in the year.

Net working capital dropped by CHF 21 million year-on-year to CHF 181 million. Property, plant and equipment increased from CHF 920 million to CHF 934 million, while goodwill and intangible assets fell from CHF 1,597 million to CHF 1,577 million.

The ratio of net debt to equity (gearing) contracted from 21.5% in the previous year to 16.1%. The equity ratio remained at a very solid 51.2% (previous year 51.0%). The ratio of net debt to EBITDA dropped to 0.3x (previous year 0.5x). Based on average equity, the return on equity (ROE) came to 34.8% (previous year 35.8%). Average invested operating capital, comprising net working capital, property, plant and equipment, goodwill and intangible assets, amounted to CHF 2,794 million at the end of 2020 (previous year CHF 2,810 million). The return on invested capital (ROIC) was 23.2%, slightly above the previous year's level (23.1%).

The Geberit Group held 1,415,834 treasury shares on 31 December 2020, which equals 3.8% of the shares entered in the Commercial Register. Of these, 1,120,794 (3.0% of the shares entered in the Commercial Register) originate from the share buyback programmes, while the remaining 295,040 are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares.

The share buyback programme, launched in June 2017, was completed at the end of April 2020. In total, 1,026,094 registered shares – equal to CHF 440 million and corresponding to 2.8% of the share capital entered in the Commercial Register at that time – were repurchased. In the reporting year, 261,543 shares were acquired at a sum of CHF 116 million. The share buyback programme was conducted via a second trading line set up especially for this purpose. A proposal will be submitted to the ordinary General Meeting on 14 April 2021 to carry out a capital reduction in the amount of the repurchased shares and to cancel these shares.

A new share buyback programme was started on 17 September 2020. Over a maximum period of two years, registered shares amounting to a maximum purchase value of CHF 500 million will be repurchased. Based on the closing price of Geberit registered shares on 15 September 2020, this corresponded to around 950,000 registered shares or 2.6% of the share capital currently entered in the Commercial Register. The registered shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. In addition to the capital reduction from the share buyback programme of 2017 to 2020, a proposal will also be submitted to the ordinary General Meeting on 14 April 2021 to carry out a capital reduction in the amount of the shares repurchased as part of the new programme by the end of February 2021, and to also cancel these shares. By 31 December 2020, 94,700 shares were acquired as part of the new programme at a sum of CHF 51 million.

Debt

(in CHF million; as of 31 December)

	2018	2019	2020
Long-term debt	683	811	762
Total debt	837	837	779
Liquid funds (including marketable securities and other short-term investments)	282	428	469
Net debt	555	409	310

INVESTMENTS

LOWER INVESTMENTS

In 2020, investments in property, plant and equipment and intangible assets amounted to CHF 150 million – CHF 17 million or 10.2% less than in the previous year. This reduction was the result of restrictions and delays enforced due to COVID-19. As a percentage of net sales, the investment ratio was 5.0% (previous year 5.4%). 36% of the total investments went towards capacity expansion. 33% was invested in the modernisation of property, plant and equipment and, hence, in further enhancement in production efficiency, 7% was used for rationalisation measures relating to property, plant and equipment, while 24% was used to acquire tools and equipment for new product developments. All important, larger investment projects were carried out as planned.

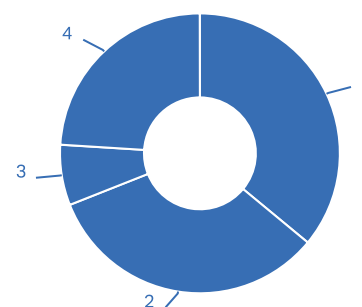
As in previous years, the biggest single ongoing undertaking was the conversion and new-build project in Langenfeld (DE). Significant investments were also made as part of the introduction of FlowFit – the new piping system for drinking water supply and heating – at the plant in Rapperswil-Jona (CH).

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2016	2017	2018	2019	2020
	139	159	162	167	150
In % of net sales	5.0	5.5	5.3	5.4	5.0

Investments by purpose 2020



- 1 Capacity expansion (36%)
- 2 Modernisation (33%)
- 3 Rationalisation (7%)
- 4 New products (24%)

EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY

At the end of 2020, the Geberit Group employed 11,569 staff worldwide, equivalent to a slight decline of 50 employees or 0.4% compared to the previous year. Above all, this reduction was due to the lower number of temporary staff and natural fluctuations seen in production and logistics. In contrast, there was an increase in the areas of IT, marketing and development. The additional employees were mainly assigned to digitalisation projects.

Based on the average headcount of 11,552, net sales per employee amounted to TCHF 258, or 2.6% less 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 27% in marketing and sales. Additionally, 8% of the employees worked in administration, and 3% in research and development. The share of apprentices was 2%.

