

GEBERIT GROUP

INTEGRATED ANNUAL REPORT 2019

HIGHLIGHTS OF THE BUSINESS YEAR 2019



CONSOLIDATED EXPERTISE

The bathroom series Geberit ONE combines Geberit's know-how in sanitary technology and ceramics expertise while offering an appreciably better quality of life. In concrete terms, this means greater cleanliness, more space and greater flexibility. Sanitary professionals benefit from increased planning reliability and more efficient workflows. → **Learn more**



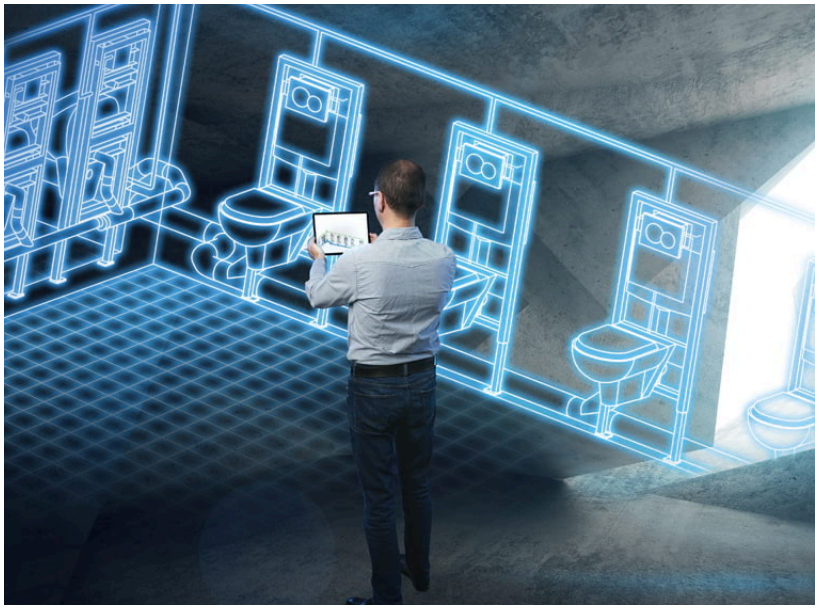
LEADING BRAND

Keramag becomes Geberit: In Germany, Austria, Belgium, Switzerland and numerous Eastern European markets, all of the Keramag products in more than 3,000 showrooms at wholesalers and installation companies were replaced with identical products bearing the Geberit logo. This brand harmonisation will be continued in France, Italy and the Netherlands in 2020. → **Learn more**



SAVES SPACE AND TIME

SuperTube is a space-saving alternative to the conventional discharge stack layout seen in high-rise buildings. Thanks to the unique way in which the water is guided, SuperTube ensures a continuous column of air throughout the discharge stack – including in horizontal pipe sections. This renders the installation of a separate ventilation pipe in the discharge stack unnecessary. → **Learn more**



SUPPORT AND INSPIRATION

Whether in the office, at the warehouse or on the construction site, sanitary engineers, wholesalers and plumbers have been benefiting from an increasing number of high-performance apps, plug-ins and other digital aids for many years. Geberit now also offers increasingly sophisticated solutions to the end user, including the possibility of designing their dream bathroom on screen. → **Learn more**



TAPPING THE FULL POTENTIAL

When it comes to sustainability, resource-saving and durable products have been key at Geberit for decades. There is also a focus on the ongoing reduction of energy consumption and CO_2 emissions. → **Learn more**



BETTER BATHROOMS – BETTER LIVES

A new digital advertising campaign entitled “Better bathrooms, better lives” was launched in October in Germany, Austria and Switzerland. The campaign is aimed at end users and focuses on six of their key requirements – cleanliness, accessibility, optimisation of space, comfort, design and user-friendliness – together with the corresponding solutions offered by Geberit. → **Learn more**



REACHING NEW HEIGHTS WITH WOOD

When it comes to high-rise buildings made of wood, particular attention has to be paid to the topic of building statics – including sound insulation. In the Finnish town of Joensuu, answers were found for the specific challenges seen when building with wood. These included the use of innovative technical building system solutions in the 14-storey building. → **Learn more**



BREAKING NEW GROUND

In 2019, Geberit supported the renovation and construction of several schools in Cambodia. In November, a team comprising ten Geberit apprentices from Europe and two coaches travelled to Southeast Asia to help with the construction work, particularly with the construction of the new sanitary facilities. → **Learn more**

HIGHLIGHTS OF THE FINANCIAL YEAR 2019

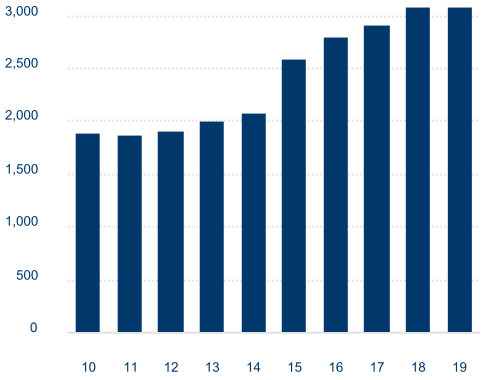
Net sales

+3.4%

Currency-adjusted net sales growth in 2019

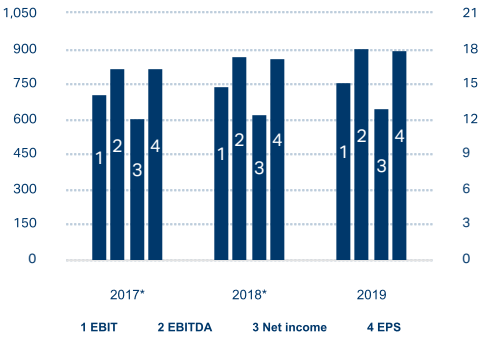
Net sales development 2010–2019

(in CHF million)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2017–2019

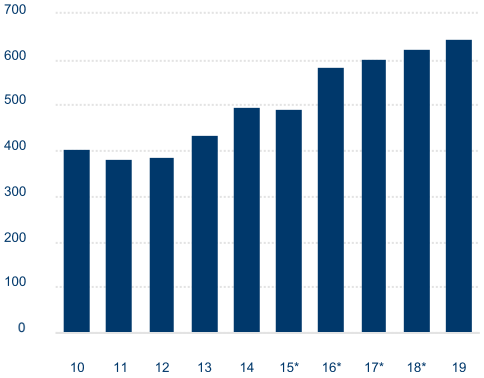
(in CHF million) (EPS: in CHF)



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

Net income development 2010–2019

(in CHF million)



* Adjusted for costs in connection with the Sanitec acquisition and integration

Operating cashflow margin (EBITDA margin)

29.3%

+110 basis points versus prior year

Free cashflow (in CHF)

644 million

+10.7% versus prior year

Earnings per share (in CHF)

17.97

+4.4% versus prior year

Payout ratio

63.4%

The payout ratio is in the upper range of the 50% to 70% target corridor

Investments in property, plant and equipment and intangible assets (in CHF)

167 million

+3.1% versus prior year

R&D expenditures (in CHF)

77 million

2.5% of net sales

Currency effects in net sales (in CHF)

-102 million

Currency effects in EBIT (in CHF)

-28 million

GEBERIT KEY FIGURES

2015 – 2019

		2015	2016	2017	2018	2019
Net sales	**MCHF**	2,594	2,809	2,908	3,081	3,083
Change Net Sales on previous year	%	+24.2	+8.3	+3.5	+5.9	+0.1
Change Net Sales on previous year ca.	%	+2.7	+6.4	+3.5	+3.1	+3.4
Operating profit (EBIT)[2]	**MCHF**	591	687	706	744	757
Margin in % of Net sales[2]	%	22.8	24.4	24.3	24.2	24.5
Net income[2]	**MCHF**	493	584	604	626	647
Margin in % of Net sales[2]	%	19.0	20.8	20.8	20.3	21.0
Operating cashflow (EBITDA)[2]	**MCHF**	694	795	821	868	904
Margin in % of Net sales[2]	%	26.7	28.3	28.2	28.2	29.3
Free cashflow[3]	**MCHF**	484	557	476	582	644
Margin in % of Net sales[3]	%	18.7	19.8	16.4	18.9	20.9
Financial results, net[2]	**MCHF**	-17	-9	-9	-20	-14
Capital expenditures	**MCHF**	147	139	159	162	167
Research and development expenses	**MCHF**	63	72	78	78	77
In % of Net sales	%	2.4	2.6	2.7	2.5	2.5
Earnings per share[2]	**CHF**	13.23	15.85	16.43	17.21	17.97
Distribution per share	**CHF**	8.40	10.00	10.40	10.80	11.30
Employees						
Number of employees (31.12)		12,126	11,592	11,709	11,630	11,619
Annual average		12,477	11,972	11,726	11,803	11,631
Net sales per employee	**TCHF**	208	235	248	261	265
Balance sheet (31.12)						
Total assets	**MCHF**	3,554	3,601	3,743	3,502	3,725
Liquid funds, marketable securities and other short-term investments	**MCHF**	460	510	413	282	428
Net working capital	**MCHF**	147	147	173	206	202
Property, plant and equipment	**MCHF**	715	727	813	829	920
Goodwill and intangible assets	**MCHF**	1,757	1,681	1,749	1,652	1,597
Total debt	**MCHF**	1,139	971	895	837	837
Equity	**MCHF**	1,482	1,635	1,837	1,745	1,899
Equity ratio	%	41.7	45.4	49.1	49.8	51.0
Gearing	%	45.9	28.2	26.3	31.8	21.5
ROIC[2]	%	20.1	21.5	22.4	22.6	23.1

[1] Restatement see → **Note 1** in the consolidated financial statements of the Geberit Group 2013
[2] 2015 - 2018: Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)
[3] 2016 - 2017: Adjusted due to an internal reclassification

GEBERIT KEY FIGURES

2010 – 2014

		2010	2011	2012[1]	2013	2014
Net sales	**MCHF**	1,900	1,868	1,920	2,000	2,089
Change Net sales on previous year	%	-1.6	-1.7	+2.8	+4.2	+4.5
Change Net sales on previous year ca.	%	+4.9	+8.9	+4.2	+3.1	+5.9
Operating profit (EBIT)[2]	**MCHF**	486	449	457	511	577
Margin in % of Net sales[2]	%	25.6	24.1	23.8	25.5	27.6
Net income[2]	**MCHF**	407	384	388	436	499
Margin in % of Net sales[2]	%	21.4	20.6	20.2	21.8	23.9
Operating cashflow (EBITDA)[2]	**MCHF**	574	532	537	593	657
Margin in % of Net sales[2]	%	30.2	28.5	28.0	29.6	31.5
Free cashflow[3]	**MCHF**	494	386	391	444	460
Margin in % of Net sales[3]	%	26.0	20.7	20.4	22.2	22.0
Financial results, net[2]	**MCHF**	-14	-7	-7	-6	-2
Capital expenditures	**MCHF**	81	93	86	98	105
Research and development expenses	**MCHF**	44	48	50	51	56
In % of Net sales	%	2.3	2.6	2.6	2.5	2.7
Earnings per share[2]	**CHF**	10.32	9.82	10.16	11.59	13.28
Distribution per share	**CHF**	6.00	6.30	6.60	7.50	8.30
Employees						
Number of employees (31.12)		5,820	6,004	6,134	6,226	6,247
Annual average		5,793	5,992	6,150	6,219	6,303
Net sales per employee	**TCHF**	328	312	312	322	331
Balance sheet (31.12)						
Total assets	**MCHF**	2,171	2,123	2,007	2,226	2,432
Liquid funds, marketable securities and other short-term investments	**MCHF**	587	542	423	613	750
Net working capital	**MCHF**	109	114	134	128	169
Property, plant and equipment	**MCHF**	514	516	521	536	551
Goodwill and intangible assets	**MCHF**	659	645	638	646	645
Total debt	**MCHF**	73	76	15	12	11
Equity	**MCHF**	1,521	1,420	1,431	1,664	1,717
Equity ratio	%	70.0	66.9	71.3	74.8	70.6
Gearing	%	-33.7	-32.9	-28.5	-36.1	-43.0
ROIC[2]	%	28.7	28.8	28.9	32.1	35.5

[1] Restatement see → **Note 1** in the consolidated financial statements of the Geberit Group 2013
[2] 2015 - 2018: Adjusted for costs in connection with the Sanitec acquisition and integration (EBITDA 2018 not adjusted)
[3] 2016 - 2017: Adjusted due to an internal reclassification

GEBERIT

GEBERIT GROUP

BUSINESS REPORT 2019

EDITORIAL

Dear shareholders,

We look back on a very good business and financial year despite a generally weaker market environment compared to the previous year. Thanks to convincing currency-adjusted net sales growth and further improved, high profitability, we succeeded in further consolidating our position as leading supplier of sanitary products in Europe and strengthening it outside Europe.

HIGH PROFITABILITY ADDITIONALLY IMPROVED

Consolidated net sales in 2019 increased by 0.1% to CHF 3,083 million. This total growth comprised growth in local currencies of +3.4% and a negative foreign currency effect of -3.3%. Operating profit (EBIT) increased by 1.7% to CHF 757 million; the EBIT margin reached 24.5%. The increase in the operating margin compared with the previous year was above all driven by lower raw material prices, higher sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. Strong tariff-related increases in personnel expenses and one-off costs in connection with brand harmonisation had a negative effect. As a result of the strategy of striving for a natural currency hedging, the currency development did not have any negative impact on the operating margin. Net income rose by 3.3% to CHF 647 million, which led to a return on net sales of 21.0%. Earnings per share were up by 4.4% to CHF 17.97. Free cashflow increased by 10.7% to CHF 644 million, above all due to the gratifying rise in operating cashflow.

We were able to reduce the environmental impact in relation to currency-adjusted net sales (eco-efficiency) by 6.9% in the reporting year. The CO_2 impact in relation to currency-adjusted net sales also decreased by 7.0% in 2019. Since the acquisition of the ceramics business in 2015, we have reduced the corresponding relative environmental and CO_2 impact overall by 27.5% and 26.4% respectively.

INNOVATION AS THE FOUNDATION FOR FUTURE GROWTH

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

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

CONSISTENT DIGITAL SUPPORT FOR SANITARY ENGINEERS, PLUMBERS AND END USERS

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

support and can now ensure that sanitary engineers always have up-to-date data for planning at their disposal. Another important digital tool is the online catalogue for craftsmen. Information relating to products and spare parts is available from a single source and can be displayed on various devices. The reporting year also saw the release of a revised version of another tool designed for everyday use, namely the Geberit app for craftsmen. This offers sanitary professionals support when it comes to the correct installation of Geberit products. Things are rounded off by other digital helpers, such as a calculator for using the Mapress metallic piping system in industrial applications or a self-learning programme for detecting actuator plates. A new campaign aimed at increasing the level of communication with end users was implemented in a completely digital manner. It is based on the realisation that nowadays, a large majority of potential end users first take inspiration online before visiting a specialist showroom or qualified specialist partners. All in all, 22% of the entire marketing budget was invested in digital tools and digital campaigns.

BRAND HARMONISATION IN FULL SWING

We were able to implement an important step in the new brand strategy in 2019. In the key markets Germany, Belgium, Austria and Switzerland – plus several Eastern European countries – we replaced ceramic products and bathroom series from Keramag with the Geberit brand. This streamlining of the brand portfolio affected almost all areas of the company – including production, logistics, product data, marketing and the sales organisations. The brand switch meant it was necessary to replace over 20,000 Keramag products with identical products bearing the Geberit logo in around 3,000 customer showrooms and exhibitions in the reporting year. This brand switch was completed successfully thanks to a strong partnership with wholesalers and meticulous preparation. A second phase will see three further regional ceramics brands being replaced by Geberit in France, Italy and the Netherlands in 2020, preparations for which we already started during the reporting year. Focusing more keenly on the strong Geberit brand – a brand that is firmly established in the sanitary industry – has numerous advantages. Foremost among these are the concentration of marketing activities, the simplification of production and the consolidation of product information.

EFFICIENT PRODUCTION NETWORK

All our production plants display an ongoing capability for renewal. Despite the diversity of the materials and production technologies used, our approach is determined uniformly: all improvements are consistently geared to the principle of flow production. We target maximum efficiency and flexibility in this way, which is reflected in the reliable, timely supply of products to customers and savings in important resources such as working time and materials. The projects listed below are just three of the prime examples of the many major and minor improvements made in the production processes:

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

GLOBALLY ENGAGED

We take our social responsibilities seriously, including the undertaking of social projects involving our own apprentices since 2008. The projects exhibit a strong relationship to the topic of water and to our core competencies. In 2019, ten of our apprentices travelled to Cambodia where several schools in Siem Reap province were renovated and equipped with new sanitary facilities. We also continued our partnership with the Swiss development organisation Helvetas with a series of initiatives. In March 2019, a group of 16 Geberit employees from the Nordic Countries travelled to Nepal and helped build a drinking water supply at a village community in the west of the country. A knowledge transfer project was launched, where Geberit employees will travel to Nepal in 2020 in order to pass on basic know-how in sanitary technology as part of a training project. The "Change of Perspective" project was also implemented again, as two Swiss plumbers travelled to Nepal in November 2019, working there for a week with two Nepalese colleagues.

Our activities in the area of social commitment are rounded off by a multitude of other initiatives and fundraising campaigns at a local level. In Germany, Austria and Switzerland, for example, simple assembly and packaging work is regularly awarded to workshops for people with disabilities. In the reporting year, this work amounted to around CHF 8 million and gave almost 500 people meaningful work.

CONTINUED ATTRACTIVE DISTRIBUTION POLICY

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

CHANGES IN THE BOARD OF DIRECTORS

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

SINCERE GRATITUDE

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

OUTLOOK FOR THE YEAR 2020

Geopolitical risks have increased substantially, leading to more instability and volatility in the global economy. Despite this, our forecasts for 2020 for the construction industry have not changed fundamentally compared to the previous year. Although difficult to assess, the Corona virus might impact the global economy on the demand and the supply side. A market outlook – in particular for markets like China or Italy – is therefore very difficult. Our outlook is based on the assumption that the Corona virus will not have a longer lasting negative impact on the construction industry. Considering this, the global construction industry is supposed to remain largely stable, however, the individual countries will perform differently. Our objective is to perform strongly in all markets and, as in previous years, to gain further market shares. To this end, a particular focus is to be placed on new products that have been introduced in recent years, on markets in which Geberit products or technologies are still underrepresented, as well as on the further expansion of the shower toilet business making all together an important contribution to this. In line with the Geberit strategy, we want to accompany these measures by efforts to continuously optimise business processes in order to be able to achieve continued high margins and a strong free cashflow also in 2020. Focal points in 2020 will be the implementation of the digitalisation strategy and the continued brand harmonisation. We want to continue to firmly seize the possibilities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall". We are convinced that we are very well equipped for the upcoming opportunities and challenges.

Yours sincerely,

Albert M. Baehny
Chairman of the Board of Directors



Christian Buhl
CEO



GEBERIT SHARE INFORMATION

SHARE PRICE PERFORMANCE IN THE REPORTING YEAR

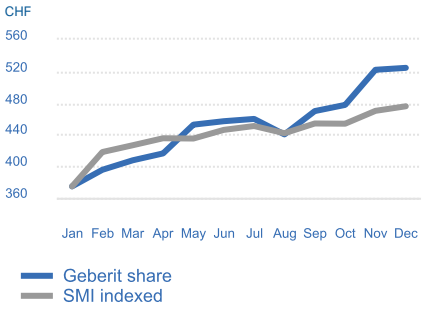
The Geberit share price started the trading year 2019 at CHF 382.30. After increasing mostly in line with the Swiss Market Index (SMI) throughout the year, there was a significant increase in growth momentum in the fourth quarter, with the price reaching an all-time record high of CHF 550.40 shortly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

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

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

Share price development 1.1. – 31.12.2019

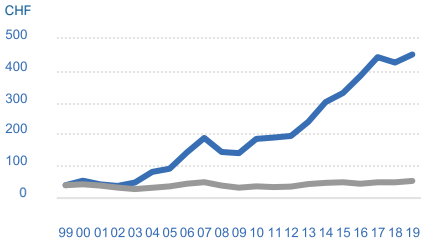
Monthly average share price



Source: Thomson Reuters

Share price development 22.6.1999 (IPO) – 31.12.2019

Annual average share price



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

DISTRIBUTION

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

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

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

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

Total distribution to shareholders and share buybacks

(in CHF million)

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

Distribution paid

(in CHF per share)

	2015	2016	2017	2018	2019
Dividend	**8.30**	**8.40**	**10.00**	**10.40**	**10.80**

COMMUNICATION

Geberit publishes current and comprehensive information simultaneously for all market participants and interested parties on the website → **www.geberit.com**, including ad hoc announcements. Among other things, the current version of the investor presentation is available on the website at any time. In addition, interested parties may add their names to a mailing list → **www.geberit.com/mailinglist** in order to receive the most recent information relating to the company.

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

Contact may be established at any time at
→ **corporate.communications@geberit.com**

Comprehensive share information can be found at
→ **www.geberit.com > investors > share information**

Major data relating to the Geberit share

	31.12.2019
Registered shareholders	32,775
Capital stock (CHF)	3,704,142.70
Number of registered shares of CHF 0.10 each	37,041,427
Registered shares	21,167,232
Treasury shares	1,034,123
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH0030170408
Telekurs	GEBN
Thomson Reuters	GEBN.S
Bloomberg	GEBN.VX

Key figures
(in CHF per share)

	2018	2019
Net income[1]	17.21	17.97
Net cashflow	20.53	23.16
Equity	47.94	52.74
Distribution[2]	10.80	11.30

[1] Adjusted for costs in connection with the Sanitec acquisition and integration; 2019 and beyond: no extra costs occur anymore
[2] Subject to approval of the General Meeting 2020

Time schedule

	2020
General Meeting	1 Apr
Dividend payment	7 Apr
Interim report first quarter	30 Apr
Half-year report	18 Aug
Interim report third quarter	29 Oct

	2021
First information 2020	14 Jan
Results full year 2020	11 Mar
General Meeting	14 Apr
Dividend payment	20 Apr
Interim report first quarter	4 May
Half-year report	19 Aug
Interim report third quarter	3 Nov

(Subject to minor changes)

MANAGEMENT STRUCTURE

1 January 2020

Board of Directors

Chairman
Albert M. Baehny

Vice Chairman
Hartmut Reuter

CEO

Chief Executive Officer
Christian Buhl

Human Resources
Roland Held

Communications / Investor Relations
Roman Sidler

Strategic Planning
Cyril Stutz

Sustainability
Roland Högger

Shower Toilet
Margit Harsch

Sales Europe

Member Executive Board
Karl Spachmann

Germany
Clemens Rapp

Switzerland
Reto Bättig

Nordic Countries
Lars Risager

Italy
Giorgio Castiglioni

The Netherlands
Menno Portengen

Belgium
Thierry Geers

Austria
Guido Salentinig

France
Yves Danielou

United Kingdom
Mark Larden

Poland
Przemyslaw Powalacz

Ukraine
Oleksiy Rakov

Czech Republic / Slovakia
Vladimir Sedlacko

Adriatic Region
Miran Medved

Iberian Peninsula
David Mayolas

Russia
Irina Buralkina

Hungary
Tamás Kőszeghy

Romania
Catalin Mitroi

Key Account Management
Michael Albrecht

Business Development / OEM / Industry
Tobias Beck

Sales International

Member Executive Board
Ronald van Triest

North America
Andreas Nowak

Far East / Pacific

China
Tony Zhang

NSEA
Simon Wong

Pacific
Eric Lander

Middle East / Africa
Ronald van Triest

Marketing & Brands

Member Executive Board
Martin Baumüller

Digital
Dirk Wilhelm

Installation and Flushing Systems / Bathroom Systems
Tobias Mayr

Piping Systems
Renato Di Rubbo

Marketing Operations
Daniela Koch

Pricing
Frank Heuser

Master Data Management
Jürgen Lay

Technical Documentation
Werner Trefzer

Operations

Member Executive Board
Martin Ziegler

Purchasing
Adriaan 't Gilde

Logistics
Gerd Hailfinger

Production Plants P & M*
Robert Lernbecher

Production Plants C & M**
Martin Ziegler

Production Plants CER***
Simon Imhof

Product Management & Innovation

Member Executive Board
Egon Renfordt-Sasse

Quality
Andreas Lange

Technology / Innovation
Thomas Mattle

Accredited Test Laboratory
Markus Tanner

Products Installation and Flushing Systems
Marcel Heierli

Products Piping Systems
Arnd Gildemeister

Products Bathroom Systems
Jörn Ikels

Finance

Member Executive Board
Roland Iff

Controlling
Andreas Jäger

Treasury
Thomas Wenger

Information Technology
Johan Engvall

Taxes
Jürgen Haas

Legal
Albrecht Riebel

Internal Audit
Martin Reiner

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

GEBERIT

BUSINESS REPORT

BUSINESS AND FINANCIAL REVIEW

2019

STRATEGY

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

1.
Focus on sanitary products

2.
Commitment to innovation and design

3.
Selective geographic expansion

4.
Continuous optimisation of business processes

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

STRATEGIC SUCCESS FACTORS

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

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

MEDIUM-TERM GOALS

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

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

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

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

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

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

VALUE-ORIENTED MANAGEMENT

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

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

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

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

RISK MANAGEMENT

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

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

PERFORMANCE OF THE EUROPEAN BUILDING CONSTRUCTION INDUSTRY

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

AVAILABILITY OF RAW MATERIALS

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

CHANGES IN THE COMPETITIVE ENVIRONMENT

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

INFORMATION TECHNOLOGY

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

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

COMPLIANCE WITH LAWS

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

MANAGEMENT OF CURRENCY RISKS

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

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

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

MARKET ENVIRONMENT

MIXED MARKET ENVIRONMENT

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

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

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

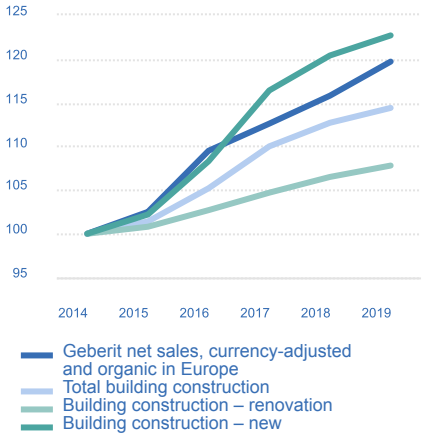
According to estimates by the Bureau of Economic Analysis, gross domestic product (GDP) rose by +2.3% in the **US**, meaning the economy grew slower than in 2018 (+2.9%). Investments in building construction fell by -1.6% according to figures for the US construction industry as published by the U.S.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

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

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

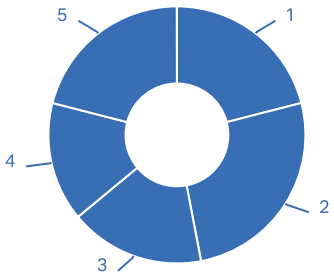
(The aforementioned figures covering the world economy and the performance of the Far East/Pacific and Middle East/Africa regions were published in the October 2019 edition of the IMF World Economic Outlook.)

Construction output and Geberit net sales in Europe 2015–2019
(Index: 2014 = 100)



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

Total construction output Europe 2019
(EUR 1,637 billion)



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

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

NET SALES

CONVINCING CURRENCY ADJUSTED NET SALES GROWTH

Consolidated net sales in 2019 increased by 0.1% to CHF 3,083 million. This total growth comprised growth in local currencies of +3.4% and a negative foreign currency effect of -3.3%. The convincing currency-adjusted net sales growth was achieved in a challenging, yet generally positive environment in the construction industry – particularly as a result of successful market activities.

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

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

MOSTLY POSITIVE PERFORMANCE IN THE INDIVIDUAL MARKETS

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

PIPING SYSTEMS WITH THE STRONGEST GROWTH

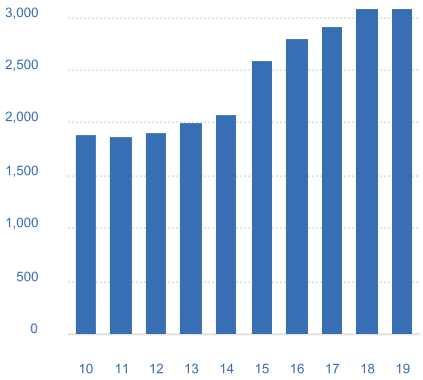
In the product areas, net sales for **Installation and Flushing Systems** climbed by +4.5%. As in the previous year, this growth was driven by two factors: firstly, Installation and Flushing Systems saw accelerated growth in the European expansion markets as a result of synergies from the integration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

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

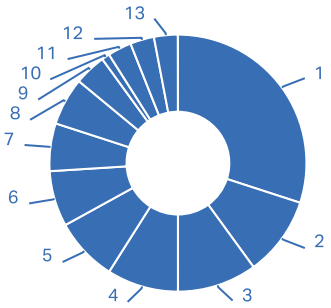
Net sales for the **Bathroom Systems** product area were unchanged over the previous year (+-0.0%). The shower toilet business continued to perform strongly. This product area suffered from the weak market environment in the Nordic Countries, which are a disproportionately important market for this product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

Net sales development 2010–2019

(in CHF million)

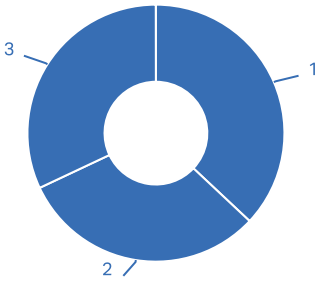


Net sales by markets/regions in 2019



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

Net sales by product areas 2019



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

RESULTS

HIGH PROFITABILITY FURTHER IMPROVED

The results in 2019 were no longer impacted by one-off costs related to the Sanitec acquisition, which is why adjusted figures will no longer be shown as of the reporting year. The following result comparisons relate to adjusted prior year figures.

The operating cashflow (EBITDA) rose by 4.2% to CHF 904 million, its highest ever level in Geberit's history despite the negative currency effects. The EBITDA margin grew from 28.2% in the previous year to 29.3%. The increase in the EBITDA margin compared with the previous year was above all attributable to lower raw material prices, higher net sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. In addition, a change to the IFRS accounting standard had a positive impact on the EBITDA development. Strong tariff-related increases in personnel expenses and one-off costs in connection with → **brand harmonisation** had a negative effect. As a result of the strategy of striving for natural currency hedging, the currency development did not have any negative impact on the operating margin.

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

OPERATING EXPENSES UNDER CONTROL

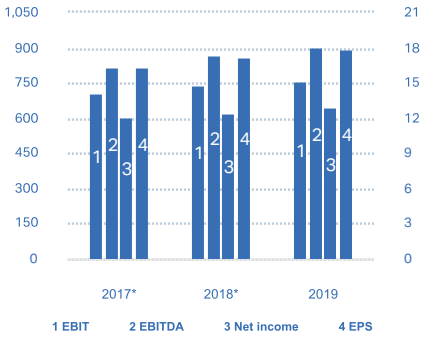
All items within operating expenses were affected by positive currency effects. The cost of materials dropped by 3.7% to CHF 860 million, representing a lower share of net sales at 27.9%, compared to 29.0% in the previous year. This decline was due to lower prices of raw materials – both industrial metals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

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

FURTHER SIGNIFICANT INCREASE IN FREE CASHFLOW

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

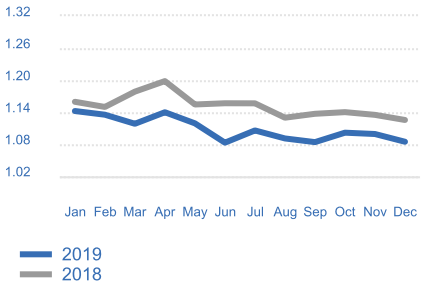
EBIT, EBITDA, Net income, Earnings per share (EPS) 2017–2019



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

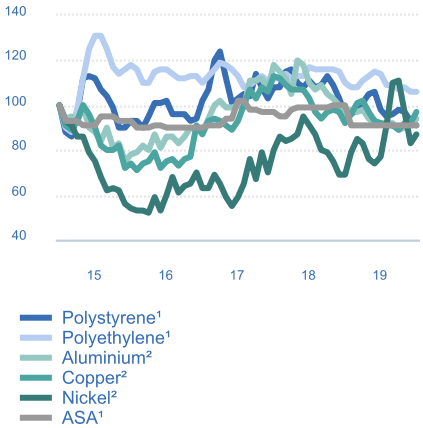
EUR/CHF exchange rates 2018/2019

(Period-end exchange rates)



Raw material price development 2015–2019

(Market price; index: December 2014 = 100)



[1] Source: Kunststoff Information Verlagsgesellschaft mbH
[2] Source: London Metal Exchange

FINANCIAL STRUCTURE

SOUND FINANCIAL FOUNDATION

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

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

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

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

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

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

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

Debt
(in CHF million; as of 31 December)

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

INVESTMENTS

HIGHER INVESTMENTS

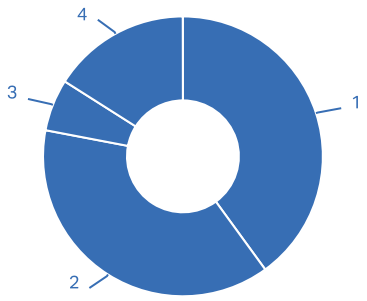
In 2019, investments in property, plant and equipment and intangible assets amounted to CHF 167 million – CHF 5 million or 3.1% more than in the previous year. As a percentage of net sales, the investment ratio was 5.4% (previous year 5.3%). 40% of the total investments went towards capacity expansion.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

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

Expenditures for property, plant and equipment and intangible assets
(in CHF million)

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

Investments by purpose 2019



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

EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY

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

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

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

INCREASING USE OF DIGITAL CHANNELS FOR REACHING EMPLOYEES

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

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

FURTHER EXPANSION OF EDUCATION AND TRAINING

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

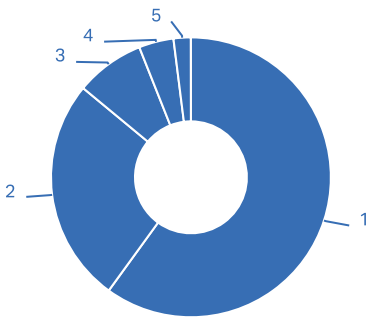
A two-stage Potentials Management Programme aims to identify talents throughout the company and support them along their path to middle or senior management. The programme includes topics such as strategy, digitalisation, the management of change processes, leadership skills and culture. Furthermore,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

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

Employees by countries
(as of 31 December)

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

Employees by business processes 2019
(as of 31 December)



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

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

NEW APPRAISAL PROCESS LAUNCHED

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

GUIDING PRINCIPLES FOR ALL EMPLOYEES

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

OCCUPATIONAL HEALTH AND SAFETY CAMPAIGN STARTED

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

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

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

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

CUSTOMERS

BRAND HARMONISATION IN FULL SWING

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

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

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

DESIGN MEETS FUNCTION – MORE THAN JUST WORDS

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

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

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

CONTINUED STRONG PRESENCE IN THE SANITARY INDUSTRY

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

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

CONSISTENT DIGITAL SUPPORT FOR SANITARY ENGINEERS AND PLUMBERS

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

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

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

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

TRAINING A BIG HIT

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

STRONG TRADE FAIR PRESENCE CONTINUES

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

INCREASING FOCUS ON THE END USER

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

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

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

HIGH-PROFILE CAMPAIGN FOR SHOWER TOILETS

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

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

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

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

INNOVATION

INNOVATION AS THE FOUNDATION FOR FUTURE GROWTH

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

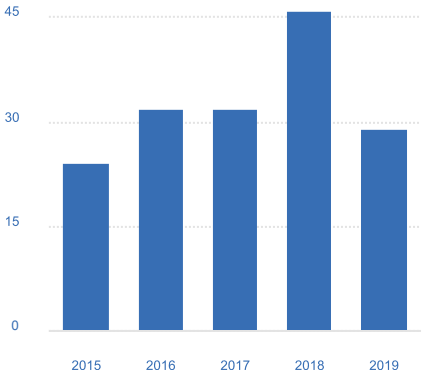
The scientists and engineers at Geberit have the very latest equipment at their disposal for their development projects. For example, they use several state-of-the-art 3D printers for making prototypes. In the reporting year, a scanning electron microscope for material analysis was added to the infrastructure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

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

R&D expenditures
(in CHF million)

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

Number of new patents



NEW PRODUCTS FOR SOPHISTICATED MARKETS

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

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

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

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

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

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

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

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

PRODUCTION

AN EFFICIENT NETWORK

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

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

GPS AS A GUIDELINE FOR PRODUCTION

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

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

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

IMPACTS OF THE BRAND SWITCH

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

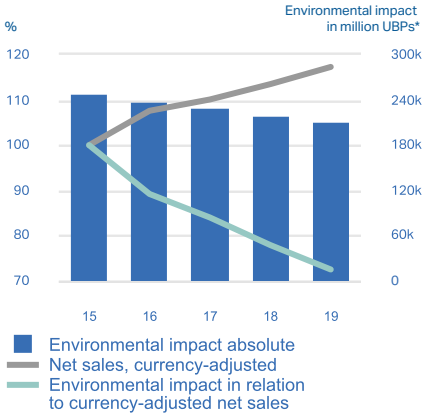
ENVIRONMENTAL MANAGEMENT IN PRODUCTION

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

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

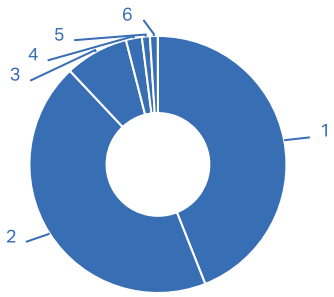
Environmental impact 2015–2019

(index: 2015 = 100)



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

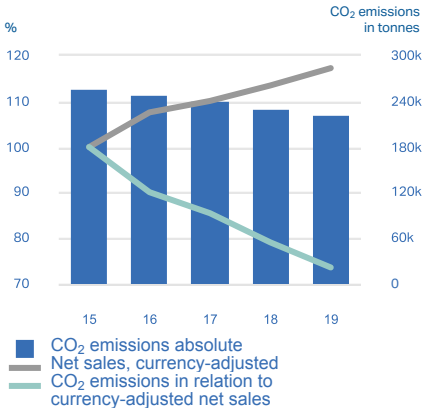
Distribution environmental impact 2019



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

CO_2 emissions 2015–2019

(index: 2015 = 100)



CO_2 emissions were reduced in 2019 by 3.8% to 222,639 tonnes. In relation to currency-adjusted net sales, emissions decreased by 7.0%. This enabled the targets set out in the long-term → **CO_2 strategy** for reducing → **CO_2 emissions** to be met. In addition to relative targets, this strategy also includes long-term absolute targets. A three-pillar model is used for implementing the CO_2 strategy. The first pillar is about savings in energy consumption. Increasing efficiency forms the second pillar. The third pillar entails the targeted sourcing of high-quality renewable energies. The detailed → **CO_2 balance sheet** and all measures taken to reduce CO_2 emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

Geberit aims to further reinforce its leading position in the branch in the area of sustainability. Eco-efficiency and relative CO_2 emissions are to be improved by 5% per year (see also → **Sustainability Strategy 2020–2022**). One major system helping to achieve this target is the integrated Geberit Management System, which unites aspects such as quality, environment, occupational health and safety and energy. By the end of 2020, all production plants are to be integrated into this system. At the end of the reporting year, 28 of the 29 production plants were certified in accordance with ISO 9001 and 14001 as well as the occupational health and safety standard ISO 45001 resp. OHSAS 18001. Certification according to ISO 50001 (energy management) is taking place for selected sites.

LOGISTICS AND PROCUREMENT

HARMONISATION OF IT SYSTEMS IN CERAMICS LOGISTICS

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

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

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

IMPACTS OF THE BRAND SWITCH

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

SYNERGIES IN TRANSPORT MANAGEMENT

Great importance is attached to central transport management as the interface between suppliers, production plants, wholesalers and transport service providers in order to enable cost- and resource-optimised transport solutions. Customers generally receive orders of sanitary technology products in a single truck delivery. This not only reduces the number of empty kilometres, it also increases truck capacity utilisation and reduces CO_2 emissions (see also → **Strategy Green Logistics**). Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions.

COMPLIANCE WITH CODE OF CONDUCT FOR SUPPLIERS CHECKED

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

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

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

SUPPLIER INTEGRITY LINE

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

SUSTAINABILITY

LONG-TERM ORIENTED

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

FOCUS ON FOUR GLOBAL GOALS

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

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

WATER FOOTPRINT THROUGHOUT THE VALUE CHAIN IN 2019

PROVISION OF RAW MATERIALS

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



0.16%
(7.3 million m³)

MANUFACTURING

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



0.02%
(1.0 million m³)

USE

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



99.82%
(4,614 million m³)

DISPOSAL

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



< 0.01%
(0.2 million m³)

GREEN BUILDING SUPPORTED BY DIGITALISATION

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

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

DESIGNED FOR THE LONG TERM

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

PERMANENT ADDED VALUE

The binding → **Sustainability strategy** – which is closely linked to the company's values and core areas of focus as well as the → **Sustainable Development Goals** of the United Nations – ensures that the objectives are measurable and that a significant contribution to the success of the company is thus guaranteed. A total of twelve sustainability modules form the basis of this strategy. Among these are occupational health and safety, social responsibility, conservation of resources, energy and CO_2 reduction, eco-design and green procurement.

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

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

ECO-DESIGN AS AN INTEGRAL PART OF EACH DEVELOPMENT PROCESS

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

GREATER IMPORTANCE OF SUSTAINABLE BUSINESS MANAGEMENT FOR THE CAPITAL MARKET

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

COMPLIANCE

FOCUS ON BUSINESS-RELATED ASPECTS

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

FOCAL POINT DATA PROTECTION

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

LEGAL ADVICE AND REPORTING

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

SOCIAL RESPONSIBILITY

PROJECTS WITH APPRENTICES

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

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

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

GLOBALLY ENGAGED

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

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

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

CHANGES IN GROUP STRUCTURE

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

OUTLOOK

UNCHANGED ENVIRONMENT EXPECTED IN THE CONSTRUCTION INDUSTRY

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

CURRENCIES AND RAW MATERIALS

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

GEBERIT

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

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

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

GEBERIT

BUSINESS REPORT

CORPORATE GOVERNANCE 2019

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

The operational Group structure is shown in the diagram → **Annual Report 2019, Business Report, Management structure, p. 15.**

Geberit AG, the parent company of the Geberit Group, has its headquarters in Rapperswil-Jona (CH). For the place of listing, market capitalisation, Swiss securities identification number and ISIN code, please refer to → **Annual Report 2019, Business Report, Geberit share information, p. 13.**

The Group's consolidated subsidiaries are listed in the → **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 33, p. 129,** stating the company name and head office, share capital and equity interest held by the Group companies. Except for Geberit AG, the scope of consolidation does not include any listed companies.

1.2 SIGNIFICANT SHAREHOLDERS

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

Significant shareholders*
(as of 31 December 2019) in %

BlackRock Inc., New York, USA	5.21

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

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

1.3 CROSS-SHAREHOLDINGS

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

1.4 IMPORTANT CHANGES TO THE ARTICLES OF INCORPORATION

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

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

2. CAPITAL STRUCTURE

2.1 CAPITAL

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

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

2.2 AUTHORISED AND CONDITIONAL CAPITAL DETAILS

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

2.3 CHANGES IN CAPITAL

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

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

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in the Financial Report of this Annual Report 2019 (→ **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity, p. 91**), including the Notes to the Consolidated Financial Statements (→ **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21, p. 122**), to the information in the → **Annual Report 2019, Financials, Financial Statements Geberit AG, Financial Statements Geberit AG, p. 137** as well as to the 2017 figures in the 2018 Annual Report (Consolidated Financial Statements Geberit Group: → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Consolidated Statements of Changes in Equity** and → **Annual Report 2018, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 21;** → **Annual Report 2018, Financials, Financial Statements Geberit AG**).

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

2.4 SHARES AND PARTICIPATION CERTIFICATES

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

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

No participation certificates of the Geberit Group are outstanding.

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

2.5 PROFIT-SHARING CERTIFICATES

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

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

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

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

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

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

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

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

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

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

According to Art. 11 of the → **Articles of Incorporation,** amendments to the provisions regarding the restriction of the transferability of registered shares require a resolution of the General Meeting passed by at least two-thirds of the votes represented. For the procedure and the conditions for cancelling the restriction of the transferability, see → **Annual Report 2019, Business Report, Corporate Governance, 6. Participatory Rights of Shareholders, p. 60**.

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

2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds are outstanding.

No options were issued to any external parties. As regards options issued to employees of the Geberit Group, reference is made to the → **Annual Report 2019, Business Report, Remuneration Report, 8. Summary of share and option plans 2019, p. 84** and → **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 17, p. 117** in the Consolidated Financial Statements of the Geberit Group.

3. BOARD OF DIRECTORS

3.1/3.2 MEMBERS OF THE BOARD OF DIRECTORS

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

Albert M. Baehny (1952)



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

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

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

Felix R. Ehrat (1957)



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

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

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

Bernadette Koch (1968)



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

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

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

Hartmut Reuter (1957)



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

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

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

Eunice Zehnder-Lai (1967)



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

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

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

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

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

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

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

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

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

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

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

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

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

3.4 ELECTIONS AND TERMS OF OFFICE

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

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

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

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

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

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

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

3.5 INTERNAL ORGANISATIONAL STRUCTURE

The organisation of the Board of Directors is governed by law, the company's → **Articles of Incorporation (www.geberit.com/investors/downloads/publications)** and the → **Organisational Regulations of the Board of Directors of Geberit AG (www.geberit.com/investors/downloads/publications)** (see also → **Annual Report 2019, Business Report, Corporate Governance, 3. Board of Directors, 3.6 Definition of areas of responsibility, p. 54**).

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

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

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

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

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

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

[1] Thomas M. Hübner was a member of the Board of Directors until 4 October 2019
[2] Bernadette Koch has been a member of the Board of Directors since 3 April 2019
[3] Jørgen Tang-Jensen was a member of the Board of Directors until 3 April 2019

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

NOMINATION AND COMPENSATION COMMITTEE (NCC)

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

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

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

The participation rate for meetings in 2019 was 89%.