In 2020, personnel expenses amounted to CHF 750 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 2020 was 24% (previous year 24%), and for senior management this figure was 11% (previous year 11%). The six-member Board of Directors has two female members.

DEALING WITH COVID-19 IN EVERYDAY WORK

The coronavirus and associated protection against COVID-19 infections affected both business development and everyday work at Geberit in 2020. Numerous protective measures were taken to minimise the risk of infection for employees. At the same time, customer service, production and thus also product availability had to be ensured. With this in mind, Geberit strictly adhered to the applicable official regulations and recommendations on a local level and also implemented the prescribed hygiene and social distancing measures consistently. Other measures, such as the obligation to wear masks, rapid tests, directives for business trips or carrying out meetings, were also adapted according to local regulations and in line with the corresponding stages of the pandemic.

In order to contain the pandemic further and protect the workforce, employees were also given the possibility of working from home if their work and circumstances permitted. Furthermore, regulations on working from home were also adjusted on a Group level and in the individual countries for the time after COVID-19. This ensures that it is also possible to work from home in normal times – where appropriate – and increases the attractiveness of Geberit as an employer.

For other aspects, in particular economic aspects, see the section on → **Geberit and COVID-19**.

DIGITAL EMPLOYER BRANDING

The employer branding programme started in 2018 also continued in the reporting year. The goal here is to address both current and potential employees via digital channels and to position Geberit as a strong employer brand. With this in mind, Geberit presents itself on the job market as a progressive employer with an open corporate culture and international development opportunities. In 2020, the corresponding activities were also expanded to include IT specialists in addition to engineers and sales staff. The communication focused on current IT employees at Geberit, who detailed their background and everyday tasks and explained why they are convinced of Geberit as an employer. These insights were published on the → **company website**, on social media – predominantly LinkedIn (73,000 followers) – and also on the company intranet. As part of the further expansion of the social media presence, activities on other platforms are currently being evaluated.

Employees by countries

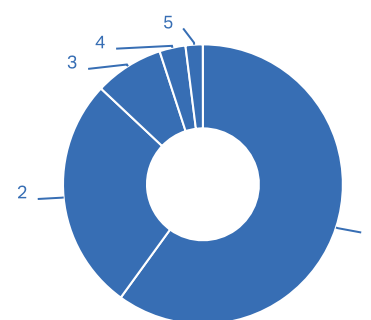
(as of 31 December)

	2019	Share in %	2020	Share in %
Germany	3,267	28	3,297	28
Poland	1,658	14	1,647	14
Switzerland	1,435	12	1,454	13
Ukraine	639	5	602	5
Austria	555	5	565	5
Italy	533	5	538	5
China	531	5	495	4
Others	3,001	26	2,971	26
Total	11,619	100	11,569	100

Employees by business processes

2020

(as of 31 December)



- 1 Production (60%)
- 2 Marketing and Sales (27%)
- 3 Administration (8%)
- 4 Research and Development (3%)
- 5 Apprentices (2%)

THE NEW GEBERIT INTRANET FOR EVERYONE

In November 2020, a new intranet platform was launched for comprehensive communication within the company. In addition to a browser version on the PC, the Geberit Intranet (GIN) is also available as a mobile app. With this new approach, Geberit is able to reach all employees all over the world for the first time – whether those working on PCs, others in production and logistics, or sales representatives. The goal is for the GIN to be the central information and communication platform for all company employees. Among other features, the new tool can be used to access HR applications directly. Furthermore, it also offers significantly more opportunities for internal communication at the individual local sites.

FURTHER EXPANSION OF EDUCATION AND TRAINING

The search for young talent has been further intensified. The various local sites are in contact with institutes of technology and universities regarding project-related collaborations, plant visits or gaining students for internships. Geberit is also part of international engineer networks such as UNITECH and offers members exciting internships as well as collaborations for Bachelor and Master theses.

The Operations Development Programme was set up at the start of 2020. The goal of the programme is to ensure that the plants and logistics sites also continue to have a sufficient number of highly trained managers at their disposal in future – with experience at the respective site where possible. The company is looking for talented prospects with an engineering, technical or commercial background who want to head up strategic projects and take on responsibility following internal training.

The two internal Potentials Management Programmes – on a regional and Group level – aim to identify talents in the company and support them along their path to middle or senior management. Around 70 employees were nominated to take part in the programmes by their supervisors in the reporting year. These programmes are intended to help fill at least half of all vacant managerial positions with internal candidates. In 2020, this was achieved for 47% of all Group management vacancies (previous year 58%).

Geberit employed 262 apprentices at the end of 2020 (previous year 264). The transfer rate to a permanent employment relationship was 86% (previous year 85%). As experience abroad and the transfer of know-how are an advantage for both young employees and the company alike, the apprentices should already have the opportunity to get practical insights at other sites during their training.

NEW APPRAISAL PROCESS LAUNCHED

Following the successful pilot phase started in 2019, the valYOU Performance assessment, Development and Compensation process was rolled out at all sites for all white collar staff in the reporting year. In connection with this, all management personnel received training on the process and assessment tool. Additionally, a special, dedicated annual assessment process was developed for employees working in production and logistics, and was launched at selected sites in the reporting year. From 2021, the valYOU process should be established for all employees across the Group.

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.

FOCUS ON OCCUPATIONAL HEALTH AND SAFETY

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 2025, 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). In 2020, the accident frequency fell to a value of 8.9, which corresponds to a re-

duction of 9.2% (previous year 9.8). The accident severity decreased by 8.4% to a value of 171.9 (previous year 187.6) in the same period. There were no fatal accidents.

All production plants and the central logistics centre in Pfullendorf (DE) are certified in accordance with the new occupational health and safety standard ISO 45001. The Geberit Safety System defines occupational health and safety principles as well as processes that are applicable throughout the Group. Safety managers have been appointed at all production plants and the central logistics centre. The Group-wide Geberit Safety Team also plays an active role in systematically developing occupational health and safety through the entire company by defining key topics and exchanging best practices between plants, among other aspects. The creation of safe, clean workstations at the production plants was again pursued consistently through the continuous optimisation and modernisation of systems and processes, the replacement of hazardous substances or the reduction of dust and noise emissions. Workstations have also been further optimised from an ergonomic point of view through the increasing use of robots or lifting aids. As the majority of occupational accidents and time lost are still attributable to carelessness, great importance is attached to long-term training and raising employee awareness. These efforts will be supported by an eLearning programme, which should help to correctly identify danger areas in the workplace and rectify them consistently, among other aspects.

The active promotion of employee health – thus ensuring they remain fit and able to work – is very important. With this in mind, a diverse vitality programme is offered at 18 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. This programme was additionally adapted to the demands of the ceramics plants in the reporting year, and will now be gradually rolled out.

CUSTOMERS

BRAND HARMONISATION COMPLETED

Following the replacement of the Keramag brand with Geberit in the key markets Germany, Austria, Switzerland and Belgium as well as in several Eastern European countries in the previous year, the brand harmonisation continued in three further markets in 2020. In more than 2,000 showrooms, over 25,000 ceramic sanitary appliances from the brands Allia (France), Pozzi-Ginori (Italy) and Sphinx (the Netherlands) were replaced with Geberit products. Thanks to strong partnerships with wholesalers and intensive preparations, it was possible to complete this brand harmonisation in 2020. The associated streamlining of the brand portfolio affected almost all areas of the company – including production and logistics, master data management, marketing and the sales organisations.

Focusing 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 logistics, and the consolidation of product information. Additionally, in Italy, for example, almost all supplied showrooms were visited by the sales organisation as part of the brand switch. As a result, it was possible to significantly enhance the presentation of the Geberit products by using new showroom modules and demonstrating product combinations in front of and behind the wall.

SIGNIFICANTLY INCREASED PRESENCE WITH CUSTOMERS

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 technical advisors and other sales representatives.

In all markets, it was difficult to carry out face-to-face customer visits in the reporting year as a result of the lockdowns and restrictions enforced due to COVID-19. Accordingly, the sales organisations quickly and consistently used digital visit and meeting formats in addition to increased contacts over the phone. Despite a drop of around one-fifth in face-to-face customer visits, this resulted in a 9% increase in overall contacts (including phone calls and video conferences). The goal of being there for customers and offering all-round support in their work at all times – even in these difficult times – was thus met. The significantly intensified customer relationships in the year under review were also reflected in the fact that the number of e-newsletters sent out rose by 120% to 4.1 million and the number of hits on Geberit's worldwide websites increased by 48% to 25.0 million. For more information on marketing and sales aspects in connection with COVID-19, see the section → **Geberit and COVID-19**.

STANDARDISED PRODUCT DATA FOR WHOLESALERS

In order to ensure that trading partners can process product and marketing information from Geberit in an efficient and structured way and present this in their portals, the corresponding data has been adapted to meet ETIM (Electro-Technical Information Model) standards. This meant the product data for more than 20,000 items had to be revised.

In addition to well-structured product information, the availability of products is of prime importance for wholesalers. Despite the COVID-19 pandemic, Geberit was able to maintain a very high level of delivery capability at all times.