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

[1] Thomas M. Hübner was a member of the Nomination and Compensation Committee from 3 April 2019 until 4 October 2019
[2] Bernadette Koch succeeded the late Thomas M. Hübner as a member of the Nomination and Compensation Committee from 5 October 2019
[3] Jørgen Tang-Jensen was a member of the Nomination and Compensation Committee until 3 April 2019

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

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

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

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

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

AUDIT COMMITTEE (AC)

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

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

The participation rate for meetings in 2019 was 100%.

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

[1] Thomas M. Hübner was a member of the Audit Committee until 3 April 2019
[2] Bernadette Koch has been a member of the Audit Committee since 3 April 2019
[3] The meeting in December was moved to January 2020 due to scheduling reasons

The Audit Committee supports the Board of Directors in fulfilling its duties specified by law, in particular in the areas of financial control (supervision of the internal and external auditors and monitoring of financial reporting) and ultimate supervision of the persons entrusted with the management (internal control system). The Audit Committee determines the scope and planning of the internal audit and coordinates them with those of the external audit. For every meeting, the internal auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The external auditors take part in two of the meetings. In the first meeting of the year, they present their report on the financial statements. The second meeting, which takes place in the third quarter, focuses on the planning of the upcoming audit of the financial statements and developments in the regulatory environment. The Audit Committee monitors the implementation of the conclusions of the audit. In addition, the Audit Committee assesses the functionality of the internal control system, including risk management (see also → **Annual Report 2019, Business Report, Corporate Governance, 3. Board of Directors, 3.7 Information and control instruments vis-à-vis the Group Executive Board, p. 54**). The Audit Committee supports the Board of Directors with corporate governance and compliance issues, monitors the relevant corporate governance and compliance aspects and develops them further. The overall responsibility for the duties and competencies assigned to the Audit Committee remains with the Board of Directors.

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

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

3.6 DEFINITION OF AREAS OF RESPONSIBILITY

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

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

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

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

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

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

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

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

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

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

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

Based on the → **Organisational Regulations of the Board of Directors of Geberit AG** and the → **Organisational Regulations for the Audit Committee** of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks associated with the business activities. This process includes risk identification, analysis, control and reporting. Operationally, the Group Executive Board is responsible for controlling risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis (see → **Annual Report 2019, Business Report, Business and financial review, Strategy and goals, Risk management, p. 21**). For information on the management of financial risks, refer to → **Annual Report 2019, Financials, Consolidated Financial Statements Geberit Group, Notes to the Consolidated Financial Statements, Note 4, p. 98**. For information on other risks recorded in the reporting year and how they are dealt with, refer to → **Annual Report 2019, Business Report, Business and financial review, Strategy and goals, Risk management., p. 21** In addition, the Internal Audit department reports to the Audit Committee at every meeting on completed audits and on the status of the implementation of findings and optimisation proposals of previous audits.

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

4. GROUP EXECUTIVE BOARD

4.1/4.2 MEMBERS OF THE GROUP EXECUTIVE BOARD

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

Christian Buhl (1973)



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

Christian Buhl studied physics (Dipl. Phys. ETH) at the Swiss Federal Institute of Technology (ETH) in Zurich (CH) before undertaking his doctorate (Dr. oec. HSG) in the area of financial market research at the University of St. Gallen (CH). From 2000 to 2003, he worked as a teaching and research assistant at the Swiss Institute of Banking and Finance in St. Gallen (CH) and in research and teaching at the Centre for Economic Research at the University of Basel (CH). From 2004 to 2008, Christian Buhl worked at McKinsey & Company, Zurich (CH), where he undertook projects for various Swiss and international industrial companies, supporting them in the areas of strategy, M&A, marketing and organisation. He joined Geberit in 2009, initially as Head Strategic Planning, before taking over responsibility for the Geberit AquaClean shower toilet business. From 2012 to the end of 2014, Christian Buhl was Managing Director of the German sales company – the most important sales unit within the Geberit Group. He has been the Chief Executive Officer (CEO) of the Geberit Group since 2015; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

Roland Iff (1961)



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

Roland Iff studied economics at the University of St. Gallen (CH) and graduated with the degree of lic. oec. (major: accounting and finance) in 1986. He started his professional career in 1987 as internal auditor with the American Mead Corporation in Zurich (CH) and at the company's headquarters in Dayton (US). Subsequently he worked on different market development projects in Brussels (BE) before he was appointed Chief Financial Officer of Mead's Italian subsidiary in Milan (IT) in 1990. In 1993, Roland Iff joined Geberit as Head of Corporate Development. In 1995, he became Head of Group Controlling. In 1997, he served as Head of Group Treasury. Roland Iff has been Head of Group Executive Area Finance (CFO) of the Geberit Group since 2005; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

Martin Baumüller (1977)



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

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

business of the Geberit Group. He has been Head of Group Executive Area Marketing & Brands since 2016; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

Egon Renfordt-Sasse (1957)



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

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen (DE) in 1986. He began his career at Battenfeld-Fischer in Troisdorf (DE), where he held several positions until 1997, the last of which as manager of the Technical Parts profit centre. In 1997, he joined the Geberit Group as product manager responsible for the Installation Systems product line. From 2001 to 2003, he was responsible for Sales Engineering – among other things – at Geberit's German sales company. He then became Head of Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head of Group Marketing. From 2015 to 2016 he was Head of Group Executive Area Marketing & Brands. He has been Head of Group Executive Area Product Management & Innovation since 2016; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

Karl Spachmann (1958)



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

Karl Spachmann graduated in business and organisational studies at the University of the German Armed Forces in Munich (DE). He began his career with the German Armed Forces in 1983 where he served as radar commanding officer and press officer until 1990. In 1990, he joined Adolf Würth GmbH & Co. KG in Künzelsau (DE), initially as Assistant to the Managing Director of Sales and later as Regional Sales Manager for North Rhine-Westphalia. In 1995, he moved to Friedrich Grohe AG in Hemer (DE) to work as responsible Sales Manager for Germany. Since 1997, he has been responsible for the German sales company of the Geberit Group, initially as Managing Director focusing on field service, and since 2000 as Chairman of the Management Board. Karl Spachmann has been Head of Group Executive Area Sales Europe since 2011; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

Ronald van Triest (1969)



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

Ronald van Triest completed his Master's degree in Management and Organisation at the University of Groningen (NL) in 1996. He started his career at Royal Philips, where he held various roles until 2006. These were initially in the areas of marketing and sales, before a second phase where he took on wide-ranging responsibilities in the areas of product management, M&A and executive management. He operated predominantly from Singapore and Hong Kong. From 2007 to 2009, he was General Manager Sales at China Electronics Corporation in Shenzhen (CN), where he was responsible for sales, marketing, service and logistics and managed staff in China, Singapore, Russia and Turkey. From 2010 to 2015, he worked for Ellipz Lighting in Singapore. As CEO and Managing Director, he was responsible for setting up and developing the Asian business. Among other things, he established a joint venture in Beijing, set up the local production, R&D and sales and created sales channels in Southeast Asia and the Middle East, as well as a joint venture in India. Since 2015, Ronald van Triest has been Head of Group Executive Area Sales International of the Geberit Group; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

Martin Ziegler (1969)



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

Martin Ziegler completed his Master's degree in Industrial Engineering at ETH Zurich (CH) in 1994. Following his time as an assistant at ETH, he joined the Geberit Group in 1995. He initially worked for Geberit as a project manager in a German production plant before later becoming Head of Quality for the Group and working as Managing Director of the piping production plant in Givisiez (CH). From 2003, he headed up the Piping Systems product area at Group level for ten years – with the exception of one year where he worked in Shanghai (CN) as Head of Operations and Product Manager for the Asia/Pacific region. Since 2012, he has been responsible for the Group's 13 EFA (Extrusion, Forming, Assembly) production plants. Since 2018, he has been Head of Group Executive Area Operations; see also → **Annual Report 2019, Business Report, Management structure, p. 15**.

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

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

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

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

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

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

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

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

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

4.4 MANAGEMENT CONTRACTS

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

5. COMPENSATIONS, SHAREHOLDINGS AND LOANS

See → **Annual Report 2019, Business Report, Remuneration Report, p. 66**. The Remuneration Report is also available at → **www.geberit.com/investors/corporate-governance/remuneration-report**.

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

6. PARTICIPATORY RIGHTS OF SHAREHOLDERS

6.1 VOTING RIGHTS RESTRICTIONS AND REPRESENTATION

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

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

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

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

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

For limitations on transferability and nominee registrations, see → **Annual Report 2019, Business Report, Corporate Governance, 2. Capital structure, 2.6 Limitations on transferability and nominee registrations, p. 46**.

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

6.2 QUORUMS REQUIRED BY THE ARTICLES OF INCORPORATION

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

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

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

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

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

6.5 INSCRIPTIONS INTO THE SHARE REGISTER

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

7. CHANGES OF CONTROL AND DEFENCE MEASURES

7.1 OBLIGATION TO MAKE AN OFFER

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

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

7.2 CHANGE OF CONTROL CLAUSES

For agreements and plans in the event of a change of control, see → **Annual Report 2019, Business Report, Remuneration Report, 5. Remuneration architecture, p. 74**.

8. AUDITORS

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

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

8.2 AUDITING FEES

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

8.3 ADDITIONAL FEES

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

8.4 INFORMATION TOOLS OF THE EXTERNAL AUDITORS

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

The Audit Committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the auditors, and supports the Board of Directors in the nomination of the auditor for the attention of the ordinary General Meeting. The Audit Committee uses the following criteria to assess the performance and fees of the auditors: technical and operational expertise; independence and objectivity; adequate use of resources; focus on areas that involve significant risk for Geberit; willingness to challenge and re-evaluate; ability to provide effective, practical recommendations; open and effective communication and coordination with the Audit Committee, the internal auditors and the Group Executive Board. Every year, the Audit Committee determines the scope and planning of the internal audit, coordinates them with those of the external audit and discusses the audit results with the external and internal auditors. For more details on the Audit Committee, see → **Annual Report 2019, Business Report, Corporate Governance, 3. Board of Directors, 3.5 Internal organisational structure, Audit Committee (AC), p. 53**.

9. INFORMATION POLICY

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

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

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

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

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

For further details on the Geberit Group's information policy, including a time schedule (containing General Meeting dates, publication dates for quarterly and half-year reports, and dividend payment dates), please refer to → **Annual Report 2019, Business Report, Geberit share information, Communication, p. 13**.

Headquarters:
Geberit AG
Schachenstrasse 77
8645 Jona
→ **www.geberit.com**

10. SUBSEQUENT EVENTS

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

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

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

GEBERIT

BUSINESS REPORT

REMUNERATION REPORT 2019

1. INTRODUCTION

The Remuneration Report provides an overview of Geberit's remuneration principles and programmes, as well as information about the determination method for the remuneration. It also includes the remuneration of the members of the Board of Directors and of the Group Executive Board for the business year 2019. The report provides the relevant information to be considered by the shareholders when making their decision regarding the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2020 General Meeting for approval.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations (Ordinance), the standards related to information on Corporate Governance issued by the SIX Swiss Exchange, as well as the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

The report is structured as follows:

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

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

2. FOREWORD BY THE CHAIRMAN OF THE NOMINATION & COMPENSATION COMMITTEE

Dear shareholders,

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to present the 2019 Remuneration Report.

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

The construction sector varied from country to country in 2019. In the year-on-year comparison, the market environment was characterised by lower growth. Nevertheless, we can look back on a very good financial year. Thanks to convincing currency-adjusted net sales growth and further improved, high profitability, we succeeded in further consolidating our position as leading supplier of sanitary products in Europe and increasing it outside Europe. The increase in the operating cashflow margin compared with the previous year was above all driven by lower raw material prices, higher sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. In addition, a change to the IFRS accounting standard had a positive impact on the EBITDA development. Strong tariff-related increases in personnel expenses and one-off costs in connection with brand harmonisation had a negative effect. As a result of the strategy of striving for natural currency hedging, the currency development did not have any negative impact on the operating margin. The Remuneration Report summarises how these results impacted the variable remuneration made to the members of the Group Executive Board under the different remuneration components.

During the reporting year, the NCC performed a thorough external review of the market conformance and competitiveness of the remuneration paid to the Board of Directors. The remuneration system and the amount of remuneration for Geberit's Board of Directors conform to standard market practice and the Board of Directors confirmed that no changes were necessary.

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

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

Otherwise, the NCC performed its regular activities throughout the year such as the performance goal setting at the beginning of the year and the performance assessment at year end, the determination of the compensation of the members of the Board of Directors and of the Group Executive Board, as well as the preparation of the Remuneration Report and of the say-on-pay vote for the General Meeting. You will find further information on our activities and on Geberit's compensation system and governance on the following pages.

At the 2020 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and the maximum aggregate remuneration awarded to the Group Executive Board for the 2021 business year. Additionally, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will see in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2020 General Meeting and the remuneration awarded to the Group Executive Board in 2019 are within the limits approved at the 2019 General Meeting and 2018 General Meeting respectively.

Looking ahead, we will continue to assess and review our compensation programmes to ensure that they are still fulfilling their purpose in the evolving context in which the company operates. We will pursue an open and regular dialogue with our shareholders as we continue to enhance the compensation system. In our view, this report contains all relevant information. We are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with shareholders' interests.

Yours sincerely,



Hartmut Reuter
Chairman of the Nomination & Compensation Committee

3. REMUNERATION AT A GLANCE

BOARD OF DIRECTORS

SUMMARY OF CURRENT COMPENSATION SYSTEM

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

Annual fees	in CHF	Delivery
Chairman	885,000	Cash and restricted shares
Vice Chairman	245,000	Restricted shares
Member of the BoD	190,000	Restricted shares
Chairman of NCC / Audit Committee	45,000	Restricted shares
Member of NCC / Audit Committee	30,000	Restricted shares
Expense allowance	15,000	Cash

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

COMPENSATION IN 2019

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

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

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

GROUP EXECUTIVE BOARD

SUMMARY OF CURRENT COMPENSATION SYSTEM

The remuneration of the Group Executive Board consists of fixed and variable elements. Base salary and benefits form the fixed remuneration and are based on prevalent market practice. Variable remuneration drives and rewards best-in-class performance based on ambitious targets. It consists of short-term and long-term elements:

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

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

COMPENSATION IN 2019

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

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

Performance in the financial year 2019

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

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

REMUNERATION PRINCIPLES

In order to ensure the company's success and to maintain its position as market leader, it is critical to attract, develop and retain the right talent. Geberit's remuneration programmes are designed to support this fundamental objective and are based on the following principles:

- Remuneration is competitive with that of other companies with which Geberit competes for talents.
- Both company performance and individual contributions are recognised and rewarded.
- Remuneration programmes are balanced between rewarding short-term success and long-term value creation.
- Participation plans foster the long-term commitment and mindset of executives and the alignment of their interests to those of the shareholders.
- Executives are protected against risks through appropriate pension and insurance programmes.

COMPENSATION GOVERNANCE

- Authority for decisions related to remuneration is governed by the → **Articles of Incorporation** and the → **Organisational Regulations of Geberit AG**.
- The prospective maximum aggregate amounts of remuneration of the members of the Board of Directors and of the Group Executive Board are subject to a binding shareholders' vote at the General Meeting.
- The Remuneration Report for the preceding period is subject to a consultative vote.

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

4. DETERMINATION OF REMUNERATION

4.1 NOMINATION AND COMPENSATION COMMITTEE (NCC)

Pursuant to the Articles of Incorporation and the Organisational Regulations of Geberit AG (see also → **Articles of Incorporation**), the NCC supports the Board of Directors (BoD) in the fulfilment of its duties and responsibilities in the area of remuneration and personnel policy, including:

- Establishment and periodical review of the Group's remuneration policy and principles
- Yearly review of the individual remuneration of the CEO and of the other members of the Group Executive Board (GEB)
- Yearly performance assessment of the CEO and of the other members of the Group Executive Board
- Preparation of the Remuneration Report
- Personnel development of the Group Executive Board
- Succession planning and nomination for positions on the Group Executive Board
- Pre-selection of candidates for election or re-election to the Board of Directors

APPROVAL AND AUTHORITY LEVELS ON REMUNERATION MATTERS:

Decision on	CEO	NCC	BoD	AGM
Remuneration policy and guidelines, in line with the provisions of the Articles of Incorporation		Proposes	Approves	
Maximum aggregate amount of remuneration for the BoD and for the GEB		Proposes	Reviews	Binding vote
Individual remuneration of members of the BoD		Proposes	Approves	
Individual remuneration of the CEO (including fixed remuneration, STI[1], LTI[2])		Proposes	Approves	
Individual remuneration of the other members of the GEB	Proposes	Reviews	Approves	
LTI[2] grant for all other eligible parties	Proposes	Reviews	Approves	
Remuneration Report		Proposes	Approves	Consultative vote

[1] Short-Term Incentive
[2] Long-Term Incentive

The NCC meets at least three times per year and consists of independent and non-executive members of the Board of Directors only, who are elected annually by the shareholders at the General Meeting. Since the 2019 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman as well as Eunice Zehnder-Lai and Thomas M. Hübner as members. In 2019, the NCC held three regular meetings covering, among others, the predefined recurring agenda items illustrated below. The participation rate for NCC meetings was 89%. Thomas M. Hübner was only able to attend the first meeting of the NCC in August 2019 (Thomas M. Hübner passed away 4 October 2019). He was replaced by Bernadette Koch as of 5 October 2019.

	February	August	December
Remuneration policy	- Participation programme (STI and LTI programme, review ongoing throughout the year)		
GEB matters	- Individual performance appraisal (previous year) - STI payout (previous year) - Vesting of equity awards (previous years)	- Succession planning for GEB positions - Talent management session	- General update of Corporate Governance - Target remuneration (following year) - Target setting for STI (following year) - Option valuation and definition of performance criteria LTI for next grant
BoD matters		- Benchmarking of BoD remuneration	- BoD remuneration (following year) - BoD evaluation
Governance	- AGM preparation (maximum amounts of remuneration of GEB and BoD to be submitted to say-on-pay votes)	- Review of shareholders' and proxy advisors' feedback on the Remuneration Report	- Draft Remuneration Report - Agenda NCC for following year - Target income Head International Audit (following year)

As a general rule, the Chairman of the Board of Directors, the CEO and the Head of Corporate Human Resources participate in the meetings of the NCC. The Chairman of the NCC may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not take part in the section of the meetings where their own performance and/or remuneration are discussed. At the end of each meeting, a closed session takes place among the members of the NCC only.

After each meeting, the Chairman of the NCC reports to the Board of Directors on its activities and recommendations. The minutes of the NCC meetings are available to the full Board of Directors.

4.2 PROCESS OF DETERMINATION OF REMUNERATION

BENCHMARKS AND EXTERNAL CONSULTANTS

Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2017, a detailed analysis of the remuneration of the CEO and the other members of the Group Executive Board was carried out by an independent external compensation consulting firm, Willis Towers Watson (Switzerland). This consulting firm has no other mandates from Geberit. The remuneration analysis performed at that time was conducted on the basis of a peer group comprising industrial companies of a similar scale and geographic presence with headquarters in Switzerland. The peer group comprised Autoneum, Barry Callebaut, Bucher, Dätwyler, dormakaba, Ems-Chemie, Georg Fischer, Givaudan, Logitech, Lonza, Mettler-Toledo, OC Oerlikon, Schindler, Schweiter, SFS, Sika, Sonova, Sulzer and Zehnder. The study, together with other published data, was used to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the financial year 2019. While many different factors (such as the individual role, experience in the role and contribution, company performance and affordability) are considered to determine remuneration levels, the policy of Geberit is to provide a target remuneration that is in principle positioned around the market median.

With regard to the remuneration of the Board of Directors, the system and amount are reviewed periodically by the NCC. This includes regular participation in comparative studies. In 2019, consulting company Agnès Blust Consulting AG performed such a review on the basis of a comparative analysis of 19 Swiss industrial companies traded on the SIX Swiss Exchange. The remuneration analysis was conducted on the basis of a peer group of industrial companies with comparable market capitalisation, sales and employee numbers. The peer group comprised ABB, ams, Aryzta, Barry Callebaut, Clariant, Dätwyler, dormakaba, Forbo, Georg Fischer, Givaudan, LafargeHolcim, Logitech, Lonza, OC Oerlikon, Schindler, Sika, Sonova, Straumann and Sulzer. This consulting company is also advising the NCC on other matters of relevance for remuneration. It has no other consulting mandates from Geberit.

PERFORMANCE MANAGEMENT

The actual remuneration effectively paid out in a given year to the Group Executive Board members depends on the corporate results and on the individual performance. The individual performance is assessed through the formal annual performance management process: company and individual performance objectives are approved at the beginning of the business year and achievement against those objectives is assessed after year-end. The performance appraisal is the basis for the determination of the actual remuneration.

Objective setting (December – January)	Mid-year review (July)	Final review (December – January)	Determination of compensation (February – March)
Determination of individual objectives	Mid-year discussion on performance to date against predefined objectives	Self-appraisal and performance assessment	Determination of actual variable compensation

4.3 SHAREHOLDER INVOLVEMENT

In the last seven years, based on the feedback received from shareholders and shareholder representatives, Geberit has made significant efforts to improve the remuneration disclosure in terms of both transparency and of the level of detail provided about the remuneration principles and programmes. The positive outcome of the consultative votes on the Remuneration Reports since 2013 indicates that shareholders welcome the progress made. Geberit will continue to submit the Remuneration Report to a consultative shareholder vote at the General Meeting, so that shareholders have an opportunity to express their opinion about the remuneration system.

4.4 ARTICLES OF INCORPORATION

As required by the Ordinance, the → **Articles of Incorporation** of Geberit include the following provisions on remuneration:

- Principles applicable to performance-related pay (Article 21):
  The members of the Group Executive Board may be paid variable remuneration which may include short- and long-term elements and which is linked to the achievement of one or several performance criteria.
- Binding votes on maximum aggregate compensation amounts of the Board of Directors and Group Executive Board (Article 22):
  Shareholders vote prospectively on the maximum aggregate remuneration amount for the Board of Directors until the next ordinary General Meeting and for the maximum aggregate remuneration amount for the Group Executive Board for the following business year. Further, shareholders can express their opinion on the remuneration principles and structure through a consultative vote on the Remuneration Report.
- Additional amount for payments to members of the Group Executive Board appointed after the vote on remuneration at the General Meeting (Article 23):
  For the remuneration of members of the Group Executive Board who have been appointed after the approval of the maximum aggregate remuneration amount by the General Meeting, and to the extent that the maximum aggregate remuneration amount as approved does not suffice, an amount of up to 40% of the maximum aggregate remuneration amount approved for the Group Executive Board is available without further approval of the General Meeting.
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Board (Article 26):
  No loans or credits shall be granted to members of the Board of Directors or the Group Executive Board.

The provisions of the Articles of Incorporation have been kept broad so that the Board of Directors has sufficient flexibility to make any necessary amendments to the remuneration programmes. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned with best practice in corporate governance; for example, the independent members of the Board of Directors are not eligible for any variable remuneration or retirement benefits (see also → **5. Remuneration architecture, 5.1 Board of Directors**).

5. REMUNERATION ARCHITECTURE

5.1 BOARD OF DIRECTORS

The remuneration of the members of the Board of Directors is defined in a regulation adopted by the Board of Directors and consists of an annual fixed retainer and remuneration for committee work. The remuneration is paid in the form of shares subject to a four-year blocking period. In addition, the members of the Board of Directors receive a lump sum to cover their expenses, paid out in cash.

The Chairman of the Board of Directors receives an annual total fixed retainer paid 70% in cash and 30% in restricted shares subject to a four-year blocking period. The Chairman also receives the expense allowance but is not entitled to additional fees for committee attendance.

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

Annual fees	in CHF	Delivery
Chairman	885,000	Cash and restricted shares
Vice Chairman	245,000	Restricted shares
Member of the BoD	190,000	Restricted shares
Chairman of NCC / Audit Committee	45,000	Restricted shares
Member of NCC / Audit Committee	30,000	Restricted shares
Expense allowance	15,000	Cash

The remuneration is paid out at the end of the term of office and is subject to contributions to social security. The members of the Board of Directors are not covered under the company pension plan.

The shares are subject to an accelerated unblocking in case of death: they remain subject to the regular blocking period in all other instances.

Further information regarding the remuneration amounts for the period from the 2020 General Meeting to the 2021 General Meeting is provided in the invitation to the 2020 General Meeting.

5.2 GROUP EXECUTIVE BOARD

The remuneration of the Group Executive Board is defined in a regulation adopted by the Board of Directors and consists of the following elements:

- Fixed base salary
- Variable cash remuneration (Short-Term Incentive/STI)
- Long-term equity participation plan (Long-Term Incentive/LTI)
- Additional employee benefits, such as pension benefits and perquisites

	Programme	Instrument	Purpose	Plan/ Performance period	Performance metrics in 2019
Base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive, STI	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract and retain	1-year performance period	Sales, EBITDA margin, EPS, ROIC, individual objectives
	Share Participation Programme MSPP	Matching share options in case of an investment of variable cash in restricted shares, cost-free share options	Align with shareholders' interests	Shares: 3-year restriction period Share options: 3-year vesting period, 9-year plan period	Share options: ROIC
Long-Term Incentive, LTI	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance, align with shareholders' interests, retain	3-year performance period, 9-year plan period	ROIC
Benefits	Pension	Swiss pension funds (Gemeinschaftsstiftung, Wohlfahrtsfonds)	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract and retain		

BASE SALARY

The base salary is a fixed remuneration paid in cash on a monthly basis. It is determined on the basis of the scope and responsibilities of the position, the market value of the role and the qualifications and experience of the incumbent. The base salary is reviewed annually based on market salary information, considerations from the perspective of the company's financial affordability and performance, and the evolving experience of the individual in the role.

VARIABLE CASH REMUNERATION / SHORT-TERM INCENTIVE (STI)

The variable cash remuneration (STI) of the Group Executive Board and approximately 200 additional members of Group management rewards the achievement of annual financial business goals and of individual objectives agreed and evaluated within the annual performance management process.

The base salary and the STI (assuming 100% achievement of all financial business goals) form the so-called target income. The base salary makes up 70% of the target income and the variable remuneration 30%. In addition, it is possible to obtain an increase of up to 10% in the variable remuneration component of the target income based on the achievement of individual qualitative performance indicators.

The financial objectives include equal weightings of sales performance and earnings per share (EPS) compared with the previous year as well as the margin on earnings before interest, taxes, depreciation and amortisation (EBITDA margin) and the return on invested capital (ROIC). These financial objectives have been chosen because they are key value drivers for Geberit and generally reward for growing the business and gaining market share (top-line contribution), for increasing profitability over-proportionally through strong operating leverage (bottom-line contribution) and for investing the capital efficiently. Every year, on the basis of a recommendation made by the NCC, the Board of Directors determines the expected target level of performance for each financial objective for the following year. Geberit wants to reinforce its position as market leader and consistently achieve above-average performance. As a general principle, the results achieved in the previous year must be specifically improved in order to meet the target level of performance, in line with the company's ambitious financial plan. The intention of this demanding target setting is to deliver best-in-class performance and to stay ahead of the market. In addition, a threshold level of performance, below which no variable remuneration is paid out, and a maximum level of performance, above which the short-term variable remuneration is capped, are determined. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives must not exceed 60% of the target income.

To find out how the remuneration model works, visit the interactive graphic in the online Annual Report at
→ **www.geberit.com/annualreport > Business report > Remuneration Report**.

The individual performance component is based on the achievement of individual objectives predefined at the beginning of the year between the CEO and individual members of the Group Executive Board, and for the CEO, between the Board of Directors and the CEO. The individual objectives are of a more qualitative and strategic nature and may include, for example, objectives related to product and service innovation, leadership skills, entry in new markets, management of strategic projects and leadership.

The maximum payout for the individual objectives must not exceed 10% of the target income.

As a result, the total variable cash remuneration for members of the Group Executive Board is capped at 70% of the target income, which corresponds to the annual base salary.

Members of the Group Executive Board have the opportunity to invest part or all of their variable cash remuneration in shares of the company through the Management Stock Purchase Plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable cash remuneration to be invested in shares. The shares are blocked for a period of three years. In order to encourage executives to participate in the programme, 1.5 free share options are provided for each share purchased through the programme. The options are subject to a performance-based vesting period of three years. The other features of the options and the performance condition, average ROIC, are the same as those applicable to the options granted under the Long-Term Incentive MSOP programme (see also → **Long-Term Incentive, LTI**).

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

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

* This rule only applies in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of a change of control or liquidation.
** Inadequate performance or conduct on the part of members of the Group Executive Board is determined at the due discretion of the Board of Directors.

LONG-TERM INCENTIVE (LTI)

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

The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Capital (ROIC) over the respective vesting period. ROIC expresses how well the company is generating cash relative to the capital it has invested in its business. The Board of Directors determines a performance criterion annually on the basis of a recommendation submitted by the Nomination and Compensation Committee. Two thirds of the options vest upon the target value being achieved. In addition, a minimum level of performance (threshold value) under which no options vest and a maximum level of performance (cap) at which 100% of the options vest are defined. Both the target and the cap are ambitious and are substantially above the weighted average cost of capital. The payout amounts between the threshold value and the cap are determined by linear interpolation. The options can be exercised between the respective vesting date, three years after being granted, and the expiration date. The exercise price of the options corresponds to the fair market value of the underlying share at the time of grant.

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

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

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

* This rule only applies in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of a change of control or liquidation.
** Inadequate performance or conduct on the part of members of the Group Executive Board is determined at the due discretion of the Board of Directors.

DISCLOSURE OF TARGETS

Internal financial and individual targets under the STI and the LTI plans are considered commercially sensitive information. Communicating such targets would allow delicate insight into the strategy of Geberit and could as such create a competitive disadvantage for the company. Therefore, the decision was made not to disclose the specifics of those targets at the time of their setting, but to provide a general comment on the performance at the end of the cycle. As a general principle, on a comparable basis, significant improvements against the previous year's achievements are required in order to meet the target level of performance, in line with the company's ambitious financial plan.

BENEFITS

Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 149 per annum, with age-related contribution rates equally shared between the company and the individual, and a supplementary plan in which income in excess of TCHF 149 is insured (including actual variable cash remuneration), up to the maximum amount permitted by law. The company pays for the entire contribution in the supplementary plan.

Furthermore, each member of the Group Executive Board is entitled to a company car and a representation allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

EMPLOYMENT TERMS AND CONDITIONS

All members of the Group Executive Board have permanent employment contracts with notice periods of a maximum of one year. Members of the Group Executive Board are not entitled to any severance payment.

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

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

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

This section is audited by the external auditor.

The remuneration of the Board of Directors consists solely of a fixed remuneration paid out in the form of cash and non-discounted restricted shares. In 2019, members of the Board of Directors received a total remuneration of TCHF 2,244 (previous year TCHF 2,280). Remuneration for regular board activities and committee assignments amounted to TCHF 2,055 (previous year TCHF 2,100). The structure of remuneration of the members of the Board of Directors has not changed compared to the previous year.

Please refer to the following table for details pertaining to the remuneration of members of the Board of Directors:

	A. Baehny Chairman	H. Reuter Vice Chairman	E. Zehnder-Lai	F. Ehrat	B. Koch[1]	Total
	CHF	CHF	CHF	CHF	CHF	CHF
2019						
Remuneration of the Board of Directors						
Accrued remuneration[2]	270,000	320,000	220,000	235,000	172,167	1,217,167
Cash remuneration	615,000					615,000
Expenses	15,000	15,000	15,000	15,000	11,250	71,250
Contributions to social insurance	41,938	15,516	10,954	11,636	8,696	88,740
Total	**941,938**	**350,516**	**245,954**	**261,636**	**192,113**	**1,992,157**

[1] B. Koch has been a member of the Board of Directors since 3 April 2019.
[2] Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2020 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is four years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

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

[1] J. Tang-Jensen was a member of the Board of Directors until 3 April 2019.
[2] T. Hübner was a member of the Board of Directors until 4 October 2019.

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

[1] Director's fee booked, but not yet paid as at 31 December. Payment was made in the first quarter of 2019 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is four years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

	CHF
Remuneration of former members of the Board of Directors (none)	
Accrued remuneration	0
Expenses	0
Contributions to social insurance	0
Total	**0**

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

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

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

*Compensation earned during financial year as reported (A)
** Less compensation earned from January to General Meeting of financial year (B)
*** Plus compensation accrued from January to General Meeting of year following financial year (C)/budget value for 2020
**** Total compensation earned for the period from General Meeting to General Meeting (A–B+C)
***** Amount approved by shareholders at respective General Meeting
****** Ratio between compensation earned for the period from General Meeting to General Meeting versus amount approved by shareholders

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

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

* A. Baehny options until 2014 as CEO

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

* A. Baehny options until 2014 as CEO

As of 31 December 2019, there were no outstanding loans or credits between the company and the members of the Board of Directors, closely related parties or former members of the Board of Directors.

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

This section is audited by the external auditor.

7.1 PERFORMANCE IN 2019

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

The variable cash remuneration (STI) of the Group Executive Board is determined on the basis of the following key performance indicators, which all have the same weighting: sales performance and EPS compared with the previous year as well as EBITDA margin and ROIC. The achievement of qualitative individual targets is also taken into consideration. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration clearly exceeded the targets.

7.2 REMUNERATION AWARDED IN 2019

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

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

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

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

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

	2019		2018	
	C.Buhl CEO	Total	C.Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	966,810	3,412,642	931,801	3,342,650
- Variable salary[1]	866,600	3,032,650	541,350	1,947,550
thereof in shares in 2019[2]			*540,978*	*1,232,454*
Shares/options				
- Call options MSOP 2019/2018[3]	840,399	2,488,670	809,885	2,357,518
- Call options MSPP 2019/2018[4]	52,415	119,412	43,639	109,830
Non-cash benefits				
- Private share of company vehicle[5]	7,056	45,646	7,056	46,380
Expenditure on pensions				
- Pension plans	90,262	524,743	88,390	497,124
- Social insurance	232,583	637,875	78,092	408,123
- Contribution health/accident insurance	2,187	16,149	2,476	18,172
Total[6]	**3,058,312**	**10,277,787**	**2,502,689**	**8,727,347**

[1] The amounts to be paid (current year), and the amounts effectively paid (previous year) respectively are shown. The payment of the variable salary occurs in the following year. Members of the Group Executive Board are free to choose between a payment in shares or in cash.
[2] Registered shares of the company with a par value of CHF 0.10 each, 3-year blocking period, valued at fair market value at grant date of CHF 406.75 (PY CHF 432.20).
[3] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Stock Option Programme (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 406.75 (PY CHF 432.20); definitive acquisition of the option ("vesting") dependent on various conditions, 3-year vesting period (1 tranche at 100%); the total value of the call options is evaluated as of the grant date and afterwards measured according to the expected achievement of objectives. Market value of CHF 39.39 determined using the binomial method (PY 3-5-year vesting period (3 tranches at 33%) CHF 39.29).
[4] Call options on registered shares of the company with a par value of CHF 0.10 each, issued within the scope of the Management Share Participation Programme (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 406.75 (PY CHF 432.20); definitive acquisition of the option ("vesting") dependent on various conditions, 3-year vesting period (1 tranche at 100%); the total value of the call options is evaluated as of the grant date and afterwards measured according to the expected achievement of objectives. Market value of CHF 39.39 determined using the binomial method (PY 1-4-year vesting period (4 tranches at 25%) CHF 36.61).
[5] Valuation in accordance with the guidelines of the Swiss Federal Tax Administration FTA (0.8% of the purchase cost per month).
[6] Immaterial payments (below CHF 500) are not included in the total. Overall these payments do not exceed CHF 2,000 per member of the Group Executive Board.

The parameters taken into consideration in the option valuation model are set out in
→ **Note 17 Participation plans of the consolidated financial statements**.

7.3 SHAREHOLDINGS OF GROUP EXECUTIVE BOARD

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

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

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

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

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

As of 31 December 2019, there were no outstanding loans or credits between the company and the members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

8. SUMMARY OF SHARE AND OPTION PLANS 2019

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

In 2019, employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 17** of the consolidated financial statements (participation plans). Under the three different share plans, a total of the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan (ESPP)	2021	2,424	18,903	264.40
Management share purchase plan (MSPP)	2022	99	10,278	406.75
Board of Directors compensation	2023	6	3,398	406.75
Total			**32,579**	

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

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

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

The fair value of the options granted in 2019 amounted to CHF 39.39 (MSPP) and CHF 39.39 (MSOP) on average at the respective grant date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price[1]	Expected Ø volatility	Expected Ø dividend yield	Contractual period	Risk-free Ø interest rate
	CHF	%	%	Years	%
Management share purchase plan (MSPP)	406.75	16.51	2.55	9	-0.27
Option plan (MSOP)	406.75	16.51	2.55	9	-0.27

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

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

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

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

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

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2019, the Board of Directors, the Group Executive Board and the employees owned a combined total of 372,600 (previous year 386,381) shares, i.e. 1.0% (previous year 1.0%), of the share capital of Geberit AG.

The following table summarises all option plans in place as at 31 December 2019*:

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

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

The following movements took place in 2019 and 2018*:

	MSOP		MSPP		Total 2019		Total 2018	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding 1 January	**461,881**	**373.39**	**46,063**	**382.21**	**507,944**	**374.19**	**473,375**	**351.52**
Granted options	114,435	406.75	10,278	406.75	124,713	406.75	116,779	432.20
Forfeited options	7,012	534.74	246	416.61	7,258	530.74	25,390	398.31
Expired options	0	0	0	0	0	0	0	0
Exercised options	85,752	324.36	11,795	331.75	97,547	325.25	56,820	293.37
Outstanding 31 December	**483,552**	**389.35**	**44,300**	**401.06**	**527,852**	**390.33**	**507,944**	**374.19**
Exercisable at 31 December	99,437	299.76	18,200	377.43	117,637	311.78	143,895	293.39

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

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

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

10. REPORT OF THE STATUTORY AUDITOR

PricewaterhouseCoopers AG
Birchstrasse 160
CH-8050 Zürich
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Fax +41 58 792 44 10
→ **www.pwc.ch**

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

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE REMUNERATION REPORT 2019

We have audited the accompanying → **remuneration report** of Geberit AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 6 to 9 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Geberit AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Martin Knöpfel
Audit expert

Zurich, 9 March 2020

GEBERIT

GEBERIT GROUP

FINANCIAL REPORT 2019

GEBERIT

FINANCIAL REPORT

GEBERIT GROUP

2019

CONSOLIDATED BALANCE SHEETS

	Note	31.12.2019 MCHF	31.12.2018 MCHF
Assets			
Current assets			
Cash and cash equivalents		408.1	282.2
Marketable securities and other short-term investments		20.0	0.0
Trade accounts receivable	**6**	193.4	197.5
Other current assets and current financial assets	**7**	117.2	107.3
Inventories	**8**	306.9	304.9
Total current assets		**1,045.6**	**891.9**
Non-current assets			
Property, plant and equipment	**9/26**	920.0	828.9
Deferred tax assets	**18**	124.8	91.9
Other non-current assets and non-current financial assets	**10**	38.2	37.4
Goodwill and intangible assets	**11**	1,596.7	1,651.7
Total non-current assets		**2,679.7**	**2,609.9**
Total assets		**3,725.3**	**3,501.8**
Liabilities and equity			
Current liabilities			
Short-term debt	**12**	26.2	154.3
Trade accounts payable		97.2	94.8
Tax liabilities		105.4	104.0
Other current liabilities	**13**	305.1	281.7
Current provisions	**13**	12.3	26.4
Total current liabilities		**546.2**	**661.2**
Non-current liabilities			
Long-term debt	**14/15**	810.7	683.1
Accrued pension obligations	**16**	331.3	291.5
Deferred tax liabilities	**18**	81.3	67.9
Other non-current liabilities	**19**	11.8	8.3
Non-current provisions	**19**	45.0	44.4
Total non-current liabilities		**1,280.1**	**1,095.2**
Equity			
Capital stock	**21**	3.7	3.7
Reserves		2,366.4	2,163.7
Cumulative translation adjustments		-471.1	-422.0
Total equity		**1,899.0**	**1,745.4**
Total liabilities and equity		**3,725.3**	**3,501.8**

The accompanying → **Notes** are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

1.1. – 31.12.

	Note	2019 MCHF	2018 MCHF
Net sales	**29**	**3,082.9**	**3,080.5**
Cost of materials		859.9	893.2
Personnel expenses		752.1	744.0
Depreciation	**9**	127.4	105.0
Amortisation of intangible assets	**11**	19.9	55.2
Other operating expenses, net	**23**	567.0	575.5
Total operating expenses, net		2,326.3	2,372.9
Operating profit (EBIT)		**756.6**	**707.6**
Financial expenses	**24**	-12.5	-17.7
Financial income	**24**	1.8	2.3
Foreign exchange loss (-)/gain	**24**	-3.1	-5.0
Financial result, net		-13.8	-20.4
Profit before income tax expenses		**742.8**	**687.2**
Income tax expenses	**25**	95.9	90.0
Net income		**646.9**	**597.2**
EPS (CHF)	**22**	17.97	16.40
EPS diluted (CHF)	**22**	17.93	16.39

The accompanying → **Notes** are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

1.1. – 31.12.

	Note	2019 MCHF	2018 MCHF
Net income according to the income statement		**646.9**	**597.2**
Cumulative translation adjustments		-49.1	-60.8
Income tax expenses		0.0	0.0
Cumulative translation adjustments, net of tax		**-49.1**	**-60.8**
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		**-49.1**	**-60.8**
Remeasurements of pension plans	**16**	-49.6	17.7
Income tax expenses		11.1	-2.9
Remeasurements of pension plans, net of tax		**-38.5**	**14.8**
Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax		**-38.5**	**14.8**
Total other comprehensive income, net of tax		**-87.6**	**-46.0**
Total comprehensive income		**559.3**	**551.2**

The accompanying → **Notes** are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Reserves	Treasury shares	Pension plans	Cum. translation adjustments	Total equity
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Balance at 31.12.2017	**3.7**	**2,506.2**	**-156.4**	**-155.1**	**-361.2**	**1,837.2**
Net income		597.2				597.2
Other comprehensive income				14.8	-60.8	-46.0
Distribution[1]		-380.8				-380.8
Share buyback programme			-184.7			-184.7
Purchase (-)/sale of treasury shares		5.3	-76.6			-71.3
Management option plans		-6.2				-6.2
Balance at 31.12.2018	**3.7**	**2,721.7**	**-417.7**	**-140.3**	**-422.0**	**1,745.4**
Net income		646.9				646.9
Other comprehensive income				-38.5	-49.1	-87.6
Distribution[1]		-389.0				-389.0
Share buyback programme			-46.9			-46.9
Purchase (-)/sale of treasury shares		5.6	31.2			36.8
Management option plans		-6.6				-6.6
Balance at 31.12.2019	**3.7**	**2,978.6**	**-433.4**	**-178.8**	**-471.1**	**1,899.0**

[1] The dividend (ex2018) was CHF 10.80 per share (PY: CHF 10.40).
The accompanying → **Notes** are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASHFLOWS

1.1. – 31.12.

	Note	2019 MCHF	2018 MCHF
Cash provided by operating activities			
Net income		646.9	597.2
Depreciation and amortisation	**9/11**	147.3	160.2
Financial result, net	**24**	13.8	20.4
Income tax expenses	**25**	95.9	90.0
Other non-cash income and expenses		6.8	-6.5
Operating cashflow before changes in net working capital and income taxes		910.7	861.3
Income taxes paid		-89.3	-102.7
Changes in trade accounts receivable		7.3	12.8
Changes in inventories		-10.6	-4.9
Changes in trade accounts payable		4.7	-27.1
Changes in other positions of net working capital		11.2	8.1
Net cash from/used in (-) operating activities		**834.0**	**747.5**
Cash from/used in (-) investing activities			
Purchase of property, plant & equipment and intangible assets	**9/11**	-166.9	-162.4
Sale of property, plant & equipment and intangible assets		3.3	8.6
Interest received		1.7	0.0
Purchase (-)/sale of marketable securities and other short-term investments		-20.0	0.0
Other, net		-3.1	-2.8
Net cash from/used in (-) investing activities		**-185.0**	**-156.6**
Cash from/used in (-) financing activities			
Proceeds from borrowings	**14/15**	634.7	691.8
Repayments of borrowings	**14/15**	-695.6	-737.1
Repayments of lease liabilities	**26**	-16.2	0.0
Interest paid		-7.8	-6.0
Distribution		-389.0	-380.8
Share buyback programme	**21**	-51.4	-183.6
Purchase (-)/sale of treasury shares		9.9	-92.2
Other, net		-2.4	-6.2
Net cash from/used in (-) financing activities		**-517.8**	**-714.1**
Effects of exchange rates on cash and cash equivalents		-5.3	-7.3
Net increase/decrease (-) in cash and cash equivalents		**125.9**	**-130.5**
Cash and cash equivalents at beginning of year		282.2	412.7
Cash and cash equivalents at end of year		**408.1**	**282.2**

The accompanying → **Notes** are an integral part of the consolidated financial statements.
For further cashflow figures see → **Note 28**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC INFORMATION AND PRINCIPLES OF THE REPORT

The Geberit Group is an international company that focuses on the sanitary industry and, specifically, the areas of sanitary technology and bathroom ceramics. The Group's product range consists of the Installation and Flushing Systems, Piping Systems and Bathroom Systems product areas. Worldwide, the vast majority of its products are sold through the wholesale channel. Geberit sells its products in 120 countries. The Group is present in 50 countries with its own sales employees.

The consolidated financial statements include Geberit AG and all companies under its control ("the Group" or "Geberit"). The Group eliminates all intra-group transactions as part of the Group consolidation process. A company is consolidated for the first time or deconsolidated from the date on which the Group exercises or loses control over the company.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The term "MCHF" in these consolidated financial statements refers to millions of Swiss francs, "MEUR" refers to millions of euros, "MGBP" refers to millions of British pounds sterling and "MUSD" refers to millions of US dollars. The term "shareholders" refers to the shareholders of Geberit AG.