DIGITAL TOOLS FOR SANITARY ENGINEERS AND PLUMBERS

Digital skills in customer support and sales promotion were further expanded, with the aim of developing and launching digital tools as efficiently as possible and according to the needs of the respective target groups.

As before, 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, an in-house Geberit team has been providing BIM users with support in the form of product data and calculation modules. A special plug-in has been developed for the Revit planning software, which gives sanitary engineers direct access to compact 3D models and corresponding planning parame-

ters that are always kept up to date. The small size of the individual files allows them to be used efficiently. Following the roll-out for the most important product categories in the first markets in autumn 2019, the plug-in is now available worldwide and has already been downloaded over 4,000 times by planning and engineering companies.

A digital specification tool has been developed to offer even better support to architects, sanitary engineers and plumbers when planning and configuring bathrooms. It is used to assist the specialists in selecting the right products for a customer-specific project, from the installation and sanitary technology all the way through to the various bathroom products. Additionally, a new tool for industrial applications supports planners and engineers in the specification and dimensioning of the Mapress metallic piping system.

SUCCESSFUL DIGITAL EDUCATION AND TRAINING OFFER

As a result of the restrictions enforced due to the COVID-19 pandemic, it was only possible to provide around 27,000 (previous year 35,000) professionals with face-to-face training on products, tools, software tools and installation skills at the 29 Geberit information centres in Europe and overseas. However, this was more than compensated for by a wide range of webinars and alternative training formats. Whereas webinars were visited by just 2,000 specialists in the previous year, there were around 52,000 participants at these online training courses in the reporting year. Additionally, the range of in-house digital training courses was expanded and saw widespread use by employees. For more information on training aspects in connection with COVID-19, see the section → **Geberit and COVID-19**.

DIGITAL ALTERNATIVES TO TRADE FAIRS

With the exception of Swissbau, which took place in January in Basel (CH), all national and international trade fairs were cancelled in the reporting year due to the COVID-19 pandemic. Geberit responded quickly to this development. For example, with the cancellation of the SHK – which was planned for mid-March in Essen (DE) – the German sales organisation decided to offer trade professionals a virtual 360° visit to its planned booth. A similar approach was taken in Spain, where the Casa Decor in Madrid (ES) – a renowned trade fair for interior design – was cancelled to visitors. Here too, the local sales company offered the interested professional audience the opportunity of visiting the Geberit booth online.

At the same time, Geberit also developed a virtual showroom that can be tailored to the needs of the individual markets with relative ease. These showrooms offer a good overview of the wide range of products and new products in the respective market. They also provide additional information in the form of short videos, graphics and links, and offer visitors the opportunity of tailoring their own showroom experience. The first virtual showrooms went live in the second quarter of the reporting year and have already been visited by over 30,000 customers. For more information on digital trade fair aspects in connection with COVID-19, see the section → **Geberit and COVID-19**.

INCREASING FOCUS ON THE END USER

Following its launch in autumn of the previous year in Germany, Austria and Switzerland, the end user campaign "Better bathrooms, better lives" was rolled out in a further 12 European markets in the reporting year. Increasing the level of communication with end users is a key step in a long-term strategy of firmly establishing the Geberit brand among users.

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 are continually enriched with new 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 the reporting year, the campaign generated over 2.5 million sessions on the corresponding websites and 17,000 end user registrations in the CRM system.

TARGETING CUSTOMERS VIA SOCIAL MEDIA

The social media presence was further expanded and intensified in the reporting year. In addition to employer branding, the focal points included increased sales support. The target groups here were professional decision-makers and end users, who were addressed with targeted advertising formats and editorial content. Geberit used the most popular social media channels for these activities and informed the

constantly growing communities through the local marketing teams and the Group on Facebook (295,000 followers), Instagram (102,000 followers), YouTube (58,000 followers / 34.6 million views), LinkedIn (73,000 followers), Twitter (17,000 followers) and Pinterest (4,000 followers).

CAMPAIGN FOR SHOWER TOILETS CONTINUED

The advertising campaign for AquaClean shower toilets launched in 2018 was continued in the reporting year and again met with a positive response in all 15 campaign markets. As a result of event cancellations due to COVID-19, there were only limited opportunities for the mobile test options – the Geberit AquaClean truck, mobile AquaClean WC lounges and the AquaClean trailers – in the reporting year. In contrast, the “Test at home” campaign continued to prove popular in its four markets. As part of this campaign, potential customers are 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. Another campaign is the test set, which was successfully piloted on the Swiss market. The set can be connected temporarily with an existing WC ceramic appliance in just a few steps and without tools, and removed again easily. It can be tested out free of charge for 14 days, and is sent out and returned by post.

The international sales initiative for hotels again made encouraging progress. Additional prestigious hotel projects were acquired in the reporting year, including the Art House in Basel (CH) and the Mandarin Oriental in Munich (DE). The number of four- and five-star hotels equipped with AquaClean shower toilets in Europe is now far in excess of 500.

The webshop developed by Geberit for shower toilet consumables (cleaning and descaling agent, replacement filters for odour extraction units, etc.) is now live in five markets.

INNOVATION

INNOVATION AS THE FOUNDATION FOR FUTURE GROWTH

Geberit's culture of innovation, 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 75 million (previous year CHF 77 million) – or 2.5% of net sales – was invested in the development and improvement of products, processes 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, 37 patents were applied for, which is above the long-term average. In the last five years, Geberit has applied for a total of 176 patents.

The scientists and engineers at Geberit have the very latest technologies and laboratory infrastructures at their disposal for their development projects. In the reporting year, various test equipment was modernised and expanded, in the latter case primarily for the quality and materials tests carried out on bathroom furniture. Furthermore, additional capacities were created for the development and programming of electronic controls and the establishment of a mechatronics laboratory. As a result, Geberit is well equipped to deal with future requirements in terms of bringing together sanitary technology and building service management systems.

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 as well as the consistent strengthening of the brand identity are of central importance here.

NEW PRODUCTS FOR SOPHISTICATED MARKETS

Among others, the following products were newly launched on the market in 2020:

- The particularly high-quality **CleanLine 80** model was 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, even in the case of large ceramic or natural stone.
- The **Geberit Pluvia roof drainage system** is designed for use on large and extremely large flat and special roofs. The system is used all over the world – including in monsoon regions. Pluvia works according to the principle of negative pressure, meaning water is suctioned off the roof. Newly developed fastening elements ensure maximum stability for pipes installed directly 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 middle and lower 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 publication → **Facts & Figures 2020**.

Several new product launches are planned for 2021. The most important products are as follows:

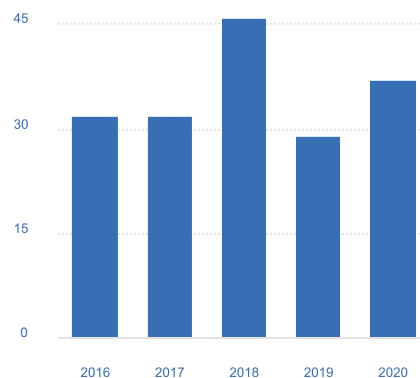
- With **FlowFit**, Geberit is introducing a new piping system for drinking water and heating applications. FlowFit consists of two components – newly developed connection technology and proven, lightweight pipes made of plastic and aluminium (or all-plastic pipes for heating applications). The pressfittings in the connection technology not only set new standards in terms of easy and reliable installation, but also in terms of their flow char-

R&D expenditures

(in CHF million)

	2016	2017	2018	2019	2020
	72	78	78	77	75
In % of net sales	2.6	2.7	2.5	2.5	2.5

Number of new patents



acteristics. With over 400 different fittings in eight different pipe dimensions, the supply system is suitable for all installation tasks inside buildings. The development of FlowFit all the way through to series production is one of the biggest development projects in the history of Geberit.

- The integrated bathroom series **Geberit ONE** launched in 2019 will be expanded with numerous components and configuration options. At the washbasin area, additional washbasin models in various widths and depths will be on offer, together with matching cabinets, trap types and taps. Furthermore, an intuitively controlled lighting concept was developed for mirror cabinets.
- In order to prevent drinking water from stagnating in pipes, leading to the rapid multiplication of germs and bacteria, the Geberit portfolio has included sanitary flush units for many years. These electronically controlled devices ensure that drinking water installations are regularly flushed. **Sanitary flush units** that are directly integrated in the concealed cistern are now also available. This means an additional drainage connection is no longer required during installation.
- Developed for markets in Asia and Africa, the robust, easy-to-install **Alpha concealed cistern 12 cm** offers high levels of operational reliability at a low price. Depending on the installation situation, the actuator plate for flush actuation can be mounted on the top or front of the cistern on this model.
- The **end user app for Geberit AquaClean** shower toilets has been enhanced with the addition of a **remote maintenance option**. In the event of a malfunction, customers can then call up a rapid diagnosis – and even request a rectification of the malfunction – via remote maintenance.

For more details on new products in 2021, see the publication

→ www.geberit.com/products/new-products/.