MAIN SOURCES OF ESTIMATION UNCERTAINTY
The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from estimates. Estimates and assumptions are continually reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Important estimates and assumptions (with the related uncertainties) were primarily made in the following areas:

- Impairment tests for goodwill and intangible assets with an indefinite useful life (see → **Note 11**)
- Capitalisation of development costs (see → **Note 27**)
- Assumptions for the recognition of defined benefit pension plans (see → **Note 16**)
- Valuation of deferred tax assets and liabilities (see → **Note 18**)
- Valuation of provisions (see → **Note 13**, → **Note 19**)

2. CHANGES IN GROUP STRUCTURE

No significant changes in the Group structure took place in 2019 and 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS

New or revised IFRS standards and interpretations 2019 and their adoption by the Group

Standard/ Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 16 – Leases	1.1.2019	The standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB included an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Adoption of this standard had an impact on the consolidated financial statements. This is disclosed in → **Note 26**.	1.1.2019
IFRIC 23 – Uncertainty over income tax treatments	1.1.2019	This IFRIC clarifies the accounting treatment when there is uncertainty over whether a tax treatment will be accepted by tax authorities and defines that it is in the scope of IAS 12 and not IAS 37. It is to be assumed that tax authorities will examine those treatments and have full knowledge of all related information. Both current and deferred income taxes are accounted based on the probabilities that certain treatments will be accepted, determined by the most likely amount method or the expected value method. The amendment had no material impact on the consolidated financial statements.	1.1.2019
Amendments to IFRS 9 – Financial instruments	1.1.2019	The amendment allows measuring particular pre-payable financial assets with so-called "negative compensation" (i.e. when, for example, a party terminating the contract may receive reasonable compensation for the early termination rather than having to make a payment) at amortised cost or at fair value through other comprehensive income (depending on the business model assessment) instead of at fair value through profit or loss. This amendment had no impact on the consolidated financial statements.	1.1.2019
Amendments to IAS 28 – Investments in associates and joint ventures	1.1.2019	The amendment clarifies that the requirements of IFRS 9 are applied for long-term interests in an associate or joint venture to which the equity method is not applied. These interests include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. This amendment had no impact on the consolidated financial statements.	1.1.2019
Amendments to IAS 19 – Employee benefits	1.1.2019	The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan takes place, the updated assumptions from this remeasurement must be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. This will change the amounts that would otherwise have been charged to profit or loss in the period after the change, and may lead to a more frequent remeasurement of the net liability. This amendment had no material impact on the consolidated financial statements.	1.1.2019
Annual improvements of IFRS 2015–2017	various	The ordinary annual clarifications and minor amendments of various standards have no material impact on the consolidated financial statements.	various

New or revised IFRS standards and interpretations as from 2020 and their adoption by the Group

Standard/ Interpretation	Enactment	Relevance for Geberit	Adoption
Amendments to IFRS 3 – Business combinations	1.1.2020	The amendments provide additional guidance as to when a transaction would result in a business combination. The new guidance clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The standard will be applied for future transactions.	1.1.2020

SUMMARY OF SIGNIFICANT ACCOUNTING AND VALUATION RULES

FOREIGN CURRENCY TRANSLATION

The functional currencies of the Group's subsidiaries are generally the currencies of the local jurisdiction. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the dates of the transaction, or at a rate that approximates to the actual rate at the date of the transaction. At the end of the accounting period, receivables and liabilities in foreign currency are valued at the rate of exchange prevailing at the consolidated balance sheet date, with resulting exchange rate differences charged to the income statement. Exchange rate differences related to loans that are part of the net investment in foreign entities are recorded in → **"Other comprehensive income"** and disclosed as cumulative translation adjustments.

For the consolidation, assets and liabilities stated in functional currencies other than Swiss francs are translated at the rates of exchange prevailing at the consolidated balance sheet date. Income and expenses are translated at the average exchange rates (weighted sales) for the period. Translation gains or losses are recorded in → **"Other comprehensive income"** and disclosed as cumulative translation adjustments.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of cash on hand, balances with banks and short-term, highly liquid financial investments with maturities of three months or less at their acquisition date that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The carrying amount of cash and cash equivalents approximates to their fair value due to the short-term maturities of these instruments.

SECURITIES AND OTHER SHORT-TERM INVESTMENTS
Securities are marketable instruments that can be readily liquidated and have a remaining term of between 4 and 12 months. Other short-term investments primarily comprise fixed-term deposits and money-market investments with a remaining term of between 4 and 12 months. Both are either recognised at fair value through profit and loss or at amortised cost.

INVENTORIES
Inventories are stated at the lower of historical or manufacturing costs, or net realisable value. The manufacturing costs comprise all directly attributable costs of material and manufacture and other costs incurred in bringing the inventories to their present location and condition. Historical cost is determined using the weighted average cost formula, while the manufacturing cost is determined using the standard cost formula. Net realisable value corresponds to the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling costs. Allowances are made for obsolete and slow-moving inventories.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are carried at historical or manufacturing costs less accumulated depreciation. Betterment that increases the useful lives of the assets, substantially improves the quality of the output, or enables a substantial reduction in operating costs is capitalised and depreciated over the remaining useful lives. Depreciation of property, plant and equipment is calculated using the straight-line method based on the following useful lives: buildings (15–50 years), production machinery and assembly lines (8–25 years), moulds (4–6 years), equipment and furnishings (4–25 years) and vehicles (5–10 years). Properties are not regularly depreciated. Repair and maintenance related to investments in property, plant and equipment are charged to the income statement as incurred.

Borrowing costs of all material qualifying assets are capitalised during the construction phase in accordance with IAS 23. A qualified asset is an asset for which an extensive period (generally more than a year) is required to transform it to its planned usable condition. If funds are specifically borrowed, the costs that can be capitalised are the actual costs incurred less any investment income earned on the temporary investment of these borrowings. If the borrowed funds are part of a general pool, the amount that can be capitalised must be determined by applying a capitalisation rate to the expenses related to this asset.

If there is any indication for impairment, the actual carrying amount of the asset is compared to its recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced accordingly and the difference is charged to the income statement.

GOODWILL AND INTANGIBLE ASSETS
The Group records goodwill as the difference between the purchase price and the net assets of the company acquired, both measured at fair value. If the value of net assets is higher than the purchase price, this gain is credited immediately to the income statement.

Goodwill and intangibles such as patents, trademarks and software acquired from third parties are initially stated and subsequently measured at cost. Goodwill, trademarks and other intangible assets with an indefinite useful life are not regularly amortised but tested for impairment on an annual basis. Impairments are recorded immediately as expenses in the consolidated income statements and, in the case of goodwill, not reversed in subsequent periods. The amortisation of intangible assets with a definite useful life is calculated using the straight-line method based on the following useful lives: patents and technology (4–10 years), trademarks (5–12 years), software (4–6 years) and capitalised development costs (6 years).

Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date, at least. In this process, the actual carrying amount of the asset is compared with the recoverable amount. If the carrying amount is higher than its estimated recoverable amount, the asset is reduced correspondingly. The Group records the difference between recoverable amount and carrying amount as expense. The valuation is based on single assets or, if such valuation is not possible, on the level of the group of assets for which separately identifiable cashflows exist.

For the impairment tests of intangible assets with an indefinite useful life and goodwill, the Group applies the most recent business plans (period of four years) and the assumptions therein concerning development of prices, markets and the Group's market shares. To discount future cashflows, the Group applies market or country-specific discount rates. Management considers the discount rates, the growth rates and the development of the operating margins to be the crucial parameters for the calculation of the recoverable amount. More detailed information is disclosed in → **Note 11**.

LEASING
Leases for property, plant and equipment mostly comprise the buildings of the sales companies and vehicles. Until 2018, leases for property, plant and equipment were classified as either finance leases or operating leases. Property, plant and equipment acquired on a finance lease, deemed to be owned in respect of their risks and rewards, were classified as finance leases. These leased property, plant and equipment were capitalised and depreciated over their estimated useful life. The corresponding lease obligations were recognised as liabilities. Payments under operating leases were reported as operating expenses on a straight-line basis and charged directly to the income statement accordingly.

From 1 January 2019, leases are reported as a right-of-use asset, while a corresponding liability is recognised on the date on which the leased asset becomes available for use by the Group. IFRS 16 (Leases) envisages a single accounting model for the lessee. Geberit has made use of the option to refrain from accounting for leases that have a term of no more than 12 months as well as minor-value assets with a value of less than CHF 5,000. As before, the expenses from these agreements are directly recognised in other operating expenses.

According to IFRS 16, the lessee capitalises the right-of-use asset and recognises all future lease payments from the lease as a financial liability. This sum corresponds to the present value of all future lease payments. The lessee defines the agreement term and the interest rate used to discount the payments. If this discount rate is specified in the leasing agreement, this is applied (implicit interest rate). If this is not the case, the incremental borrowing rate (IBR) is applied. The term generally corresponds to the irrevocable lease term taking into account any termination, renewal and purchasing options, as long as their exercise is sufficiently secure. The leased asset is depreciated on the basis of the agreed term.

The Group applies the modified retrospective method. According to this method, assets and liabilities are only recognised according to the new standard as of 1 January 2019. The comparative information from the previous year has therefore not been adjusted and continues to be reported in accordance with IAS 17 and IFRIC 4. More information concerning leasing is disclosed in → **Note 26**.

PROVISIONS
The Group recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and when a reasonable estimate of the amount of the obligation can be made. The Group warrants its products against defects and accrues provisions for such warranties at the time of sale based on estimated claims. Actual warranty costs are charged against the accrued provisions when incurred.

NET SALES
The Group focuses on sanitary technology and bathroom ceramics in the sanitary industry. The products are primarily sold through the wholesale channel. Net sales correspond to the amount of consideration to be expected from contracts with customers for the sale of products and do not include any amounts recovered on behalf of third parties.

Sales per transaction are recorded at a single point in time at which the customer obtains effective control over the products that have been delivered. This single point in time depends on the different terms of delivery.

Net sales include the invoiced amounts after deduction of rebates, cash discounts and customer bonuses. Customer bonuses are sales deductions linked to the achievement of predefined targets (e.g. level of sales). Payments to third parties for which Geberit receives no directly linked services are also deducted from sales.

MARKETING EXPENSES
All expenses associated with advertising and promoting products are recorded in the financial period during which they are incurred.

INCOME TAX EXPENSES
The consolidated financial statements include current income taxes based on the taxable earnings of the Group companies and are calculated according to national tax rules. Uncertain tax positions are determined on the basis of the most likely amount method. Deferred taxes are recorded on temporary differences between the tax base of assets and liabilities and their carrying amount using the "liability method". Deferred taxes are calculated either using the current tax rate or the tax rate expected to be applicable in the period in which these differences will reverse. If the realisation of future tax savings related to tax loss carryforwards and other deferred tax assets is not or no longer probable, the deferred tax assets are reduced accordingly.

A liability for deferred taxes for non-refundable taxes at source and other earning distribution-related taxes is recognised only for subsidiaries for which available earnings are intended to be remitted and of which the parent company controls the dividend policy (see → **Note 18**).

RESEARCH AND DEVELOPMENT COST (R&D)
The majority of the expenses are incurred in relation to basic research, product and product range management, customer software development and R&D support/overheads, and these are charged directly to the income statement. The residual expenses relate to development costs for new products. If these concern major development projects, they are reviewed at each balance sheet date in order to verify whether the capitalisation criteria of IAS 38.57 are fulfilled. In the case that all criteria are fulfilled, the expenses are capitalised and amortised over a period of six years (see → **Note 27**).

RETIREMENT BENEFIT PLANS
The Group manages different employee pension plans structured as both defined benefit and defined contribution plans. These pension funds are usually governed by the regulations of the countries in which the Group operates.

For defined benefit plans, the present value of the defined benefit obligation is calculated periodically by independent pension actuaries using the projected unit credit method on the basis of the service years and the expected salary and pension trends. Actuarial gains and losses are immediately recognised in other comprehensive income as "Remeasurements of pension plans". This item also includes the return on plan assets/reimbursement rights (excluding the interest based on the discount rate) and any effects of an asset ceiling adjustment. For defined benefit plans with an independent pension fund, the funded status of the pension fund is included in the consolidated balance sheet. Any surplus is capitalised in compliance with IAS 19.64 and IFRIC 14. The annual net periodic pension costs calculated for defined benefit plans are recognised in the income statement in the period in which they occur.

For defined contribution plans, the annual costs are calculated as a percentage of the pensionable salaries and are also charged to the income statement. Except for the contributions, the Group does not have any other future obligations.

PARTICIPATION PLANS
Rebates granted to employees when buying Geberit shares under share purchase plans are charged to the income statement in the year the programmes are offered.

The fair value of the options allocated as part of the management long-term incentive and the management share purchase plan is determined at the grant date and charged on a straight-line basis to personnel expenses over the vesting period. The values are determined using the binomial model.

EARNINGS PER SHARE
The number of ordinary shares for the calculation of the earnings per share is determined on the basis of the weighted average of the issued ordinary shares less the weighted average number of the treasury shares. For the calculation of diluted earnings per share, an adjusted number of shares is calculated as the sum of the total of the ordinary shares used to calculate the earnings per share and the potentially dilutive shares from option programmes. The dilution from option programmes is determined on the basis of the number of ordinary shares that could have been bought for the amount of the accumulated difference between the market price and exercise price of the options. The relevant market price used is the average Geberit share price for the financial year.

Earnings per share and diluted earnings per share are defined as the ratio of the attributable net income to the relevant number of ordinary shares.

FINANCIAL INSTRUMENTS
Financial assets are mainly carried at amortised cost less allowances for expected credit losses. It is not necessary for a loss event to occur before an impairment loss is recognised. Impairment is determined based on expected credit losses, which is the present value of the cash shortfalls over the expected life of the financial assets. Geberit incorporates forward-looking information into its historical customer default rates, grouping receivables by customer sector, rating and geography taking into account the existence of collateral, if any.

Debts are initially recorded at fair value, net of transaction costs, and subsequently measured at amortised cost according to the effective interest rate method. The Group classifies debts as non-current when, at the balance sheet date, it has the unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derivatives are initially recorded at fair value and subsequently adjusted for fair value changes. The recognition of derivatives in the Group's balance sheet is based on internal valuations or on the valuation of the respective financial institution. See → **Note 15** for an allocation of the balance sheet items to the classification by categories.

HEDGE ACCOUNTING
Geberit purchases derivative financial instruments for the purpose of economically hedging specific commitments (see → **Note 4** and→ **Note 15**).

4. RISK ASSESSMENT AND MANAGEMENT

GENERAL
The Group runs a risk-management system approved by the Board of Directors.

The policy defines a structured process by which the business risks are systematically managed. In this process, risks are identified, analysed and evaluated concerning the likelihood of occurrence and magnitude, and risk-control measurements are determined. Each member of management is responsible for the implementation of the risk-management measures in his area of responsibility. The Board of Directors is periodically informed about the major changes in risk assessment and about risk-management actions taken. The permanent observation and control of the risks is a management objective. For risks concerning accounting and financial reporting, a special assessment is carried out as part of the risk control process. The Geberit internal control system for financial reporting defines in this regard control measures that reduce the related risks.

Financial risks are monitored by the treasury department of the Geberit Group, which acts in line with the directives of the treasury policy issued by the Group. Risk management focuses on recognising, analysing and hedging foreign exchange rate, interest rate, liquidity and counterparty risks, with the aim of limiting their effect on cashflow and net income. The Group measures the foreign exchange rate risks and interest rate risks with the cashflow-at-risk method.

MANAGEMENT OF COUNTERPARTY RISKS FROM TREASURY ACTIVITIES
Financial contracts are agreed only with third parties that have at least an A (S&P) or A2 (Moody's) rating or are considered as relevant to the financial system. Management believes that the risk of losses from the existing contracts is remote.

In general, liquid funds are invested for a period of less than three months. Part of the liquid funds may be invested in government bonds (maximum MCHF 70 per country and usually with terms of less than 12 months). The residual liquid funds are generally held at banks on a short-term basis. To avoid cluster risks, the value of an investment per third party may not exceed a certain limit that is determined on the basis of clearly defined creditworthiness criteria such as rating, system relevance and state guarantees (e.g. for Swiss cantonal banks). In addition, investments with the same counterparty may not exceed half of the Group's total deposits. The Group has not suffered any losses on such transactions to date.

MANAGEMENT OF FOREIGN EXCHANGE RATE RISK
The Group generates sales and costs in Switzerland and abroad in foreign currencies. Therefore, exchange rate changes have an impact on the consolidated results. To limit such risks, the concept of "natural hedging" is considered as the primary hedging strategy. Hereby, the foreign exchange rate risk of cash inflows in a certain currency is neutralised with cash outflows of the same currency. Therefore, currency fluctuations influence the profit margin of the Group only to a marginal extent; i.e. the Group is exposed to a relatively small transaction risk. However, the translation risk that results from the translation of profits generated abroad can still substantially influence the consolidated results depending on the level of currency fluctuation, despite the effective "natural hedging". The Group does not hedge translation risks.

The currency risk over a period of 12 months is measured via the cashflow-at-risk (CfaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the financial result of the Group is evaluated. As at 31 December 2019, the Group's CfaR amounted to MCHF 24.2 (PY: MCHF 26.5), hence there was a 95% likelihood that any loss resulting from currency risk would not exceed MCHF 24.2.

The following parameters have been used for the calculation of the cashflow-at-risk (CfaR):

Model	Method	Confidence level	Holding period
J. P. Morgan	Variance-covariance approach	95%	12 months

MANAGEMENT OF INTEREST RATE RISK
Basically, two types of interest rate risk exist:

a) the fair market value risk for financial positions bearing fixed interest rates
b) the interest rate risk for financial positions bearing variable interest rates

The fair market value risk does not have a direct impact on the cashflows and results of the Group. Therefore, it is not measured. The refinancing risk of positions with fixed interest rates is considered with the integration of financial positions bearing fixed interest rates with a maturity under 12 months in the measurement of the interest rate risk.

The interest rate risk is measured using the cashflow-at-risk (CfaR) method for the interest balance (including financial positions bearing fixed interest rates with a maturity under 12 months). By using statistical methods, the effect of probable interest rate changes on the cashflow of a financial position is evaluated.

The Group's risk is controlled with the key figure EBITDA/(financial result, net, for the coming 12 months + CfaR). Based on internal limits, it is decided whether any hedging measures have to be taken. The limit is reviewed annually and amounts to a minimum of 20 for the reporting period (PY: 20).

Interest rate risk as at 31 December:

	2019 MCHF	2018 MCHF
EBITDA[1]	903.9	867.8
Financial result, net + CfaR	9.9	9.4
EBITDA/(Financial result, net + CfaR)	**91x**	**92x**

[1] EBITDA = operating profit (EBIT) before depreciation and amortisation.

MANAGEMENT OF LIQUIDITY RISK
Liquid funds, including the committed unused credit lines, must be available to cover future cash drains in due time amounting to a certain liquidity reserve. This reserve considers interest and amortisation payments and capital expenditures and investments in net working capital. At the balance sheet date, the liquid funds including the committed unused credit lines exceeded the defined liquidity reserve by MCHF 624.7 (PY: MCHF 193.4).

MANAGEMENT OF CREDIT RISK
Major credit risks to the Group mainly result from the sale of its products (debtor risk). Products are sold throughout the world, but primarily within continental Europe. Ongoing evaluations of the customers' financial situation are performed and, generally, no further collateral is required. The Group records allowances for potential credit losses based on an expected credit loss (ECL) model in accordance with IFRS 9 (see → **Note 6**). Actual losses have not exceeded management's expectations in the past.

The maximum credit risk resulting from receivables and other financial assets basically corresponds to the net carrying amount of the asset. The balance of trade receivables at year-end is not representative because of the low sales volume in December. In 2019, the average balance of trade receivables is about 139% (PY: 139%) of the amount at year-end.

SUMMARY
The Group uses several instruments and procedures to manage and control the different financial risks. These instruments are regularly reviewed to make sure that they meet the requirements of financial markets, changes in the Group organisation and regulatory obligations. Management is informed on a regular basis with key figures and reports about compliance with the defined limits. At the balance sheet date, the relevant risks, controlled with statistical and other methods, and the corresponding key figures are as follows:

Type of risk	Key figure	2019	2018
Foreign exchange rate risk	Cashflow-at-Risk (CfaR)	MCHF 24.2	MCHF 26.5
Interest rate risk	EBITDA/(financial result, net + CfaR)	91x	92x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 624.7	MCHF 193.4

5. MANAGEMENT OF CAPITAL

The objectives of the Group regarding the management of the capital structure are as follows:

- ensure sufficient liquidity to cover all liabilities
- ensure an attractive return on equity (ROE) and return on invested capital (ROIC)
- ensure a sufficient debt capacity and credit rating
- ensure an attractive distribution policy

In order to maintain or change the capital structure, the following measures can be taken:

- adjustment of the distribution policy
- share buyback programmes
- capital increases
- raise or repay debt

Further measures to guarantee an efficient use of the invested capital and therefore also to achieve attractive returns are:

- active management of net working capital
- demanding objectives regarding the profitability of investments
- clearly structured innovation process

The invested capital is composed of net working capital, property, plant and equipment, goodwill, and intangible assets.

The periodic calculation and reporting of the following key figures to the management ensure the necessary measures in connection with the capital structure can be taken in a timely manner.

The relevant values as at 31 December are outlined below:

	2019 MCHF	2018 MCHF
Gearing		
Debt	836.9	837.4
Liquid funds, marketable securities and other short-term investments	428.1	282.2
Net debt	408.8	555.2
Equity	1,899.0	1,745.4
Net debt/equity	**21.5%**	**31.8%**
Return on equity (ROE)		
Equity (rolling)	1,806.8	1,817.4
Net income	646.9	597.2
ROE	**35.8%**	**32.9%**
Return on invested capital (ROIC) [1]		
Invested capital (rolling)	2,810.0	2,823.3
Net operating profit after taxes (NOPAT)	648.4	609.3
ROIC	**23.1%**	**21.6%**

[1] ROIC = Return on invested capital (Net operating profit after taxes / invested capital). Net operating profit after taxes = EBIT less income taxes on EBIT. Invested capital = Net working capital + PPE + goodwill and intangible assets. Invested capital corresponds with the rolling 5-quarter-average amount of the underlying balance sheet items

6. TRADE ACCOUNTS RECEIVABLE

	2019 MCHF	2018 MCHF
Trade accounts receivable	205.4	208.5
Allowances	-12.0	-11.0
Total trade accounts receivable	**193.4**	**197.5**

As at 31 December 2019, of the total trade accounts receivable, MCHF 8.1 were denominated in CHF, MCHF 65.8 in EUR, MCHF 22.0 in USD, MCHF 17.9 in GBP, MCHF 15.2 in SEK, MCHF 15.2 in DKK, MCHF 12.4 in NOK and MCHF 6.8 in PLN.

The following table shows the movements of allowances for trade accounts receivable:

	2019 MCHF	2018 MCHF
Allowances for trade accounts receivable		
1 January	**11.0**	**10.9**
Additions	5.0	3.9
Used	-2.9	-2.2
Reversed	-0.8	-1.1
Translation differences	-0.3	-0.5
31 December	**12.0**	**11.0**

	2019 MCHF	2018 MCHF
Maturity analysis of trade accounts receivable		
Not due	141.1	137.7
Past due < 30 days	45.1	44.2
Past due < 60 days	6.0	10.3
Past due < 90 days	1.9	2.8
Past due < 120 days	2.1	1.1
Past due > 120 days	9.2	12.4
Allowances	-12.0	-11.0
Total trade accounts receivable	**193.4**	**197.5**

The agreed payment terms range from 30 to 120 days.

7. OTHER CURRENT ASSETS AND CURRENT FINANCIAL ASSETS

	2019 MCHF	2018 MCHF
Value added tax receivables	77.4	61.7
Income tax refunds receivable	12.8	17.9
Short-term derivative financial instruments[1] (see → **Note 15**)	1.1	0.4
Prepaid expenses	11.8	10.5
Other current assets	14.1	16.8
Total other current assets and current financial assets	**117.2**	**107.3**

[1] Not part of the calculation of net working capital

As at 31 December 2019, the position "Other current assets" included other receivables from governments of MCHF 3.0 (PY: MCHF 5.9).

8. INVENTORIES

	2019 MCHF	2018 MCHF
Raw materials, supplies and other inventories	97.2	101.7
Work in progress	52.2	49.5
Finished goods	130.7	129.7
Merchandise	26.7	23.9
Prepayments to suppliers	0.1	0.1
Total inventories	**306.9**	**304.9**

As at 31 December 2019, inventories included allowances for slow-moving and obsolete items of MCHF 48.8 (PY: MCHF 46.2).

9. PROPERTY, PLANT AND EQUIPMENT

The following statement of changes in assets includes the Group's own as well as leased property, plant and equipment:

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr./advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2019					
Cost at beginning of year	2,260.3	639.5	1,414.1	65.6	141.1
Adoption IFRS 16	86.7	76.2	10.4	0.1	
Additions	153.9	11.9	53.1	8.5	80.4
Disposals	-62.1	-6.3	-49.9	-5.9	
Transfers	-1.3	43.3	51.0	2.4	-98.0
Translation differences	-57.0	-16.0	-35.9	-2.7	-2.4
Cost at end of year	**2,380.5**	**748.6**	**1,442.8**	**68.0**	**121.1**
Accumulated depreciation at beginning of year	1,431.4	339.4	1,050.2	41.8	0.0
Depreciation	127.4	32.4	86.0	9.0	
Disposals	-60.9	-5.7	-49.3	-5.9	
Transfers	-1.3	-3.7	2.4		
Translation differences	-36.1	-7.1	-26.9	-2.1	
Accumulated depreciation at end of year	**1,460.5**	**355.3**	**1,062.4**	**42.8**	**0.0**
Carrying amounts at end of year	**920.0**	**393.3**	**380.4**	**25.2**	**121.1**
2018					
Cost at beginning of year	2,267.0	656.2	1,445.2	65.4	100.2
Additions	151.4	11.2	39.6	8.6	92.0
Disposals	-88.7	-19.0	-63.2	-6.5	
Transfers	2.0	9.6	37.8	1.7	-47.1
Translation differences	-71.4	-18.5	-45.3	-3.6	-4.0
Cost at end of year	**2,260.3**	**639.5**	**1,414.1**	**65.6**	**141.1**
Accumulated depreciation at beginning of year	1,454.2	345.0	1,067.0	42.2	0.0
Depreciation	105.0	16.5	79.7	8.8	
Disposals	-82.5	-13.9	-62.1	-6.5	
Translation differences	-45.3	-8.2	-34.4	-2.7	
Accumulated depreciation at end of year	**1,431.4**	**339.4**	**1,050.2**	**41.8**	**0.0**
Carrying amounts at end of year	**828.9**	**300.1**	**363.9**	**23.8**	**141.1**

As at 31 December 2019, there were no qualified assets for which borrowing costs were capitalised during the production phase. As at 31 December 2019, the Group had entered into firm commitments for capital expenditures of MCHF 11.6 (PY: MCHF 14.5).

The following table breaks down the carrying amount of property, plant and equipment by items that are owned by the Group and items that are leased:

	2019	2018
	MCHF	MCHF
Property, plant and equipment owned	851.8	828.9
Right-of-use of property, plant and equipment	68.2	0.0
Carrying amounts at end of year	**920.0**	**828.9**

RIGHT-OF-USE OF PROPERTY, PLANT AND EQUIPMENT

	Total	Land and buildings	Machinery and equipment	Office equipment
	MCHF	MCHF	MCHF	MCHF
2019				
Initial recognition IFRS 16	74.8	67.8	6.9	0.1
Additions	11.9	8.4	3.5	0.0
Depreciation	-17.2	-13.7	-3.4	-0.1
Translation differences	-1.3	-1.2	-0.1	0.0
Carrying amounts at end of year	**68.2**	**61.3**	**6.9**	**0.0**

10. OTHER NON-CURRENT ASSETS AND NON-CURRENT FINANCIAL ASSETS

	2019	2018
	MCHF	MCHF
Reinsurance policies for pension obligations (see → **Note 16**)	25.1	23.8
Assets from defined benefit plans (see → **Note 16**)	0.8	1.7
Deposits	3.9	2.7
Capitalised financing costs	0.7	0.9
Other	7.7	8.3
Total other non-current assets and non-current financial assets	**38.2**	**37.4**

As at 31 December 2019 and 2018, the position "Other" mainly includes long-term receivables in connection with the sale of the Varicor Group which was executed in 2017.

11. GOODWILL AND INTANGIBLE ASSETS

	Total	Goodwill	Patents and technology	Trademarks	Other intangible assets[1]
	MCHF	MCHF	MCHF	MCHF	MCHF
2019					
Cost at beginning of year	2,285.6	1,517.1	266.5	379.4	122.6
Additions	13.0				13.0
Disposals	-182.7		-182.3		-0.4
Transfers	2.1				2.1
Translation differences	-52.9	-48.5		-3.8	-0.6
Cost at end of year	**2,065.1**	**1,468.6**	**84.2**	**375.6**	**136.7**
Accumulated amortisation at beginning of year	633.9	217.7	266.4	69.9	79.9
Amortisation	19.9			8.0	11.9
Disposals	-182.6		-182.3		-0.3
Transfer	2.1				2.1
Translation differences	-4.9	-4.4			-0.5
Accumulated amortisation at end of year	**468.4**	**213.3**	**84.1**	**77.9**	**93.1**
Carrying amounts at end of year	**1,596.7**	**1,255.3**	**0.1**	**297.7**	**43.6**
2018					
Cost at beginning of year	2,341.9	1,568.3	271.8	385.4	116.4
Additions	11.0				11.0
Disposals	-4.3				-4.3
Transfers	0.4				0.4
Translation differences	-63.4	-51.2	-5.3	-6.0	-0.9
Cost at end of year	**2,285.6**	**1,517.1**	**266.5**	**379.4**	**122.6**
Accumulated amortisation at beginning of year	593.0	222.2	234.8	61.8	74.2
Amortisation	55.2		36.5	8.1	10.6
Disposals	-4.2				-4.2
Translation differences	-10.1	-4.5	-4.9		-0.7
Accumulated amortisation at end of year	**633.9**	**217.7**	**266.4**	**69.9**	**79.9**
Carrying amounts at end of year	**1,651.7**	**1,299.4**	**0.1**	**309.5**	**42.7**

[1] Other intangible assets: mainly software and capitalised product development costs (see → **Note 27**)

Goodwill and intangible assets from acquisitions with an indefinite useful life are tested for impairment on an annual basis. No impairment arose on 31 December 2019. The following table lists the carrying amounts and parameters of the items that are material for the Group.

	Carrying amount	Carrying amount	Calculation of recoverable amount (PY numbers in brackets)			
	31.12.2019	31.12.2018	Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pretax	Discount rate posttax
	MCHF	MCHF		%	%	%
Goodwill	1,255.3	1,299.4	U	2.0 (2.8)	6.2 (6.3)	5.4 (5.6)
Geberit trademark	84.6	84.6	U	2.0 (2.8)	6.1 (6.2)	5.4 (5.6)
Various other trademarks	213.1	224.9	U	1.9 - 2.0 (2.8)	5.6 -6.4 (5.9 - 6.9)	5.5 - 6.2 (5.8 - 6.7)

GOODWILL
The discounted cashflow method is applied to test the goodwill for impairment. The Group bases the impairment test on the results from the current business plan (for a four-year period) and the assumptions in this plan regarding price, market and market share developments. Growth rates after the end of the planning period are based on Euroconstruct forecasts and the Group's own assumptions drawn from past experience regarding price and market share trends. A discount rate based on the Group's weighted cost of capital is used to calculate the discounted future cashflows. Management regards the discount rate, growth rates and development of the operating margin as the key factors in calculating the recoverable amount.

TRADEMARKS
The item "Various other trademarks" includes the trademarks Ifö, Keramag, Kolo, IDO, Twyford, Allia and Sphinx.

The relief from royalty method is used to test the trademarks with an indefinite useful life (Ifö, Kolo, IDO and Twyford) for impairment. Impairment is tested against the Group's estimated net sales attributable to the trademarks according to the current business plan (four-year period). Growth rates after the end of the planning period are based on Euroconstruct forecasts and the Group's own assumptions drawn from past experience regarding price and market share trends. Discounted future cashflows are calculated using discount rates based on the Group's weighted cost of capital taking into account country- and currency-specific risks.

On 7 March 2018, the Board of Directors approved the new brand strategy. This strategy foresees that some of the Bath & Shower Systems brands will be gradually integrated into the Geberit brand in the respective markets. Consequently, the affected brands (Keramag, Allia and Sphinx) now have a definite useful life causing total annual amortisation of around MCHF 8.0 over their remaining useful life.

SENSITIVITY ANALYSIS
The sensitivity analysis shows that changes to the key assumptions (discount rate +1.0 percentage points or growth rate -1.0 percentage points) that are realistically possible from today's perspective would not result in any need to impair the goodwill. In terms of trademarks, this would lead to an impairment loss of around MCHF 4.0.

12. SHORT-TERM DEBT

	2019 MCHF	2018 MCHF
Other short-term debt	5.0	4.6
Short-term portion of long-term lease liabilities (see → **Note 26**)	21.2	0.0
Short-term portion of long-term debt (excl. leases)	0.0	149.7
Total short-term debt	**26.2**	**154.3**

SHORT-TERM CREDIT LINES
The Group maintained credit lines of MCHF 90.7 (PY: MCHF 41.3) from various lenders, which can be cancelled at short notice. The use of these credit lines is always short-term in nature and, accordingly, any amounts drawn are included in short-term debt. As at 31 December 2019 and 2018, the Group did not have any outstanding drawings on the above-mentioned credit lines.

OTHER SHORT-TERM DEBT
As at 31 December 2019, the Group had MCHF 5.0 in other short-term debt (PY: MCHF 4.6). This debt incurred an effective interest rate of 5.5% (PY: 5.4%).

CURRENCY MIX
Of the total short-term debt outstanding as at 31 December 2019, MCHF 11.0 was denominated in EUR (PY: MCHF 4.6) and MCHF 8.8 in CHF (PY: MCHF 149.7).

13. OTHER CURRENT LIABILITIES AND PROVISIONS

	2019 MCHF	2018 MCHF
Compensation-related liabilities	98.2	83.5
Customer-related liabilities	125.4	121.7
Value added tax payables	34.7	31.2
Short-term derivative financial instruments (see → **Note 15**)	0.1	0.0
Short-term interest payables	2.8	2.5
Other current liabilities	43.9	42.8
Total other current liabilities	**305.1**	**281.7**

The outstanding customer bonuses are offset against the outstanding trade accounts receivable (→ **Note 6**). If the balance of outstanding trade receivables as at 31 December is smaller than the outstanding customer bonuses, these are reported under "Customer-related liabilities". The position "Other current liabilities" mainly included accruals for services and deliveries not invoiced.

	2019 MCHF	2018 MCHF
Other current provisions	7.6	5.8
Provisions for restructuring	4.7	20.6
Total current provisions	**12.3**	**26.4**

The movements of other current provisions for 2019 and 2018 are shown in the following table:

	2019 MCHF	2018 MCHF
Other current provisions		
1 January	**5.8**	**16.4**
Additions	5.2	3.9
Transfers	0.0	0.0
Used	-3.1	-3.6
Reversed	-0.2	-10.2
Translation differences	-0.1	-0.7
31 December	**7.6**	**5.8**

The movements of provisions for restructuring for 2019 and 2018 are shown in the following table:

	2019 MCHF	2018 MCHF
Provisions for restructuring		
1 January	**20.6**	**36.3**
Additions	0.4	0.4
Transfers	1.0	6.0
Used	-13.9	-17.4
Reversed	-3.1	-3.7
Translation differences	-0.3	-1.0
31 December	**4.7**	**20.6**

In 2017, ceramic production at the plant in Digoin (F) was discontinued and the plant in La Villeneuve-au-Chêne (F) was completely closed. As at 30 June 2017, a restructuring provision was recognised to cover the cost of these measures (MCHF 44.0). The cashout ("Used") from this provision in 2017 amounted to MCHF 12.5, in 2018 to MCHF 15.7 and in 2019 to MCHF 10.6 (see also → **Note 19**).

14. LONG-TERM DEBT

	2019 MCHF	2018 MCHF
Bonds	750.7	663.5
Credit facility	0.0	157.6
Lease liabilities (see → **Note 26**)	69.2	0.0
Other long-term debt	12.0	11.7
Total long-term debt before reclassification	**831.9**	**832.8**
Short-term portion of long-term debt	-21.2	-149.7
Total long-term debt	**810.7**	**683.1**

BONDS
A bond of MCHF 150 became due in April 2019. To refinance this, two new bonds of MCHF 125 each were issued in April 2019.

As at the end of 2019, the four outstanding bonds are as follows: a bond for MCHF 150 (fair value as at 31 December 2019: MCHF 153.0) with a term of eight years and a coupon of 0.3% due 2023, a bond for MCHF 125 (fair value as at 31 December 2019: MCHF 128.2) with a term of 5.5 years and a coupon of 0.1% due 2024, a bond for MCHF 125 (fair value as at 31 December 2019: MCHF 131.6) with a term of 9.5 years and a coupon of 0.6% due 2028, and a bond for MEUR 325 (fair value as at 31 December 2019: MEUR 327.6) with a term of six years and a coupon of 0.688% due 2021.

REVOLVING CREDIT FACILITY
A firmly committed credit line of MCHF 500 has been available to the Group since November 2017. The credit line has a term of five years (due in 2022) as well as two renewal options of one additional year each. The interest rate is variable and based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. The credit facility had not been drawn down by the end of 2019. A commitment fee – recorded as financial expenses – was charged in respect of the undrawn portion.

The MEUR 325 bond and the MCHF 500 credit facility are secured by guarantees from Geberit AG. The credit facility contains conditions typical for syndicated financing.

OTHER LONG-TERM DEBT
As at 31 December 2019, the Group had MCHF 12.0 of other long-term debt (PY: MCHF 11.7). This debt incurred an effective interest rate of 6.0% (PY: 6.0%).

CURRENCY MIX
Of the total long-term debt outstanding as at 31 December 2019, MCHF 397.2 was denominated in EUR (PY: MCHF 533.4) and MCHF 400.5 in CHF (PY: MCHF 149.7).

15. FINANCIAL INSTRUMENTS

DERIVATIVE FINANCIAL INSTRUMENTS
Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments in accordance with the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in → **Note 3** and → **Note 4**. As at 31 December 2019 and 2018, the following derivative financial instruments were outstanding:

FORWARD FOREIGN EXCHANGE CONTRACTS

	Contract values									Fair value 31.12.	Calculation method
2019	MCZK	MEUR	MDKK	MPLN	MNOK	MGBP	MHUF	MRON	MUSD	MCHF	
Foreign exchange contracts	-12.0	-102.5	-42.0	-68.0	-54.5	-0.7	-100.0	-2.0	-3.3	1.0	Mark-to-Market

2018	MCZK	MEUR	MDKK	MPLN	MNOK	MGBP	MHUF	MRON	MUSD	MCHF	
Foreign exchange contracts	-10.0	-78.0	-7.0	-60.0	-5.0	0.0	0.0	0.0	0.0	0.4	Mark-to-Market

The change in fair value of the instruments is booked in financial result, net.

HEDGE ACCOUNTING
No hedge accounting was applied in 2019 or 2018.

MEASUREMENT OF FINANCIAL INSTRUMENTS BY CATEGORIES IN ACCORDANCE WITH IFRS 9

Based on the relevant balance sheet item of financial instruments, the following table shows an allocation of the balance sheet items to the classification by categories in accordance with IFRS 9. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value in accordance with IFRS 13. Level 1 contains all financial instruments with quoted prices in active markets. Level 2 contains all financial instruments with inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 contains all financial instruments with inputs for determining the assets and liabilities that are not based on observable market data.

	Carrying amount as at 31.12.2019	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	408.1	408.1	0.0	
Marketable securities and other short-term investments	20.0	20.0	0.0	
Trade accounts receivable	193.4	193.4	0.0	
Other current assets (see → **Note 7**)	116.1	116.1	0.0	
Other non-current assets	11.2	11.0	0.2	Level 2
Derivative financial instruments (see → **Note 7**)	1.1	0.0	1.1	Level 2
Total	**749.9**	**748.6**	**1.3**	

	Carrying amount as at 31.12.2019	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	26.2	26.2	0.0	
Trade accounts payable	97.2	97.2	0.0	
Bonds	750.7	750.7	0.0	
Credit facility	0.0	0.0	0.0	
Long-term lease liabilities	48.0	48.0	0.0	
Other long-term debt	12.0	12.0	0.0	
Derivative financial instruments	0.1	0.0	0.1	Level 2
Total	**934.2**	**934.1**	**0.1**	

	Carrying amount as at 31.12.2018	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	282.2	282.2	0.0	
Trade accounts receivable	197.5	197.5	0.0	
Other current assets (see → **Note 7**)	106.9	106.9	0.0	
Other non-current assets	10.5	10.3	0.2	Level 2
Derivative financial instruments (see → **Note 7**)	0.4	0.0	0.4	Level 2
Total	**597.5**	**596.9**	**0.6**	

	Carrying amount as at 31.12.2018	Financial liabilities at amortised cost	Financial liabilities at fair value through profit and loss	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt (CHF bond: MCHF 149.7)	154.3	154.3	0.0	
Trade accounts payable	94.8	94.8	0.0	
Bonds	513.8	513.8	0.0	
Credit facility	157.6	157.6	0.0	
Other long-term debt	11.7	11.7	0.0	
Derivative financial instruments	0.0	0.0	0.0	Level 2
Total	**932.2**	**932.2**	**0.0**	

FAIR VALUE MEASUREMENT HIERARCHY:
Level 1: quoted prices in active markets for identical assets
Level 2: observable prices, either directly or indirectly
Level 3: input factors that are not based on observable market data

MATURITY ANALYSIS OF FINANCIAL INSTRUMENTS
The following table shows the carrying amount of all contractually defined future (not discounted) interest and amortisation payments of derivative and non-derivative financial instruments as at the balance sheet date:

	Carrying amount	Maturity				
	31.12.2019	2020	2021	2022	2023	2024 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	26.2	26.9	0.0	0.0	0.0	0.0
Trade accounts payable	97.2	97.2	0.0	0.0	0.0	0.0
Bonds	750.7	3.7	356.3	1.3	151.3	253.8
Credit facility	0.0	0.0	0.0	0.0	0.0	0.0
Long-term lease liabilities	48.0	1.8	11.4	9.0	6.4	30.3
Other long-term debt	12.0	0.7	4.7	3.6	2.6	2.6
Total non-derivative financial liabilities	**934.1**	**130.3**	**372.4**	**13.9**	**160.3**	**286.7**
Derivative financial assets/liabilities, net	-1.0	146.0	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-1.0**	**146.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**933.1**	**276.3**	**372.4**	**13.9**	**160.3**	**286.7**

	Carrying amount	Maturity				
	31.12.2018	2019	2020	2021	2022	2023 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt (incl. CHF bond)	154.3	154.9	0.0	0.0	0.0	0.0
Trade accounts payable	94.8	94.8	0.0	0.0	0.0	0.0
Bonds	513.8	3.0	3.0	368.7	0.5	150.5
Credit facility	157.6	0.1	158.0	0.0	0.0	0.0
Other long-term debt	11.7	0.7	3.8	3.5	2.8	3.3
Total non-derivative financial liabilities	**932.2**	**253.5**	**164.8**	**372.2**	**3.3**	**153.8**
Derivative financial assets/liabilities, net	-0.4	105.6	0.0	0.0	0.0	0.0
Total derivative financial instruments	**-0.4**	**105.6**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**931.8**	**359.1**	**164.8**	**372.2**	**3.3**	**153.8**

ADDITIONAL INFORMATION TO THE CASHFLOW STATEMENT

The following table shows the reconciliation of the items for which cashflows were or in future will be generated and that are reported as net cash from financing activities in the consolidated statements of cashflows:

	2019		Non-cash movements		2018
	Total	Cashflows	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt (excl. leases)	762.7	89.4	-15.2	5.4	683.1
Short-term debt (excl. leases)	5.0	-150.3	-0.1	1.1	154.3
Lease liabilities (incl. payables and prepayments)	69.4	-16.2	-1.1	86.7	0.0
Interest liabilities	2.8	-7.8	-0.1	8.2	2.5
Total	**839.9**	**-84.9**	**-16.5**	**101.4**	**839.9**

In 2019, the position "Others" of lease liabilities contained the non-cash addition of new lease contracts due to the application of IFRS 16.

	2018		Non-cash movements		2017
	Total	Cashflows	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt	683.1	-44.8	-20.9	-141.9	890.7
Short-term debt	154.3	-0.5	-0.2	150.5	4.5
Interest liabilities	2.5	-6.0	-0.1	4.8	3.8
Total	**839.9**	**-51.3**	**-21.2**	**13.4**	**899.0**

In 2018, the position "Others" mainly contained the transfer of pension liabilities to long-term debt, the reclassification of long-term debt (due within the next twelve months) to short-term debt and the interest and financing costs booked according to the effective interest rate method to "financial result, net".

16. RETIREMENT BENEFIT PLANS

The Group manages defined benefit plans for its employees in various countries. The most relevant defined benefit plans exist in Switzerland and in Germany and account together for 92% (PY: 92%) of the total benefit obligations.

The following table provides an overview of the current status of the benefit obligations, plan assets and reimbursement rights of reinsurance policies.