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)

FLOW PRODUCTION PRINCIPLE AS A GUIDELINE

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 were again initiated, promoted or brought to a conclusion in the reporting year, with the aim of optimising the efficiency of production processes, increasing capacities, and improving energy and material efficiency. The "FlowFit" project in Rapperswil-Jona (CH), "Progress 2023" project in Pfullendorf (DE), mould building centre in Ekenäs (FI) and expansion of high-pressure casting capacities in ceramic production are just some of the many major and minor improvements made in the production processes:

- State-of-the-art systems were set up at the site in Rapperswil-Jona for the technically demanding large-scale production of pressfittings for the new FlowFit supply system. These systems allow for fittings that are ready to install and packed ready for shipment to be manufactured in a single, uninterrupted pass.
- At the plant in Pfullendorf, an expansion of production capacities for concealed cisterns was started in order to also be able to cope with continuously growing demand in future. At the same time, the existing flow production will also be optimised further. To do this, structural measures will be implemented and additional production lines set up.
- In Ekenäs, work has started on developing a second mould building competence centre for the demanding ceramics high-pressure casting process. In future, all high-pressure casting tools required in ceramic production across the Group will be manufactured here and at the plant in Bromölla (SE).
- New production lines with state-of-the-art high-pressure casting machines have been set up at the ceramics plants in Ekenäs (FI), Slavuta (UA) and Kolo (PL). The high-pressure casting process ensures stable processes and very low scrap rates.

POSITIVE 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 previous year and of Allia, Pozzi Ginori and Sphinx with the Geberit brand in the reporting year required a special effort that will pay off in the medium and long term through the significant 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. GPS 2.0 ensures that the goals associated with a continuous improvement in sustainability are also taken into account. 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 regranulate is used to manufacture components for actuator plates, fill and flush valves, and for the Monolith sanitary module.

LOGISTICS AND PROCUREMENT

DELIVERY CAPABILITY AND PRODUCT AVAILABILITY IN LOGISTICS ENSURED

At the end of 2020, 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.

In the reporting year, logistics at Geberit was also faced with major challenges due to the COVID-19 pandemic. Thanks to the outstanding commitment and flexibility of the employees, it was nonetheless largely possible to ensure delivery capability and product availability around the world and also compensate for the partly significant volume fluctuations.

FURTHER STANDARDISATION IN CERAMICS LOGISTICS

The integration of the ceramics business into Group logistics was completed back in 2019. Nonetheless, it was possible to further standardise processes in ceramics logistics in the reporting year thanks to the Geberit Logistics Operation System (GLOS) – a system used for the continuous improvement of business processes.

Implementation of the OneERP project – where the IT systems and processes are adjusted to the Group ERP standard – also continued successfully. In this context, preparations for the introduction of the Group-wide SAP ERP system in Italy progressed so well during the reporting year that it was ready for operation from 1 January 2021. In 2021, the aim is to prepare further sites for switching over to the SAP EWM storage management system. In Sweden and Finland, where the system was introduced back in 2019, further process improvements and increased overall productivity have been achieved.

IMPACTS OF THE BRAND SWITCH

The streamlining of the brand portfolio (see the section on → **Customers**), which was completed in 2020 with the brand switch in France, Italy and the Netherlands, also had a direct effect on logistics. As part of the brand switch, the inventories were adapted and numerous end user showrooms were also supplied with new ceramic appliances and furniture. 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 Geberit sanitary technology products in a single truck delivery. This not only reduces the number of empty kilometres, it also increases truck capacity utilisation and reduces CO₂ emissions (see also → **Strategy Green Logistics**). Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions. Checks are also made regularly as to whether new, sustainable truck technologies can be used in logistics across the Geberit Group.

COMPLIANCE WITH CODE OF CONDUCT FOR SUPPLIERS CHECKED

The Corporate Purchasing department is responsible worldwide 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 pro-

tection and occupational health and safety, plus compliance with local regulations in terms of salary payment, the payment of health insurance premiums and pension contributions by the employer, and regulations concerning working hours and overtime. The audits are carried out by an independent service provider. Appropriate measures are initiated where required. During the reporting year, five 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 2020.

SUSTAINABILITY

LONG-TERM, SUSTAINABLE VALUE CREATION

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**, is now an integral part of the corporate culture, and is linked to the → **Sustainable Development Goals** of the United Nations. 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. A total of twelve sustainability modules form the basis here. Among these are occupational health and safety, social responsibility, conservation of resources, energy and CO₂ reduction, eco-design and green procurement.

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 2020

PROVISION OF RAW MATERIALS

0.15% of the total amount of water was required in the manufacture of raw materials for products.



0.15%
(6.7 million m³)

MANUFACTURING

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



0.02%
(1.0 million m³)

USE

The greatest water consumption by far occurs during the use of products manufactured in 2020 during their entire service life (cisterns, urinal flushing systems and washbasin taps).



99.83%
(4,572 million m³)

DISPOSAL

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



< 0.01%
(0.2 million m³)

GREEN BUILDING SUPPORTED BY DIGITALISATION

Green building is becoming ever more important. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. As they increase transparency and are intended to provide data relating to sustainability, these standards also influence the planning processes in sanitary technology. For many years, Geberit has been creating product life cycle assessments and externally inspected environmental product declarations (EPDs) in accordance with the European standard EN 15804. EPDs present relevant, comparable and verified information about a product’s environmental performance in a transparent manner. Four new EPDs for the new FlowFit drinking water system were compiled in the reporting year: two EPDs for the fittings (one for the plastic fittings and one for the metal fittings) and one EPD each for the multilayer pipes and plastic pipes. There was also an EPD update for the AquaClean Mera shower toilet.

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.

SUPPORT FOR THE CIRCULAR ECONOMY

Thanks to 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 regrain used (post-consumer waste). In general, the use of recycled plastics in production is continuously being driven forward. In future, recycled material should also be partly used in applications involving polypropylene (PP), for example.

REDUCING THE USE OF PACKAGING MATERIAL

The goal of using less packaging material is followed continuously in various areas of production and logistics. For example, packaging of the sanitary flush unit has been optimised by dispensing with the polystyrene insert (leading to a 35% reduction in packaging volume) and using only recyclable cardboard boxes (which makes disposal easier). This results in savings of around 33 tonnes of CO₂ per year.

CAREFUL HANDLING OF PLASTICS

In 2020, Geberit joined Operation Clean Sweep (OCS). OCS is an international initiative promoted by the plastics industry dedicated to preventing the loss of plastic granules, flakes and powder and ensuring that these materials do not pollute the environment. By joining the initiative, Geberit commits itself to ensuring that plastic granules do not pollute the environment, among other aspects. All Geberit plants that process plastics take part in the initiative and are obliged to define and implement improvements.

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. The CleanLine shower channel is one example of this. Significant material savings amounting to 85% less stainless steel per shower channel were achieved as part of the product development. Furthermore, it was also possible to significantly reduce the amount of packaging material. Compared to the predecessor model, these measures led to a significant reduction in CO₂ emissions of around 7,300 tonnes in total.

FURTHER IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE AT A HIGH LEVEL

The absolute environmental impact of the Geberit Group decreased by 8.9% in 2020, even though currency-adjusted net sales increased by 1.3% in the same period. The environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 10.1%. Since the integration of the energy-intensive ceramics production in 2015, eco-efficiency has improved by 34.8%. As regards the long-term target, which is based on an average annual decrease of 5% per year, Geberit therefore remains very well on course.

CO₂ emissions were reduced in 2020 by 7.2% to 206,553 tonnes. In relation to currency-adjusted net sales, emissions decreased by 8.4%. Since the integration of the energy-intensive ceramics production in 2015, CO₂ emissions in relation to net sales have fallen by 32.6%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption, such as the deactivation of facilities that are not currently needed. Increasing efficiency forms the second pillar. The third pillar entails the targeted sourcing of high-quality renewable energies. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

Geberit aims to further reinforce its leading position in the industry in the area of sustainability. Eco-efficiency and relative CO₂ emissions are to be improved by 5% per year (see also → **Sustainability Strategy 2021–2023**). 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. At the end of the reporting year, all 29 production plants and central logistics were certified in accordance with ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety). Certification according to ISO 50001 (energy management) is taking place for selected sites.

COMPREHENSIVE CONTROLLING AND REPORTING

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 reporting 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 2020. The → **materiality analysis** reviewed by an → **external stakeholder panel** for the fifth time in 2020 as well as the sustainability strategy have been further developed.

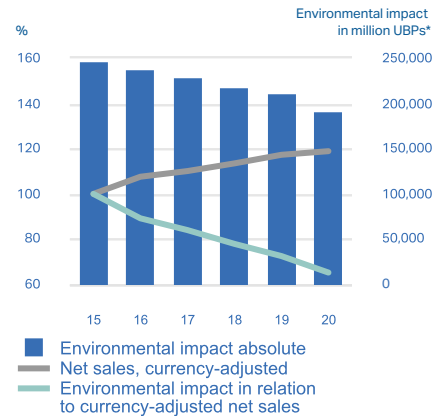
Geberit has been a member of the United Nations (UN) Global Compact since 2008. The purpose of this worldwide agreement between companies and the UN is to place globalisation on a more social and ecological footing. A → **Communication on Progress** regarding measures in the areas of human rights, labour 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**.