	2019 MCHF	2018 MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	633.8	578.2
Plan assets at fair value	609.1	563.6
Funded status	**-24.7**	**-14.6**
Germany		
Benefit obligation (for unfunded retirement benefit plans)	269.9	241.9
Plan assets at fair value	0.0	0.0
Funded status	**-269.9**	**-241.9**
Reimbursement rights	17.4	16.3
Other plans		
Benefit obligation (for funded retirement benefit plans)	43.0	37.8
Benefit obligation (for unfunded retirement benefit plans)	35.6	34.0
Plan assets at fair value	42.7	38.5
Funded status	**-35.9**	**-33.3**
Reimbursement rights	7.7	7.5
Total		
Benefit obligation (for all retirement benefit plans)	982.3	891.9
Plan assets at fair value	651.8	602.1
Funded status	**-330.5**	**-289.8**
Reimbursement rights	25.1	23.8

SWISS RETIREMENT BENEFIT PLANS

The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) governs occupational benefits in Switzerland. An employer with employees who must be insured is obliged to set up an independent pension fund entered in the register for occupational pension providers or affiliate with such a pension fund. The "Gemeinschaftsstiftung" of the Geberit Group is a foundation legally independent from the Geberit Group that insures all Geberit employees in Switzerland for compulsory and non-compulsory benefits. The Board of Trustees manages the Foundation and consists of employer and employee representatives in a parity ratio. The tasks of the Board of Trustees are set out in the BVG and the regulations based on the BVG adopted by the Board of Trustees.

The benefits provided by the pension plan exceed the minimum prescribed by law. They are funded by the employer and employee contributions, plus the interest paid on the savings assets of the insured party at an interest rate defined annually by the Board of Trustees in accordance with the legal provisions. If an insured party leaves the Geberit Group and/or the pension plan before reaching retirement age, the vested benefits accrued under the BVG are transferred to the new pension fund of the insured party. In addition to the funds brought into the pension plan by the insured party, these vested benefits consist of the employer and employee contributions, plus a supplement prescribed by law. The pension benefits comprise lifelong retirement pensions, disability benefits and death benefits for the surviving dependents. On retirement, a maximum of 50% of the retirement assets can be withdrawn in the form of a lump sum. The employer and employees pay an equal contribution to the pension fund, which is settled monthly. The contribution amount is determined by the employee's age and is calculated as a percentage of the pensionable salary.

If the pension fund is underfunded in accordance with the BVG, the Board of Trustees is obliged by law to initiate measures to rectify the situation, such as reducing the interest paid on retirement assets, reducing the benefit entitlement, or collecting remedial contributions. Legally accrued benefits may not be reduced. With remedial contributions, the risk is shared between the employer and employees and the employer is not legally obliged to pay more than 50% of the additional contributions. The technical funding ratio of this Foundation in accordance with the BVG was 116.2% as at 31 December 2019 (PY: 111.3%).

If a pension fund is overfunded as defined in IAS 19, the surplus funds are available to the company only to a very limited extent. The economic benefit for Geberit lies in future reductions in contributions and is calculated in accordance with IFRIC 14.

The Board of Trustees is responsible for deciding on a strategy for investment of the plan assets. The objective is to achieve medium-term and long-term congruence and sustainability between the plan assets and the pension obligations under the BVG. Taking into account the foundation's risk capacity, the investment strategy is defined as a targeted long-term investment structure.

The funded plans also include the "Wohlfahrtsfonds" of the Geberit Group, which provides non-compulsory benefits only. This fund for managerial employees supplements the insurance cover granted by the "Gemeinschaftsstiftung". This fund is being replaced by a 1e pension plan and reclassified as a defined-contribution plan as at 1 January 2020. This new plan will allow beneficiaries to participate directly in the performance of the investment. The 1e assets can be drawn in a lump sum upon retirement.

GERMAN RETIREMENT BENEFIT PLANS
In Germany, there are capital account plans and annuity plans. The annuity plans are closed-end funds.

Capital account plans
The benefit plans and guidelines for payout are agreed in labour-management contracts. The employer can change the conditions by applying provisos. There can be special commitments based on the labour-management contracts or individual agreements, sometimes with annuity options. There is no minimum financing obligation.

Every year, a pension contribution is determined as a percentage of the pensionable salary or the employees can choose an amount of deferred compensation with or without employer contributions. This then serves as the age-dependent component on which a pension is accrued. The pension components accrued during the years of active service, including any resulting promises of fixed bonus payments and the initial credit from the transitional arrangement, are paid out in the form of a one-off lump sum or in instalments. Annuitisation is possible with the consent of the employer. The pension is not dependent on the employee's final salary.

The employer manages the retirement accounts, informs the employees of the balance of their retirement assets, manages the claims and makes payments, sometimes involving the services of external service providers. When paying a lifelong pension, the employer must monitor the statutory and contractual obligations to adjust the pension and makes adjustments when necessary.

If a lump-sum benefit is annuitised, the lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. Thanks to the contractual adjustment rules applying to annuitisation, the statutory obligation to make (and review) adjustments is not currently seen to harbour any inflation risk.

The deferred compensation with/without employer contributions and possible demographic contributions retained by the employer are paid into reinsurance policies where the employer is the beneficiary. This partly covers the pension obligations.

Annuity plans
Annuity plans are governed by labour-management contracts or individual employment contracts. § 16 of the Company Pensions Act imposes an obligation on the employer to review the adjustment of pension payments. The extent of the adjustment requirement is usually determined by the consumer price index. Some individual employment contracts impose a contractual adjustment obligation. There is no minimum financing obligation.

These are closed-end funds. Pension commitments as prescribed by the Essener Verband (Essen Association) have been made to some active employees. Fixed euro entitlements are maintained for departing employees with vested rights. Annuities are paid out to the beneficiaries in the form of lifelong monthly pension payments that include survivors' benefit entitlements.

The employer manages entitlements and claims and makes payments, sometimes involving the services of external service providers. It monitors the statutory and contractual obligations to adjust the pension and makes adjustments when necessary.

The lifelong payment of the pension and possible subsequent widow's or widower's pension can trigger a longevity risk. The statutory obligation to make (and review) adjustments can also harbour an inflation risk.

In respect of Geberit Keramik GmbH, Ratingen, a benefit obligation arose from certain pension commitments made and there is also a benefit obligation with reinsurance assets.

The net periodic pension costs of all defined benefit plans of the Group were as follows:

	2019 MCHF	2018 MCHF
Current service cost	35.9	38.1
Past service cost	-3.6	-3.6
(Gain) / loss on settlement	-3.2	0.0
Contributions of employees	-11.0	-10.0
Net interest cost for retirement benefit plans	4.0	3.7
Net periodic pension cost	**22.1**	**28.2**

The current service cost for the Swiss retirement benefit plans was MCHF 23.1 in 2019 (PY: MCHF 25.0) and for the German retirement benefit plans MCHF 11.4 (PY: MCHF 11.9). The past service cost for the Swiss retirement benefit plan (Gemeinschaftsstiftung) was MCHF -3.6 which is a technical effect related to plan changes according to IAS 19. The future pension benefits of the active members were reduced due to the steadily increasing life expectancy and low interest rates environment. The position "(Gain) / loss on settlement" mainly includes a non-recurring positive effect of MCHF -2.2 for the replacement of the Wohlfahrtsfonds with the 1e pension. The net interest cost for the Swiss retirement benefit plans was MCHF 0.0 in 2019 (PY: MCHF 0.1) and for the German retirement benefit plans MCHF 3.7 (PY: MCHF 3.3).

The following table shows the remeasurements for the defined benefit plans in other comprehensive income in the Consolidated Statements of Comprehensive Income:

	2019 MCHF	2018 MCHF
Actuarial gains (-) / losses:	110.6	-35.9
- of which from changes in demographic assumptions	0.0	0.3
- of which from changes in financial assumptions	110.1	-36.0
- of which from experience adjustments	0.5	-0.2
Return on plan assets (excluding interest based on discount rate)	-61.0	18.4
Return on reimbursement rights (excluding interest based on discount rate)	0.0	-0.2
Asset ceiling adjustment	0.0	0.0
Total pre-tax remeasurements recognised in other comprehensive income	**49.6**	**-17.7**

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2019 for the Swiss retirement benefit plans amounted to MCHF 14.4 (PY: MCHF -11.6) and for the German retirement benefit plans to MCHF 30.0 (PY: MCHF -6.5).

The following tables show the changes in benefit obligations, plan assets and reimbursement rights from 1 January to 31 December:

	2019 MCHF	2018 MCHF
Benefit obligation		
At beginning of year	891.9	926.1
Current service cost	35.9	38.1
Past service cost	-3.6	-3.6
(Gain) / loss on settlement	-27.6	0.0
Interest cost	10.4	8.9
Actuarial gains (-) / losses	110.6	-35.9
New plans / plan adjustments	-0.1	0.0
Benefits paid	-25.1	-28.0
Translation differences	-10.1	-13.7
Benefit obligation at end of year	**982.3**	**891.9**

	2019 MCHF	2018 MCHF
Plan assets at fair value		
At beginning of year	602.1	617.8
Interest income (based on discount rate)	5.7	4.6
Return on plan assets (excluding interest based on discount rate)	61.0	-18.4
Contributions of employees	10.4	9.3
Contributions of employers	10.8	9.7
(Gain) / loss on settlement	-24.4	0.0
Benefits paid	-14.6	-18.6
Translation differences	0.8	-2.3
Plan assets at fair value at end of year	**651.8**	**602.1**
Funded status at end of year	**-330.5**	**-289.8**
Asset ceiling adjustment	0.0	0.0
Assets from defined benefit plans (→ **Note 10**)	-0.8	-1.7
Net funded status at end of year	**-331.3**	**-291.5**

	2019 MCHF	2018 MCHF
Fair value of reimbursement rights		
At beginning of year	23.8	22.3
Interest income (based on discount rate)	0.7	0.6
Return on reimbursement rights (excluding interest based on discount rate)	0.0	0.2
Contributions of employers	1.3	1.4
Contributions of employees	0.6	0.7
Benefits paid	-0.4	-0.9
Translation differences	-0.9	-0.5
Fair value of reimbursement rights at end of year	**25.1**	**23.8**

As at 31 December 2019, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 17.4 (PY: MCHF 16.3).

The following table provides an analysis of the fair value and composition of the plan assets.

	2019			2018		
	Listed on an active market MCHF	Other MCHF	Total MCHF	Listed on an active market MCHF	Other MCHF	Total MCHF
Equity instruments	222.7	16.0	238.7	198.1	17.0	215.1
Bonds and other debt instruments	119.3	46.6	165.9	110.4	43.6	154.0
Real estate property	46.0	133.3	179.3	47.9	130.2	178.1
Cash and cash equivalents	64.1	0.0	64.1	46.1	0.0	46.1
Other	3.4	0.4	3.8	2.7	6.1	8.8
Total	**455.5**	**196.3**	**651.8**	**405.2**	**196.9**	**602.1**

The plan asset of the Swiss retirement benefit plans was MCHF 609.1 as at 31 December 2019 and the effective income on the plan assets was +10.7% in 2019 and -2.05% in 2018. As at the end of 2019, the plan assets included MCHF 7.2 (PY: MCHF 6.1) in equity instruments of Geberit AG and MCHF 5.8 (PY: MCHF 6.0) in real estate used by the Group.

The following table provides an analysis of the benefit obligations of the Swiss and German retirement benefit plans:

	2019				2018			
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,303		544	1,847	1,299		528	1,827
German retirement benefit plans	5,220	766	330	6,316	5,155	675	341	6,171
Total plan members	**6,523**	**766**	**874**	**8,163**	**6,454**	**675**	**869**	**7,998**
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	369.5		264.3	633.8	345.8		232.4	578.2
German retirement benefit plans	198.0	33.7	38.2	269.9	178.3	26.0	37.6	241.9
Total benefit obligation	**567.5**	**33.7**	**302.5**	**903.7**	**524.1**	**26.0**	**270.0**	**820.1**
Share in %	62.8	3.7	33.5	100.0	63.9	3.2	32.9	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 17 years (PY: approx. 17 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 10.0 are expected for the Swiss retirement benefit plans in 2020. In Switzerland, an employer contribution reserve of MCHF 19.5 may be used for future contribution payments.

The calculation of the benefit obligations for the material retirement benefit plans was based on the following assumptions (in %):

	2019		2018	
	CH	DE	CH	DE
Discount rate	0.2	0.7	0.8	1.7
Salary increase rate	1.2	2 - 2.5	1.2	2 - 2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2015 generations table	Heubeck 2018G	BVG 2015 generations table	Heubeck 2018G

The trend for sickness cost does not affect benefit obligations in Switzerland or Germany.

The following sensitivity analysis shows how the present value of the benefit obligation for the material retirement benefit plans (CH and DE) would change if a single reporting date assumption was changed. Every assumption change was analysed separately. Interdependencies were not taken into account.

	Swiss retirement benefit plans: increase (+)/reduction (-) in present value of benefit obligation	German retirement benefit plans: increase (+)/reduction (-) in present value of benefit obligation
Discount rate		
Increased by 50 basis points	-7.8%	-5.7%
Reduced by 50 basis points	+9.0%	+6.4%
Salaries		
Increased by 25 basis points	+0.4%	+0.0%
Reduced by 25 basis points	-0.4%	-0.0%

In addition, the Group's consolidated income statement for 2019 included expenses for defined contribution plans of MCHF 9.2 (PY: MCHF 8.0).

17. PARTICIPATION PLANS

SHARE PLANS

In 2019, employees were able to purchase a defined number of shares at a discount of 35% (PY: 35%) compared to the market price ("Employee share purchase plan"). Geberit management was entitled to draw the previous year's variable remuneration partly or entirely in shares valued at market price ("Management share purchase plan"). For each of these shares, management participants received 1.5 options (see part 2: "Option plans"). The members of the Board of Directors received a significant part of their compensation for 2018 in shares of Geberit AG (measured at current market value). All share plans are subject to blocking periods valid beyond the period of employment.

The share plans introduced in 2019 are summarised below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan (ESPP)	2021	2,424	18,903	264.40
Management share purchase plan (MSPP)	2022	99	10,278	406.75
Board of Directors compensation	2023	6	3,398	406.75
Total			**32,579**	

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

As at 31 December 2019, the Board of Directors, the Group Executive Board and the employees owned a combined total of 372,600 (PY: 386,381) shares, i.e. 1.0% (PY: 1.0%) of the share capital of Geberit AG under these plans.

OPTION PLANS

The management has the opportunity to invest part or all of their variable remuneration in shares of Geberit AG through the management share purchase plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable remuneration to be invested in shares. In order to encourage management to participate in the programme, 1.5 free options are provided for each share purchased through the programme. These options are subject to a vesting period of three years.

In connection with an additional option plan (MSOP), the members of the Group Executive Board and managing directors are entitled to additional options. The options are subject to a vesting period of three years.

The exercise price of the options corresponds to the fair market value of the Geberit shares at the time of granting. The options have a term of nine years (MSPP & MSOP). They can be exercised between the vesting date and the maturity date. The vesting of share options is subject to the achievement of a performance criterion – the average Return on Invested Capital (ROIC) – over the respective vesting period.

The following numbers of options out of the 2019 grant are expected to be allocated with final effect at the end of the vesting period[1]:

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

The fair value of the options granted in 2019 as at March 2019 amounted on average to CHF 39.39 (PY: CHF 36.61) for MSPP and CHF 39.39 (PY: CHF 39.29) for MSOP at the respective granting date. The fair value was determined using the binomial model for "American Style Call Options".

The calculation model was based on the following parameters:

	Exercise price[2]	Expected Ø volatility	Expected Ø dividend yield	Contractual period	Riskfree Ø interest rate
	CHF	%	%	Years	%
Management share purchase plan (MSPP)	406.75	16.51	2.55	9	-0.27
Option plan (MSOP)	406.75	16.51	2.55	9	-0.27

[1] The number of options expected to be allocated with final effect at the end of the vesting period depends on target achievement (average ROIC) and has been calculated on the basis of expected target achievement.
[2] The exercise price corresponds to the average price of Geberit shares for the period from 5. – 18.3.2019.

The following table summarises all option plans in place as at 31 December 2019[1]:

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

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

The following movements took place in 2019 and 2018[1]:

	MSOP		MSPP		Total 2019		Total 2018	
	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF	Number of options	Ø exercise price CHF
Outstanding 1 January	**461,881**	**373.39**	**46,063**	**382.21**	**507,944**	**374.19**	**473,375**	**351.52**
Granted options	114,435	406.75	10,278	406.75	124,713	406.75	116,779	432.20
Forfeited options	7,012	534.74	246	416.61	7,258	530.74	25,390	398.31
Expired options	0	0	0	0	0	0	0	0
Exercised options	85,752	324.36	11,795	331.75	97,547	325.25	56,820	293.37
Outstanding 31 December	**483,552**	**389.35**	**44,300**	**401.06**	**527,852**	**390.33**	**507,944**	**374.19**
Exercisable at 31 December	99,437	299.76	18,200	377.43	117,637	311.78	143,895	293.39

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

The 527,852 options outstanding represent 1.4% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares.

The options outstanding as at 31 December 2019 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 6.4 years (PY: 5.5 years).

Costs resulting from share plans amounted to MCHF 2.9 in 2019 (PY: MCHF 3.0); those for option plans totalled MCHF 4.7 (PY: MCHF 3.8).

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

18. DEFERRED TAX ASSETS AND LIABILITIES

	2019	Movements 2019				2018
	Total	Charged (-) / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	27.3	3.7	0.0	0.0	-1.0	24.6
Accrued pension obligations	37.4	-0.5	0.0	11.1	-1.4	28.2
Property, plant and equipment	6.2	1.0	0.0	0.0	-0.3	5.5
Short/long-term lease liabilities	8.7	8.7	0.0	0.0	0.0	0.0
Other short/long-term liabilities (excl. lease liabilities)	18.6	1.5	0.2	0.0	-0.4	17.3
Intangible assets	14.6	6.7	0.0	0.0	0.0	7.9
Other	12.0	2.1	1.8	0.0	-0.3	8.4
Total deferred tax assets	**124.8**	**23.2**	**2.0**	**11.1**	**-3.4**	**91.9**
Deferred tax liabilities						
Inventories	-3.2	0.3	0.0	0.0	0.0	-3.5
Property, plant and equipment (excl. right-of-use assets)	-26.4	0.0	0.0	0.0	0.9	-27.3
Right-of-use assets	-9.4	-9.4	0.0	0.0	0.0	0.0
Intangible assets	-30.5	-1.4	0.0	0.0	0.8	-29.9
Assets from defined benefit plans	-0.6	0.2	0.0	0.0	0.0	-0.8
Other	-11.2	-4.9	0.0	0.0	0.1	-6.4
Total deferred tax liabilities	**-81.3**	**-15.2**	**0.0**	**0.0**	**1.8**	**-67.9**

[1] Recorded in other comprehensive income

	2018	Movements 2018				2017
	Total	Charged (-) / credited to income	Through equity	Through OCI[1]	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets						
Loss carryforwards	24.6	13.3	0.0	0.0	-0.9	12.2
Accrued pension obligations	28.2	0.2	0.0	-2.9	-1.3	32.2
Property, plant and equipment	5.5	-3.2	0.0	0.0	-1.9	10.6
Short/long-term liabilities	17.3	2.5	0.0	0.0	-0.3	15.1
Intangible assets	7.9	-5.0	0.0	0.0	-0.5	13.4
Other	8.4	-2.8	-2.2	0.0	0.8	12.6
Total deferred tax assets	**91.9**	**5.0**	**-2.2**	**-2.9**	**-4.1**	**96.1**
Deferred tax liabilities						
Inventories	-3.5	0.1	0.0	0.0	0.0	-3.6
Property, plant and equipment	-27.3	-0.4	0.0	0.0	2.4	-29.3
Intangible assets	-29.9	6.3	0.0	0.0	1.3	-37.5
Assets from defined benefit plans	-0.8	-0.5	0.0	0.0	0.0	-0.3
Other	-6.4	0.7	0.0	0.0	-1.3	-5.8
Total deferred tax liabilities	**-67.9**	**6.2**	**0.0**	**0.0**	**2.4**	**-76.5**

[1] Recorded in other comprehensive income

In general, deferred tax liabilities are recorded for non-refundable withholding taxes or other taxes on unremitted earnings in Group companies if earnings are planned to be remitted. As at 31 December 2019 and 2018, there were no such earnings, except for the Chinese subsidiaries. On the unremitted earnings from China, no deferred tax liabilities were recorded, as no plan exists to remit these earnings. Such a transfer of earnings would lead to income taxes of MCHF 0.4.

The Group recognises deferred tax assets from loss carryforwards if they comply with the requirements of IAS 12. The following loss carryforwards (listed by maturity) were used for the calculation of deferred tax assets:

	2019	Without deferred tax asset	With deferred tax asset	2018	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	2.2	0.0	2.2	6.5	6.5	0.0
2 years	1.9	0.0	1.9	3.7	0.0	3.7
3 years	20.8	18.1	2.7	2.1	2.1	0.0
4 years	8.0	0.0	8.0	25.1	21.0	4.1
5 years	19.4	0.7	18.7	8.6	1.5	7.1
6 years	0.0	0.0	0.0	23.7	4.2	19.5
> 6 years	159.1	91.5	67.6	166.9	113.3	53.6
Total loss carryforwards	**211.4**	**110.3**	**101.1**	**236.6**	**148.6**	**88.0**

19. OTHER NON-CURRENT LIABILITIES AND PROVISIONS

	2019 MCHF	2018 MCHF
Accrued investment grants	1.7	2.4
Other non-current liabilities	10.1	5.9
Total other non-current liabilities	**11.8**	**8.3**
Provisions for operating risks	37.1	35.8
Other non-current provisions	7.9	8.6
Total non-current provisions	**45.0**	**44.4**
Total other non-current liabilities and provisions	**56.8**	**52.7**

Movements of the provisions for operating risks in 2019 and 2018 are shown in the following table.

	2019 MCHF	2018 MCHF
Provisions for operating risks		
1 January	**35.8**	**35.1**
Additions	8.8	27.4
Transfers	-0.2	0.0
Used	-6.1	-24.8
Reversed	-0.1	-0.5
Translation differences	-1.1	-1.4
31 December	**37.1**	**35.8**

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 4.0 years (PY: 3.7 years). In 2018, the item "Used" includes payments for a claim that is almost completely covered by insurance.

	2019 MCHF	2018 MCHF
Other non-current provisions		
1 January	**8.6**	**13.0**
Additions	1.0	2.7
Transfers	-0.1	-6.3
Used	-0.5	-0.5
Reversed	-0.8	0.0
Translation differences	-0.3	-0.3
31 December	**7.9**	**8.6**

In 2019, this position includes the non-current portion of the restructuring provision of MCHF 0.5 (PY: MCHF 2.6) for the French restructuring measures in 2017. For a detailed explanation, see → **Note 13**.

20. CONTINGENCIES

Guarantees and sureties are valued at MCHF 70.1 for 2019 (PY: MCHF 65.2). Guarantees and sureties are only recognised as a provision if an outflow of resources is likely.

The Group is involved in several legal proceedings arising from the ordinary course of business. The Group believes that none of these proceedings either individually or in the aggregate is likely to have a material impact on the Group's financial position or operating results. The Group has established insurance policies to cover product liabilities and it makes provisions for potential product warranty claims.

The Group operates in many countries, most of which have sophisticated tax regimes. The nature of its operations and ongoing significant reorganisations result in complex legal structures for the Group and its subsidiaries. The Group believes that it performs its business in accordance with the local tax laws. However, it is possible that there are areas where potential disputes with the various tax authorities could arise. The Group is not aware of any dispute that either individually or in the aggregate is likely to have a material impact on the Group's financial position or operating results.

21. CAPITAL STOCK AND TREASURY SHARES

The share capital of Geberit AG consists of 37,041,427 ordinary shares with a par value of CHF 0.10 each.

Geberit AG launched a share buyback programme on 6 June 2017. Shares in an aggregate amount of up to MCHF 450.0 will be repurchased over a maximum period of three years. The shares will be repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. By 31 December 2019, 764,551 shares had been repurchased for a total value of MCHF 323.3. This corresponds to 2.1% of the share capital currently entered in the Commercial Register.

	2019	2018
	pcs.	pcs.
Stock of treasury shares		
From share buyback programme	764,551	650,801
Other treasury shares	269,572	348,381
Total treasury shares	**1,034,123**	**999,182**

The entire stock of treasury shares on 31 December 2019 amounted to 1,034,123 (PY: 999,182) with a carrying amount of MCHF 433.4 (PY: MCHF 417.7). Treasury shares are deducted from equity at historical cost.

For transactions in connection with the participation plans, see → **Note 17**.

22. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares issued and outstanding during the year, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares.

	2019	2018
Attributable net income according to income statement (MCHF)	646.9	597.2
Weighted average number of ordinary shares (thousands)	36,008	36,408
Total earnings per share (CHF)	**17.97**	**16.40**

For diluted earnings per share, the weighted average number of ordinary shares issued is adjusted to assume conversion of all potentially dilutive ordinary shares (see → **Note 3**). The Group has considered the share options granted to the management to calculate the potentially dilutive ordinary shares.

	2019	2018
Attributable net income according to income statement (MCHF)	646.9	597.2
Weighted average number of ordinary shares (thousands)	36,008	36,408
Adjustments for share options (thousands)	71	34
Weighted average number of ordinary shares (thousands)	36,079	36,442
Total diluted earnings per share (CHF)	**17.93**	**16.39**

23. OTHER OPERATING EXPENSES, NET

	2019 MCHF	2018 MCHF
Outbound freight cost and duties	111.3	111.2
Energy and maintenance expenses	130.5	132.7
Marketing expenses	118.2	112.1
Administration expenses	75.4	73.2
Other operating expenses[1]	149.5	179.5
Other operating income	-17.9	-33.2
Total other operating expenses, net	**567.0**	**575.5**

[1] This item includes expenses for short-term leases of MCHF 5.2 and expenses for minor-value assets of MCHF 0.8 for 2019. For information regarding lease expenses 2018 see → **Note 26**.

"Other operating expenses" includes, among other items, commissions, expenses for short-term leases and leases for minor-value assets, consulting expenses as well as warranty cost. "Other operating income" includes, among other items, insurance benefits received, rental income, gains from sales of fixed assets and subsidiaries and catering revenues.

In 2018, "Other operating expenses" included the costs of a warranty claim that is almost completely covered by insurance. The corresponding insurance benefit was included in "Other operating income".

In 2019, costs of MCHF 17.5 (PY: MCHF 14.7) were capitalised as property, plant and equipment or intangible assets. This includes, in particular, tools, mould and assembly lines that are part of the production process, as well as capitalised product development cost. The amount was deducted pro-rata from "Personnel expenses", "Cost of materials" and "Other operating expenses, net".

24. FINANCIAL RESULT, NET

	2019 MCHF	2018 MCHF
Interest expenses[1]	-9.8	-10.3
Amortisation of deferred financing fees	-0.7	-1.1
Other financial expenses	-2.0	-6.3
Total financial expenses	**-12.5**	**-17.7**
Interest income and other	1.8	2.3
Total financial income	**1.8**	**2.3**
Foreign exchange loss (-)/gain	-3.1	-5.0
Total financial result, net	**-13.8**	**-20.4**

[1] This item includes interest expenses of MCHF 2.0 on lease liabilities for 2019.

"Interest expenses" mainly includes the interest for the bonds. In 2018, apart from commitment and other fees, the position "Other financial expenses" mainly included the call premium of the tender offer related to the MEUR 500 bond.

25. INCOME TAX EXPENSES

	2019 MCHF	2018 MCHF
Current taxes	103.9	101.2
Deferred taxes	-8.0	-11.2
Total income tax expenses	**95.9**	**90.0**

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 15.1% (PY: 13.9%) and the effective income tax expenses were as follows:

	2019 MCHF	2018 MCHF
Income tax expenses, at applicable rate	112.1	95.7
Operating losses with no current tax benefit	0.0	0.1
Offsetting of current profits against loss carryforwards without tax assets	-1.6	-4.8
Changes in future tax rates [1]	-3.4	0.1
Non-deductible expenses and non-taxable income, net	2.5	2.5
Other	-13.7	-3.6
Total income tax expenses	**95.9**	**90.0**

[1] This item mainly includes adjustments due to the Swiss tax reform (TRAF)

The increase in "Income tax expenses, at applicable rate" is driven by a higher profit before tax in 2019 and the change in the composition of the Group's taxable income. The tax reduction in "Other" is caused by reversal of several tax provisions, which were no longer used, and capitalised loss carryforwards.

SWISS TAX REFORM
On 19 May 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). With this vote, the new tax law in the Canton of St. Gallen also entered into force. This reform comprises the abolishment of the tax regimes for holding companies, domiciliary companies and mixed companies, which are no longer accepted internationally. Some Swiss Geberit companies are also affected by this. In return, the cantons are reducing the ordinary corporate tax rates and are introducing internationally acceptable tax benefits. The ordinary tax rate for the Group companies domiciled in the Canton of St. Gallen will be reduced from 17.4% to 14.5% as of 1 January 2020. The deferred taxes of these companies were adjusted accordingly as at 31 December 2019. The adjustment had an immaterial impact on the consolidated financial statements as of 31 December 2019.

26. LEASES

The impact of the introduction of the new standard is illustrated in the following tables:

	1.1.2019	Thereof IFRS 16	Description
	MCHF	MCHF	
Positions in the consolidated balance sheet			
Property, plant and equipment	903.7	74.8	Capitalisation of the right-of-use of property, plant and equipment
Short-term debt	168.5	14.2	Short-term portion of long-term lease liabilities
Long-term debt	743.7	60.6	Long-term lease liabilities

The weighted average interest rate applied to calculate the lease liabilities was around 3.0% as at 1 January 2019.

	1.1-31.12.2019	Impact from IFRS 16	Description
	MCHF	MCHF	
Positions in the consolidated income statement			
Depreciation	127.4	17.2	Depreciation of the right-of-use of property, plant and equipment
Other operating expenses, net	567.0	-18.4	Discontinuing operating leasing expenses
Financial expenses	12.5	2.0	Interest expenses on lease liabilities

	1.1-31.12.2019	Impact from IFRS 16	Description
	MCHF	MCHF	
Positions in the consolidated statements of cashflows			
Net cash from/used in (-) operating activities	834.0	18.4	Discontinuing operating leasing expenses
Repayments of lease liabilities	-16.2	-16.2	Payments of lease liabilities
Interest paid	-7.8	-2.0	Interest paid on lease liabilities

The following table reconciles the liabilities under operating leases as at 31 December 2018 with the lease liabilities as at 1 January 2019:

	2019
	MCHF
Lease liabilities	
Liabilities under operating leases as at 31 December 2018 (not discounted)	**100.4**
- Lease expenses under short-term leases	-16.2
- Lease expenses for minor-value assets	-1.2
+/- Adjustments due to differences in the treatment of extension and termination options	1.7
Lease liabilities as at 1 January 2019 (not discounted)	**84.7**
Discounting effect	-9.9
Lease liabilities as at 1 January 2019 (discounted)	**74.8**
of which:	
Short-term portion of long-term lease liabilities	14.2
Long-term lease liabilities	60.6
Lease liabilities as at 1 January 2019	**74.8**

27. RESEARCH AND DEVELOPMENT COST

	2019 MCHF	2018 MCHF
Research and development expenses	76.6	77.6
Capitalised development expenses	-4.3	-5.6
Amortisation of capitalised development expenses	5.0	4.1
Research and development cost	**77.3**	**76.1**

In 2019, research and development expenses totalling MCHF 76.6 (PY: MCHF 77.6) were included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net". This represents 2.5% of net sales (PY: 2.5%). For four major development projects, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 4.3 (PY: MCHF 5.6) were capitalised.

28. FREE CASHFLOW

Free cashflow is calculated as follows:

	2019 MCHF	2018 MCHF
Net cash from/used in (-) operating activities [1]	834.0	747.5
Purchase of property, plant and equipment and intangible assets, net [1]	-163.6	-153.8
Repayments of lease liabilities [1]	-16.2	0.0
Interest and other financing cost paid, net	-10.2	-12.2
Free cashflow	**644.0**	**581.5**

[1] See consolidated statements of cashflows

"Free cashflow" is no substitute for figures shown in the consolidated income statements and the consolidated statements of cashflows, but it may give an indication of the Group's capability to generate cash, to pay back debt, to finance acquisitions, to buy back shares and to pay dividends.

29. SEGMENT REPORTING

The Geberit Group consists of one single business unit, the purpose of which is to develop, produce and distribute sanitary products and systems for the residential and commercial construction industry. The major part of the products is distributed through the wholesale channel in general to plumbers, who resell the products to the end users. Products are produced by plants that specialise in particular production processes. As a general rule, one specific article is produced at only one location. Distribution is carried out by country or regional distribution subsidiaries, which sell to wholesalers. A distribution subsidiary is always responsible for the distribution of the whole range of products in its sales area. The main task of the distribution companies is local market development, which contains as a main focus the support of installers, sanitary planners, architects, wholesalers and other distributors. Research and development of the whole range of products is carried out centrally by Geberit International AG. All corporate tasks are also centralised at Geberit International AG.

Due to the unity and focus of the business, the top management (Group Executive Board) and the management structure of the Geberit Group are organised by function (Overall Management, Sales Europe, Sales International, Marketing & Brands, Operations, Product Management & Innovation, Finance). The financial management of the Group by the Board of Directors and the Group Executive Board is based on net sales by markets and product areas and on the consolidated income statements, balance sheets and statements of cashflows.

Segment reporting is therefore prepared according to IFRS 8.31 et seq. (one single reportable segment), and the valuation is made according to the same principles as the consolidated financial statements. The basis for revenue recognition is the same for all markets and product areas. The geographical allocation of net sales is based on the domicile of the customers.

The information is as follows:

	2019 MCHF	2018 MCHF
Net sales by product areas		
Installation and Flushing Systems	1,144.6	1,132.5
Piping Systems	949.1	928.3
Bathroom Systems	989.2	1,019.7
Total net sales	**3,082.9**	**3,080.5**

	2019 MCHF	2018 MCHF
Net sales by markets		
Germany	928.3	934.1
Nordic Countries	303.2	311.6
Switzerland	293.8	282.7
Eastern Europe	304.9	307.2
Benelux	261.2	252.4
Italy	210.9	216.2
France	179.6	187.1
Austria	172.8	170.6
United Kingdom/Ireland	114.2	111.6
Iberian Peninsula	24.7	24.5
Other markets	289.3	282.5
Total net sales	**3,082.9**	**3,080.5**

	2019 MCHF	2018 MCHF
Share of net sales by customers		
Customers with more than 10% of net sales: customer A	486.7	482.1
Total > 10%	**486.7**	**482.1**
Remaining customers with less than 10% of net sales	2,596.2	2,598.4
Total net sales	**3,082.9**	**3,080.5**

	2019 [1] MCHF	2018 MCHF
Property, plant and equipment by markets		
Germany	336.4	310.1
Nordic Countries	44.5	40.3
Switzerland	183.7	161.6
Eastern Europe	147.8	135.6
Benelux	14.5	6.4
Italy	62.4	58.1
France	15.5	11.2
Austria	42.4	38.9
United Kingdom/Ireland	7.9	2.3
Iberian Peninsula	13.0	13.1
Other markets	51.9	51.3
Total property, plant and equipment	**920.0**	**828.9**

[1] 2019 includes the Group's own as well as leased property, plant and equipment

30. RELATED PARTY TRANSACTIONS

In 2019 and 2018, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

	2019 MCHF	2018 MCHF
Remuneration and salary fixed	5.5	5.4
Remuneration and salary variable	3.0	1.7
Options	2.6	2.5
Expenditure on pensions	1.3	1.0
Other	0.1	0.1
Total	**12.5**	**10.7**

Further information regarding compensation and investments of the Group Executive Board and the Board of Directors is disclosed in the Remuneration Report.

In 2019 and 2018, there were no further material related party transactions.

31. FOREIGN EXCHANGE RATES

The following exchange rates were used for the consolidated financial statements:

			2019		2018	
	Currency		Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.0847	1.1142	1.1255	1.1564
United Kingdom	GBP	1	1.2690	1.2686	1.2489	1.3050
USA	USD	1	0.9677	0.9938	0.9848	0.9782
Poland	PLN	100	25.5000	25.9050	26.2000	27.1550
China	CNY	100	13.8810	14.3830	14.3110	14.8090
Denmark	DKK	100	14.5150	14.9200	15.0700	15.5090
Australia	AUD	1	0.6783	0.6909	0.6955	0.7328
Czech Republic	CZK	100	4.2600	4.3360	4.3700	4.5190
Hungary	HUF	100	0.3274	0.3430	0.3500	0.3640
Norway	NOK	100	10.9700	11.3000	11.3300	12.0290
Sweden	SEK	100	10.3400	10.5130	10.9700	11.2610
Singapore	SGD	1	0.7185	0.7269	0.7216	0.7253
South Africa	ZAR	100	6.8600	6.8640	6.8400	7.4330
Turkey	TRY	100	16.2600	17.3850	18.5800	20.4560
Russia	RUB	100	1.5620	1.5380	1.4130	1.5630
Ukraine	UAH	100	4.1201	3.8720	3.5401	3.6030
India	INR	100	1.3570	1.4110	1.4100	1.4270
Nigeria	NGN	100	0.2670	0.2740	0.2710	0.2710
Romania	RON	100	22.6400	23.4160	24.1300	24.8030

32. SUBSEQUENT EVENTS

The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on 9 March 2020.

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

33. GROUP COMPANIES AS OF 31 DECEMBER 2019

Switzerland	Currency	Share capital ('000)	Ownership in %
Geberit AG, Rapperswil-Jona	CHF	3,704	
Geberit Holding AG, Rapperswil-Jona	CHF	39,350	100
Geberit International AG, Rapperswil-Jona	CHF	1,000	100
Geberit International Sales AG, Rapperswil-Jona	CHF	1,000	100
Geberit Verwaltungs AG, Rapperswil-Jona	CHF	1,000	100
Geberit Vertriebs AG, Rapperswil-Jona	CHF	1,000	100
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	EUR	821	100
Geberit Produktions AG, Rapperswil-Jona	CHF	4,000	100
Geberit Apparate AG, Rapperswil-Jona	CHF	1,000	100
Geberit Fabrication SA, Givisiez	CHF	7,000	100
Geberit Finanz AG, Rapperswil-Jona	EUR	832	100
Australia			
Geberit Pty Ltd., North Ryde NSW	AUD	2,060	100
Austria			
Geberit Vertriebs GmbH & Co KG, Pottenbrunn / St. Pölten	EUR	728	100
Geberit Produktions GmbH & Co KG, Pottenbrunn / St. Pölten	EUR	7,995	100
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn / St. Pölten	EUR	35	100
Geberit Huter GmbH, Matrei	EUR	37	100
Belgium			
Geberit N.V., Machelen	EUR	62	100
Channel Islands			
Geberit Reinsurance Ltd., Guernsey	EUR	2	100
China			
Geberit Flushing Technology Co. Ltd., Daishan	CNY	63,376	100
Geberit Plumbing Technology Co. Ltd., Shanghai	CNY	268,386	100
Geberit Shanghai Trading Co. Ltd., Shanghai	CNY	5,000	100
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	CNY	13,638	100
Czech Republic			
Geberit spol. s.r.o., Prague	CZK	6,000	100
Denmark			
Geberit A/S, Lystrup	DKK	10,000	100
Finland			
Geberit Oy, Helsinki	EUR	50	100
Geberit Service Oy, Tammisaari	EUR	3	100
Geberit Production Oy, Tammisaari	EUR	2,813	100
France			
Geberit S.a.r.l., Samoreau	EUR	1,686	100
Geberit Holding France S.A., Samoreau	EUR	10,388	100
Geberit Services S.A.S., Samoreau	EUR	1,931	100
Geberit Production S.A.S., Limoges	EUR	4,577	100

Germany	Currency	Share capital ('000)	Ownership in %
Geberit Verwaltungs GmbH, Pfullendorf	EUR	50	100
Geberit Service GmbH & Co. KG, Pfullendorf	EUR	50	100
Geberit Vertriebs GmbH, Pfullendorf	EUR	1,000	100
Geberit Produktions GmbH, Pfullendorf	EUR	7,500	100
Geberit Logistik GmbH, Pfullendorf	EUR	500	100
Geberit Mapress GmbH, Langenfeld	EUR	2,701	100
Geberit RLS Beteiligungs GmbH, Langenfeld	EUR	50	100
Geberit Lichtenstein GmbH, Lichtenstein	EUR	1,025	100
Allia Holding GmbH, Pfullendorf	EUR	65	100
Geberit Keramik Service GmbH & Co. KG, Pfullendorf	EUR	100	100
Geberit Keramik GmbH, Ratingen	EUR	12,500	100
Ceravid GmbH, Essen	EUR	26	100
Hungary			
Geberit Kft, Budapest	HUF	49,900	100
India			
Geberit Plumbing Technology India Pvt. Ltd., Bangalore	INR	12,861	100
Geberit India Manufacturing Pvt. Ltd., Bangalore	INR	56,875	100
Italy			
Geberit Produzione S.p.a., Villadose	EUR	4,200	100
Geberit Service S.p.a., Spilimbergo	EUR	120	100
Pozzi Ginori S.p.a., Milan	EUR	10,000	100
Lithuania			
Geberit UAB, Vilnius	EUR	1,250	100
Netherlands			
Geberit B.V., Nieuwegein	EUR	18	100
Geberit International B.V., Nieuwegein	EUR	51	100
Nigeria			
Geberit Nigeria Ltd., Ikoyi, Lagos	NGN	10,000	100
Norway			
Geberit AS, Lorenskog	NOK	4,400	100
Geberit Service AS, Porsgrunn	NOK	282	100
Poland			
Geberit Sp. z o.o., Warsaw	PLN	10,638	100
Geberit Service Sp. z o.o., Lodz	PLN	1,800	100
Geberit Ozorków Sp.z o.o., Ozorkow	PLN	32,400	100
Geberit Produkcja Sp.z o.o., Kolo	PLN	100,000	100
Portugal			
Geberit Tecnologia Sanitária S.A., Lisbon	EUR	275	100
Geberit Produção S.A., Carregado	EUR	2,750	100
Romania			
Geberit SRL, Bucharest	RON	13,500	100
Russia			
Geberit RUS LLC, Moscow	RUB	150,010	100

Singapore	Currency	Share capital ('000)	Ownership in %
Geberit South East Asia Pte. Ltd., Singapore	SGD	100	100
Slovakia			
Geberit Slovensko s.r.o., Bratislava	EUR	200	100
Slovenia			
Geberit proizvodnja d.o.o., Ruše	EUR	104	100
Geberit prodaja d.o.o., Ruše	EUR	42	100
South Africa			
Geberit Southern Africa (Pty.) Ltd., Johannesburg	ZAR	4	100
Spain			
Geberit S.A.U., Barcelona	EUR	3,823	100
Sweden			
Geberit AB, Bromölla	SEK	700	100
Geberit Service AB, Bromölla	SEK	50	100
Geberit Production AB, Bromölla	SEK	20,000	100
Turkey			
Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	TRY	26,422	100
Ukraine			
Slavuta Holdings LLC, Kiev	UAH	65,654	100
Geberit Ceramic Production PrJSC, Slavuta	UAH	57,400	100
TOV Geberit Plastics Production LLC, Kiev	UAH	16,860	100
Geberit Trading LLC, Kiev	UAH	9,000	100
United Kingdom			
Geberit Sales Ltd., Warwick	GBP	3,520	100
Geberit Service, Alsager	GBP	0.4	100
Twyford Ltd., Alsager	GBP	1,000	100
Twyfords Ltd., Alsager	GBP	2,528	100
USA			
Duffin Manufacturing Co., Elyria	USD	69	100
The Chicago Faucet Company, Des Plaines	USD	100	100

REPORT OF THE STATUTORY AUDITOR

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Geberit AG and its subsidiaries (Geberit Group), which comprise the → **consolidated balance sheet** as at 31 December 2019 and the → **consolidated income statement**, → **consolidated statement of comprehensive income**, → **consolidated statement of changes in equity** and → **consolidated statement of cash flows** for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

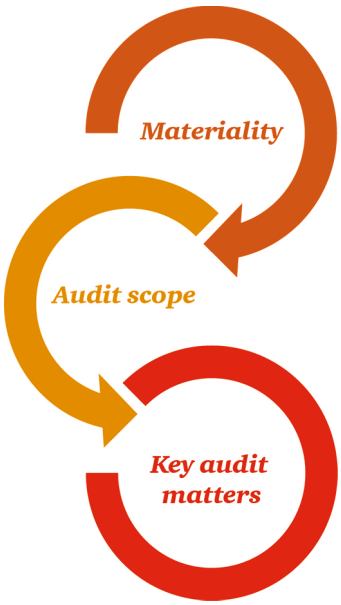
BASIS FOR OPINION

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Overview



Overall Group materiality: CHF 37,000,000

We concluded full scope audit work at 22 Group companies in 11 countries. These Group companies contributed 65% to the Group's revenue. The selection of companies is renewed each year.

In addition, specified audit procedures were performed on one Group company in one country. The remaining companies were addressed by analytical reviews.

As key audit matter the following area of focus has been identified:

Impairment testing of goodwill and of trademarks

MATERIALITY

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 37,000,000
How we determined it	5% of the profit before income tax expenses
Rationale for the materiality benchmark applied	We chose profit before income tax expenses as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 3,700,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The approach for the audit of the consolidated financial statements was determined taking into account the work performed by the component auditors in the PwC network. The Group auditor performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements. We were sufficiently involved in the audit to ensure sufficient appropriate audit evidence was obtained to provide a basis for our opinion on the consolidated financial statements. Our involvement comprised communicating the risks identified at Group level, evaluating the materiality limits, specifying the materiality thresholds, participating in closing meetings, examining the reporting and conducting conference calls with the component auditors during the interim audit and the year-end audit.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF GOODWILL AND OF TRADEMARKS

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and of trademarks was deemed a key audit matter for the following two reasons: Goodwill and trademarks represent a significant amount on the balance sheet (goodwill totalling CHF 1,255.3 million and trademarks totalling CHF 297.7 million). A useful life is defined for trademarks that are integrated progressively into the Geberit trademarks. Goodwill and trademarks with an indefinite useful life are not regularly amortised but tested for impairment at least annually. Further, in calculating the value-in-use for these tests, the Board of Directors and Management have significant scope for judgement in determining revenue and margin growth assumptions and the discount rates to be applied to the expected cash flows and in determining the cash-generating units (CGUs). With regard to the accounting policies and information on goodwill and trademarks, please refer to the notes to the consolidated financial statements: → **1. 'Basic information and principles of the report – Main sources of estimation uncertainty'**, → **3. 'Summary of significant accounting policies – Intangible assets and goodwill'** and → **11. 'Goodwill and intangible assets' (tables)**.	Impairment testing of goodwill and trademarks with an indefinite useful life is based on a process defined by the Board of Directors. This process uses the business plans approved by the Board of Directors. As part of the process, Management estimates the cash flows for the cash-generating units concerned. We assessed the determination of the CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and governance of the Geberit Group. We compared the business results of the year under review with the forecasts prepared in the prior year in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows. The business results of the year under review were in line with the budget. As in previous years, Management based its forecasts this year on the growth rates and margins according to the current business plan of the Geberit Group. We compared Management's assumptions concerning long-term revenue growth and margin growth with industry growth figures and historical margin data, respectively. We compared the discount rate with the cost of capital of the Group and of analogous firms. In addition, we performed a plausibility check on the forecast change in net working capital. The assumptions used were consistent and in line with our expectations. We also assessed the useful life accorded to trademarks with a finite useful life. We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of trademarks.