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 prominently 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 In-

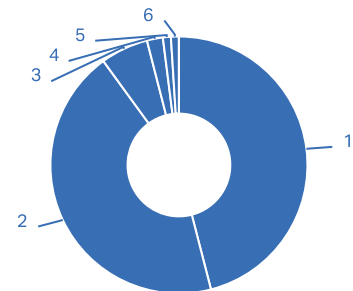
Environmental impact 2015–2020

(index: 2015 = 100)



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

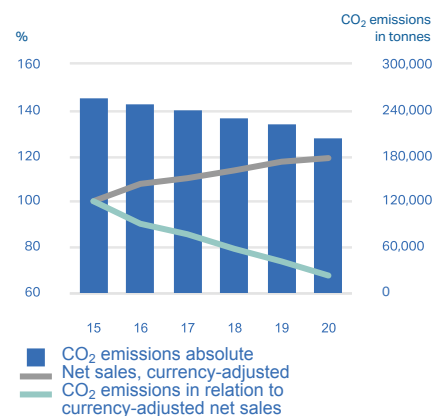
Distribution environmental impact 2020



- 1 Combustibles (46%)
- 2 Electricity (44%)
- 3 Fuels (6%)
- 4 Disposal (2%)
- 5 Water/waste water (1%)
- 6 Solvents (1%)

CO₂ emissions 2015–2020

(index: 2015 = 100)



dex 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

COMPREHENSIVE COMPLIANCE ORGANISATION AND ACTIVITIES

Compliance activities encompass the topics antitrust legislation, data protection, corruption, product liability, environment and fundamental employee rights. Audits are carried out to check the corresponding regulations are being adhered to.

Corporate Sustainability and Process Management is responsible for compliance topics connected to the environment, while Corporate HR is responsible for fundamental employee rights. Otherwise, the Geberit Group's legal department is the point of contact for all issues related to compliance. Regular internal audits demonstrate a well-developed sensitivity among the employees in relation to compliance topics, particularly in the area of antitrust legislation and data protection.

As in previous years, compliance activities again focused on antitrust legislation and data protection in 2020. Comprehensive training courses were carried out, including eLearning modules, for example. In these courses, employees were made aware of the respective topic and informed about the applicable legal regulations and the directives within the Group. The training concepts and tools were developed further and professionalised. Geberit has effective instruments at its disposal for the comprehensive and straightforward training of affected employees across the Group on the topics of antitrust legislation and data protection.

In the reporting year, Group management and all employees at the European sales companies were trained on the topic of antitrust legislation. It is planned to carry out these training courses at the companies outside Europe in 2021.

FOCUS ON DATA PROTECTION

The implementation of the General Data Protection Regulation (GDPR), which was started in 2018, was completed in all Group companies where the GDPR is applicable in 2020.

An external audit of the data-protection compliance system was carried out to ensure conformity with GDPR requirements. Corrective measures were implemented in cases where the audit results did not meet internal requirements. Employees in HR and marketing who are particularly affected by the topic were trained using a newly created training programme addressed specifically to their needs.

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 both expertise and corporate culture at the company. 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.

The tradition of carrying out social projects was continued in 2020, this time in Romania. However, apprentices were unfortunately unable to take part due to restrictions in connection with COVID-19. Working in close cooperation with a non-governmental organisation and with the support of the local Geberit sales company, Geberit helped to construct the bathrooms at a newly built children's hospital.

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. As part of a knowledge transfer project launched and implemented several years ago, two Geberit employees again travelled to Nepal at the start of 2020 in order to pass on basic know-how in sanitary technology as part of a training project. 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 9 million and gave around 500 people meaningful work.

Additionally, on the initiative of Geberit employees, a long-term solution was found for some of the ceramic sanitary appliances that were discontinued, but as good as new, following the → **brand harmonisation** in Germany. These appliances were loaded on five trucks and sent to Moldova, where they have been installed in various social institutions.

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. 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 → **32. Group companies as of 31 December 2020**).

OUTLOOK

FRAMEWORK CONDITIONS IMPACTED BY THE EFFECTS OF COVID-19

As a result of the ongoing uncertainties in relation to the COVID-19 pandemic and the lack of visibility, it remains very difficult – if not impossible – to provide an outlook, which is why this has been dispensed with in this annual report.

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.

GEBERIT

In the coming year, the objective is again to perform strongly in all markets and, as in previous years, to gain further market shares. To this end, significant contributions will be made by new products introduced in recent years, the focus on markets in which Geberit products or technologies are still under-represented, and the further expansion of the shower toilet business. 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 2021. Based on the strong foundation already built up over the past decades, the sustainability performance should also continue to improve.

Both the Board of Directors and Group Executive Board are convinced that the Geberit Group is very well equipped and positioned to meet current and upcoming opportunities and challenges in order to emerge stronger from the global economic crisis caused by the COVID-19 pandemic. 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. In 2021, a focal point will again be the continued implementation of the digitalisation strategy. 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.