On the basis of the evidence obtained from our audit, we consider the valuation method and the assumptions used to be an appropriate and adequate basis for the impairment testing of goodwill and of trademarks.

OTHER INFORMATION IN THE ANNUAL REPORT

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Geberit AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Martin Knöpfel
Audit expert

Zurich, 9 March 2020

GEBERIT

FINANCIAL REPORT

GEBERIT AG

2019

BALANCE SHEETS

	31.12.2019 MCHF	31.12.2018 MCHF
Assets		
Current assets		
Cash	10.0	5.6
Other current receivable		
- Third parties	5.7	4.5
- Group companies	70.4	2.4
Prepaid expenses	0.9	0.6
Total current assets	**87.0**	**13.1**
Non-current assets		
Loan to group companies	400.0	300.0
Investments	996.9	996.9
Total non-current assets	**1,396.9**	**1,296.9**
Total assets	**1,483.9**	**1,310.0**
Liabilities		
Current liabilities		
- Third parties	2.4	7.1
- Bonds	0.0	150.0
- Group companies	3.9	35.7
Total current liabilities	**6.3**	**192.8**
Long term interest-bearing liabilities		
Bonds	400.0	150.0
Total long term interest-bearing liabilities	**400.0**	**150.0**
Shareholders' equity		
Capital stock	3.7	3.7
Legal capital reserves		
- General reserves, share premium	0.8	0.8
- Reserves from capital contributions	25.7	25.7
Legal reserves from retained earnings		
- Reserves for treasury shares held by group companies	110.1	133.2
Free reserves from retained earnings		
- Free reserves	700.6	597.6
- Retained earnings	560.0	482.7
Treasury shares		
- against free reserves	-323.3	-276.5
Total shareholders' equity	**1,077.6**	**967.2**
Total liabilities and shareholders' equity	**1,483.9**	**1,310.0**

INCOME STATEMENTS

	2019 MCHF	2018 MCHF
Income		
Dividends from Group companies	551.7	482.3
Other financial income	3.2	2.8
Other operating income	0.5	0.5
Total income	**555.4**	**485.6**
Expenses		
Administrative expenses	3.9	3.9
Financial expenses	1.7	1.7
Direct tax expenses	0.0	-0.1
Total expenses	**5.6**	**5.5**
Net income	**549.8**	**480.1**

NOTES TO THE FINANCIAL STATEMENTS

1. STANDARDS

1.1 GENERAL

The financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The significant valuation principles, which are not statutory, are described below.

1.2 TREASURY SHARES

The treasury shares are recorded at cost and are shown as a minus position in equity. For the shares of Geberit AG, held by the subsidiary Geberit Holding AG reserves for own shares are recorded in the equity of Geberit AG.

1.3 INTEREST-BEARING LIABILITIES

The interest-bearing liabilities are stated at their nominal value. Costs incurred in the context of the placement of bonds are capitalized in the prepaid expenses and amortized linearly over the term of the bond.

1.4 DERIVATIVES

Derivative instruments used for hedging purposes are valued together with the underlying transaction. Positive or negative fair market values will not be recognized during the lifetime of the contract but at settlement date.

1.5 WAIVER OF CASH FLOW STATEMENT AND ADDITIONAL INFORMATION IN THE NOTES

As the Geberit group prepares a consolidated financial statement in accordance with a recognized standard for financial reporting (IFRS), Geberit AG waived in present financial statements, in accordance with the statutory provisions, to present separate notes to interest-bearing liabilities and auditing fees and the presentation of a cash flow statement.

2. OTHER STATUTORY DISCLOSURES

2.1 GUARANTEES, ASSETS PLEDGED IN FAVOR OF THIRD PARTIES

	31.12.2019	31.12.2018
	MCHF	MCHF
Guarantee notes, MEUR 325 (PY: MEUR 325), 0.688%, due 30.03.2021	352.5	365.8
Guarantee Revolving Facility, due 06.11.2022	500.0	500.0
Guarantee GRI Pensions	0.1	0.1

The guarantees are limited to the distributable reserves of the company.

2.2 SIGNIFICANT INVESTMENTS

	2019	2019	2018	2018
	Ownership in %	Capital stock	Ownership in %	Capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39 350	100	TCHF 39 350
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

The investments are stated separately at the respective acquisition costs, less any adjustments required. The indirect investments are shown in the Notes to the Consolidated Financial Statements in the → **Note 33**.

2.3 SHARE CAPITAL

The share capital of Geberit AG consists of 37,041,427 ordinary shares with a par value of CHF 0.10 each.

	2019	2018
Number of shares issued	**pcs.**	**pcs.**
January 1	37,041,427	37,041,427
December 31	**37,041,427**	**37,041,427**

2.4 CAPITAL CONTRIBUTION RESERVES

From the total of MCHF 25.7 shown as at 31.12.2019 only the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore available for withholding tax free distribution. For the difference of MCHF 21.5 the application was rejected. The Board of Directors therefore proposes the General Meeting to reclassify MCHF 21.5 from legal reserves to free reserves (see → **3. Profit distribution**).

2.5 TREASURY SHARES

Treasury shares held by Geberit AG or by companies in which Geberit AG holds a majority interest:

		Prices per share		
	Number of registered shares	High	Average	Low
		in CHF	in CHF	in CHF
Balance at December 31, 2018	**999,182**			
Purchases share buyback program 2017 - 2020	113,750	463.00	414.53	361.39
Other Purchases	51,507	459.24	420.95	385.00
Sales	-130,316	550.00	453.37	384.10
Balance at December 31, 2019	**1,034,123**			
Number of treasury shares held by Geberit AG	764,551			

The Board of Directors of Geberit AG decided in March 2017 to initiate a share buyback program. Over a maximum period of three years, shares for a total amount of maximum CHF 450 million will be repurchased, less withholding tax. As at December 31, 2019, in total 764'551 shares for a total amount of MCHF 323.3 were repurchased under the program.

The legal reserves for treasury shares were recorded at cost.

2.6 BONDS

Geberit has the following bonds outstanding:
- a bond of MCHF 150 with a term of eight years and a coupon of 0.3%, due 17.04.2023
- a bond of MCHF 125 with a term of five and a half years and a coupon of 0.1%, due 17.10.2024
- a bond of MCHF 125 with a term of nine and a half years and a coupon of 0.6%, due 17.10.2028

2.7 SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE GROUP EXECUTIVE BOARD

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

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

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

As of December 31, 2019, there were no outstanding loans or credits between the company and members of the Board of Directors

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

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M.Bau-müller	E. Renfordt-Sasse	K. Spach-mann	R. van Triest	M. Ziegler	Total
2019										
Shareholdings Group Executive Board										
Shares			12,772	28,316	3,408	646	12,000	400	2,908	60,450
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.16%
Call options[1]										
End of vesting period:										
Lapsed	2021-2026	382.28	8,041	695	3,228	10,240	119	1,431	2,316	26,070
2020	2023-2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024-2028	409.16	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025-2028	424.97	47,421	22,641	11,294	10,714	19,765	14,498	11,377	137,710
2023	2028	419.48	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			**95,629**	**44,956**	**21,494**	**31,373**	**39,330**	**29,245**	**18,858**	**280,885**
Percentage potential share of voting rights options			0.26%	0.12%	< 0.1%	< 0.1%	0.11%	< 0,1%	< 0,1%	0.76%

[1] Purchase ratio 1 share for 1 option. The non vested options are subject to a performance oriented vesting condition.

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Bau-müller	E. Renfordt-Sasse	K. Spach-mann	R. van Triest	M. Ziegler	Total
2018										
Shareholdings Group Executive Board										
Shares			7,404	31,564	3,078	1,546	12,500	300	2,416	58,808
Percentage voting rights shares			< 0.1%	< 0.1%	< 0,1%	< 0.1%	< 0.1%	< 0.1%	< 0,1%	0.16%
Call options[1]										
End of vesting period:										
Lapsed	2020-2024	332.00	13,219	8,836	3,706	6,166	807	60	2,857	35,651
2019	2022-2026	394.76	11,600	7,665	754	4,074	6,766	2,621	980	34,460
2020	2023-2027	409.97	13,351	7,608	1,983	3,664	6,751	4,627	921	38,905
2021	2024-2028	409.97	19,945	10,746	3,462	5,161	9,684	6,653	2,548	58,199
2022	2025-2028	434.08	13,439	6,623	3,088	3,098	6,056	4,067	2,071	38,442
2023	2028	432.20	6,871	3,266	1,527	1,594	3,011	2,036	1,696	20,001
Total options			**78,425**	**44,744**	**14,520**	**23,757**	**33,075**	**20,064**	**11,073**	**225,658**
Percentage potential share of voting rights options			0.21%	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.61%

[1] Purchase ratio 1 share for 1 option. The non vested options are subject to a performance oriented vesting condition.

As of December 31, 2019, there were no outstanding loans or credits between the company and members of the Group Executive Board

2.8 SIGNIFICANT SHAREHOLDERS

According to the information available to the Board of Directors, the following shareholders have attained or exceeded the threshold of 3% of the share capital of Geberit AG:

	31.12.2019	31.12.2018
Black Rock, New York (notification dated: 09.08.2019)	5.21%	4.98%
Marathon Asset Management, London (notification dated: 02.02.2019)	< 3.00%	3.02%

2.9 EMPLOYEES

In Geberit AG no employees are employed.

3. PROFIT DISTRIBUTION

PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS

Proposal by the Board of Directors to the General Meeting:

A) CAPITAL CONTRIBUTION RESERVES

Reclassification of capital contribution reserve from the legal reserves to the free reserves:

CHF 21,501,404

B) APPROPRIATION OF AVAILABLE EARNINGS

	2019 CHF	2018 CHF
Available earnings		
Net income	549,799,986	480,166,127
Balance brought forward	10,211,072	2,563,126
Total available earnings	**560,011,058**	**482,729,253**
Transfer to free reserves	150,000,000	80,000,000
Proposed/paid dividend	409,928,699	392,518,181
Balance to be carried forward	82,359	10,211,072
Total appropriation of available earnings	**560,011,058**	**482,729,253**

DIVIDEND PAYMENTS

The Board of Directors proposes a dividend of CHF 11.30 per share (PY: CHF 10.80). The dividend payment is subject to withholding tax.

The number of shares with dividend rights will change if the number of shares held by Geberit AG changes. The Board of Directors may therefore adapt the total amount of the proposed dividend to the number of shares with dividend rights at the General Meeting.

REPORT OF THE STATUTORY AUDITOR

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich
Telephone +41 58 792 44 00
Fax +41 58 792 44 10
→ **www.pwc.ch**

Report of the statutory auditor
to the general meeting of Geberit AG
Rapperswil-Jona

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Geberit AG, which comprise the → **balance sheet** as at 31 December 2019, → **income statement** and → **notes to the financial statements** for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

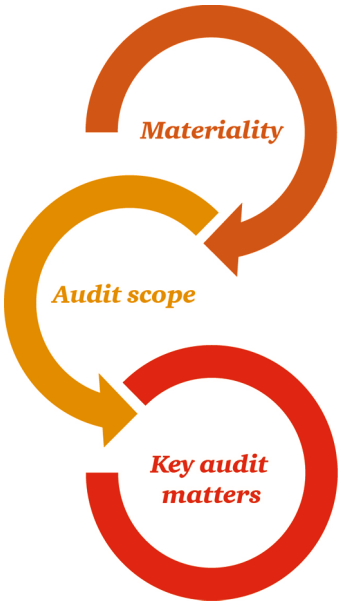
BASIS FOR OPINION

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Overview



Overall materiality: CHF 5,000,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:
Impairment testing of equity investments

MATERIALITY

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 5,000,000
How we determined it	0.38 % of profit before tax
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it represents a relevant and generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

AUDIT SCOPE

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

REPORT ON KEY AUDIT MATTERS BASED ON THE CIRCULAR 1/2015 OF THE FEDERAL AUDIT OVERSIGHT AUTHORITY

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT TESTING OF EQUITY INVESTMENTS

Key audit matter	How our audit addressed the key audit matter
Impairment testing of equity investments was deemed a key audit matter for the following two reasons: Equity investments in Geberit Holding AG and Geberit Reinsurance Ltd. in the amount of CHF 996.9 million represent the largest asset category on the balance sheet (76.1% of total assets). If this investment had to be written down, it would have a significant impact on the equity capital of the Company. Testing for impairment depends on the future results of the companies concerned. In addition, there is significant scope for judgement in determining the assumptions underlying forecast results. Please refer to the notes to the financial statements and, specifically, the recognition, valuation and disclosure methods in → **note 2.2 'Significant investments'**.	We tested the equity investments as at 31 December 2018 for impairment. Management has performed impairment tests on the investments in Geberit Holding AG and Geberit Reinsurance Ltd. We performed the following: - compared the actual results of each company with its budget in order to identify any assumptions that, with hindsight, appeared too optimistic regarding the cash flows; - checked for plausibility the outlook based on the multi-year plan approved by the Board of Directors and discussed the outlook with Management; On the basis of the audit procedures performed, we addressed the risk of the impairment of the equity investments. We have no findings to report.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG





Beat Inauen
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

Zurich, 9 March 2020

GEBERIT

GEBERIT GROUP

SUSTAINABILITY 2019

1. INTRODUCTION

Geberit's sustainability reporting is fully integrated in the online Annual Report, as it has been for some years. The company's systematic and transparent communication on the subject of sustainability is addressed to a range of target groups, including customers and partners, investors, the general public and company employees. Overall, Geberit thus wishes to demonstrate to its stakeholders and shareholders the many and sustainable ways in which it creates added value. To this end, information is made available at different levels:

- → **CEO statement on sustainability**
- → **Current highlights sustainability**
- → **Business and financial review**, as part of the Annual Report integrated into the chapters → **Employees**, → **Customers**, → **Innovation**, → **Production**, → **Logistics and procurement**, → **Sustainability**, → **Compliance** and → **Social Responsibility**
- → **Sustainability strategy** with objectives, measures and results
- → **Materiality analysis**
- → **SDG Reporting**
- → **Key figures sustainability**
- → **Communication on Progress UN Global Compact**

Since 2006, a sustainability performance review has been presented annually in accordance with the guidelines of the Global Reporting Initiative (GRI). In this reporting year, Geberit has once again implemented the "Comprehensive" option of the GRI Standards. For the reporting on Water and waste water (GRI 303: 2018) and on Occupational health and safety (GRI 403: 2018), the standards updated by GRI were used. For the Materiality Disclosures Service, the GRI inspected whether the GRI Content Index is clearly presented and the references for disclosures GRI 102-40 to GRI 102-49 match the corresponding parts of the report. For details on the successful inspection, see GRI label in the → **formal GRI Content Index**. The Report is available in German and English. The German version is binding.

As prescribed by the GRI, a → **Materiality analysis** based on the aspects defined by the GRI was the strategic starting point. As in 2012, 2014 and 2016, an external stakeholder panel was also consulted in 2018. Its mandate consisted of scrutinising the results of the internal materiality analysis and providing feedback on the sustainability strategy and sustainability communication. The external panel summarised the results in a panel statement. The response from Geberit to the panel statement illustrates how the recommendations are being taken into consideration in the further development of the sustainability strategy and reporting. The next stakeholder panel is planned for 2020.

- → **Introduction to the Stakeholder Panel**
- → **Members of the Stakeholder Panel**
- → **Panel Statement**
- → **Response from Geberit to the Panel Statement**

CEO STATEMENT ON SUSTAINABILITY



«For several decades, sustainability has been an integral part of Geberit's culture. Our focus is on consistent implementation on an ongoing basis and with measurable results.»
Christian Buhl, CEO

CONSISTENT AND QUANTIFIABLE

Climate change was one of the main social issues of 2019. In terms of climate change mitigation, Geberit wants to be proactive in setting itself the challenge of establishing long-term goals and achieving demonstrable improvements in this regard year after year. The groundwork for the current CO_2 strategy was laid over ten years ago in 2007. The goal here is to reduce relative CO_2 emissions by 5% each year. Back in 2017, we adopted the guidelines set out by the Science Based Targets Initiative in order to define a long-term reduction pathway and to reduce our absolute CO_2 emissions to below 240,000 tonnes by 2021 as an interim goal. We have already achieved this goal by focusing on technical measure – such as saving energy and increasing energy efficiency – and on the targeted sourcing of high-quality renewable energies in terms of electricity and combustibles.

COMPREHENSIVE APPROACH TO SUSTAINABILITY

Although climate change mitigation is important to Geberit, it is just one of many key topics surrounding sustainability. For almost 150 years, our goal has been to improve people's quality of life and to generate sustainable added value. Since 1990, we have thus followed a long-term environmental and sustainability strategy that includes ongoing and future projects, initiatives and activities. Each module in our sustainability strategy contains clear responsibilities with measurable objectives, derived measures and quantifiable key figures for effective monitoring. For example, for more than 25 years we have consistently measured our ecological footprint as part of a comprehensive corporate eco-balance, and use this as a basis on which to define our goals. Since the acquisition of Sanitec in 2015, we have reduced our relative environmental impact by 27.5%. As a result, we have exceeded the goal of improving our eco-efficiency by 5% each year.

ECO-DESIGN AND CIRCULAR THINKING

Our environmentally friendly, resource-saving and durable products make a crucial contribution towards sustainability. We are therefore firm advocates of eco-design and develop our products consistently in line with its principle: At every stage of its respective life cycle – from the provision of raw materials to disposal – each product must be better than its predecessor from an ecological perspective. Eco-design has been an integral part of our development processes since 2007 and has already been adopted in more than 125 development projects. The basic principle of a circular economy has played an important role at Geberit for many years. What is key here is that our products must have a very long industrial service life, as many of them will be installed in buildings for decades. We also aim to minimise our consumption of energy and resources, close internal and external material cycles to the greatest extent possible and constantly increase the use of internal and external recycled materials. Thanks to first-class materials and strict quality requirements, our products have a service life spanning several decades. In addition, they are in some instances backwards-compatible, can be cleaned and maintained easily, and spare parts are available for up to 25 years for a significant proportion of the product range. In terms of packaging, care is taken to keep material use as low as possible and to use recyclable cardboard.

A RESPONSIBILITY TOWARDS YOUNG PEOPLE

Every day, 11,619 employees go about their daily work at Geberit. In this respect, it is important that the Geberit performance culture is embraced by every employee. A great deal of hard work therefore went into the development of the valYOU project in 2019. This next-generation performance management process has been designed to meet the current challenges faced by HR managers and focuses on the individual development of employees within the company.

It is also important to us that we empower and bring in young talents. According to an apprentice ranking carried out in 2019, Geberit is one of the leading companies for apprentices in Switzerland and makes an important contribution to vocational training and to maintaining Switzerland's reputation as a centre for training and education. Since 1963, Geberit has trained in excess of 500 apprentices in Switzerland and now trains apprentices in over eleven different skilled trades. Some 10% of the company's employees currently working in Switzerland completed their apprenticeship at Geberit. Apprentices are also involved in our social projects. In 2019, ten apprentices and two coaches travelled to Cambodia to help renovate two schools there, including the installation of a new drinking water supply and sanitary facilities.

CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS AND SUPPORT FOR THE UN GLOBAL COMPACT

Through our operations, we are making a contribution to the UN 2030 Agenda for Sustainable Development, focussing on four of the 17 goals (see → **SDG Reporting**). Among these, the sixth goal "Clean water and sanitation" is especially important, with Geberit providing solutions for efficient water usage and sustainable building as a driving force in the field of sanitary technology.

Geberit has been a member of the UN Global Compact since 2008 and is engaged in the area of environmental protection, responsible labour practices, human rights and the prevention of corruption. We provide information on our sustainability goals and performances in a transparent manner and in accordance with the GRI Standards' "Comprehensive" reporting option as defined by the Global Reporting Initiative (GRI). The Communication on Progress UN Global Compact for the financial year 2019 is available at → **www.geberit.com > Company > Sustainability > UN Global Compact**.



Christian Buhl, CEO

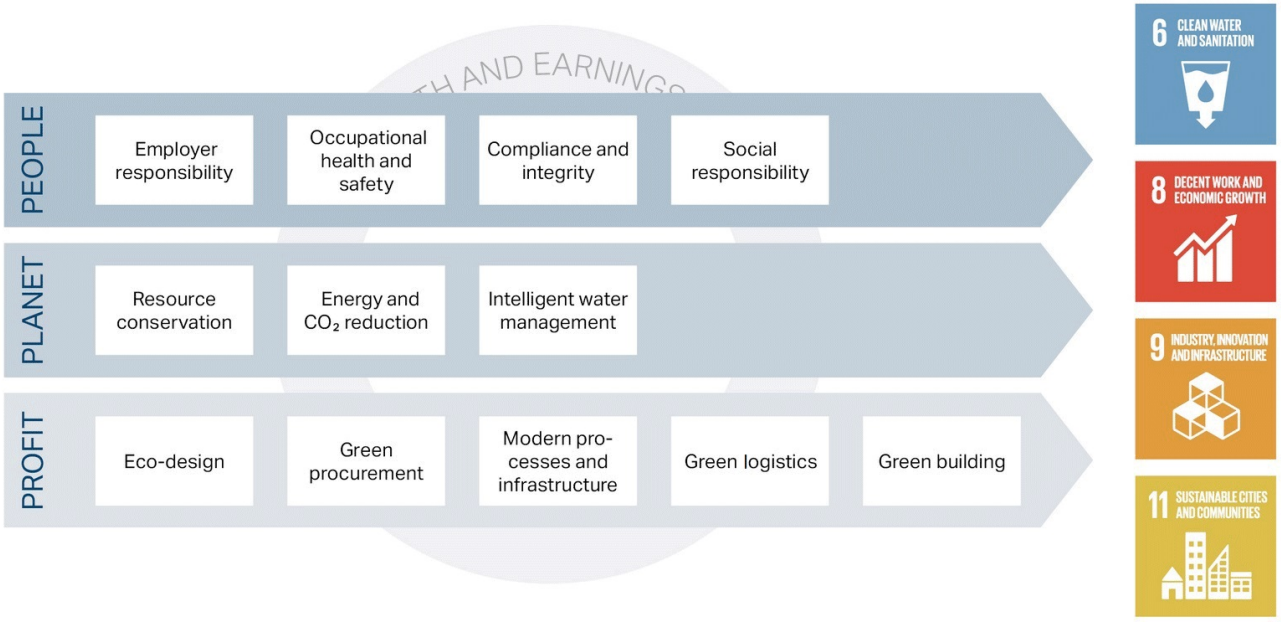
SUSTAINABILITY STRATEGY 2020-2022

For Geberit, sustainability means being oriented towards the future as well as operating and being successful over the long term. A long-term orientation means striking a balance between economic, environmental and social aspects in all decision-making processes. In addition to sustained high profitability, value is simultaneously created for many other stakeholders: innovative, design-oriented and sustainable products; training and education of plumbers, sanitary engineers and architects; the smallest possible environmental footprint along the entire value chain; production plants with prospects for employees in numerous regions; a cooperation with suppliers and business partners that is based on fairness; and leadership for sustainable development in the sanitary industry.

The → **graphic below** shows how Geberit implements integrated sustainability and thus creates value. The vision of achieving sustained improvement in the quality of people's lives with innovative sanitary products represents the starting point. To bring this vision to fruition, Geberit continuously refines its products, systems and services and sets new standards as a market leader in the area of sanitary products. Values such as integrity, team spirit, enthusiasm, modesty and an ability to embrace change are core factors. The long-term core strategy is based on four pillars: Focus on sanitary products, Commitment to design and innovation, Selective geographic expansion and Continuous optimisation of business processes. This strategy is implemented on the basis of six growth and earnings drivers. The sustainability strategy supplements the core strategy and the growth and earnings drivers with twelve concrete modules. These modules strengthen the business model and generate added value for various stakeholders in the areas People, Planet and Performance in a targeted manner. The results of these activities show the diverse added value in the three dimensions of sustainability. At the same time, the results contribute to the UN Sustainable Development Goals (SDGs) set out in the 2030 Agenda for Sustainable Development → **SDG Reporting**). Goal number 6 – "Clean Water and Sanitation" – and goal number 11 – "Sustainable Cities and Communities" – are a key focus for Geberit. However, significant contributions are also made when it comes to "Decent Work and Economic Growth" (goal number 8) and "Industry, Innovation and Infrastructure" (goal number 9).

The modules of the sustainability strategy bundle current and future projects, initiatives and activities. Each module contains clear responsibilities with measurable objectives, derived measures and quantifiable key figures for effective monitoring.

The following pages provide an overview of the sustainability modules with important facts and achievements from 2019 as well as the outlook for 2020 to 2022. The current sustainability strategy covers the entire Geberit Group and shows how Geberit intends to be a pioneer and leader in the area of sustainability in the sanitary industry.



PEOPLE

MODULES AND GOALS	IMPORTANT FACTS AND ACHIEVEMENTS 2019	OUTLOOK FOR 2020 TO 2022
EMPLOYER RESPONSIBILITY Geberit is committed to providing attractive jobs. Geberit supports disadvantaged employees and apprentices.	■ A pilot project was performed with the revised valYOU performance management process for white collar employees, which now also includes succession planning. ■ The Potentials Management Programme was rolled out on a management level in collaboration with the Executive School of the University of St. Gallen (CH). ■ Development of management personnel at the ceramics plants with the goal of promoting Geberit's performance culture. ■ Continuation of the development programme for over 100 regional sales managers from European sales companies with external support based on standardised management principles and instruments. ■ Employment of 264 apprentices with a transfer rate to a permanent employment relationship of 85%.	■ Roll-out of valYOU in all companies and further development for blue collar employees. ■ Start of the Operations Development Programme (ODP) for internal and external managerial staff in Operations (including Logistics and Purchasing). ■ Group-wide employee survey in 2020. ■ Targeted support for transfer of apprentices to a permanent position. Target rate is 75%.
OCCUPATIONAL HEALTH AND SAFETY Geberit operates safe production plants and promotes a health and safety culture at a high level.	■ Global implementation of the Geberit Safety System: 28 of the 29 production plants are certified in accordance with the occupational health and safety standard ISO 45001 or OHSAS 18001. ■ Roll-out of the software for capturing and monitoring accident data at six additional Geberit sites. ■ Increase in the accident frequency rate (AFR) by 1.0% to 9.8 (number of accidents per million working hours) and in the accident severity rate (ASR) by 3.4% to 187.6 (number of days lost per million working hours). ■ The comprehensive "Vital" healthcare programme is offered at six locations, which represent almost 40% of the entire workforce. ■ Improvements have been made to ergonomics by adapting processes, using robots (in acrylic production) and using lifting aids (in the production of ceramics). ■ Development of an eLearning programme to raise awareness of occupational safety, particularly in the area of behaviour-related accidents. ■ Project launched to reduce quartz dust, including a measurement concept, evaluation matrix and a threshold that is valid throughout the Group, as well as the uniform implementation of measurement campaigns in all ceramics plants.	■ Halving of the accident frequency rate and accident severity rate between 2015 and 2025; AFR target: 5.5; ASR target: 90. ■ Certification of all production plants in accordance with ISO 45001 by the end of 2020. ■ Roll-out of the software for capturing and monitoring accident data at additional sites. ■ Pursuit of further improvement in ergonomics, particularly in the ceramics plants. ■ Performance of a campaign to raise awareness of occupational safety by means of eLearning sessions in all production plants and in logistics. ■ Implementation of the action plan for reducing quartz dust, regular measurements and monitoring of targets.
COMPLIANCE AND INTEGRITY Geberit complies with all laws, guidelines, norms and standards. Geberit checks the effectiveness of its internal monitoring systems and guidelines and implements appropriate measures in the event of misconduct.	■ No significant breaches were discovered in the review of adherence to the Geberit Code of Conduct in all organisational units, or in interviews conducted by the Internal Audit Department with managing directors on topics from the Code of Conduct. ■ No significant incidents were reported via the Geberit Integrity Line for employees, and no incidents were reported via the Integrity Line for suppliers. ■ Processing of enquires from various countries on the permissibility of marketing and sales campaigns under competition and anti-trust law. ■ Further implementation of the General Data Protection Regulation (GDPR) in European companies along with additional measures, and data protection audits were carried out in 19 companies in seven countries. ■ Further audits were carried out on antitrust legislation.	■ Completion of the implementation of the General Data Protection Regulation (GDPR), further optimisation of the data protection organisation and the regular performance of data protection audits. ■ Drafting of a revised version of the eLearning programme on antitrust legislation and its roll-out at management level and in all sales companies. ■ Further antitrust audits to be carried out by Corporate Legal Services in collaboration with the Internal Audit Department. ■ Roll-out of an EHS compliance tool in production plants and logistics in Europe.

SOCIAL RESPONSIBILITY Geberit fulfils social responsibilities in society within the scope of the UN Sustainable Development Goals.	■ Geberit employees contributed 3,409 hours of charitable work as part of social projects. ■ Continuation of the partnership with the Swiss development organisation Helvetas on the topic of drinking water and sanitary facilities in developing countries. ■ Third volunteering project carried out in Nepal with employees from sites in the Nordic Countries in collaboration with Helvetas. ■ Further development of the skill-sharing programme with projects taking place with participants in Nepal. ■ A social project was carried out in Cambodia with Geberit apprentices. Water supplies and sanitary facilities were constructed, as well as classrooms and teachers' rooms at two schools with a total of 1,500 pupils. ■ Different workshops for disabled persons were commissioned with simple assembly and packaging work totalling CHF 7.9 million, thus giving over 400 people meaningful work.	■ Performance of an additional volunteering project in Nepal with Polish employees in collaboration with Helvetas. ■ Implementation of a major social project in Romania with apprentices. ■ Review of the effectiveness of social projects two to three years after their implementation.

PLANET

MODULES AND GOALS	IMPORTANT FACTS AND ACHIEVEMENTS 2019	OUTLOOK FOR 2020 TO 2022
RESOURCE CONSERVATION Geberit conserves natural resources and practises the circular economy, both in production as well as with its products.	■ The absolute environmental impact was reduced by 3.7% and the environmental impact per net sales (currency-adjusted) by 6.9%. This figure is above the target of 5% per year. ■ 28 of the 29 production plants have ISO 14001 certification, with the Group certificate valid until 2021. ■ The amount of hazardous substances used in the production plants was reduced by 12%. ■ 850 tonnes of high-quality ABS regranulate and 65 tonnes of PE-LD (post-consumer waste) were used, and some 9,300 tonnes of plastic waste was recycled internally. ■ Further optimisations were carried out for the ceramic product range. This reduces complexity and cuts down on resource usage. ■ Resource efficiency was improved in ceramic production by 1.2% to 0.51 kg waste/kg ceramic. ■ Over 6,000 tonnes of gypsum waste from the production of ceramics were reused as secondary material in the cement industry.	■ Improvement of eco-efficiency (environmental impact per net sales, currency-adjusted) by 5% per year. ■ Reduction of hazardous substances in production plants by 5% per year. ■ Search for further high-quality plastic regranulates. ■ Participation in "Operation Clean Sweep" to prevent the pollution of the environment with plastic pellets. ■ Identification of ways in which to close internal material cycles and make production waste useful for others as secondary materials. ■ Improvement of resource efficiency in ceramic production (kg waste/kg ceramic) by 10% from 2018 to 2021.
ENERGY AND CO_2 REDUCTION Geberit actively contributes to climate change mitigation and consistently reduces its energy consumption and CO_2 emissions.	■ Absolute CO_2 emissions were reduced by 3.8% to 222,639 tonnes and CO_2 emissions per net sales (currency-adjusted) by 7.0%. ■ Relative CO_2 emissions improved by 26.4% since the acquisition of Sanitec, with the target for 2021 achieved ahead of schedule. ■ The volume of purchased green electricity increased by 3 GWh to 53 GWh. Renewable energy sources accounted for 42.1% of electricity and 4.3% of combustibles. ■ 3.7 GWh of green electricity was produced in Givisiez (CH) and Pfullendorf (DE). ■ Five German production plants received ISO 50001 certification (energy management).	■ Same improvement in relative CO_2 emissions as for eco-efficiency by 5% per year. ■ Reduction of absolute CO_2 emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). ■ CO_2 target updated (compatible with the two-degree target set out in the Paris Agreement of 2015 – science-based, incl. Scope 3 emissions). ■ Annual purchase of an additional 3 GWh of green electricity and an increase in the share of electricity and combustibles accounted for by renewable energy sources to 45% and 10% respectively by 2021. ■ Fuel-reduction plan: further reduction of the emissions from new vehicles.
INTELLIGENT WATER MANAGEMENT Geberit supports the economical and careful use of water along the entire value chain.	■ Almost 100% of the water consumed by Geberit can be attributed to the product usage phase. ■ Some 31,220 million m^3 of water has been saved to date through the use of water-saving flushing systems. In 2019 alone, the water saved amounted to 3,120 million m^3. ■ Work continued on the new European water label for sanitary products from the European Bathroom Forum (EBF). ■ Water consumption in ceramic production increased by 3.3% to 6.8 l/kg ceramic.	■ Registration of additional water-saving products in accordance with the new European water label. ■ Reduction of the amount of water consumed in ceramic production (l water/kg ceramic) by 5% from 2018 to 2021.

PROFIT

MODULES AND GOALS	IMPORTANT FACTS AND ACHIEVEMENTS 2019	OUTLOOK FOR 2020 TO 2022
ECO-DESIGN During the development process, Geberit products are optimised with regard to their environmental friendliness, resource efficiency, recyclability and durability. Environmental aspects are already considered during technology development.	■ Over 125 eco-design workshops have been held in product development since 2007. ■ A wide range of product improvements have been made with regard to environmental friendliness: - The Geberit ONE WC combines greater cleanliness with an optimal flush performance and minimal flush volume (4/2 l). - Expansion of the range of rimless WC pans, thus helping to simplify cleaning and cut down on cleaning agents. - The Geberit AquaClean Sela Comfort shower toilet with optimal flush performance and significantly lower energy consumption thanks to heating-on-demand technology. - Geberit SuperTube technology combined with Geberit Sovent saves on the resources used in the drainage systems of high-rise buildings thanks to the smaller pipe diameters.	■ Systematic continuation of eco-design workshops for product development. ■ Integration of "Design for Recycling" principles in product development. ■ Search for alternative materials or a combination of existing materials for optimising resource efficiency for integrated sanitary products. ■ Expansion of the product portfolio to support green building.
GREEN PROCUREMENT Suppliers demonstrably comply with Geberit's high standards for environmentally friendly and socially responsible production.	■ The Code of Conduct was signed by 2,263 suppliers. This equates to over 90% of the total procurement value. ■ No incidents were reported via the Integrity Line for suppliers. ■ The supplier sustainability risk matrix was updated and expanded to include additional countries of origin and material groups. ■ EHS (Environment, Health and Safety) audits were conducted and tracked, particularly in the highest sustainability risk category. This comprises 172 suppliers (some 8% of the procurement value). ■ Four third-party audits were carried out at suppliers in China and Egypt.	■ All new suppliers have to sign the Code of Conduct. ■ Further EHS audits of suppliers are to be carried out by Geberit and external partners, with the required corrective measures being checked as part of re-audits.
MODERN PROCESSES AND INFRASTRUCTURE Geberit procures, builds and operates durable and high-quality infrastructures such as buildings, equipment and tools.	■ Demolition and safe disposal of infrastructure that was no longer required in Pfullendorf and Langenfeld (DE), and in Digoin and La Villeneuve au Chêne (FR). New infrastructure was opened in Pfullendorf, Langenfeld (DE), Ozorków (PL) and Slavuta (UA). ■ The number of injection moulding machines with energy-efficient drive technology (hybrid, fully electrical, standby) increased from 174 to 192. Third fully electrical blow-moulding facility was commissioned. ■ Process optimisation for the manufacture of bent Mapress fittings in Langenfeld (DE) with a reduction in electricity and natural gas consumption, reduced use of lubricants and lower quantities of hazardous waste. Additional fully electrically driven production lines were realised. ■ Insourcing of the manufacture of toilet seats and lids using thermoplastics.	■ Continuous renewal of machine fleet with energy-efficient technology. ■ Further increase in the number of injection moulding machines with energy-efficient drive technology from 192 to 209. Commissioning of a fourth fully electrical blow-moulding facility. ■ Process optimisation in the production of welded and straight Mapress fittings in order to improve efficiency, quality, waste and ergonomics, while also simultaneously reducing pickling step by step. ■ Reduction of waste and energy consumption in the production of multilayer pipes thanks to the new laser-welding process in Givisiez (CH).
GREEN LOGISTICS Geberit optimises its logistics with regard to energy consumption, emissions and packaging.	■ The logistics calculator was expanded to include six further sites with the aim of measuring the key transport and environmental figures for transport service providers in Europe. ■ The transport service providers handled 560.5 million tkm (previous year 505.9 million tkm), which generated 69,729 tonnes of CO_2 emissions (previous year 55,802 tonnes) due to the additional sites and sales growth recorded. ■ The share of trucks with the Euro 5 standard totalled 30%, with the share of state-of-the-art Euro 6 vehicles at 68%. ■ The optimised calculation and better utilisation of freight capacity as well as the bundling of long-goods deliveries reduced the number of trips required. ■ The eco-efficiency of logistics (environmental impact per tkm) has improved by around 25% since 2015.	■ Further optimisation of loading capacity through scheduling and organisational changes as well as the use of larger shipping containers. ■ More intensive use of Euro 6 vehicles and identification of suitable alternative drive technologies. ■ Optimisation of packaging quantities taking into account the optimal protection and transportability of the products.

GREEN BUILDING

Geberit has expertise in the fields of water conservation, quality of drinking water, sound insulation, hygiene and cleanliness.

Geberit is the leading partner in the planning and implementation of first-class sanitary solutions for green building.

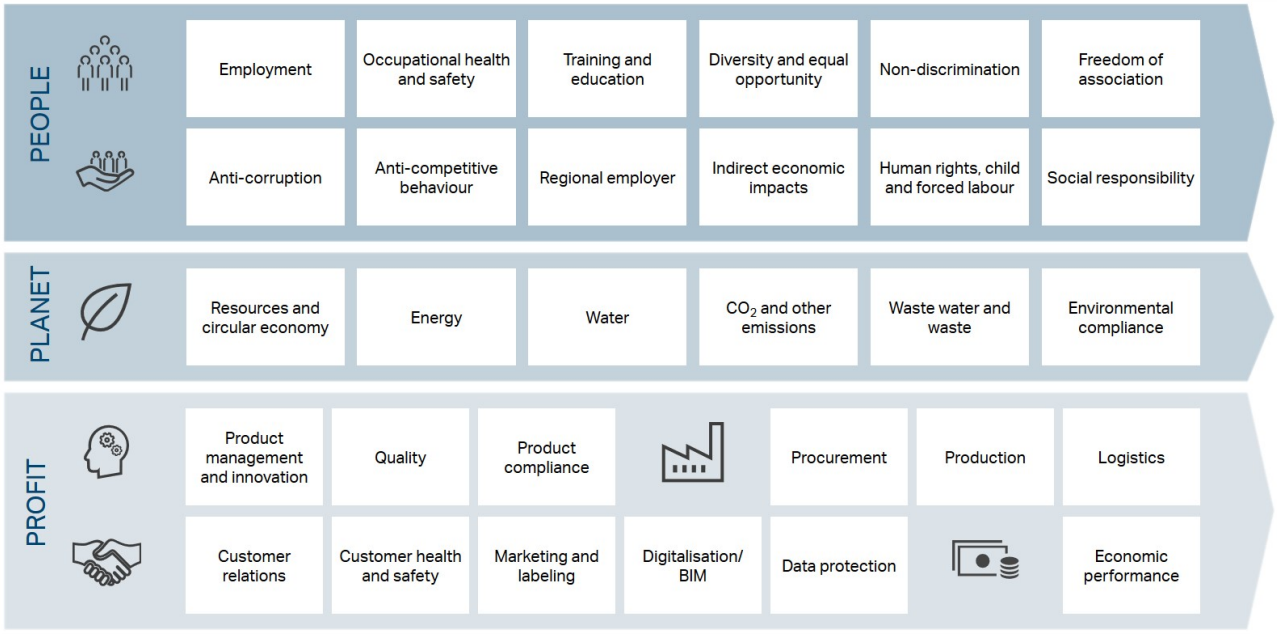
- A broad range of Geberit products that help with the implementation of green building concepts and standards such as Minergie, DGNB, BREEAM and LEED.
- Member of various green building associations in CH, DE, ES, US, ZA and AU.
- Environmental Product Declaration (EPD) created for Geberit AquaClean Sela in accordance with the European EN 15804 standard.
- Attained Gold status as a supplier on the EcoVadis platform for sustainable supply chains.
- Development of expertise in the field of green building.
- Targeted search for green building reference projects in the European core markets and the Asia-Pacific markets.
- All Geberit bathroom furniture is made of FSC® certified materials (FSC-C134279).
- Creation of further Environmental Product Declarations (EPD).
- More systematic recording of environmentally relevant product data, i.e. for BIM.

MATERIALITY ANALYSIS

A review of the materiality analysis was carried out as part of the switchover to the GRI Standards. Some topics were aggregated (as required by the GRI Standards) and further relevant topics added. Like in the sustainability strategy, all material topics are assigned to the categories People, Planet and Profit. In the People category, the occupational safety topic was expanded to include the health aspect. In the Planet category, the resources topic was expanded to include the circular economy aspect. In the Profit category, the topics product management and innovation, quality as well as production and digitalisation/BIM were added as material topics. Furthermore, the topic of data protection was identified as relevant in connection with the introduction of the EU's General Data Protection Regulation (GDPR). This enabled a high degree of consensus on the selection of material topics with the key approaches in the corporate and sustainability strategy to be achieved.

The updated materiality analysis was reviewed and approved by an external stakeholder panel in September 2018.

Material aspects are deemed material if they are significant from the internal perspective of the company or the external perspective of stakeholders.



COMMUNICATION ON PROGRESS UNGC

Human rights

Principle 1:

Support and respect the protection of internationally proclaimed human rights

- When hiring employees and determining their assignment in the company, Geberit attaches great importance to qualifications appropriate to the task description. In accordance with their qualifications, the majority of Geberit employees at the production sites and sales companies are paid well above the minimum wage range. This considerably reduces the risk of human rights violations. See → **GRI 202-1**
- In its Code of Conduct, Geberit undertakes to be an exemplary, reliable and fair business partner and employer at all times. As a fair partner, Geberit recognises all laws, directives and internationally recognised standards as well as the UN Guiding Principles on Business and Human Rights, and complies with them in full. All new employees at Geberit are trained on the Code of Conduct as part of the Welcome events. See → **Code of Conduct for Employees**, → **GRI 102-16**, → **GRI 412-2**
- Compliance with the Code of Conduct is monitored Group-wide as part of an annual survey and supplemented by internal audits on site. There were no significant breaches in 2019. See → **GRI 412**, → **GRI 419**
- The Geberit Integrity Line gives all employees the opportunity to report irregularities anonymously. No incidents were recorded by Geberit in 2019.

Principle 2:

Make sure the company is not complicit in human rights abuses

- With respect to human rights abuses, the greatest risk for Geberit lies with suppliers, who can be influenced only indirectly. Geberit does all it can to minimise this risk and requires that business partners and suppliers comply with comprehensive standards. See → **Sustainability strategy**, → **Management Approach Procurement**
- The Code of Conduct for Suppliers is intended to ensure that Geberit's suppliers act in accordance with internal and external guidelines, such as the UN Guiding Principles on Business and Human Rights and the ILO core labour standards. As of the end of 2019, a total of 2,263 suppliers had signed the Code of Conduct. This equates to over 90% of the total procurement value. In 2019, 172 existing suppliers were identified in the highest risk category as defined by Geberit, which corresponds to around 8% of the procurement value of Geberit. A systematic planning and performance of audits is conducted for these suppliers.
  See → **Code of Conduct for Suppliers**, → **Management Approach Procurement**
- In 2019, four third-party audits were carried out at suppliers in China and Egypt. The results showed that the majority of occupational safety and environmental standards are complied with. Appropriate corrective measures are agreed in cases of non-compliance. See → **GRI 308-2**, → **GRI 414-2**

Labour practices

Principle 3:

Uphold the freedom of association and the effective recognition of the right to collective bargaining

- No rights with respect to exercising the freedom of association or collective bargaining as defined in the ILO core labour standards are subject to restriction at the Geberit Group. This is verified annually as part of a Group-wide survey. No restrictions were in effect in 2019. See → **GRI 407**
- There are currently 8,646 employees (corresponding to 74% of the workforce) who are covered by collective agreements (e.g. collective labour agreements, wage agreements). In Germany, Austria, Switzerland, France, Italy, Finland, Sweden, Poland and Ukraine, over 90% of employees are subject to a collective labour or wage agreement. There are no collective agreements with employees in place in the USA and China. See → **GRI 102-41**

Principle 4:

Uphold the elimination of all forms of forced and compulsory labour

Principle 5:

Uphold the effective abolition of child labour

- Geberit's exposure with respect to forced and child labour is considered low because of its industry, business model, the countries in which business activities are carried out, as well as its high level of vertical integration and high quality requirements. See → **GRI 408**, → **GRI 409**
- Geberit categorically rejects all forms of forced and child labour. According to the annual Group-wide survey, no cases of forced and compulsory or child labour were discovered in 2019, nor were any cases revealed during the course of the audits performed among the suppliers. The basic principles established in the Code of Conduct for Suppliers expressly include compliance with the ILO core labour standards for the exclusion of forced and child labour. See → **GRI 408** → **GRI 409**

Principle 6:

Uphold the elimination of discrimination in respect of employment and occupation

- The Geberit Code of Conduct clearly specifies how employees are to behave and how Geberit assumes responsibility as an employer in order to counteract discrimination in adherence with the ILO core labour standards. According to the annual Group-wide survey, there was one case of verbal sexual harassment reported in 2019. This incident was resolved and the employee responsible has left the company.
  See → **GRI 406-1**
- Geberit's personnel policy and recruitment practices do not differentiate between members of the local community and other applicants or employees. See → **GRI 202**, → **GRI 406**
- Protection of the principles of equality is anchored in the Geberit Code of Conduct. This includes the prohibition of discrimination against any employee on the basis of gender. Fair and equal pay for men and women is a matter of course at Geberit, as was verified and documented in 2019 as part of the annual Group-wide survey. The proportion of female employees as of the end of 2019 was 24%; in management this figure was 11%. See → **GRI 405**, → **Geberit Code of Conduct**

Environmental protection

Principle 7:

Support a precautionary approach to environmental challenges

- With the precautionary approach in mind, the Audit Committee of the Board of Directors operates an extensive system for monitoring and controlling the risks (incl. environmental risks) linked to the business activities. See → **GRI 102-11**
- Since 1990, Geberit has followed a long-term environmental strategy, plus a sustainability strategy that was developed later. It has been committed to environmentally friendly, resource-efficient production as well as to the development of water-saving and sustainable products. This is also defined as a management principle in the Geberit Compass. Environmental criteria are considered in all decision-making processes. A demonstrably high standard is achieved in this regard, one which often exceeds statutory requirements. See → **Geberit Compass**, → **Environmental policy**
- The carbon footprint – from the provision of raw materials, combustibles and fuels, the manufacture of products at Geberit, logistics and use, right through to disposal – reveals that product use (69.2%) and the provision of raw materials (16.8%) are by far the largest sources of CO_2 emissions. See → **Carbon footprint**
- In 2019, CO_2 emissions amounted to 222,639 tonnes, corresponding to a decrease of 3.8%. CO_2 emissions per net sales (currency-adjusted) fell by 7.0%, meaning that Geberit exceeded its target of 5% per year. See → **GRI 305-2**
- A long-term CO_2 target was defined in 2016 that is compatible with the two-degree target set out in the Paris Agreement and the Science Based Targets Initiative. Within this context, Geberit planned to reduce its absolute CO_2 emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). This target was already achieved in 2018. See → **GRI 305**

Principle 8:

Undertake initiatives to promote greater environmental responsibility

- The Geberit Group has a Group certificate in accordance with ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety) that is valid until 2021. The annual preparation of a corporate eco-balance has been an established part of Geberit's environmental management since 1991. The absolute environmental impact was reduced by 3.7% in 2019. The environmental impact per net sales (currency-adjusted) dropped by 6.9%, meaning that Geberit exceeded its target of 5% per year. This progress is founded largely on continuous improvements in efficiency at the energy-intensive ceramics plants. Since the acquisition of Sanitec in 2015, the absolute environmental impact has been reduced by 14.9% and eco-efficiency increased by 27.5%. See → **ISO certificate**, → **Chapter 9 Planet**, → **Sustainability strategy**
- Geberit places its faith in energy saving and energy efficiency: in addition to process optimisation – particularly in the newly acquired plants – important measures include the continuous modernisation of the infrastructure and machine fleet, the optimisation of the kilns used for ceramic production, the improved use of waste heat (heat recovery) as well as the careful use of compressed air. See → **GRI 302-4**, → **Facts and Figures**
- As part of the long-term CO_2 strategy, specific goals for the share of renewable energy sources by 2021 were also established: 45% for electricity and 10% for combustibles. The purchased green electricity was increased by 3 GWh to 53 GWh. In total, renewable energy sources account for 42.1% of electricity and 4.3% of combustibles. See → **GRI 305-5**
- Beginning with the development process, the most environmentally friendly materials and functional principles are used, risks are minimised and high resource efficiency is pursued. Eco-design has been an integral part of the development processes since 2007 and has already been adopted in more than 125 development projects. Eco-design is also implemented in product modifications and technology projects. Every new product is to be better than its predecessor with respect to environmental aspects. See → **Chapter 10.1 Products and innovation**

Principle 9:

Encourage the development and diffusion of environmentally friendly technologies

- The water footprint throughout the Geberit value chain shows that nearly 100% of the water consumption is attributable to the use of Geberit products by customers. Water-saving solutions can therefore exert a major impact: all dual-flush and flush-stop cisterns produced since 1998 have saved around 3,120 million m^3 of water in 2019 alone. See → **SDG Reporting**, → **Water footprint**
- Geberit supports the economical use of water in the sanitary industry and played a key role in establishing the European Bathroom Forum (EBF) in 2017. One of the first tasks was the launch of a new European water label as a voluntary and flexible instrument to support customers in the selection of resource-efficient products. See → **Chapter 10.1 Products and innovation**
- Green building is a market of the future experiencing strong growth throughout the world. As a leading system provider of sanitary solutions, Geberit is already offering suitable products for this purpose. See → **Reference magazine**

Anti-corruption

Principle 10:

Work against corruption in all its forms, including extortion and bribery

- As a long-term member of Transparency International Switzerland, Geberit is committed to high standards in combating corruption. In addition to the Code of Conduct, there are additional guidelines on prevention and employees receive training in this area. See → **GRI 205**
- In 2019, the Internal Audit Department audited a total of 21 companies and did not discover any cases of corruption.
- Since 2017, an Integrity Line has been available to suppliers for anonymously reporting irregularities in the procurement process. No cases were reported in the reporting year. See → **GRI 102-17**
- As a rule, Geberit does not make donations to parties or politicians. All donations are neutral from a party political point of view. This was verified and documented as part of the annual Group-wide survey.

2. STRATEGY AND ANALYSIS

GRI 102-14 CEO STATEMENT ON SUSTAINABILITY

For the statement of Christian Buhl (CEO), see → **CEO statement on sustainability**.

GRI 102-15 KEY IMPACTS, RISKS AND OPPORTUNITIES

For Geberit, sustainability means bringing about a sustained improvement in the quality of people's lives through innovative sanitary products and thereby generating long-term added value for customers, society and investors. This means striking a balance in decision-making processes between economic, environmental and social aspects. One focal point of Geberit involves identifying important technological and social trends in good time in dialogue with stakeholders and developing suitable products and services for customers that also generate added value for other stakeholders. The long-term orientation minimises risks for business development that are not only of a purely financial nature but arise from social developments and environmental challenges, such as climate change and water scarcity. Geberit has a long commitment to sustainability and has thus followed a long-term environmental and sustainability strategy since 1990 that includes both ongoing and future projects, initiatives and activities. Each module in the strategy contains clear responsibilities with measurable objectives, derived measures and quantifiable key figures for effective monitoring. It thus sets standards for customers, employees, suppliers and other partners. Various awards and rankings serve to confirm Geberit's role as a leader in sustainability in various stakeholder groups' perceptions. As a supplier, Geberit attained Gold status for sustainable supply chains on the EcoVadis platform.

Supplementary to the established → **Sustainability strategy**, the → **Materiality analysis** – which is based on the GRI Standards – prioritises the key topics for Geberit and simultaneously highlights the areas in which added value for stakeholders is created. These are as follows: resource-efficient and sustainable systems for water management in buildings, water-saving and sustainable products, environmentally friendly and resource-efficient production, procurement and logistics in compliance with high environmental and ethical standards as well as good and safe working conditions for the 11,619 employees worldwide. Social responsibility is realised among other things within the scope of global social projects relating to the core competencies of water and sanitary facilities, and is intensified with long-term partnerships such as with the Swiss development organisation Helvetas.

The UN Sustainable Development Goals (SDGs) define concrete targets for 17 different themes, which the states are required to implement by 2030. Integration of the economy plays a pivotal role in implementing these targets and indicators. As a result, major opportunities with growth potential are also arising for companies geared towards sustainable products and services – such as Geberit. In accordance with the → **external Stakeholder Panel**, which was conducted for the fourth time in September 2018, Geberit sees its contribution above all in four UN Sustainable Development Goals. The contributions to goal number 6 "Ensure the availability and sustainable management of water and sanitation for all", number 8 "Promote sustainable economic growth, employment and decent work for all", number 9 "Build resilient infrastructure, promote sustainable industrialisation and foster innovation" and number 11 "Make cities safe, resilient and sustainable" are included in the → **SDG Reporting** from Geberit. The major economic, environmental and social effects of Geberit's operations also lie in these four areas.

Geberit combats risks posed by increasing regulation and changing framework conditions with an effective → **compliance system** that focuses on compliance in the six key topic areas of antitrust legislation, corruption, product liability, data protection, employee rights and environmental protection.

3. ORGANISATIONAL PROFILE

GRI 102-1 NAME OF THE ORGANISATION

Geberit Group

GRI 102-2 ACTIVITIES, BRANDS, PRODUCTS AND SERVICES

Geberit offers customers high-quality sanitary products for applications in private residential construction and public buildings. The products are used in both renovation projects and new buildings.

The product area Installation and Flushing Systems comprises all sanitary installation technology plus a broad range of flushing systems for toilets and is divided into the two product lines Installation Systems and Cisterns & Mechanisms. The product area Piping Systems comprises all piping technology found in buildings for drinking water, heating, gas and other media and is divided into the product lines Building Drainage Systems and Supply Systems. The Bathroom Systems product area comprises virtually all relevant furnishings in a bathroom and is divided into the product lines Bathroom Ceramics & Furniture, Showers & Bathtubs, and Taps & Controls.

For further information on the product range, see → **www.geberit.com > Products > Product range**.

For net sales by product areas in 2019, see → **Business Report > Business and financial review > Financial Year 2019 > Net sales**.

GRI 102-3 LOCATION OF HEADQUARTERS

The Geberit Group has its headquarters in Rapperswil-Jona (CH).

GRI 102-4 LOCATION OF OPERATIONS

Geberit has its own representatives in 50 countries. The products are sold in 120 countries throughout the world. The company has 29 specialised production companies in 14 different countries close to the most important sales markets and a central logistics centre in Pfullendorf (DE), as well as a network of 13 European distribution sites for the ceramics business.

For a list of the countries in which Geberit operates, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 33**.

GRI 102-5 OWNERSHIP AND LEGAL FORM

Geberit AG, the parent company of the Geberit Group, is a stock corporation (AG) under Swiss law.

GRI 102-6 MARKETS SERVED

In terms of market cultivation, Geberit relies on a three-stage distribution channel. The vast majority of products are distributed via the wholesale trade. Dealerships then sell them to plumbers and present them at exhibitions and other events where end customers can gain information. At the same time, Geberit provides plumbers and sanitary engineers with intensive support through training and advice. This leads to increased demand for Geberit products from wholesalers.

For net sales by markets and regions as well as by product areas, see → **Business Report > Business and financial review > Financial Year 2019 > Net sales**.

GRI 102-7 SCALE OF THE REPORTING ORGANISATION

The Geberit Group's market capitalisation reached CHF 20.1 billion at the end of 2019 (previous year CHF 14.2 billion). For the consolidated balance sheet with details of current assets, non-current assets, equity and liabilities, see → **Financials > Consolidated financial statements Geberit Group > Balance Sheet**. In 2019, net sales amounted to CHF 3,083 million (previous year CHF 3,081 million).

At the end of 2019, the Group had 11,619 employees. For the number of business sites, see → **GRI 102-4**.

GRI 102-8 COMPOSITION OF THE WORKFORCE

At the end of 2019, the Geberit Group employed 11,619 staff worldwide (previous year 11,630 employees), equivalent to a small decline of 11 employees or 0.1% compared to the previous year. An increase in personnel in various sales companies and an increasing number of apprentices in Germany and Switzerland was offset by a net reduction in staff numbers in production, which was primarily attributable to the termination of the remaining employment relationships as part of the closure of two ceramics plants in 2017.

For key figures on the workforce by employment type, employment contract, region and gender, see → **Key figures sustainability > Employees and society**.

GRI 102-10 STRUCTURAL CHANGES

There were no major changes in the reporting year to the Group structure, see also → **Financials > Consolidated financial statements Geberit Group > Notes > Note 2**.

GRI 102-11 CONSIDERATION OF THE PRECAUTIONARY APPROACH

The precautionary approach plays an important role for Geberit as a production company. This approach is described in the → **Geberit Code of Conduct**.

The Geberit Group has a → **Group certificate** in accordance with ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety) that is valid until 2021. 28 of the 29 production plants, central logistics, and the management company incorporating all Group functions at headquarters in Rapperswil-Jona (CH) are certified in accordance with these three standards or OHSAS 18001. By the end of 2020, all production plants will be covered by these standards. In addition, five German plants are certified according to ISO 50001 (energy) and ten sales companies according to ISO 9001 (quality).

In the environmental area, the company remains committed to its ambitious goals of improving the relative environmental impact and relative CO_2 emissions by 5% annually. In addition, a CO_2 target was developed in 2016 that is compatible with the two-degree target set out in the Paris Agreement and with the Science Based Targets Initiative. It comprises a reduction of absolute CO_2 emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). In the area of occupational safety, the aim is to halve the frequency and severity of accidents by 2025 based on the reference year 2015.

The Geberit Production System (GPS) is implemented at all plants. Best-practice standards in production are uniformly implemented using methods such as SMED (Single Minute Exchange of Dies), TPM (Total Production Maintenance), 5S (Workplace Organisation Methodology) and CIP (Continuous Improvement Process).

An extensive system for the control and management of all risks involved in business activities is in place throughout the Group. For further information, see → **Business Report > Corporate Governance > Board of Directors > Information and control instruments vis-à-vis the Group Executive Board**.

GRI 102-12 EXTERNAL INITIATIVES

In 2017, Geberit played a key role in establishing a new platform for the European sanitary industry – the European Bathroom Forum (EBF). One of the first tasks was the launch of a new European water label as a voluntary and flexible instrument to support customers in the selection of resource-efficient products. This aims to help achieve the EU goals for resource efficiency. Geberit is also planning to take part in "Operation Clean Sweep" to prevent the pollution of the environment with plastic pellets, see also → **GRI 102-13**.

GRI 102-13 MEMBERSHIP OF ASSOCIATIONS

Geberit is involved in various associations and organisations that make a contribution toward sustainability. In addition, various Geberit companies are members of national associations on topics such as green building, environmentally friendly production, energy, waste management and employee protection.

The company has been a member of the Transparency International organisation since June 2000 and supports its objectives for combating corruption. Since 2006, Geberit has voluntarily applied the comprehensive guidelines of the Global Reporting Initiative (GRI) for sustainability reporting and has thereby made an active contribution towards ensuring transparency and comparability in this reporting. Geberit has also been a formal member of the UN Global Compact since October 2008 and was a founding member of the local Swiss network in 2011. Geberit has been a member of the non-profit organisation Swiss Water Partnership since 2012. This platform seeks to bring together all those involved in the topic of water supply (from academic, economic as well as public and private spheres) to collectively address future challenges and promote international dialogue on water.

For major commitments see → **www.geberit.com > Company > Sustainability > UN Global Compact and Memberships**.

4. ETHICS AND INTEGRITY

GRI 102-16 VALUES, DIRECTIVES, STANDARDS AND CODES OF CONDUCT

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **Geberit Compass** (what we do, what motivates us, how we work together, what is responsible for our success), which was updated in 2015, and the → **Geberit Code of Conduct for Employees**, updated in 2014 and implemented in 2015, serve as the applicable guidelines. The compliance system also includes the topic of data protection on the basis of the EU's General Data Protection Regulation (GDPR), see → **GRI 418**.

Other specific guidelines that are important to Geberit are:

- → **Geberit policy on occupational health and safety, environment and energy**
- → **Geberit Code of Conduct for Suppliers**
- → **Geberit Code of Conduct for Business Partners**
- → **Geberit antitrust legislation guidelines**
- → **Geberit compliance commitment for contractors**
- UN Guiding Principles on Business and Human Rights

GRI 102-17 ETHICAL ADVICE AND CONCERNS

Geberit has established an effective compliance system to ensure that its conduct is both ethical and legally compliant. Action on compliance focuses on the following six key topics: antitrust legislation, corruption, product liability, data protection, employee rights and environmental protection, see → **Business Report > Business and financial review > Financial Year 2019 > Compliance**.

It is of utmost importance to Geberit that the Geberit Code of Conduct is adhered to. Non-compliance will be severely punished. A comprehensive review on compliance with the Code of Conduct takes place as part of the annual reporting. All companies receive over 60 questions on the above-mentioned key topics. In addition, on-site audits are performed by the Internal Audit Department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Board of Directors and Group Executive Board and are published in accordance with the guidelines of the GRI in this report.

Employees who openly address irregularities which represent breaches of applicable law, ethical standards or the Code of Conduct are acting correctly and in accordance with the Geberit Code of Conduct. As a general rule, employees should seek a personal meeting with their supervisor. The Geberit Integrity Line is available to all employees as a whistleblower hotline. The service is intended to enable employees to anonymously report misconduct in all compliance-relevant cases. The Integrity Line is operated by an external company with experience in this area, and is available around the clock seven days a week. In the reporting year, no significant incidents were reported via the Integrity Line for employees. Since 2017, an Integrity Line has also been available to suppliers for anonymously reporting irregularities in the procurement process. There were no reports from suppliers in the reporting year.

5. GOVERNANCE

GRI 102-18 GOVERNANCE STRUCTURE

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. For details about the internal organisation of the Board of Directors and its committees, see → **Business Report > Corporate Governance > Board of Directors > Internal organisational structure**.

As of the end of 2019, the operating management structure of Geberit was broken down into seven Group Executive Areas:

- CEO Division
- Sales Europe
- Sales International
- Marketing & Brands
- Operations
- Product Management & Innovation
- Finance

The assignment of clearly distinguished responsibilities minimises the number of interfaces. For more details about the organisational structure, see → **Business Report > Management structure**.

GRI 102-19 DELEGATION OF AUTHORITY ON ECONOMIC, ENVIRONMENTAL AND SOCIAL MATTERS

The Board of Directors determines the strategy. This includes the corporate strategy, see → **Business Report > Business and financial review > Strategy and goals > Strategy** and the → **Sustainability strategy**. To the extent legally permissible and in accordance with the Organisational Regulations, the Board of Directors has assigned the operational management and the implementation of the strategy to the Chief Executive Officer. Within the operational management structure, responsibility for specific economic, environmental and social issues is delegated further, see → **Business Report > Management structure**.

At every meeting, the members of the Group Executive Board inform the Board of Directors of current business developments and major business transactions of the Group or Group companies. Between meetings, the Board of Directors is comprehensively informed in writing about current business developments and the company's financial situation on a monthly basis.

GRI 102-20 RESPONSIBILITY FOR ECONOMIC, ENVIRONMENTAL AND SOCIAL MATTERS

The Board of Directors determines the strategic objectives and the general resources for achieving these, and decides on major business transactions. Within the operational management structure, responsibility is determined for specific economic, environmental and social issues, see → **GRI 102-18**. The responsible individuals report either directly to the CEO (including Corporate Human Resources, Corporate Communications and Investor Relations, Strategic Planning), or to other members of the Group Executive Board.

The way in which the topic of sustainability is approached has been further developed regularly within the company. For over 25 years, Geberit has had an Environment and Sustainability department, which has been reporting directly to the CEO for more than 15 years. This department coordinates the further development of the sustainability strategy and related activities, although the responsibility for planning and implementation lies within the individual areas themselves.

GRI 102-21 CONSULTATION PROCESS BETWEEN STAKEHOLDERS AND THE BOARD OF DIRECTORS

For the participatory rights of the shareholders, see → **Business Report > Corporate Governance > Participatory rights of the shareholders**.

There is no employee representative on the Board of Directors. The employee representatives of the European sites meet regularly with a member of the Group Executive Board and the Head Corporate Human Resources. Selected concerns can be addressed to the Board of Directors through this channel.

GRI 102-22 COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES

At the end of 2019, the Board of Directors was composed of five non-executive, independent members. Up to the start of October 2019, the Board of Directors was composed of six non-executive, independent members. However, following the death of Thomas M. Hübner at the start of October, the Board was then reduced to five members. The composition of the Board of Directors should reflect strategic requirements, the company's targets, geographical presence and corporate culture. The Board of Directors should be diverse in every respect, i.e. in terms of gender, nationality, geographical/regional experience and business experience. Albert M. Baehny is Chairman of the Board of Directors. All of the committees formed by the Board of Directors are comprised exclusively of independent members. For further details, see → **Business Report > Corporate Governance > Board of Directors**.

GRI 102-23 SEPARATION OF CHAIR OF BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Christian Buhl is Chief Executive Officer (CEO) and Chairman of the Board of Directors is Albert M. Baehny. For further details, see → **Business Report > Corporate Governance > Board of Directors**.

GRI 102-24 NOMINATION AND SELECTION PROCESS OF THE BOARD OF DIRECTORS

With regard to the election and terms of office of members of the Board of Directors, see → **Business Report > Corporate Governance > Board of Directors > Elections and terms of office**.

GRI 102-25 PROCESSES IN PLACE FOR THE BOARD OF DIRECTORS TO AVOID CONFLICTS OF INTEREST

Detailed information on all members of the Board of Directors, including their memberships in other organisations, can be found in → **Business Report > Corporate Governance > Board of Directors**.

The Articles of Incorporation and → **Organisational Regulations of the Board of Directors** stipulate how conflicts of interest of members of the Board of Directors are avoided. The members of the Board of Directors are obliged to refrain from involvement in the handling of matters affecting either their personal interests or those of a company with which they have an affiliation. This obligation to refrain from involvement has no influence on the requirements for a quorum when passing resolutions. Business dealings between the company and governing bodies or related parties are subject to the principle of conclusion at conditions as with independent third parties.

GRI 102-26 ROLE OF TOP MANAGEMENT AND BOARD OF DIRECTORS IN DEVELOPMENT OF GUIDING PRINCIPLES AND STRATEGIES

Geberit's long-standing success is based on the fact that, together with the Board of Directors, the Group Executive Board pursues a long-term perspective. The Board of Directors and Group Executive Board have defined and adopted key mission statements and principles such as the Geberit Compass and the Geberit Code of Conduct, see → **GRI 102-16**. The Board of Directors determines the corporate strategy. The Sustainability strategy is examined and approved by the Group Executive Board and the Board of Directors, see → **GRI 102-29**.

GRI 102-27 ENHANCEMENT OF TOP MANAGEMENT'S AND BOARD OF DIRECTORS' RELATED KNOW-HOW ON ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES

Internal business processes are designed to ensure continuous improvement and innovation. These values are closely associated with the Geberit brand. At the same time, stakeholder concerns are taken seriously, and the Group Executive Board and Board of Directors receive feedback and input for the continued development of the sustainability strategy from the external Stakeholder Panel, for example.

Every year, the Board of Directors undertakes at least one assessment of the way in which it works together. This includes an assessment of how well-informed the members of the Board of Directors are about the Group and its business performance, see → **Organisational Regulations of the Board of Directors**.

GRI 102-28 PROCESSES FOR EVALUATION OF THE SUSTAINABILITY PERFORMANCE OF THE BOARD OF DIRECTORS

Geberit's long-standing success is based on the fact that, together with the Board of Directors, the Group Executive Board pursues a long-term perspective, thus enabling the company to demonstrate its performance clearly in areas including sustainability. There is no formal procedure for assessing the performance of the Board of Directors from an integrated sustainability perspective. As part of the annual review of the sustainability strategy, findings are discussed and areas where action is needed are determined, see → **GRI 102-29**.

Geberit's remuneration policy states that remuneration programmes must be balanced between the reward of short-term success and long-term value creation. For information about the remuneration of the management bodies, see → **Business Report > Remuneration Report**.

GRI 102-29 BOARD LEVEL PROCEDURES FOR OVERSEEING SUSTAINABILITY PERFORMANCE

The → **Sustainability strategy** is examined and approved by the Group Executive Board and the Board of Directors. Results and the achievement of objectives are submitted to the Group Executive Board and the Board of Directors for verification at least once annually. This also comprises the → **Communication on Progress UN Global Compact** and the Geberit Compliance Report, including the audit results with respect to the Code of Conduct. Key figures on occupational safety are presented quarterly to the Group Executive Board and on a regular basis to the Board of Directors.

In 2018, Geberit consulted an → **external Stakeholder Panel** for the fourth time. Its mandate consisted of providing feedback on the sustainability strategy and sustainability communication, as well as the associated risks and opportunities. This input is used for the strategic review and continued development of the company. The next stakeholder panel is planned for 2020.

GRI 102-30 EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS

Based on the Organisational Regulations of the Board of Directors, the Audit Committee has implemented a comprehensive system for monitoring and controlling the risks linked to the business activities. This process includes risk identification, analysis, control and reporting.

Operationally, the Group Executive Board is responsible for controlling risk management. In addition, responsible persons are designated in the company for significant individual risks. These responsible parties decide on specific actions for risk mitigation and monitor their implementation. Every other year, the Internal Audit Department issues a risk report for the attention of the Board of Directors. Significant risks are also constantly discussed in the meetings of the Group Executive Board and Board of Directors, which take place on a regular basis.

For an overview of the Geberit compliance topics, see → **Business Report > Business and financial review > Financial Year 2019 > Compliance**.

GRI 102-31 FREQUENCY OF REVIEW OF IMPACTS, RISKS AND OPPORTUNITIES IN THE AREA OF SUSTAINABILITY

The impacts, risks and opportunities are discussed and reviewed by the Group Executive Board and Board of Directors annually in connection with the sustainability reporting and the sustainability strategy.

GRI 102-32 REVIEW AND APPROVAL OF SUSTAINABILITY REPORTING

Sustainability reporting is examined and approved by the Board of Directors and Group Executive Board as part of the integrated annual report. In doing so, attention is paid that all material aspects are covered.

GRI 102-33 PROCEDURE FOR COMMUNICATING CRITICAL CONCERNS TO THE BOARD

The Board of Directors is available at any time to address the concerns of stakeholders and shareholders.

GRI 102-34 NATURE AND TOTAL NUMBER OF CRITICAL CONCERNS COMMUNICATED TO THE BOARD

Matters brought forward by shareholders within the context of the General Meeting are dealt with in accordance with the Articles of Incorporation. No matters were submitted directly to the Board of Directors outside the General Meeting in 2019.

GRI 102-35 REMUNERATION POLICIES FOR THE GOVERNANCE BODIES

Geberit publishes a detailed annual Remuneration Report, which discloses the precise points of its remuneration policy, see → **Business Report > Remuneration Report**.

GRI 102-36 PROCESS FOR DETERMINING REMUNERATION

Geberit publishes a detailed annual Remuneration Report, which discloses the precise points of remuneration paid to the Board of Directors and Group Executive Board, see → **Business Report > Remuneration Report**.

GRI 102-37 STAKEHOLDERS' INVOLVEMENT IN DECISIONS REGARDING REMUNERATION

The remuneration to the Board of Directors and Group Executive Board disclosed in the detailed remuneration report addresses the concerns of stakeholders and shareholders, see → **Business Report > Remuneration Report**.

GRI 102-38 RATIO OF ANNUAL REMUNERATION PAID

The ratio of the annual remuneration paid to the highest-paid employee to the average annual remuneration of all employees (excluding the highest-paid employee) was 26.6 in Switzerland, 7.2 in Germany, 5.2 in Austria and 4.9 in Italy.

GRI 102-39 RATIO OF PERCENTAGE INCREASE IN ANNUAL REMUNERATION PAID

The ratio of the percentage increase in annual remuneration paid to the highest-paid employee to the level of the percentage increase in annual remuneration for all employees (excluding the highest-paid employee) was 19.3 in Switzerland, 2.7 in Germany, 4.8 in Austria and 2.2 in Italy.

6. STAKEHOLDER ENGAGEMENT

GRI 102-40 RELEVANT STAKEHOLDER GROUPS

Significant stakeholder groups for Geberit are customers, shareholders and analysts, the media, employees and trade unions, neighbours, municipalities and authorities, research institutes, suppliers, transport companies, associations, non-government organisations and the general public. For details on stakeholder engagement, see → **GRI 102-42**.

GRI 102-41 COLLECTIVE BARGAINING AGREEMENTS

There are currently 8,646 employees (corresponding to 74% of the workforce) who are covered by collective agreements (e.g. collective labour agreements, wage agreements). In Germany, Austria, Switzerland, France, Italy, Finland, Sweden, Poland and Ukraine, over 90% of employees are subject to a collective labour or wage agreement. There are no collective agreements with employees in place in the USA and in China.

GRI 102-42 IDENTIFICATION AND SELECTION OF STAKEHOLDERS

A systematic guided dialogue with stakeholders helps Geberit to identify possible conflict issues and opportunities for further development and to respond to these in good time. On national and international levels, the Geberit Group and its local companies maintain relations with organisations and institutions in the respective countries that direct requests and suggestions to the company. The stakeholders listed under → **GRI 102-40** have been identified as important for systematic stakeholder dialogue as they fulfil at least one of two criteria: either the stakeholder group exerts a strong influence on the economic, environmental or social performance of Geberit and/or the stakeholder group is strongly affected by the economic, environmental or social performance of Geberit. An → **external Stakeholder Panel** helps Geberit to review its assessment of important stakeholder groups and their concerns.

GRI 102-43 APPROACHES TO STAKEHOLDER ENGAGEMENT

Geberit consulted an → **external Stakeholder Panel** for the fourth time in 2018. Its mandate consisted of providing feedback on the sustainability strategy and sustainability communication and also discussing the materiality analysis. The results are presented in the → **Panel Statement**. The external review and the recommendations contained therein are dealt with in detail in the → **Response from Geberit to the Panel Statement**. The next stakeholder panel is planned for 2020.

Based on the stakeholder analysis, Geberit identifies both potential for conflict and opportunities, and pursues a cooperative approach when it comes to discussing and further developing possible measures with the stakeholders concerned.

Engagement of stakeholders according to stakeholder group:

CUSTOMERS:

- Technical advisors working in the field who are in daily contact with plumbers, sanitary engineers and architects.
- During the reporting year, around 35,000 professionals were provided with training in products, tools, software tools and installation skills at the 29 Geberit Information Centres in Europe and overseas.
- Invitation of architects, interior designers and other market partners to visit an exhibition on the design pioneer Victor Papanek and the presentation of innovative Geberit bathroom solutions at the prestigious Vitra Design Museum in Weil am Rhein (DE).
- Around 85,000 customers became more familiar with Geberit know-how and products at external training events, many of which were organised in cooperation with local trading partners.
- Advertising campaign for AquaClean shower toilets in 15 campaign markets with the opportunity to try out a shower toilet. Support of numerous local events with a fleet of ten AquaClean trailers – each equipped with two toilets.
- "Test at home" campaign for potential customers in Germany, Switzerland, Belgium and Austria as the opportunity to try out a shower toilet at home free of charge.
- Launch of an end user campaign in Germany, Austria and Switzerland under the title "Better bathrooms, better lives", see → **Business Report > Business and financial review > Financial Year 2019 > Customers**.

SHAREHOLDERS AND ANALYSTS:

- For the participatory rights of the shareholders, see → **Business Report > Corporate Governance > Participatory rights of shareholders**.
- Regular telephone conferences, bilateral meetings, conferences and roadshows by the CEO, CFO and Head Corporate Communications and Investor Relations.

MEDIA:

- Regular conference calls, bilateral meetings and interviews with the relevant media for Geberit.
- Sustainability topics and in particular Geberit's performance in this area play an important role in the media activities of Geberit.

EMPLOYEES AND TRADE UNIONS:

- Geberit Europe Forum with employee representatives from most European countries, during which a member of the Group Executive Board and the Head Corporate HR meet with the delegates.
- Training and feedback opportunities on topics regarding the Code of Conduct.

- Group-wide Geberit Integrity Line to enable all employees across the world to report irregularities anonymously.
- Regular employee survey of all employees of the Geberit Group.

NEIGHBOURS, MUNICIPALITIES AND AUTHORITIES:

- Consultation with and inclusion of the neighbours of production plants in larger construction projects.
- Open days at various production sites.

RESEARCH INSTITUTES:

Partner of the → **research platform NEST** (Next Evolution in Sustainable Building Technologies) at Empa in Dübendorf (CH). In the Water Hub, systems are tested that use water and waste water as efficiently and diversely as possible.

- Cooperation on technological trends and developments directly related to sanitary technology with EAWAG and Empa Dübendorf, HSR Rapperswil (CH), Technical University (TU) Dresden, the Fraunhofer Institute (ILT) Aachen (DE) and others.

SUPPLIERS:

- Initial contact within the scope of the assessment procedure and implementation of the Code of Conduct for Suppliers, see → **Chapter 10.2 Operations > Procurement**.
- Regular discussions between buyers and suppliers on site.
- On-site audits (quality, environment, occupational health and safety) carried out by Geberit and external partners.
- Since 2017, Integrity Line for suppliers for anonymously reporting irregularities in the procurement process.

TRANSPORT COMPANIES:

- Discussions with transport service providers based on the results of environmental monitoring.

ASSOCIATIONS:

- Significant participation in the founding of a new platform for the European sanitary industry – the European Bathroom Forum (EBF) – and launch of a new European water label for sanitary products.
- Collaboration with FECS (European Sanitaryware Producers Federation) on a new voluntary European standard for assessing the sustainability of ceramic sanitary appliances (EN 16578).
- Involvement in various associations and organisations with participation in corresponding management bodies and programmes, see → **GRI 102-13.**

NON-GOVERNMENT ORGANISATIONS AND THE GENERAL PUBLIC:

- Partnership with the Swiss development organisation Helvetas.
- Membership of the charitable organisation Swiss Water Partnership.

Feedback from stakeholder dialogues is incorporated into the → **Materiality analysis** and into the → **Sustainability strategy**.

GRI 102-44 RESPONSE TO AND DEALING WITH KEY TOPICS AND CONCERNS OF STAKEHOLDERS

The topics introduced by the → **external Stakeholder Panel** have been integrated into the updated → **Sustainability strategy** and reporting by Geberit, see → **Panel Statement** and the → **Response from Geberit to the Panel Statement**.

Some examples of important current topics that were introduced by stakeholders and have been implemented by Geberit include:

- Education and further training of employees as an important success factor, see → **Business Report > Business and financial review > Financial Year 2019 > Employees**.
- Best-in-class approach to occupational health and safety, see → **GRI 403**.
- Implementation of social projects, see → **Business Report > Business and financial review > Financial Year 2019 > Social Responsibility**.
- Expansion of the portfolio of water-saving products, see also → **Water footprint**.
- Circular economy, see → **GRI 301**.
- CO_2 target compatible with the two-degree target set out in the Paris Agreement and the Science Based Targets Initiative, see → **Management approach CO_2 and other emissions**.
- Holistic solutions for products and systems in front of and behind the wall, see → **Business Report > Business and financial review > Financial Year 2019 > Innovation**.
- Customer training, see → **Business Report > Business and financial review > Financial Year 2019 > Customers**.
- Transparency in the remuneration system, see → **Business Report > Remuneration Report**.

7. REPORTING PRACTICE

GRI 102-45 BASIS OF CONSOLIDATION

In general, the report covers the entire Geberit Group and the 2019 financial year. If only part of the company is meant as an example or due to the availability of data, this is clearly indicated.

For the reporting limits in the consolidated financial statements, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 33**.

GRI 102-46 REPORT CONTENT AND TOPIC BOUNDARIES

Since 2006, Geberit has been reporting in accordance with the guidelines of the Global Reporting Initiative (GRI). In the present report, Geberit implements the GRI Standards. The starting point is a comprehensive → **Materiality analysis** based on the procedure described in the GRI Standards and the topics dealt with in the GRI Standards.

Material sustainability topics and related measures are already presented in compact form within the → **Sustainability strategy**. Also of a material nature are the principles of the UN Global Compact that Geberit has committed itself to uphold and that are presented in the → **Communication on Progress UN Global Compact**.

An initial internal materiality analysis was developed in 2014 as part of workshops with members of the Group Executive Board and later approved by the Group Executive Board. The results were then reviewed and amended slightly by an external stakeholder panel. As part of the integration of Sanitec, an initial review was carried out in 2015. There were no major changes in the material topics. A further review was carried out as part of the switchover to the GRI Standards. Some topics were aggregated (as required by the GRI Standards) and further relevant topics added. This enabled a high degree of consensus on the selection of material topics with the key approaches in the corporate and sustainability strategy to be achieved. The updated materiality analysis was again examined by an external stakeholder panel in 2018. It became clear that a high degree of consensus existed between the internal standpoint of the company and the assessment of the stakeholder panel, see → **Panel Statement** and → **Response from Geberit to the Panel Statement**.

GRI 102-47 LIST OF MATERIAL TOPICS

Material aspects are deemed material if they are significant for Geberit from the internal perspective of the company and/or the external perspective of stakeholders and/or have significant economic, environmental or social effects. A differentiated assessment according to these different dimensions was not carried out. Instead, it was determined which topics were ultimately judged to be material following consultation with stakeholders, experts and management. The topics that Geberit identified as material in the economic, environmental and social dimensions can be seen in a → **dynamic chart**.

The following topics were identified as not material or as not requiring any action:

GRI aspects that are not material or not requiring any action	Reason
Procurement practices (in the narrower sense in connection with local suppliers)	Collaboration with local suppliers has no strategic significance for Geberit. Criteria such as reliability and price, quality and sustainability etc. are material, whereas the supplier's proximity to the production site is not (except in a handful of individual cases). As a result, there is no preferential treatment of local suppliers or special criteria for them.
Biodiversity	Geberit production sites do not endanger biodiversity in protected areas. Biodiversity plays a role when procuring mineral raw materials for ceramic production. This subject was addressed and examined as part of supplier audits. During these audits, it was found that the suppliers in this sector actively address the topic of biodiversity and take appropriate measures within the context of their licence to operate.
Labour/management relations (in the narrower sense of formal notice periods)	Geberit cultivates transparent internal communication and a close dialogue between management and employees. There are no formally binding agreements on communication in case of severe measures.
Security practices	Geberit is not active in any countries where special security precautions have to be taken.
Indigenous rights	Geberit is not active in any countries or regions where the rights of indigenous people are endangered.
Local communities	The production sites do not entail special risks for local communities or adverse effects on the neighbourhood. Geberit attaches great importance to maintaining good relations with its neighbours in the vicinity of its production sites. Continuous exchanges with authorities and the local community are part of this process. Social commitment which also benefits local communities is described in the relevant chapter.
Politics	No support is given to political parties or politicians. Participation in the political process is confined to membership in certain associations and is therefore limited.

GRI 102-48 RESTATEMENTS OF INFORMATION

If, in individual cases, a new form of presentation, calculation method or optimised data collection has led to other results for the previous years, then this is noted under the respective statements.

GRI 102-49 CHANGES IN REPORTING

Geberit published extensive, magazine-like Sustainability Reports in 2004, 2007 and 2010. The annual sustainability reports were based on the GRI G3 guidelines for the 2006 to 2013 financial years and on the GRI G4 guidelines from 2014 to 2017, and were switched to the GRI Standards as of 2018. In this way, Geberit has developed a consistent reporting system in which individual statements are further developed

each year. For the reporting on Water and waste water (GRI 303: 2018) and on Occupational health and safety (GRI 403: 2018), the standards updated by GRI were used.

There were no significant changes during the reporting period for topics identified as material. If, in individual cases, a new measuring method is used, this is noted under the respective statement.

GRI 102-50 REPORTING PERIOD

The reporting year is 2019.

GRI 102-51 DATE OF MOST RECENT REPORT

The → **last report** for 2018 has been available online since 12 March 2019. For reports from previous years, see → **www.geberit.com > Media > Downloads > Publications**.

GRI 102-52 REPORTING CYCLE

Annually as part of the integrated online reporting for a given financial year.

GRI 102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT

Should you have any questions concerning sustainability at Geberit, please contact:

Roland Högger
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GRI 102-54 COMPLIANCE WITH GRI STANDARDS

The report has been compiled in accordance with the GRI Standards: option “Comprehensive”, see → **formal GRI Content Index**.

GRI 102-56 EXTERNAL ASSURANCE

There is no external review of the sustainability reporting in its entirety. Instead, individual processes, results and statements are inspected in detail by external parties:

- The Stakeholder Panel examined the selection of material aspects (see → **GRI 102-46** and → **GRI 102-47**), see → **Panel Statement** and → **Response from Geberit to the Panel Statement**.
- Financial reporting is audited by an external auditor, see → **Financials > Financial statements Geberit AG > Report of the statutory auditor**.
- Reporting on the energy and greenhouse gas balance sheet is submitted as part of the Carbon Disclosure Project (CDP) and reviewed and assessed as part of the usual evaluation.
- Since 2016, Geberit has also been publishing its detailed water balance as part of the CDP Water Program.
- The Geberit Group has a → **Group certificate** in accordance with ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety) that is valid until 2021. 28 of the 29 production plants, central logistics, and the management company incorporating all Group functions at headquarters in Rapperswil-Jona (CH) are certified in accordance with these three standards or OHSAS 18001. By the end of 2020, all production plants will be covered by these standards. In addition, five German plants are certified according to ISO 50001 (energy) and ten sales companies according to ISO 9001 (quality).
- In 2015, all Geberit companies implemented the European Energy Efficiency Directive 2012/27/EU, with five German production plants currently certified to ISO 50001. There were no deviations in the 2019 audit.
- On-site audits (quality, environment, occupational health and safety) of suppliers are carried out by Geberit as well as certified third-party specialists, see → **Chapter 10.2 Operations > Procurement**.

8. PEOPLE

8.1 EMPLOYEES

Geberit's most important ambassadors are its employees. They represent Geberit in their day-to-day contact with customers and many other stakeholders. To do so, they need to be aware of what their company stands for and what its objectives are. Geberit's central corporate and brand values are defined in the → **Geberit Compass**. Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → **Geberit Code of Conduct** fills this objective with tangible content and offers an authoritative source of guidance.

The responsibility for all material aspects of the GRI Standards with respect to labour practices at the Geberit Group lies with the Head Corporate Human Resources, who reports directly to the CEO.

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

EMPLOYMENT (GRI 401)

MANAGEMENT APPROACH EMPLOYMENT

Geberit's prime objective is to acquire and retain the right employees for the company. Geberit sees itself as an attractive employer with an open corporate culture that offers international development opportunities at the interface between the craft, engineering and sales sectors, see → **www.geberit.com > Career > What we offer**.

Employees enjoy attractive employment conditions. In 2019, salaries and social benefits amounted to CHF 752 million (previous year CHF 744 million). The employees can also participate in share participation plans at attractive conditions, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 17** and → **Remuneration report**.

EMPLOYEE FLUCTUATION (GRI 401-1)

The average fluctuation rate (in terms of employees with permanent contracts, without natural departures and long-term leaves of absence) was 6.5% (previous year 9.0%). Including natural departures, it was 8.4% (previous year 10.6%). For key figures on fluctuation by age group, gender and region, see → **Key figures sustainability > Employees and society**.

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES (GRI 401-2)

Geberit essentially grants the same benefits to full-time and part-time employees. However, employees with temporary contracts are not always entitled to the same benefits as permanent employees. For example, employees in Switzerland with temporary employment contracts of less than three months are not insured in the pension fund. Geberit bases its employee benefits on country-specific standards.

PARENTAL LEAVE (GRI 401-3)

Geberit implements the currently applicable legal framework conditions. It also attempts in individual cases to find solutions that are as suitable as possible for the affected person and their team.

100% of all permanently employed women are entitled to paid maternity leave, and 5.2% or 116 women made use of this in 2019. 66 women or around 57% returned to Geberit following their maternity leave.

99% of all permanently employed men are entitled to paid paternity leave, and 3.5% or 255 men made use of this in 2019. 249 men or around 98% returned to Geberit following their paternity leave.

In the reporting year, the Geberit production plant in Ruše (SI) received an award for its efforts and achievements in terms of being a family-friendly company.

OCCUPATIONAL HEALTH AND SAFETY (GRI 403)

MANAGEMENT APPROACH OCCUPATIONAL HEALTH AND SAFETY

The occupational health and safety of employees are of major importance. Geberit wants to gradually get nearer to the target of having healthy employees within an accident-free company and has therefore established a high level of health and safety for its employees. These efforts were rewarded in Switzerland in 2019: Geberit Fabrication SA in Givisiez (CH) took home the prize for health and occupational safety awarded by SUVA (the Swiss National Accident Insurance Fund). The company went up against around 100 other companies who were selected beforehand because of their good accident statistics.

Geberit cooperates with authorities, trade unions and employers' liability insurance associations on a country-specific basis. Most companies have written agreements with the trade unions. These normally cover topics such as personal protective equipment, complaints procedures, regular inspections, education and further training and the right to refuse unsafe work.

Using 2015 as the reference year, the aim is to halve the number and severity of accidents by 2025. In terms of the AFR (Accident Frequency Rate) the target is 5.5 (number of accidents per million working hours), and in terms of the ASR (Accident Severity Rate) the target is 90 (number of days lost per million working hours). These key figures are reviewed regularly at the plant cockpits and are part of the annual appraisal of plant managers. The Group Executive Board is also provided with a compact report on a quarterly basis and a comprehensive report is created for the management at the end of the year.

For objectives and measures concerning occupational health and safety, see also → **Sustainability strategy**.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM (GRI 403-1) AND ITS DEGREE OF COVERAGE (GRI 403-8)

All production plants and central logistics have a trained safety manager. The sites Rapperswil-Jona (CH) and Pfullendorf (DE) also have an appointed health manager. Since the beginning of 2017, the Geberit Safety Team – a team of experts from all production areas – has also been playing an active role in systematically developing occupational health and safety by defining key topics and highlighting examples of best practices, among others.

The Geberit Safety System (GSS) – which is valid in all production plants, in central logistics as well as in the management company incorporating all Group functions at headquarters in Rapperswil-Jona (CH) – defines processes that are applicable throughout the Group for promoting the continuous improvement of work processes and workplaces. Special attention is also paid to elements of changes in behaviour, as the majority of occupational accidents and time lost are still attributable to carelessness. Generally valid principles on health, occupational safety and prevention are part of the Geberit Code of Conduct and apply to all employees.

28 of the 29 production plants or around 95% of the production employees (employees with temporary and permanent contracts), central logistics, and the Geberit management company incorporating all Group functions at headquarters in Rapperswil-Jona (CH) are certified in accordance with the standard for occupational health and safety ISO 45001, or OHSAS 18001 respectively. By the end of 2020, all production plants and thus 100% of the production employees will be covered.

RISK ASSESSMENT AND INVESTIGATION OF ACCIDENTS (GRI 403-2)

The risk assessment of workplaces and the systematic investigation of accidents are a central part of the Geberit Safety System and are standardised across the Group. The execution of the risk assessment takes place systematically for all relevant workplaces and is based on a standard method and evaluation matrix.

Every accident is reported, regardless of the employment relationship and severity. A standardised accident investigation also takes place for all accidents which result in the employee being absent for one working day and more. Based on these reports, active measures are derived to eliminate deficits permanently and to avoid similar accidents happening again within the company. Where appropriate, the insights gained will be shared with other companies to avoid similar accidents in the Group. Launched in 2017, the software-based solution for capturing and systematically analysing accident data has been rolled out at 16 production plants to date. The aim is to create a sound, comprehensive process that can be integrated in the SAP environment.

OCCUPATIONAL HEALTH SERVICES (GRI 403-3)

Geberit takes various steps in order to avoid health risks at the workplace. At several production sites, legal requirements require a company physician to be on hand. Depending on the risk classification of the particular activity, various measures are implemented for health provision. For example, occupational medical examinations (including auscultation of the lung, lung checks and X-rays) are regularly carried out in the ceramics plants due to the presence of quartz dust. Noise pollution and ergonomics are further focal points of the company physicians and external specialists.

EMPLOYEE PARTICIPATION AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY (GRI 403-4)

88.5% of all employees worldwide are represented through an occupational health and safety panel or safety committee at their site, in which employer and employee representatives can discuss occupational health and safety issues. The occupational health and safety panels are created on behalf of the management and involve all levels of the organisation as well as various specialist roles and areas (including company physicians, works council, occupational safety specialists, representatives of occupational health and safety unions). In addition, employees are involved in relevant processes of the Geberit Safety System, such as the risk assessment of workplaces or accident investigation. Since the beginning of 2017, the Geberit Safety Team – a team of experts from all production areas – has also been playing an active role in systematically developing occupational health and safety by defining key topics and highlighting examples of best practices, among others.

TRAINING ON OCCUPATIONAL HEALTH AND SAFETY (GRI 403-5)

Training sessions on occupational health and safety take place regularly in most Geberit companies. At Welcome events, new employees are given information about the valid, local health and safety regulations and internal directives. At production and logistics sites, supervisors also hold job-specific training sessions on work-related hazards.

A campaign on occupational health and safety was started in 2019 focusing on training and raising awareness on this topic. An eLearning programme aimed at employees in production and logistics should, among other things, help to correctly identify danger areas in the workplace and rectify them consistently.

PROMOTION OF EMPLOYEE HEALTH (GRI 403-6)

Across the Group, Geberit carries out a wide range of activities and sets up programmes to support employees' health and well-being, and also offers its employees precautionary healthcare opportunities through various offers and activities. These include, for example, sports facilities, anti-smoking seminars, health check-ups, massage services, dietary and health tips, presentations on health-related issues and workshops on targeted and correct relaxation. With this in mind, a diverse vitality programme is offered at 17 production and sales sites in the fields of exercise, mental fitness, nutrition and the working environment. The most comprehensive programme "Geberit Vital" can be accessed at six sites by around 40% of the Geberit workforce.

Further focal points are the ergonomic organisation of the workplace, training courses for managerial staff in health-conscious management and reintegration counselling, with the aim of getting people back to work as soon as possible after a long-term absence due to illness. Examples of individual support include counselling in Rapperswil-Jona (CH) to assist with problems ranging from on-the-job pressure, partnership and family problems to debt issues, and the telephone helpline created in the USA to discuss problems at work in complete confidentiality. Geberit also promotes fitness in the community with its support of the Geberit sports club, for example. This club features eleven different sports sections and has around 620 members in Rapperswil-Jona (CH) who regularly meet up and exercise together.

AVOIDING AND MINIMISING DANGER FOR BUSINESS PARTNERS (GRI 403-7)

Geberit also sets great store by the occupational health and safety of business partners. For example, contractors who carry out work on the factory premises receive a safety briefing and are obliged to observe these rules. In the corresponding Code of Conduct, suppliers also undertake to ensure occupational safety and health-promoting working conditions in their company and supply chain. This is systematically examined as part of supplier audits, see also the chapter → **Suppliers**.

In terms of customers, Geberit takes great care – including as part of the eco-design workshop – to ensure that all products are ergonomic and safe during installation and their final use. The assembly of Geberit products is easy and often tool-free. If special tools are needed, these have been optimised in terms of their ergonomics and safety, and their correct handling is trained accordingly.

ACCIDENTS AND DAYS LOST (GRI 403-9)

The manufacture of sanitary products can generally be said to have a low level of risks at the workplace. Nevertheless, there are still some individual activities which entail an increased risk of accidents. Typical workplace risks are the lifting and carrying of heavy loads, working at heights and in noisy environments, as well as handling hot media and hazardous substances. As part of the Geberit Safety System, the workplace risks are assessed systematically and appropriate measures implemented to protect the employees.

In the reporting year, a total of 193 accidents were recorded (previous year 191 accidents), equivalent to 3,688 lost working days due to occupational accidents (previous year 3,584 lost working days). The statistics show only those occupational accidents that occur during working hours or business travel and lead to lost working time of one working day or more. The most frequent injuries are cuts and stab wounds on hands and bruising to the body. There were no severe or fatal accidents. In 2019, the Accident Frequency Rate AFR (number of accidents per million working hours) increased slightly by 1.0% to 9.8 (previous year 9.7) and the Accident Severity Rate ASR (number of days lost per million working hours) by 3.4% to 187.6 (previous year 181.5). In terms of the Group-wide absenteeism rate, work-related accidents account for just 2.6% of all absenteeism at 0.12% (previous year 0.12%).

In the reporting year, the Group-wide absenteeism rate due to accidents and absences due to illness based on regular working hours was 4.64% (previous year 4.89%). Illness-related absences accounted for 4.52% of this rate.

Further key figures can be found under → **Key figures sustainability > Employees and society**.

WORK-RELATED ILLNESS (GRI 403-10)

There are certain operational activities at Geberit, particularly in ceramic production, involving an increased risk of work-related illness (silicosis/dust disease). The risks lie primarily in slip and glaze preparation, casting and glazing as well as in the processing of unfired and fired ceramic parts. Around 50% of employees in ceramic production are regularly exposed to increased levels of quartz dust. Technical, organisational and personal protection measures are implemented for the protection of these employees. The employees also regularly undergo occupational medical examinations (including auscultation of the lung, lung checks and X-rays). Geberit makes substantial efforts towards either avoiding the exposure of employees to these risks (e.g. through the installation of glazing robots) or minimising this exposure (e.g. through the use of special extraction devices, dust masks or the provision of training in correct behaviour at the workplace). The topic is also systematically addressed as part of the Geberit Safety System and certification according to ISO 45001.

In the reporting year, the subject of quartz dust was addressed in detail as part of a project where a standard threshold for dust was also specified. At various sites, this threshold is lower than the legally prescribed levels. Furthermore, a uniform measurement and evaluation procedure was developed to allow for comparisons to be made between the plants and form the basis for further measures. In the area of personal protective equipment, as well as in hygiene and cleaning, minimum standards were defined and implemented at the sites. As part of this project, comprehensive dust measurements were taken in all ceramics plants based on standard measuring methods. On the basis of these consolidated results, further focal points were defined for the reduction of dust pollution. Furthermore, Geberit participates in the NEPSI programme (The European Network on Silica) as a member of FECS, a sub-organisation of Cerame-Unie (European Ceramic Industry Association). This includes monitoring the exposure of employees to quartz dust and the implementation of best practices.

Further key figures can be found under → **Key figures sustainability > Employees and society**.

TRAINING AND EDUCATION (GRI 404)

MANAGEMENT APPROACH TRAINING AND EDUCATION

Qualified and committed employees are essential for the future success of Geberit. The company therefore sets particular store on the solid education and further training of all employees and on equal opportunities.

New employees are introduced to the company and its products through various job orientation programmes on joining the company. These range from individually designed introduction talks in various departments to the one-week basic course that provides practical knowledge about Geberit in small groups.

A standard Performance assessment, Development and Compensation (PDC) process has been in place since 2012. Except for the employees who work directly in production at the plants, all employees have been incorporated into the PDC process. valYOU – a new Performance assessment, Development and Compensation process – was developed in the reporting year. A new, key element of valYOU is succession planning for each individual position. Furthermore, the further development of individual employees is also actively supported through systematic feedback discussions. At the end of 2019, management personnel from the participating pilot companies visited a two-day workshop and became familiar with the new processes, the associated managerial tasks and the new IT tool.

Training apprentices is of great significance at Geberit. According to an apprentice ranking carried out in 2019, Geberit is one of the leading companies for apprentices in Switzerland and makes an important contribution to vocational training and to maintaining Switzerland's reputation as a centre for training and education. Since 1963, Geberit has trained in excess of 500 apprentices in Switzerland and now trains apprentices in over eleven different skilled trades. Some 10% of the company's employees currently working in Switzerland completed their apprenticeship at Geberit. Young people can start their careers at Geberit with a commercial, industrial or technical apprenticeship. The aim is to impart all the skills that are required for apprentices to pursue their chosen careers in a professional, independent and responsible manner. For example, in Rapperswil-Jona (CH) there are currently in excess of 70 apprentices being trained in eleven trades. State-of-the-art and in particular digital learning methods are used here. Since 2018, Geberit's leading position in this area has also been used in corresponding image films for apprentice recruitment.

All apprentices are essentially required to work at several sites during their training. As a global company, Geberit promotes the internationalisation of employees. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Therefore, apprentices have the option of working abroad for a period of six months on completion of their apprenticeship. Geberit continues to offer its support in completing internships, plus Bachelor and Master theses.

For further information, see → **Business Report > Business and financial review > Financial Year 2019 > Employees**.

SCOPE OF TRAINING AND EDUCATION (GRI 404-1)

In the reporting year, employees across the Group attended on average 13.8 hours of internal and external education and further training (previous year 13.7 hours). For key figures by gender and employee category, see → **Key figures sustainability > Employees and society**.

PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING (GRI 404-2)

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

In 2019, the ceramics plants in Poland, Germany, Ukraine, Finland, Italy, France and Portugal saw the continuation of an initiative aimed at improving leadership skills at various hierarchical levels. This initiative is planned at Group level, adapted to local requirements and put into practice in multi-day workshops involving local coaches. During the reporting year, the programme targeting the development of managerial staff was continued within the sales organisations in the European countries. The aim of these courses was to strengthen the leadership skills for more than 100 regional sales managers on the one hand, and, on the other, to standardise the role of these managers in order to drive sales as a whole.

In 2019, the Operations Development Programme (ODP) was introduced as a development programme for talented external and internal junior managers in the area of operations (production, logistics and purchasing). The aim is to recruit internationally mobile people with a technical background or who have studied engineering and who, in the medium term, should take up a managerial position at Geberit. The programme is divided into several phases. In the initial onboarding phase, candidates get to know the culture, philosophy and processes at Geberit. This is followed by a second and third phase in which the participants are assigned responsibility for exciting, international projects under close supervision by a member of senior management. Initially, this will take place at established Geberit sites, and later also at other sites that are not as established but have the corresponding need.

In 2019, 264 apprentices (previous year 247) were employed. The transfer rate to a permanent employment relationship was 85% (previous year 89%). Furthermore, 98 internships were made available and 29 Bachelor and Master theses supervised.

For further information, see → **Business Report > Business and financial review > Financial Year 2019 > Employees**.

PERFORMANCE EVALUATION AND CAREER PLANNING (GRI 404-3)

In everyday working life, the personal and professional development of each individual employee is encouraged in a variety of ways. This covers all areas of work, functions and age groups. Around 80% of all employees took part in appraisal interviews in 2019 at which development opportunities were also identified and discussed. As part of the standardised global Performance assessment, Development and Compensation process (PDC), employees receive a performance assessment and/or agreement of objectives at least once a year.

DIVERSITY AND EQUAL OPPORTUNITY (GRI 405)

MANAGEMENT APPROACH DIVERSITY AND EQUAL OPPORTUNITY

In its Code of Conduct, Geberit sets store on promoting diversity and creating a culture that enables all employees to develop their full potential in the company. The company strives for diversity and promotes equal opportunities irrespective of gender, ethnic origin, skin colour, age, religion and nationality.

Geberit pursues a fair and non-discriminatory employment practice in accordance with prevailing national and international law. Recruitment, training courses and promotions depend solely on individual achievements, skills and potential regarding the requirements of the position in question.

Protection of the principles of equality is anchored in the Geberit Code of Conduct. This includes the prohibition of discrimination against any employee on the basis of gender. Fair and equal pay for women and men is guaranteed as follows:

- Job assessment by function in accordance with the proven Hay method on the basis of know-how, thinking ability and accountability. All jobs are pooled in a Group-wide grading system. The resulting grade is the basis for determining an employee's pay. This guarantees gender-neutral, fair salary structures.
- Binding wage agreements with set pay grades at many Geberit sites.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES (GRI 405-1)

The proportion of female employees at the end of 2019 was 24% (previous year 24%), and for senior management this figure was 11% (previous year 9%). The five-member Board of Directors has two female members. No further data on diversity of governance bodies and employees is currently being collected as Geberit and its stakeholders do not consider this to be relevant. For key figures on diversity in terms of gender and age structure, see → **Key figures sustainability > Employees and society**.

RATIO OF REMUNERATION BETWEEN WOMEN AND MEN (GRI 405-2)

According to the annual survey of all Geberit Group companies, no differences between the basic salaries of women and men exist anywhere within the Group.

NON-DISCRIMINATION (GRI 406)

MANAGEMENT APPROACH NON-DISCRIMINATION

The Geberit Code of Conduct forbids discrimination as defined in the ILO core labour standards. Geberit does not tolerate either discrimination or workplace bullying on the basis of race, gender, religion, creed, nationality, disability, age, sexual orientation, physical or mental handicap, marital status, political views or other characteristics protected by law. Geberit aims to ensure a safe working environment for its employ-

ees. All forms of workplace violence, including threats, threatening gestures, intimidation, attacks and similar forms of behaviour are forbidden. Compliance with the Code is verified annually as part of a Group-wide survey.

According to the Geberit Code of Conduct, employees who openly address irregularities which represent breaches of applicable law, ethical standards or the Code of Conduct are acting correctly. The Group Executive Board of Geberit must be informed of problems in the area of integrity in order to be able to manage these swiftly and reliably. By openly addressing such issues, Geberit employees are contributing to their own protection, that of their colleagues and the protection of Geberit's rights and interests.

If issues should occur, employees should seek a personal meeting with their supervisor. The Geberit Integrity Line is available to all employees as a whistleblower hotline. The service is intended to enable employees to anonymously report cases such as sexual harassment or when a corrupt payment is being covered up. The Integrity Line is operated by an external company with experience in this area, and is available around the clock seven days a week.

CASES OF DISCRIMINATION (GRI 406-1)

According to the annual Group-wide survey, there was one case of verbal sexual harassment revealed in 2019. This incident was resolved and the employee responsible has left the company.

FREEDOM OF ASSOCIATION (GRI 407)

MANAGEMENT APPROACH FREEDOM OF ASSOCIATION

Employees are completely free to join trade unions, associations and similar organisations. No rights with respect to exercising freedom of association or collective bargaining as defined in the ILO core labour standards and the UN Global Compact are subject to restriction at the Geberit Group.

NON-COMPLIANCE WITH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (GRI 407-1)

According to the annual Group-wide survey, no infringements of the guarantee of freedom of association and collective bargaining were identified in 2019.

8.2 SOCIETY

ANTI-CORRUPTION (GRI 205)

MANAGEMENT APPROACH ANTI-CORRUPTION

As a member of Transparency International Switzerland and the UN Global Compact, Geberit is committed to high standards in combating corruption. Corruption is categorically rejected. There are clear guidelines on prevention and employees receive training in this area. Compliance with the guidelines is monitored as part of an annual survey at all Geberit Group companies. The Internal Audit Department conducts additional on-site audits. In the case of misconduct, corrective measures are taken. For further information about the compliance system, see → **GRI 419**.

OPERATIONS SUBJECTED TO REVIEWS ON THE RISK OF CORRUPTION (GRI 205-1)

An annual survey is carried out at all Geberit Group companies to identify incidents of corruption. The topic of corruption is also a component of the audit programme for the periodic inspections of the production plants, sales, logistics and management companies by the Internal Audit Department. The annual audit planning of the Internal Audit Department is oriented to risks. Each company is audited at least every five years, or considerably more frequently if it has a high risk profile. In 2019, the Internal Audit Department audited a total of 21 companies.

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION (GRI 205-2)

All new employees at Geberit are trained on the Code of Conduct as part of the Welcome events, with specific training films on the topics of corruption, IT misuse, workplace bullying and sexual harassment deployed especially for this.

All employees are also provided with information via the intranet about what is permitted and what is not. Guidance on the correct handling of donations (i.e. anti-corruption guidelines) were updated in 2015 and made accessible to the relevant employees in Purchasing and Sales via the various communication channels.

INCIDENTS OF CORRUPTION (GRI 205-3)

According to the annual survey carried out at all Geberit Group companies and the audits conducted by the Internal Audit Department, there were no cases of corruption in 2019.

ANTI-COMPETITIVE BEHAVIOUR (GRI 206)

MANAGEMENT APPROACH ANTI-COMPETITIVE BEHAVIOUR

The prevention of anti-competitive behaviour is a matter of priority for Geberit. Cartels of any kind and other anti-competitive behaviour are categorically rejected.

eLearning programmes represent an efficient way to train staff on and raise their awareness of antitrust legislation, an issue that is particularly sensitive for Geberit. Training campaigns are carried out on a regular basis. Internal antitrust audits were also carried out in 2019 to ensure compliance in this area and also improve it.

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

LEGAL PROCEEDINGS DUE TO ANTI-COMPETITIVE BEHAVIOUR (GRI 206-1)

According to the annual survey carried out at all Geberit Group companies, there were no proceedings due to anti-competitive behaviour in the reporting year.

REGIONAL EMPLOYER (GRI 202)

MANAGEMENT APPROACH REGIONAL EMPLOYER

Geberit has grown from a family-run firm into a listed global company that has proven its ability to adapt to a rapidly changing environment. Within its core strategy, Geberit's aim is to ensure that sales companies, production plants, logistics and management companies function well as units which enjoy a high degree of autonomy. The high level of acceptance among the local workforce is a fundamental part of this, thanks in part to an attractive pay structure and the involvement of local know-how at management level.

RATIO OF STANDARD ENTRY LEVEL WAGE COMPARED TO LOCAL MINIMUM WAGE (GRI 202-1)

Geberit pays market-rate wages, taking into account local circumstances and laws. When hiring employees and determining their assignment in the company, Geberit attaches great importance to qualifications appropriate to the task description. In accordance with their qualifications, the majority of Geberit employees at the production sites and sales companies are paid well above the minimum wage range. Stability and a high level of motivation among employees are important to Geberit.

PROCEDURES FOR LOCAL HIRING OF MANAGEMENT (GRI 202-2)

Geberit follows a personnel policy that does not provide for the preferential treatment of persons from the region in connection with the hiring of members of management boards for the respective country organisations. However, Geberit would like to establish organisations at its production and sales sites that function on a local basis, which is why it often integrates locally appointed managers. For example, the sales companies in India and China are both headed by managerial staff recruited locally.

INDIRECT ECONOMIC IMPACTS (GRI 203)

MANAGEMENT APPROACH INDIRECT ECONOMIC IMPACTS

Indirect economic impacts arise primarily due to positive side effects from direct economic action. With its innovative solutions for sanitary products, Geberit aims to achieve sustained improvement in the quality of people's lives. The economy benefits from this in several respects: through the contribution to better sanitary standards, a durable, resource-efficient sanitary infrastructure, know-how transfer in the sanitary industry, impetus for the economy in regional economic areas, and orders with suppliers. There is no management approach to indirect economic impacts in the narrower sense. Instead, the company works with the stakeholders concerned to identify the best solutions in each case.

For further information, see also → **GRI 201**.

SIGNIFICANT INDIRECT ECONOMIC IMPACTS (GRI 203-2)

Geberit forms part of the value chain in the construction industry. It has significant indirect economic impacts downstream on the customer side at sanitary engineers, plumbers and end users, as well as upstream at suppliers and transport companies. Continuous investment in the production plants in Europe, China, India and the USA, as well as the logistics centre in Germany, will strengthen these individual economic areas.

Geberit know-how and products significantly reduce the burden on water and waste water systems. According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 31,220 million m^3 of water in comparison with traditional flushing systems. In 2019 alone, the water saved amounted to 3,120 million m^3. This is more than half of the annual consumption of all German households.

Geberit is committed to sustainable sanitary systems which, as elements in construction, help to shape the infrastructure as a whole. For example, Geberit actively worked on adapting the applicable standard for the dimensioning of waste water piping to smaller diameters. This is important so that the full functionality of the piping system is ensured even with lower quantities of waste water. Similar to its work in the field of waste water hydraulics, Geberit also played a major part in ensuring that sound insulation and fire protection, as well as hygiene in drinking water and sanitary facilities, have been developed to the benefit of the end user and laid down in standards and recommendations. In 2017, Geberit played a major role in the foundation of a new platform for the European sanitary industry – the European Bathroom Forum (EBF).

Geberit lends impetus to the sanitary industry with innovation and new products that are sold and implemented worldwide by wholesalers, plumbers and sanitary engineers. During the reporting year, around 35,000 professionals were provided with training on Geberit products, tools, software tools and installation skills at 29 Geberit information centres in Europe and overseas, see → **Business Report > Business and financial review > Financial Year 2019 > Customers**.

At the end of 2019, Geberit employed 264 apprentices, thus supporting training in different countries, see also → **GRI 404**.

The indirect economic impact on suppliers and transport companies is also significant. The Group's cost of materials in 2019 amounted to CHF 882 million (previous year CHF 920 million). The Group has business relations with a total of 1,751 direct suppliers here. Geberit does not have its own transport fleet and therefore generates orders for external transport companies.

CHILD LABOUR (GRI 408)

MANAGEMENT APPROACH CHILD LABOUR

Geberit's exposure with respect to child labour is considered low because of its industry, business model and the countries in which business activities are carried out, its high level of vertical integration as well as its high quality requirements in the supply chain. Geberit commits itself to the protection of human rights in its Code of Conduct. Child labour is categorically rejected. The basic principles set out in the Geberit Code of Conduct for Suppliers explicitly include compliance with the ILO core labour standards for the exclusion of child labour.

CASES OF CHILD LABOUR (GRI 408-1)

According to the annual Group-wide survey there were no cases of child labour revealed in 2019. There were likewise no such cases uncovered during the audits carried out at suppliers.

FORCED OR COMPULSORY LABOUR (GRI 409)

MANAGEMENT APPROACH FORCED OR COMPULSORY LABOUR

Geberit's exposure with respect to forced or compulsory labour is considered low because of its industry, business model and the countries in which business activities are carried out, its high level of vertical integration as well as its high quality requirements. Geberit commits itself to the protection of human rights in its Code of Conduct. Forced or compulsory labour is categorically rejected. The basic principles set out in the Geberit Code of Conduct for Suppliers explicitly include compliance with the ILO core labour standards for the exclusion of forced or compulsory labour.

CASES OF FORCED OR COMPULSORY LABOUR (GRI 409-1)

According to the annual Group-wide survey there were no cases of forced or compulsory labour revealed in 2019. There were likewise no such cases uncovered during the audits carried out at suppliers.

HUMAN RIGHTS ASSESSMENT (GRI 412)

MANAGEMENT APPROACH HUMAN RIGHTS ASSESSMENT

The UN Guiding Principles on Business and Human Rights apply to the business activities of Geberit. Geberit is active across the world, including in regions posing a certain degree of risk with regard to the upholding of fundamental employee and human rights. However, all Geberit Group companies throughout the world are integrated in the Geberit Compliance System, which includes the upholding of fundamental employee protection and human rights. In addition, internal audits with compliance reviews take place at all companies of the Geberit Group, see also → **GRI 419**.

ASSESSMENT OF OPERATIONS REGARDING HUMAN RIGHTS RISKS (GRI 412-1)

The upholding of human rights at all Geberit Group companies is subject to a survey each year as part of the verification of the Code of Conduct. Human rights as part of compliance are also a component of the audit programme for the periodic inspections of the production, sales and management companies by the Internal Audit Department. In 2019, the Internal Audit Department audited a total of 21 companies. In the reporting year, no evidence of human rights violations was found during the various inspections.

EMPLOYEE TRAINING ON HUMAN RIGHTS (GRI 412-2)

All new employees at Geberit are trained on the Code of Conduct as part of the Welcome events, with specific training films on the topics of corruption, IT misuse, workplace bullying and sexual harassment deployed especially for this.

The subject of compliance is uniformly positioned throughout the Geberit Group. The joint Geberit intranet serves as an important basis for this, presenting and explaining the compliance organisation and Code of Conduct on a dedicated page. In parallel to this, management have been requested in a circular letter to ensure that all employees without intranet access receive the same information via a suitable channel.

HUMAN RIGHTS CRITERIA IN INVESTMENTS AND CONTRACT AGREEMENTS (GRI 412-3)

In 2019, there was no investment agreement in countries or areas that pose a special risk in terms of human rights violations.

Suppliers are fundamentally required by contractual agreement to comply with the Geberit Code of Conduct for Suppliers, which contains provisions for the protection of human rights.

SOCIAL RESPONSIBILITY

MANAGEMENT APPROACH SOCIAL RESPONSIBILITY

Social responsibility is exercised both within the scope of long-term partnerships and programmes with partners and in the annual social projects that Geberit has been carrying out for over ten years. These projects exhibit a relationship to the topic of water and sanitary facilities, as well as to Geberit's core competencies and corporate culture. Equally important is the aspect of personal and professional education. By getting actively involved in the social projects in developing regions, apprentices become familiar with other cultures and also acquire new social, linguistic and professional competencies. Furthermore, these social projects make a tangible contribution to the Sustainable Development Goals (SDGs) of the United Nations, which include giving all humans access to clean drinking water and basic sanitation by 2030. A review of what has been achieved is carried out on a regular basis.

INFRASTRUCTURE INVESTMENTS AND PROMOTED SERVICES (GRI 203-1)

Donations and financial contributions, including product donations, totalling CHF 4.1 million (previous year CHF 4.1 million) were made during the reporting year. In addition, Geberit employees contributed 3,409 hours of charitable work (previous year 1,380 hours). Geberit also supports facilities for disabled persons and long-term unemployed, where simple assembly and packaging work in the amount of around CHF 7.9 million was carried out in 2019 (previous year CHF 8.1 million). This gave more than 400 people meaningful work.

The focus was on the following projects and partnerships in 2019:

- Implementation of a → **social project** in Cambodia with apprentices in collaboration with a Swiss NGO: New infrastructure elements – including classrooms and staff rooms, a drinking water supply as well as sanitary facilities – were established in two schools close to Siem Reap. A total of almost 1,500 school children and 50 teachers are thus given help in fulfilling basic needs in their daily school routine. In autumn 2019, ten Geberit apprentices and their two coaches built sanitary facilities on site.

- The partnership with Helvetas on projects relating to clean drinking water and sanitary facilities, plus supporting the new Helvetas campaign for clean drinking water and latrines. In 2019, a group of 16 Geberit employees from the Nordic Countries travelled to Nepal and helped build a drinking water supply at a village community in the west of the country as part of a Helvetas volunteering project. A major donation was also made to support Helvetas-run water projects around the world.
- Participation in the charitable organisation Swiss Water Partnership to promote international dialogue on the topic of water.
- Further development of the project Change of Perspective, in which two Swiss plumbers travelled to Nepal and worked together with two Nepalese colleagues for one week.
- Various local initiatives and collection campaigns in Germany, Austria, Belgium, UK, Poland and Singapore to round off the Geberit Group's social engagement.

9. PLANET

Geberit has long stood for a high level of environmental awareness and been committed to environmentally friendly, resource-saving production as well as the development of water-saving and sustainable products. Systematic, Group-wide environmental management takes centre stage here. This is the remit of Sustainability and Process Management. Guidelines and measures pertaining to all significant environmental issues are coordinated here. A network of environmental managers practises active environmental protection at the production plants, thus ensuring that the targets and measures laid down in the → **Sustainability strategy** are implemented worldwide. The environmental and occupational safety managers from all production plants meet once a year to discuss best practice and further develop Group-wide standards.

Eco-design has been an integral part of the product development process since 2007, with the aim of making each product more environmentally friendly than its predecessor throughout the entire product life cycle, see → **Chapter 10.1 Products and innovation**. Environmental criteria are considered in all decision-making processes. These processes are continuously being optimised so that a proven high standard is achieved which often greatly exceeds legal requirements. Geberit's environmental principles are defined in the → **Code of Conduct**.

The Geberit Group has a → **Group certificate** in accordance with ISO 9001 (quality), ISO 14001 (environment) and ISO 45001 (occupational health and safety) that is valid until 2021. 28 of the 29 production plants, central logistics, and the management company incorporating all Group functions at headquarters in Rapperswil-Jona (CH) are certified in accordance with these three standards or OHSAS 18001. By the end of 2020, all production plants will be covered by these standards. In addition, five German plants are certified according to ISO 50001 (energy) and ten sales companies according to ISO 9001 (quality).

The annual preparation of a corporate eco-balance has been an established part of Geberit's environmental management since 1991. It covers all production plants worldwide, the logistics centre in Pfullendorf (DE), other smaller logistics units and the larger sales companies. The corporate eco-balance permits an overall assessment of environmental impact in terms of eco-points. For the reporting in 2019, as in the previous year, the basic data from the internationally recognised Ecoinvent database (version 3.1) and the method of ecological scarcity (version 2013) were used. The calculation was based on the national electricity mix.

The absolute environmental impact fell by 3.7% and CO_2 emissions by 3.8%. The environmental impact per net sales (currency-adjusted) dropped by 6.9%. This figure is above the long-term target of 5% per year. This progress is founded largely on continuous improvements in efficiency at the energy-intensive ceramics plants. Since the acquisition of Sanitec in 2015, the absolute environmental impact has been reduced by 14.9% and eco-efficiency improved by 27.5%.

Detailed key figures on the environmental impact are provided at → **Key figures sustainability > Environment**.

RESOURCES AND CIRCULAR ECONOMY (GRI 301)

MANAGEMENT APPROACH RESOURCES AND CIRCULAR ECONOMY

The use of raw materials, semi-finished products and finished products with a global procurement value of CHF 882 million is a significant production factor for Geberit. At around 13,800 TJ (previous year 12,900 TJ) – based on basic data from Ecoinvent (version 3.1) – the consumption of grey energy associated with purchased materials (including mineral raw materials of the ceramic plants and raw materials of the plant in Ozorków (PL)) is 5.3 times the entire energy consumption of the production plants themselves. This emphasises the importance of treating raw materials with care. The resource-efficient use of raw materials is determined as early as the product development process as part of eco-design workshops, see → **Chapter 10.1 Products and innovation > Product management and innovation**. In the area of ceramic production, Geberit's goal is to improve resource efficiency (kg ceramic waste/kg ceramic) by 10% by 2021.

As part of the European vision for a resource-saving circular economy, efforts are being made to identify and implement options in the area of closed material cycles. The aim is to minimise resource and energy usage, lengthen the service life of products as far as possible, close internal and external material cycles to the greatest extent possible, and constantly increase the use of internal and external recycled materials. Of key importance here is that Geberit products must have a very long industrial service life, as many of them will be installed in buildings for decades. This is guaranteed through the use of top-class materials and the application of strict quality requirements. An important factor here is the availability of spare parts for up to 25 years for a significant proportion of the product range. Furthermore, Geberit products are usually backwards-compatible and can be cleaned and repaired easily. Attention is also paid to using as little packaging material as possible. All these features combine sustainability aspects and support the circular economy, both in production as well as the use of the products in buildings.

Conserving resources also means making appropriate use of products that, although in mint condition, can no longer be sold. The 2019 brand switch from Keramag to Geberit, coupled with major efforts to reduce the complexity of the product portfolio, gave rise to residual items of stock still in mint condition. Rather than scrapping these products, attempts were made to put them to good use, such as in social projects.

MATERIALS USED (GRI 301-1)

The use of materials depends on the various manufacturing processes: ten plants for manufacturing sanitary ceramics, twelve plants for processing plastic and metal, and seven other plants in the area of metal composites and metal. The range of manufacturing technologies used thus includes the areas of ceramic production, injection moulding, blow moulding, extrusion, metal-forming and thermoforming, and assembly.

The most important materials for production are plastic and metal raw materials, mineral raw materials and various semi-finished products and finished products. A total of 419,713 tonnes of materials were used in 2019 (previous year 409,573 tonnes). These amounts include the mineral raw materials from the former Sanitec Group and materials from the plant in Ozorków (PL). Detailed key figures on the use of materials can be found at → **Key figures sustainability > Environment**. In 2019, more than 6,000 tonnes of gypsum waste from ceramic production were used as secondary material in the cement industry, thus making a contribution to the circular economy.

In 2017, the implementation of a software-based solution for managing hazardous substances began. This solution had been rolled out at 16 production plants by the end of 2019. The aim here is to implement a standardised process in all production plants, improve efficiency in the management of hazardous operating and auxiliary materials, and scale down the use of hazardous substances in the long term. The aim is to reduce the volume of hazardous substances used in the production plants by 5% per year in total. In 2019, a 12% reduction was achieved here.

PERCENTAGE OF RECYCLED MATERIAL (GRI 301-2)

When determining the share of recycled material in production, a distinction is made between internal and external sources.

Internal sources:
In terms of the raw material plastic, recycled material is primarily generated internally and is ground on site or via a decentralised mill and fed back into the process. The proportion fluctuates depending on the manufacturing process. For blow moulding it is around 35%, for injection moulding around 15%, depending on product class, and for pipe extrusion around 3%. This corresponds to a total of around 9,300 tonnes. 2019 saw the launch of the "back to mould" initiative in the production plants. The aim is to use plastic waste that cannot be externally recycled for the in-house manufacture of components with low quality requirements.

Raw materials are also recycled internally and fed back into the process in ceramic production. The recycling rate for the ceramic slip is 5 to 10% and 20 to 40% for the glaze, corresponding to around 24,600 tonnes in total. Another goal is to further enhance resource efficiency in ceramic production, with a ratio of 0.51 kg ceramic waste/kg ceramic achieved in the reporting year.

External sources:

The share of recycled material in purchased metals is relatively high. This data originates from the Wuppertal Institute for Climate, Environment and Energy. Extrapolated, the raw material metal purchased contains around 36,900 tonnes of recycled material.

With plastics, virgin material is primarily used. The search for suitable, high-quality regranulate from external plastic waste is, however, an integral part of Geberit's procurement strategy. In terms of the material ABS, a suitable alternative made of 100% recycled material was found. This alternative is based on high-quality plastic waste from the electronics industry (e.g. used computer cases). According to the supplier, the manufacture of this regranulate consumes over 80% less energy compared to the manufacture of a tonne of new petrochemical-based plastic, while releasing around three tonnes less CO_2 into the atmosphere. In 2019, some 850 tonnes of ABS regranulate were used for various components in exposed and concealed cisterns. Thanks to an intelligent redesign, half of the material used for the flush valve type 240 can be made of high-quality ABS regranulate, for example. The use of plastic regranulate is generally to be increased further and applied to other product areas. In 2019, around 65 tonnes of PE-LD regranulate (post-consumer waste) were used for the manufacture of protective caps at the plant in Rapperswil-Jona (CH).

REUSE OF PRODUCTS AND PACKAGING MATERIALS (GRI 301-3)

In 2019, around 38,000 tonnes of packaging material (including the former Sanitec) were used, of which around 60% was collected and recycled by Geberit or by financed contractual partners. The rest was disposed of and recycled on a country-specific basis.

ENERGY (GRI 302)

MANAGEMENT APPROACH ENERGY

Representing a 96.2% share of the corporate eco-balance, the consumption of energy in the form of electricity, combustibles and fuels represents Geberit's greatest environmental impact. Software introduced in 2012 permits monthly monitoring of water and energy consumption, as well as the Group-wide calculation of environmental impact and CO_2 emissions. In addition, a systematic energy monitoring and an energy master plan are being implemented in the most energy-intensive plants to manage and plan energy consumption. This is based on the three pillars energy saving, increased energy efficiency and the targeted expansion of the share of renewable energy sources. Targets were also defined for the share of renewable energy sources as part of the development of a long-term CO_2 target that is compatible with the two-degree target set out in the Paris Agreement and the Science Based Targets Initiative. By 2021, the share of renewable energy sources should account for 45% for electricity and 10% for combustibles.

At present, the five German plants in Lichtenstein, Pfullendorf, Langenfeld, Wesel and Haldensleben are certified according to the ISO 50001 standard for energy management. Furthermore, all Geberit companies implemented the European Energy Efficiency Directive 2012/27/EU in 2015, which was reviewed again in 2019.

For the development of energy-efficient products, see → **Chapter 10.1 Products and innovation**.

ENERGY CONSUMPTION WITHIN THE ORGANISATION (GRI 302-1)

Geberit generally uses energy purchased externally. The direct energy carriers (Scope 1) include the combustibles natural gas, biogas, liquefied petroleum gas (LPG), diesel for power generation, heating oil extra light, as well as the fuels diesel, gasoline, liquefied petroleum gas (LPG) and natural gas (CNG). The indirect energy carriers (Scope 2) include electricity and district heating.

Energy consumption decreased by 3.5% in the reporting year and is now 762.3 GWh. Since the acquisition of Sanitec in 2015, it has been possible to reduce energy consumption by 16.4%, making a significant contribution to reductions in the environmental impact.

Combustibles (primarily for ceramic production), including district heating, still account for the greatest share of energy consumption at 66.9%, followed by electricity with 29.2% and fuels with 3.9%.

Renewable sources of energy are to be expanded continuously as part of the sustainability strategy. Since 2012, a block heating station has been in use in Pfullendorf (DE). In 2019, this plant was fed by 8.7 GWh of regionally produced biogas. The electricity generated by the plant (3.3 GWh) is fed into the transmission grid and the resulting heat (4.3 GWh) can be used in production, thereby reducing the use of natural gas. In total, renewable energy sources accounted for 4.3% of combustibles.

Since 2013, the roof area at the plant in Givisiez (CH) has been made available to an energy services provider for a 3,050 m^2 photovoltaic installation. It generated 0.4 GWh of electricity in 2019. However, this contribution is not included in the energy balance as the energy produced is managed by the regional energy supplier. Overall, the volume of purchased green electricity was increased by 3 GWh to 53 GWh in 2019 – meaning that renewable sources of energy accounted for 42.1% of total electricity consumption.

For detailed key figures on the consumption of combustibles and fuels (Scope 1), as well as electricity and district heating (Scope 2) and the electricity mix, see → **Key figures sustainability > Environment**.

ENERGY CONSUMPTION OUTSIDE THE ORGANISATION (GRI 302-2)

Where the energy balance outside the organisation is concerned, Geberit concentrates on purchased materials, intercompany and distribution logistics, and business travel.

In 2019, purchased materials resulted in grey energy consumption of around 13,800 TJ.

Logistics services are provided by external transport service providers. A logistics calculator developed by Geberit is used for monitoring purposes. Compared to the previous year, the logistics calculator was expanded to include six locations from the former Sanitec and now covers

logistics in its entirety. In the reporting year, the transport service providers handled 560.5 million tonne-kilometres (previous year 505.9 million tonne-kilometres). This gave rise to energy consumption of 1,148 TJ (previous year 918 TJ). The increase in transport services and energy consumption was mainly caused by the increase in locations included, as well as the rise in net sales and the related expansion in transport volumes.

Business flights have been recorded and included in the assessment since 2012. The flight distances are calculated according to the respective departure and arrival airports. Business flights resulted in energy consumption of 23.2 TJ in the reporting year.

ENERGY INTENSITY (GRI 302-3)

Energy intensity is an important performance indicator at the production plants, and is monitored monthly in the management cockpit. Those plants which are certified to ISO 50001 (energy) have also introduced a more refined system of monitoring. At Group level, net sales constitute a key indicator alongside environmental impact and CO_2 emissions. In 2019, energy consumption per net sales improved by 6.7% compared to the previous year.

ENERGY SAVED (GRI 302-4)

Important energy-saving measures in production include:

- The optimisation of production processes in terms of efficiency, scrap, stability, energy and resource consumption
- The continuous modernisation of the machine fleet and the purchase of energy-efficient equipment
- Increasing the capacity utilisation and efficiency of production equipment
- The optimisation of cooling systems through the use of natural ambient cold (free cooling, ground water)
- The improved use of waste heat available internally (heat recovery), see → **Facts & Figures**
- The careful use of compressed air
- The insulation of buildings

Concrete examples which show the reduction in energy consumption in production:

- Demolition and safe disposal of infrastructure that was no longer required in Pfullendorf and Langenfeld (DE), and in Digoin and La Villeneuve au Chêne (FR). Opening of new infrastructure in Pfullendorf, Langenfeld (DE), Ozorków (PL) and Slavuta (UA).
- Number of injection moulding machines with energy-efficient drive technology increased from 174 to 192.
- Commissioning of a third fully electrical blow-moulding machine in Pfullendorf (DE).
- Process optimisation for the manufacture of bent Mapress fittings in Langenfeld (DE) with a reduction in electricity and natural gas consumption, reduced use of lubricants and lower quantities of hazardous waste. Implementation of additional fully electrically driven production lines.
- The project to retrofit a total of eleven tunnel kilns for ceramic production with state-of-the-art burner technology is now concluded. This will bring about long-term savings of more than 20% natural gas per kiln, which corresponds to some 27 GWh of natural gas and approximately 6,500 tonnes of CO_2 every year.

Measures to reduce energy consumption in (outsourced) logistics operations:

- Great importance is attached to central transport management as the interface between plants, markets and transport service providers in order to enable cost- and resource-optimised transport solutions. By integrating the distribution of the Mapress range, customers now receive their entire sanitary technology order in a single truck delivery. This not only reduces the number of empty kilometres, it also increases truck capacity utilisation and reduces CO_2 emissions. The share of transport services handled by Euro 5 trucks was 30% and the share handled by state-of-the-art Euro 6 vehicles 68%.
- Where possible, Geberit takes the opportunity to shift truck traffic to rail. From Pfullendorf, almost 100% of ocean freight shipments to Hamburg (DE), 80% of shipments to Italy, and 15% of shipments to Switzerland are conducted by rail. The percentage of rail consignments from Italy to Pfullendorf is 55%.
- With regard to transportation by truck, Geberit continues to look for options for making more efficient use of freight compartments and using bigger shipping containers. As such, the percentage of "high cube swap bodies" (offering around 10% more capacity) deployed from the logistics centre in Pfullendorf is being successively increased. In addition, the use of long trucks (with a length of up to 25 metres and a total weight of up to 60 tonnes) in Scandinavia increased load volumes and the number of transported pallets per truck by around 40%.

REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES (GRI 302-5)

The biggest environmental contribution by Geberit products lies in the conservation of water, which indirectly also saves on energy. According to the Ecoinvent database (version 3.1), some 10.3 MJ of energy are required and 0.64 kg of CO_2 emissions released per cubic metre for the conveyance, processing and distribution of water and the subsequent treatment of the unpolluted waste water in a treatment plant. The water footprint calculated for Geberit shows that nearly 100% of water consumption is attributable to the usage phase. The water volume saved owing to Geberit products is enormous: according to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 31,220 million m^3 of water in comparison with traditional flushing systems. These water savings go hand-in-hand with substantial energy savings.

Direct energy savings when using the products are made possible thanks to systematically improved energy efficiency. Specific examples include:

- The → **Geberit energy retaining valve ERV** uses a magnetic diaphragm system to cap the ventilation pipe for waste water above the roof. This opens only when required and ensures pressure compensation only when this is necessary. This helps avoid unnecessary heat loss and can save up to 50 l of heating oil a year, see → **Facts & Figures**.
- The → **Geberit AquaClean Sela Comfort** shower toilet uses innovative WhirlSpray and heating-on-demand technology to considerably reduce energy consumption compared to its predecessor.

- The → **Geberit urinal system** comprises urinals with electronic flush controls but also with completely waterless operation. The central elements are the two rimless urinal ceramics Preda and Selva, which were developed by Geberit. Thanks to the low consumption of resources and the option of a control system supplied with electricity by an autonomous energy source, the urinals satisfy the most stringent requirements for green building and economic operation. For this purpose, a proprietary environmental and cost calculator was developed for various sales companies, see → **www.international.geberit.com > Products > Geberit urinal system > Urinal system sustainability calculator**.
- The modular → **Geberit tap system** is the ultimate in sophisticated installation technology, different energy concepts and elegant tap housings for wall-mounted and deck-mounted taps. The product boasts both optimal user-friendliness and ease of installation as well as minimal water and energy consumption.

WATER AND WASTE WATER (GRI 303)

MANAGEMENT APPROACH WATER AND WASTE WATER

The biggest environmental contribution made by Geberit products lies in the conservation of water with customers, which is one of the pivotal aspects in the company's contribution towards sustainable development. Innovative Geberit sanitary products reduce the amount of water consumed and help to systematically optimise the way in which water is used in buildings while maintaining the highest hygiene standards – including in terms of drinking water. According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 31,220 million m^3 of water in comparison with traditional flushing systems. In 2019 alone, the water saved amounted to 3,120 million m^3. This is more than half of the annual consumption of all German households. Since 2016, Geberit has been publishing its detailed water balance as part of the CDP's Water Program.

For the development of water-saving products and Geberit's commitment beyond product development, see → **Chapter 10.1 Products and innovation**.

HANDLING AND USE OF WATER (GRI 303-3, GRI 303-5)

The → **Water footprint**, which covers Geberit's entire value chain, shows that nearly 100% of water consumption is attributable to the use of the products, while the manufacture of the products by Geberit accounts for less than 0.1% of water consumption.

The corporate eco-balance shows a similar picture. Here, the environmental impact caused by water consumption and subsequent waste water treatment also accounts for only a minor share of the company's overall impact (1.2%). Despite this, Geberit also aims to serve as a role model with respect to its own water consumption and to further optimise this every year. This includes measures such as reusing water in laboratories and production processes. Ceramic production accounts for the biggest share of water consumption. Geberit's goal in this area is to reduce water consumption (l water/kg ceramic) by 5% by 2021 compared with 2018.

In the reporting year, water consumption in production amounted to 1,036,947 m^3 (previous year 1,032,501 m^3) and is categorised into drinking water (36%), well water (40%), lake and river water (23%) and rain water (1%). Key figures concerning water consumption by source can be found at → **Key figures sustainability > Environment**.

WATER WITHDRAWAL AND WATER CONSUMPTION (GRI 303-1)

Waste water of varying quality accounts for around 80% of the water withdrawn, see → **GRI 303-4**. The remaining 20% evaporates into the atmosphere either during cooling processes or when the ceramic parts and gypsum moulds dry.

The manufacture of ceramic sanitary appliances accounts for around 80% of water consumption, i.e. during preparation of the ceramic slip and glaze, and cleaning the moulds and systems. On average, 6.8 l of water are needed for every kilo of ceramic produced. Around 5 to 10% of the water used in ceramic production is recycled internally, corresponding to around 81,300 m^3 in 2019.

Another major consumer is the Geberit sanitary laboratory in Rapperswil-Jona (CH), where newly developed products are tested. The tests required 96,730 m^3 of water, of which only around 3% (3,068 m^3) was fresh water. The remaining 97% was reused in a closed-circuit system.

Other processes that consume water are steam foaming of expandable polystyrene (EPS), cleaning work, powder coating, and water used in staff sanitary facilities.

HANDLING OF WASTE WATER (GRI 303-2)

All resulting process waste water and domestic waste water is treated. Process waste water can contain inorganic substances (e.g. mineral raw materials). This water is cleaned in a two-stage process involving sedimentation and filtration before being returned to surface waters. Only few Geberit processes (e.g. powder coating, electroplating, cleaning of metal fittings) produce waste water that is more heavily contaminated. This waste water is treated in a separate stage before being fed into the public sewage system.

WASTE WATER (GRI 303-4)

The 2019 figure for waste water was 799,639 m^3 (previous year 808,158 m^3). At 70%, process waste water from the production of sanitary ceramics accounted for the largest share of the total. Other important categories are domestic waste water (28%), which passes into the communal waste water treatment plant or is pretreated and fed into receiving waters, and other waste water (2%), which is pretreated and fed to a communal waste water treatment plant. Waste water was not directly reused by third-party companies. Detailed key figures on waste water can be found at → **Key figures sustainability > Environment**.

CO_2 AND OTHER EMISSIONS (GRI 305)

MANAGEMENT APPROACH CO_2 AND OTHER EMISSIONS

Production emissions are recorded, calculated and analysed in detail as part of the corporate eco-balance. CO_2 emissions are particularly important to Geberit. → **Other air emissions** (NO_x, SO_2, hydrocarbons, etc.) are also recorded and calculated, but have a comparatively minor impact on the environment. Under the current → **CO_2 strategy**, the aim is to reduce CO_2 emissions per net sales (currency-adjusted) by 5% per year on average. Geberit remains on track here, see → **GRI 305-2**. In 2016, a long-term CO_2 target was established that is compatible with the two-degree target set out in the Paris Agreement and the Science Based Targets Initiative. Within this context, Geberit plans to reduce its absolute CO_2 emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). This target was al-

ready achieved at the end of 2018. Specific goals for the share of renewable energy sources were also established: 45% for electricity and 10% for combustibles by 2021. Further goals for reducing CO_2 emissions will be defined in 2020 for the next period.

A CO_2 footprint across the entire value chain has been calculated since 2012. This carbon footprint covers the provision of raw materials, combustibles and fuels, the manufacturing of products at Geberit, logistics, use and disposal. With regard to the former Sanitec, only mineral raw materials and raw materials from the plant in Ozorków (PL) are taken into account. An analysis revealed that product use (69.2%) and the provision of raw materials (16.8%) are by far the largest sources of CO_2 emissions. During product use, the provision of water, treatment of unpolluted waste water and generation of hot water play a central role. Production at Geberit accounts for only 5.2% of total CO_2 emissions. Similarly, transport (1.6%), the provision of combustibles and fuels (0.9%) and the disposal (6.3%) of the products also cause only few emissions.

The measures for implementing the CO_2 strategy are based on the three pillars energy saving, increased energy efficiency and targeted expansion of the share of renewable energy sources, see also → **GRI 302**.

The calculation of greenhouse gas emissions is based on the internationally recognised Ecoinvent database (version 3.1), with the IPCC (Intergovernmental Panel on Climate Change) factors from 2013 used, production-related process emissions included, and the national electricity mix taken into account. The seven leading substances (CO_2 fossil, CH_4, N_2O, HFC, PFC, SF_6 and NF_3) are used for the calculation of the greenhouse gas emissions and shown as a sum parameter according to IPCC (CO_2 equivalents or simply CO_2).

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1) (GRI 305-1) AND INDIRECT, ENERGY-RELATED GREENHOUSE GAS EMISSIONS (SCOPE 2) (GRI 305-2)

In 2019, CO_2 emissions amounted to 222,639 tonnes (previous year 231,484 tonnes), corresponding to a decrease of 3.8%. At 48.1%, electricity is the largest source of CO_2, followed by combustibles at 47.9% and fuels at 3.5%, as well as process emissions and district heating at 0.5% in total. The purchase of 53 GWh of green electricity in Givisiez (CH), Pfullendorf (DE), Bromölla and Mörrum (SE), Kolo (PL) and Daishan (CN) meant that it was possible to reduce CO_2 emissions by around 27,900 tonnes.

Key figures concerning greenhouse gas emissions can be found at → **Key figures sustainability > Environment**.

OTHER INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 3) (GRI 305-3)

Where other indirect greenhouse gas emissions (Scope 3) are concerned, Geberit concentrates on the following categories:

- Raw materials used and the resulting CO_2 emissions at 717,221 tonnes (previous year 665,087 tonnes).
- The provision of combustibles and fuels, which accounted for 32,066 tonnes from combustibles and 5,613 tonnes from fuels in 2019.
- CO_2 emissions of power generation from the upstream chain are included in → **GRI 305-1**.
- Logistics (see → **GRI 302-2**) gave rise to CO_2 emissions of 69,729 tonnes in 2019 (previous year 55,802 tonnes). The increase was mainly caused by the increase in locations included, as well as the rise in net sales and the related expansion in transport volumes. Since 2015, Geberit has managed to improve the eco-efficiency of its logistics operations (environmental impact per tkm) by around 25%.
- Business travel by air, at 1,663 tonnes of CO_2 emissions (previous year 1,588 tonnes). These CO_2 emissions comprise direct and indirect emissions and are based on the Ecoinvent database (version 3.1) and the IPCC conversion factors from 2013.

INTENSITY OF GREENHOUSE GAS EMISSIONS (GRI 305-4)

CO_2 emissions (Scopes 1 and 2) in relation to net sales (currency-adjusted) decreased by 7.0%. This figure is above the target of 5% per year. Since the acquisition of Sanitec in 2015, the CO_2 emissions per net sales have fallen by 26.4%.

REDUCTION OF GREENHOUSE GAS EMISSIONS (GRI 305-5)

In 2019, Geberit purchased another 3 GWh of certified green electricity, bringing the total to 53 GWh. Overall, renewable energy sources thus accounted for 42.1% of electricity (previous year 40.6%). According to the CO_2 strategy, an additional 3 GWh of green electricity is to be purchased each year so that the share of renewable energy sources for electricity reaches 45% by 2021.

For combustibles, the share of renewable energy sources should be increased to 10% by 2021. The block heating station in Pfullendorf (DE), which was commissioned in 2012 and which was fed by 8.7 GWh of regionally generated biogas in 2019, makes a key contribution. An additional 13.3 GWh of district heating was sourced from a paper factory and a block heating station powered by wood. This brought the share of renewable energies for district heating and combustibles to 4.3% in total in 2019 (previous year 5.2%).

Fuel consumption is determined primarily by the company's own and leased fleet of cars and delivery vans. Since early 2008, binding guidelines have also applied for the purchase of new vehicles. As of 2019, these guidelines were adjusted to take into account the new Worldwide Harmonised Light Vehicles Test Procedure (WLTP).

Substantial CO_2 emissions can also be saved by consistently applying eco-design principles in new product development. One concrete example is the flush valve type 240 for cisterns. Half of the material used is made of high-quality ABS regranulate. Indirectly, this means that almost 500 tonnes of CO_2 can be saved annually, corresponding to savings of about 1 GWh of average European electricity, see → **Facts & Figures**.

Geberit also promotes awareness among all employees for the promotion of environmentally friendly behaviour. New employees receive training on the subject of sustainability at Geberit as part of their job orientation programme. In the largest plants, this is also tailored to the target group of production employees. There are also local initiatives, e.g. tree planting work, forestry projects, environmental competitions and environmental newsletters.

All targets and measures for improving the CO_2 footprint are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

EMISSIONS OF OZONE-DEPLETING SUBSTANCES (GRI 305-6)

Emissions of ozone-depleting substances, measured in CFC-11 equivalents, can be calculated based on the eco-balance using the base data from the Ecoinvent database (version 3.1). The calculation includes both direct emissions (Scope 1) from the burning of combustibles and fuels and process emissions (solvents), as well as indirect emissions (Scope 2) resulting from electricity consumption and the provision of district heating. Key figures on ozone-depleting substances can be found at → **Key figures sustainability > Environment**.

NITROGEN OXIDES (NO_X), SULPHUR OXIDES (SO_X) AND OTHER AIR EMISSIONS (GRI 305-7)

Emissions of NO_x, SO_2, NMVOC (non-methane VOC) and dust (PM10) can be calculated on the basis of the eco-balance using the base data from the Ecoinvent database (version 3.1). The calculation includes both direct emissions (Scope 1) from the burning of combustibles and fuels and process emissions (solvents), as well as indirect emissions (Scope 2) resulting from electricity consumption and the provision of district heating. Key figures on these emissions can be found at → **Key figures sustainability > Environment**.

WASTE (GRI 306)

MANAGEMENT APPROACH WASTE

According to the corporate eco-balance, waste disposal accounted for just 2.0% of the overall environmental impact. The reduction and safe handling of waste is promoted at the plants within the scope of the environmental management system according to ISO 14001. Waste is sorted so that as much as possible is recycled, and as little as possible has to be incinerated or sent to landfill sites.

As part of a resource-saving circular economy, efforts are being made to generate secondary material for other processes from waste. In both the Kolo and Wloclawek ceramic plants in Poland, for example, gypsum waste from ceramic production, which had previously been disposed of as waste to landfills, has been used as secondary material in the cement industry since the end of 2016. This reduces waste quantities for landfills by over 6,000 tonnes per year.

VOLUME OF WASTE (GRI 306-2)

The total quantity of waste in 2019 was 80,049 tonnes (previous year 84,074 tonnes).

78.3% of waste was channelled to external recycling processes (previous year 74.8%). The measures focused on the further separation of waste and the reduction of mixed waste and hazardous waste, as well as the utilisation as secondary material. Increasing resource efficiency in ceramic production leads to a reduction in ceramic waste.

Key figures concerning waste by category can be found at → **Key figures sustainability > Environment**.

SPILLS OF HAZARDOUS SUBSTANCES (GRI 306-3)

In the reporting year, there was an incident of process waste water that was unintentionally discharged from a ceramics plant into receiving waters leading to official requirements, and these were handled accordingly.

TRANSPORT OF HAZARDOUS WASTE (GRI 306-4)

In 2019, 957 tonnes of hazardous waste (previous year 777 tonnes) were disposed of by incineration and 516 tonnes of hazardous waste (previous year 588 tonnes) were recycled. At Geberit, all waste is disposed of and recycled by licensed disposal companies.

WATER BODIES AFFECTED BY WASTE WATER DISCHARGES (GRI 306-5)

This indicator is not relevant to Geberit as no bodies of water are affected by significant water discharge from Geberit facilities as defined in the GRI Standards.

ENVIRONMENTAL COMPLIANCE (GRI 307)

MANAGEMENT APPROACH ENVIRONMENTAL COMPLIANCE

In its → **Code of Conduct**, Geberit states that it will limit the environmental impact of its business activities to a minimum. This calls for consistent compliance with all applicable laws, internationally recognised guidelines and industry standards. With many of the initiatives that it implements, Geberit goes above and beyond legal and official requirements. Reviewing and ensuring compliance with the law is a mandatory element of ISO 14001 certification (environment), and this will be further strengthened from 2020 onwards with the roll-out of an EHS compliance tool in the production plants and logistics. Monitoring is also part of the annual Group-wide survey on compliance with the Code of Conduct at all companies, see → **GRI 419**.

SANCTIONS DUE TO NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS (GRI 307-1)

In the reporting year, official requirements relating to the incident of unintentional discharge of process waste water from a ceramics plant were handled accordingly, see → **GRI 306-3**.

10. PROFIT

10.1 PRODUCTS AND INNOVATION

PRODUCT MANAGEMENT AND INNOVATION

MANAGEMENT APPROACH PRODUCT MANAGEMENT AND INNOVATION

Sustainable products play a pivotal role for Geberit in generating added value for customers and society and for contributing to sustainable development as set out by the UN Sustainable Development Goals. With its wide range of products in front of and behind the wall, Geberit spans the entire flow of water within a building and helps to optimise significant aspects of the system as a whole, such as water and energy consumption or sound insulation. In addition to its quality, durability and high degree of water and resource efficiency, the Geberit product range also impresses with its good environmental compatibility and recyclability. The basis for sustainable products is a systematic innovation process in which the most environmentally friendly materials and functional principles possible are chosen, risks are minimised and a high level of resource efficiency is targeted for the production process as well as the product itself.

For an overview of product development topics, see → **Business Report > Business and financial review > Financial Year 2019 > Innovation**. For an overview of new products, see → **New products**.

Geberit regards eco-design as the key to environmentally friendly products, which is why eco-design has been an integral part of the development process since 2007. Employees from different disciplines take part in eco-design workshops so that each new product outperforms its predecessor in environmental aspects. The workshops involve systematic product analysis that covers the entire life cycle, a review of legal requirements and an analysis of competing products. In addition, they ensure that environmentally relevant data is collected and made available for later use, something which is of particular benefit to digital planning using BIM (Building Information Modeling). Based on the findings of these eco-design workshops, new solutions are developed and, where fit for purpose, adopted into the specifications for that product.

Specially created product life cycle assessments are important decision-making tools for the development process and provide arguments for the use of resource-efficient products. Detailed life cycle assessments have already been prepared for the following products: waste water and drinking water pipes, AquaClean Mera and Sela, electronic washbasin taps, concealed cisterns, urinal control systems, urinal systems and sanitary ceramics. The environmental product declarations (EPDs) in accordance with the European standard EN 15804 are also important and can also be used directly for green building standards such as LEED. These show relevant, comparable and verified environmental data on products in a transparent manner. Since the last report, another EPD has been created for AquaClean Sela.

The biggest environmental contribution by Geberit products lies in the conservation of water. An analysis of the entire value chain in the form of a → **Water footprint** shows that nearly 100% of water consumption is attributable to the product use phase.

Geberit also advocates the economical use of water beyond processes and products. In 2017, Geberit played a key role in establishing the European Bathroom Forum (EBF). One of the first tasks was the launch of a new European water label as a voluntary and flexible instrument to support customers in the selection of resource-efficient products. This aims to help achieve the EU goals for resource efficiency. In addition, Geberit collaborated with FECS (European Sanitaryware Producers Federation) to draw up a voluntary European standard for assessing the sustainability of ceramic sanitary appliances (EN 16578).

The environmental impacts of Geberit's products are improved continually through the consistent application of eco-design principles in product development. Current examples that make a particular contribution to reducing environmental impact are as follows:

- Geberit ONE. This comprehensive solution combines Geberit's know-how in sanitary technology and design expertise, offering optimal flush performance and a minimum flush volume (4/2 l).
- Ongoing optimisation of the ceramic product range helps reduce the number of different products, thus cutting down on resource usage in manufacture, storage and distribution.
- Expansion of the range of rimless WC pans helps to simplify cleaning and cut down on cleaning agents.
- Thanks to an intelligent redesign, the fill valve type 333 for cisterns is both flow-optimised and very quiet. It uses 15% less materials in the manufacturing process, with 20% of the plastic in the valve made up of regranulate.
- Geberit's SuperTube technology in combination with Geberit Sovent saves both space and resources in discharge systems installed in high-rise buildings. Taking the Lobby 33 reference project (a 30-storey high-rise building in Mexico) as an example, it was calculated that the new technology saved over 2,000 metres of pipes corresponding to more than 3 tonnes of material.

QUALITY

MANAGEMENT APPROACH QUALITY

See → **GRI 416**.

PRODUCT COMPLIANCE

MANAGEMENT APPROACH PRODUCT COMPLIANCE

See → **GRI 416** and → **GRI 417**.

SANCTIONS DUE TO NON-COMPLIANCE WITH PRODUCT LIABILITY REGULATIONS

In 2019, no sanctions were imposed in connection with Geberit products and services due to non-compliance with product liability regulations.

10.2 OPERATIONS

PROCUREMENT

SUPPLY CHAIN (GRI 102-9)

Corporate Purchasing is responsible for procurement in all production plants worldwide (except the USA) and manages the procurement organisation through a team of lead buyers who are strategically responsible for various material groups.

Geberit's production processes entail a high in-house production depth, i.e. it largely purchases raw materials and semi-finished products with a high share of raw materials. As such, material costs constitute a relatively low share of Geberit's net sales.

The raw materials and semi-finished products primarily come from suppliers in Western Europe (81.1% of procurement value). The share of the procurement volume from Eastern Europe amounts to 7.8%, that from Asia 9.0%, from America 1.8% and from Africa 0.3%. The high level of in-house production as well as the very high share of Western European suppliers, the general risk profile of the supply chain is relatively low. The active implementation of a dual-source strategy – i.e. the procurement of a resource from two providers – serves additionally to reduce dependencies.

In 2019, Geberit procured raw materials (27.8%), semi-finished products (44.0%), and finished products (28.2%) with a procurement value of CHF 882 million (previous year CHF 920 million) from 1,751 direct suppliers around the globe.

MANAGEMENT APPROACH PROCUREMENT

Geberit's suppliers are obligated to maintain comprehensive standards. The basis for the cooperation is the → **Code of Conduct for Suppliers**, which was amended in 2016 and translated into a further 13 languages. The Code is aligned with the principles of the UN Global Compact and is binding for every new supplier. It comprises specific guidelines on quality and meeting environmental, labour law and social requirements and sets out compliance with human rights. Upon request by Geberit, the supplier must prepare corresponding records in order to demonstrate compliance with the standards of the Code and make these available at any time. Should the supplier fail to comply with the regulations set out in this Code, then corrective measures are taken wherever possible. Failure to comply on the part of the supplier is regarded as a serious obstacle to the continuation of the business relationship. If the supplier does not correct this non-compliance, Geberit can terminate the cooperation.

When evaluating suppliers, Geberit strives to achieve the greatest possible degree of transparency. All new and existing partners are thus assessed by means of standardised processes and according to the same criteria: company as a whole, quality, sustainability, price, procurement chain, delivery reliability, production and technology. As a rule, the selection of suppliers is required to include a quality audit covering clarification on environmental and occupational safety issues. Where an audit reveals inconsistencies in these criteria, an additional, in-depth audit is conducted.

Supplier management incorporates a risk management approach on environmental and occupational safety that is based on the assignment of suppliers to a particular risk class within a risk matrix depending on production location (country) and material group (type of production process). As such, suppliers in the highest risk category pose an increased risk both in terms of production location and type of production process. In 2017, suppliers and material groups that had been added due to the acquisition of Sanitec were systematically assessed and included in risk management. In addition, the classification of existing material groups into certain risk categories was reviewed. Since then, the risk matrix has been updated on an annual basis. In the reporting year, 172 existing suppliers were identified in the highest risk category which corresponds to around 8% of the procurement value of Geberit. A systematic planning and performance of audits is conducted for these suppliers. To ensure neutrality and the expertise required for the audits, Geberit also works with an external partner. This procedure has been carried out for years and has proven effective, and makes an important contribution towards enhancing credibility in supplier management. Any shortcomings exposed by audits give rise to sanctions. As a rule, a deadline is imposed for remedying the situation. New employees in procurement receive training in the process of sustainable procurement.

For further information, see → **Business Report > Business and financial review > Financial Year 2019 > Logistics and procurement**.

ASSESSMENT OF NEW SUPPLIERS BASED ON SUSTAINABILITY CRITERIA (GRI 308-1 / GRI 414-1)

All new suppliers undertake to comply with the Code of Conduct for Suppliers and hence also to international standards governing environmental protection, labour practices and human rights. Since 2017, an Integrity Line has also been available to suppliers for anonymously reporting irregularities in the procurement process. No cases were reported in the reporting year. As of the end of 2019, a total of 2,263 direct and indirect suppliers had signed the Code of Conduct. This equates to over 90% of the total procurement value.

SUSTAINABILITY-RELATED IMPACTS IN THE SUPPLY CHAIN (GRI 308-2 / GRI 414-2)

In 2019, four third-party audits were carried out at suppliers in China and Egypt. The results showed that the majority of occupational safety and environmental standards are complied with. Appropriate corrective measures are agreed in cases of non-compliance.

Only in a few justified exceptional cases are there plans to impose complete regulations on the second tier and third tier in the supply chain by getting them to sign a Code of Conduct, as this would result in a disproportionately high level of additional administration with little added benefit. Geberit pursues a pragmatic yet effective approach. When auditing suppliers, an analysis of the most important second tier suppliers is included in the risk analysis and the audit investigations on site. At the end of the day, Geberit's goal is modern supplier management, where the relationship with the supplier is actively managed and sustainability risks in the supply chain are jointly analysed.

PRODUCTION

MANAGEMENT APPROACH PRODUCTION

See → **Business Report > Business and financial review > Financial Year 2019 > Production**.

LOGISTICS

MANAGEMENT APPROACH LOGISTICS

Group logistics is being further standardised and harmonised. The logistics centre in Pfullendorf is the hub for almost all Geberit sanitary technology products. Man and technology work hand in hand in the new logistics centre. Touchscreens, glove scanners, integrated voice control systems and built-in lift tables as well as lifting devices make the work efficient, safe and ergonomic. Logistics processes are improved continually, while both quality and productivity are further optimised.

The logistics infrastructure of the ceramic business comprises 13 distribution sites of varying sizes across Europe. The integration of the ceramics business into Group logistics continued in 2019. The Geberit Logistics Operation System (GLOS) was successfully introduced. GLOS is the standard system for logistics and is used to continuously improve business processes.

Geberit does not have its own transport fleet, having outsourced this to external transport service providers. Intercompany and distribution logistics play a major part in Geberit's environmental impact, amounting to a significant proportion of the total figure. Cooperation with the transport service providers is therefore of key importance. Partners agree to actively support Geberit in its efforts to use energy and packaging material efficiently and to reduce emissions. Furthermore, the partners support Geberit by providing the data needed for the environmental reporting. Developed in 2010 and continuously expanded since then, the logistics calculator facilitates the annual capture of data on the vehicle fleet composition, transportation performance and fuel consumption of all transport service providers, as well as the preparation of the eco-balance.

For further information, see → **Business Report > Business and financial review > Financial Year 2019 > Logistics and procurement**.

For information on the eco-balance of logistics, see → **GRI 302-2**.

10.3 ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE (GRI 201)

MANAGEMENT APPROACH ECONOMIC PERFORMANCE

As a key objective of the company, the economic performance of the Geberit Group is under the strategic control of the Board of Directors and the operational management of the Group Executive Board.

How Geberit implements integrated sustainability and thus creates value is shown in a → **separate graphic**. The vision of achieving sustained improvement in the quality of people's lives with innovative sanitary products represents the starting point. To bring this vision to fruition, Geberit continuously refines its products, systems and services and sets new standards as a market leader in the area of sanitary products. Values such as integrity, team spirit, enthusiasm, modesty and an ability to embrace change are core factors. The long-term core strategy is based on four pillars: Focus on sanitary products, Commitment to design and innovation, Selective geographic expansion and Continuous optimisation of business processes. This strategy is implemented on the basis of six growth and earnings drivers. The sustainability strategy supplements the core strategy and the growth and earnings drivers with twelve concrete modules. These modules strengthen the business model and the added value for various stakeholders in the areas People, Planet and Profit in a targeted manner. The results of Geberit's activities show the diverse added value in the three dimensions of sustainability. At the same time, the results contribute to the UN Sustainable Development Goals (SDGs) set out in the 2030 Agenda for Sustainable Development (see → **SDG reporting**). Goal number 6 – "Clean Water and Sanitation" – and goal number 11 – "Sustainable Cities and Communities" – are a key focus for Geberit. However, significant contributions are also made when it comes to "Decent Work and Economic Growth" (goal number 8) and "Industry, Innovation and Infrastructure" (goal number 9).

For detailed explanations of the four strategic pillars and the medium-term goals, see → **Business Report > Business and financial review > Strategy and goals**.

For a description of the economic position of the Geberit Group, see → **Business Report > Business and financial review > Financial Year 2019**.

VALUE ADDED AND ITS DISTRIBUTION (GRI 201-1)

Significant indicators for the creation and distribution of value in accordance with the GRI requirements can be found in the financial report.

Direct Economic Value Added:

- Net sales and operating profit, see → **Financials > Consolidated financial statements Geberit Group > Statements of cashflows**.

Economic Values Passed On:

- Operating expenses excluding personnel expenses, see → **Financials > Consolidated financial statements Geberit Group > Income statements**.
- Personnel expenses, see → **Key figures sustainability > Employees and society**.
- Payments to providers of capital, see → **Financials > Consolidated financial statements Geberit Group > Statements of cashflows**.
- Social engagement, see → **Chapter 8.2 Social responsibility**.

Retained Economic Values:

- Investments in and divestments of property, see → **Financials > Consolidated financial statements Geberit Group Statements of cashflows**.
- Share buyback, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 22**.

OPPORTUNITIES AND RISKS DUE TO CLIMATE CHANGE (GRI 201-2)

One of the visible effects of climate change is the limited local availability of water resources in many places. In the risk analyses periodically published by the World Economic Forum (WEF), water scarcity was classified as one of the five highest risks in terms of impact, according to the 2020 Global Risk Report. This trend has an influence on the development of sanitary technology. Water-saving, resource-efficient products will become increasingly important. Geberit is taking advantage of the opportunity to meet the growing worldwide demand for water-saving products and to contribute towards the diligent handling of water, thus making a name for itself as a leader in sustainability. Products classified as special water-saving products already make a substantial contribution to Group sales.

Compared to these relatively big opportunities, Geberit is exposed to an average risk of natural disasters potentially triggered by climate change, which can fundamentally affect production areas or transport areas. None of the production sites are particularly at risk in this respect, however.

The manufacture of ceramic sanitary appliances is a resource-intensive and energy-intensive process that has become a part of Geberit production. This increases the company's exposure to CO_2 regulations, meaning that their future development must be carefully monitored. However, these risks are currently still low – only one ceramic plant in Sweden pays CO_2 taxes. In 2016, a long-term CO_2 target was formulated that is compatible with the two-degree target set out in the Paris Agreement and the Science Based Targets Initiative. The aim is for Geberit to reduce its absolute CO_2 emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). This target was already achieved at the end of 2018 and further long-term targets are being planned. Since the acquisition of Sanitec in 2015, CO_2 emissions per net sales have fallen by 26.4%.

In addition, Geberit is indirectly affected by higher energy or raw material prices and by generally increasing requirements in terms of energy management. With its internal energy master plan, the targeted introduction of the ISO 50001 energy management system and the measures related to its CO_2 strategy (see → **GRI 305**), Geberit is reacting proactively and working continuously on saving energy, improving its energy efficiency and reducing its CO_2 emissions. For example, Geberit is continuously investing in the infrastructure of ceramic production. By the end of 2018, eleven tunnel kilns for ceramic production had been equipped with state-of-the-art burner technology, bringing the scheduled retrofitting project to a conclusion. Each kiln can bring about energy savings of over 20%.

As far as corporate risks are concerned, the Audit Committee of the Board of Directors introduced a comprehensive system for the monitoring and management of the risks associated with the company's business activities, including the risk category CO_2 emissions, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 4**.

BENEFIT PLAN OBLIGATIONS (GRI 201-3)

The Geberit Group sponsors defined benefit plans for its employees in Switzerland and the USA, amongst others. For further details on pension and benefit plans, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 3** and → **Financials > Consolidated financial statements Geberit Group > Notes > Note 17**.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT (GRI 201-4)

Assistance received from the public sector includes:

- Income taxes, see → **Financials > Consolidated financial statements Geberit Group > Notes > Note 25**.
- Investment subsidies to promote the respective business location and secure jobs: CHF 0.5 million.
- Contributions received to support training and part-time employment prior to retirement: CHF 0.5 million.
- Various other subsidies: CHF 0.1 million.

The public sector is not represented on the Board of Directors of the Geberit Group.

SOCIOECONOMIC COMPLIANCE (GRI 419)

MANAGEMENT APPROACH SOCIOECONOMIC COMPLIANCE

The → **Geberit Code of Conduct** describes the basic principles that have to be met in order for Geberit to be an exemplary, reliable and fair business partner and employer. The → **Geberit Compass**, a key compliance element, describes the cornerstones of the corporate culture, namely the joint mission, the shared values, the operational principles and the success factors to be considered by all employees. The Geberit Compass was presented and explained in the Group-wide employee magazine, which is published in six languages.

In order to guarantee compliance with the requirements of the Code of Conduct, Geberit has established an effective compliance system that focuses on the following six key topics: antitrust legislation, corruption, product liability, data privacy, employee rights and environmental protection. In practice, the system comprises various elements such as guidelines, continuous training, job orientation for new employees, eLearning campaigns, info circulars, compliance-related audits, annual reporting on the Code of Conduct and the Geberit Integrity Line – a whistleblower hotline for employees. A separate Integrity Line has been available for suppliers since 2017.

As only very few companies work with agents, there is no significant risk exposure in this area. Nevertheless, a → **Code of Conduct for business partners** was drawn up in 2016 based on the Geberit Code of Conduct and communicated to the agents by the managing directors of the local sales companies.

Corporate Legal Services is responsible for implementing the compliance topics of antitrust legislation, corruption, product liability and data protection, while Corporate Human Resources is responsible for employee rights, and environmental protection falls under the remit of Sustainability and Process Management.

As part of the annual reporting on the Code of Conduct for Employees, compliance with the requirements set out there is subject to controls. All companies receive over 60 questions on the above-mentioned key topics. In addition, on-site audits are performed by the Internal Audit Department and corrective measures taken in the event of misconduct. The audits also comprise special interviews with the managing directors of the individual companies on the topics mentioned in the Code of Conduct. The respective information is verified. The findings from the survey and audits form the basis for the annual Compliance Report submitted to the Board of Directors and the Group Executive Board, and are published in the annual report.

With respect to measures and objectives in the Code of Conduct, see also → **Sustainability strategy**.

SANCTIONS DUE TO NON-COMPLIANCE (GRI 419-1)

In the reporting year, an incident relating to the unintentional discharge of process waste water from a ceramics plant was handled appropriately, see also → **GRI 307-1**.

10.4 CUSTOMERS

CUSTOMER RELATIONS

MANAGEMENT APPROACH CUSTOMER RELATIONS

Geberit provides its customers – notably plumbers and sanitary engineers – with a wide, proven range of training courses. In the reporting year, some 35,000 professionals were provided with education and further training on Geberit products, tools, software tools and installation skills at 29 Geberit Information Centres in Europe and overseas. Furthermore, Geberit gave support to plumbers, architects and sanitary engineers via webinars on fire protection and sound insulation, drinking water hygiene and other issues. Around 85,000 customers were introduced to Geberit's know-how and products at external events, some of which were organised in cooperation with market partners.

Geberit's product portfolio comprises around 40,000 articles, a range that calls for extensive know-how on the procurement, assembly and functionality of each product. This knowledge is essential in order to hone the specialist skills of the employees and prepare them for the challenges posed by the market, as well as to stand out as a company with qualified specialist personnel. In order to ensure that this know-how is kept up-to-date, Geberit has developed the Geberit Campus – an international learning platform for employees that can be used in every market. The Campus enables Geberit to centrally collect and provide know-how. Furthermore, interactive eLearning courses and seminars are offered at the Geberit Information Centres. Geberit products and areas of expertise such as fire protection and sound insulation are focal points of knowledge transfer.

For further information, see → **Business Report > Business and financial review > Financial Year 2019 > Customers**.

CUSTOMER HEALTH AND SAFETY (GRI 416)

MANAGEMENT APPROACH CUSTOMER HEALTH AND SAFETY

For Geberit, high quality standards mean fulfilling customers' requirements in terms of functionality, reliability and application safety to the greatest possible extent. Corporate Product Quality is responsible for ensuring that suitable framework conditions promote a quality culture throughout the company, and that all employees act in a quality-conscious and independent manner.

Products undergo a defined quality assurance process from the first draft. Product Development is responsible for ensuring that the products developed are safe and user-friendly, and that they comply with all standards and statutory requirements. As an independent department, Product Quality is responsible for defining, arranging and monitoring all necessary inspections to ensure that these requirements are met. A clear organisational distinction is drawn between Product Development and Product Quality. In addition, many products are also examined by external authorisation bodies.

Following market launch, an efficient handling of complaints with integrated error analysis, the initiation of sustained corrective measures and the continuous development of concepts for customer support takes place in cooperation with Sales, Production and Development. Geberit has achieved a high standard in the processing of complaints, and reacts directly and in a solution-oriented manner in each individual case.

Product Development and Product Quality are equally responsible for customer health and safety.

CONDUCTED HEALTH AND SAFETY ASSESSMENTS (GRI 416-1)

Generally speaking, Geberit products and services involve low risks for customers in terms of health and safety. Geberit nevertheless adopts a preventive approach within the scope of its comprehensive quality planning in order to test and ensure the health and safety requirements of all products from development to certification, through manufacture and storage, to installation, use and disposal. Among other things, quality management includes an FMEA (Failure Mode and Effects Analysis) as a precautionary measure to prevent errors and increase the technical reliability of products. Eco-design workshops are held in the course of product development in order to optimise the use of suitable and ecological materials. If products or their use result in an increased risk to health or safety, Geberit's technical editorial staff ensures that this is communicated appropriately to customers, see → **GRI 417**.

NON-COMPLIANCE WITH HEALTH AND SAFETY REQUIREMENTS (GRI 416-2)

Throughout the Group, there were no court judgements or warnings against Geberit in the reporting period involving contraventions of regulations on the health and safety of products and services or product and service information.

MARKETING AND PRODUCT LABELLING (GRI 417)

MANAGEMENT APPROACH MARKETING AND PRODUCT LABELLING

Most of Geberit's marketing activities continued to target plumbers and planning offices. Besides new or revamped digital tools, proven measures were continued – such as customer visits, training, and the publication of regularly updated technical documents, catalogues, brochures and magazines. Geberit is constantly increasing its activities in the area of Building Information Modeling (BIM), an interdisciplinary planning method that helps to optimise the entire planning and building process while enabling architects, sanitary engineers, building owners and building material manufacturers to share information efficiently, see → **Digitalisation/BIM**.

Corporate Marketing is responsible for the labelling of products and services. Conveying product and application information in accordance with laws, standards and target groups is one of the main tasks of the Technical Documentation department that forms part of Corporate Marketing. A comprehensive portfolio of various document types and publication channels is available for this purpose. In the area of assembly and installation, Geberit focuses on multicultural and generally understandable images comprising detailed illustrations and guiding symbols. On top of this, more far-reaching information is provided for the plumber, architect and engineer target groups via various handbooks and skills brochures. In addition, product and safety data sheets are available for all products and target groups.

The end user target group is becoming increasingly important in the conveying of product information, as Geberit is addressing end users directly with more and more products. Geberit ensures safe handling and correct labelling by means of detailed operating documentation based on the prevailing standards and laws.

REQUIREMENTS FOR PRODUCT INFORMATION AND LABELLING (GRI 417-1)

Products involving the use of electricity, gas or dangerous substances – or those containing such substances – need to be appropriately labelled in accordance with the prevailing standards and laws. This includes providing information about the target group and its qualifications as well as the intended use and the existence of substances subject to labelling requirements. The distributor/supplier must publish this information in a national language of the target market in accordance with the prevailing laws and regulations. Whenever possible, plastic components must feature material labelling in order to facilitate recycling.

Geberit has joined forces with the European Bathroom Forum (EBF) founded in 2017 to work on a new European water label that is to be used for a wide range of sanitary products. This is an all-encompassing, voluntary and flexible instrument launched by the sanitary industry to support EU goals on resource efficiency.

NON-COMPLIANCE WITH PRODUCT INFORMATION AND LABELLING REQUIREMENTS (GRI 417-2)

Three cases of incorrect labelling came to light in the reporting year, and these were all corrected.

NON-COMPLIANCE WITH MARKETING COMMUNICATIONS REQUIREMENTS (GRI 417-3)

In the reporting year, there were no known violations of marketing communications requirements.

DIGITALISATION/BIM

MANAGEMENT APPROACH DIGITALISATION/BIM

A significant share of the company's varied marketing activities is targeted at plumbers and sanitary engineers. This especially applies to the ongoing, personalised and frequently project-related support given to installation companies and planning offices by Geberit sales representatives. Digital tools are playing an increasingly important role here. As part of the digitalisation initiative, a dedicated team at Group level and in selected test markets is involved in developing and launching digital tools that are tailored to the different needs of the respective target groups.

The reporting year saw the launch and further development of various digital tools designed to respond to the needs of end users as effectively as possible. An "inspiration tool" for end users, which had been piloted in the previous year, is now in use in Switzerland, Germany, Austria and France. A 3D planning tool was also developed, providing a precise and realistic platform for end users to design their future bathroom. Meanwhile, a new CRM system introduced in Germany, Switzerland, Austria and the United Kingdom allows Geberit to tailor its offer to the requirements of potential end users who are interested in sanitary products.

Geberit set up its online catalogue on a new high-performance platform. Information relating to products and spare parts will now be available from a single source and can be displayed on various devices. Information searches are intuitive, also enabling easy navigation on mobile devices at the construction site.

The reporting year also saw the release of a revised version of another tool designed for everyday use, namely the Geberit Pro app for craftsmen. This offers sanitary professionals support when it comes to the correct installation of Geberit products. Things are rounded off by other digital helpers, such as a calculator for using Mapress pipes in industrial applications or a self-learning programme for detecting actuator plates and concealed cisterns.

Building Information Modelling (BIM) is an interdisciplinary planning method that aims to optimise the entire planning and building process, while enabling architects, sanitary engineers, building material manufacturers and building owners to share information efficiently. This helps them to avoid planning errors and improve productivity. For a number of years now, Geberit has been providing BIM users with support in the form of product data and calculation modules. The team of BIM experts was completed in 2019 and forged ahead with its job of processing BIM data for Geberit's entire product range. The team also developed and launched a plug-in for the Autodesk Revit planning software, which gives sanitary engineers direct access to compact 3D models that are always kept up to date, plus the corresponding planning parameters. The roll-out for the most important product categories took place in autumn 2019 in Germany, Austria and Switzerland, and also in markets outside Europe.

DATA PROTECTION (GRI 418)

MANAGEMENT APPROACH DATA PROTECTION

With the EU's General Data Protection Regulation (GDPR) coming into force, data protection has also become an important issue for Geberit. As a result, the topic was incorporated into the Geberit Compliance System in 2019. Expansion and optimisation of the data protection processes and tools also continued in the reporting year. At the start of the year, an own, individual privacy policy was introduced in recruiting in the HR department. The eLearning module on data protection for employees is now available in 13 languages. Moreover, the topic of data protection was also incorporated in the management system and in reporting on the Code of Conduct. A further 19 Geberit companies were audited on data protection, including Portugal, Spain, Italy, France and Germany. Furthermore, the Group's central data protection organisation was also audited.

COMPLAINTS CONCERNING VIOLATIONS OF CUSTOMER DATA PRIVACY (GRI 418-1)

In the reporting year, there were no known complaints concerning violations of customer data privacy.

KEY FIGURES ENVIRONMENT

ENVIRONMENTAL IMPACT

Environmental impact	2019 UBP	2018 UBP	Deviation %
Electricity	93,736	97,762	-4.1
Combustibles	93,641	98,070	-4.5
Fuels	16,280	16,532	-1.5
Disposal	4,312	3,844	12.2
Solvents	1,214	1,165	4.2
Water and waste water	2,531	2,489	1.7
Total environmental impact	**211,714**	**219,862**	**-3.7**

UBP = Ecopoints in million UBP in accordance with the Swiss Ecological Scarcity Method (version 2013)

MATERIAL USAGE

Material usage	2019 Tonnes	2018 Tonnes	Deviation %
Raw material plastics	75,889	73,276	3.6
Raw material metal	68,349	66,010	3.5
Raw material mineral	170,647	176,211	-3.2
Other raw materials	2,759	3,457	-20.2
Semi-finished products	52,431	43,168	21.5
Finished products	49,638	47,451	4.6
Total material usage	**419,713**	**409,573**	**2.5**

ENERGY CONSUMPTION

Energy consumption	Unit	2019	2018	Deviation %
Electricity	GWh	222.3	224.1	-0.8
District heating	GWh	14.9	13.3	11.5
Combustibles				
Natural gas	m^3	40,817,278	43,076,216	-5.2
Biogas	m^3	878,974	809,171	8.6
Liquified petroleum gas (LPG)	Tonnes	5,747.4	5,635.0	2.0
Diesel for electricity generation	l	19,375	36,019	-46.2
Heating oil extra light	Tonnes	5.1	7.6	-33.3
Solid fuels	Tonnes	0.0	1,307.1	-100.0
Fuels				
Gasoline	l	249,292	242,845	2.7
Diesel	l	2,536,977	2,557,879	-0.8
Liquified petroleum gas (LPG)	kg	141,646	165,684	-14.5
Natural gas (CNG)	kg	3,281	4,847	-32.3

Energy consumption	2019 TJ	2018 TJ	Deviation %
Electricity	800.2	806.7	-0.8
District heating	53.5	48.0	11.5
Combustibles	1,784.8	1,882.9	-5.2
Natural gas	1,485.8	1,567.9	-5.2
Biogas	32.0	29.5	8.6
Liquified petroleum gas (LPG)	266.1	260.9	2.0
Diesel for electricity generation	0.7	1.3	-46.2
Heating oil extra light	0.2	0.3	-33.3
Solid fuels	0.0	23.0	-100.0
Fuels (gasoline, diesel, LPG, CNG)	105.7	107.4	-1.6
Total energy consumption	**2,744.2**	**2,845.0**	**-3.5**

ELECTRICITY MIX

Electricity mix 2019	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	155.3	25.0	53.8	19.8	1.4
USA	6.9	9.6	70.3	19.4	0.7
China	5.6	19.1	78.8	2.1	0.0
India	1.8	16.4	81.8	1.8	0.0
Green electricity	52.7	100.0	0.0	0.0	0.0
Total electricity mix	**222.3**	**42.1**	**42.4**	**14.5**	**1.0**

Electricity mix 2018	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	159.7	24.3	54.8	19.5	1.4
USA	6.6	9.6	70.3	19.4	0.7
China	5.9	19.1	78.8	2.1	0.0
India	1.8	16.4	81.8	1.8	0.0
Green electricity	50.1	100.0	0.0	0.0	0.0
Total electricity mix	**224.1**	**40.6**	**43.8**	**14.6**	**1.0**

WATER AND WASTE WATER

Water	2019 m^3	2018 m^3	Deviation %
Drinking water	376,430	271,311	38.7
Well water	414,902	517,658	-19.9
River and lake water	238,037	232,096	2.6
Rain water	7,578	11,436	-33.7
Total water	**1,036,947**	**1,032,501**	**0.4**

Waste water	2019 m^3	2018 m^3	Deviation %
Domestic waste water	223,404	201,427	10.9
Process water ceramic	558,128	583,883	-4.4
Other waste water	18,107	22,846	-20.7
Total waste water	**799,639**	**808,156**	**-1.1**

EMISSIONS

CO_2 emissions	2019 Tonnes	2018 Tonnes	Deviation %
from combustibles (Scope 1)	106,609	111,291	-4.2
from fuels (Scope 1)	7,807	7,927	-1.5
from process emissions (Scope 1)	608	229	165.4
from electricity (Scope 2)	107,160	111,973	-4.3
from district heating (Scope 2)	455	64	612.3
Total CO_2 emissions	**222,639**	**231,484**	**-3.8**

Calculation of CO_2 emissions according to IPCC 2013

Air emissions		2019 kg	2018 kg	Deviation %
NO_x	direct	51,686	55,858	-7.5
	indirect	147,915	151,373	-2.3
	Total NO_x	**199,601**	**207,231**	**-3.7**
SO_2	direct	1,366	1,468	-7.0
	indirect	286,047	293,364	-2.5
	Total SO_2	**287,413**	**294,832**	**-2.5**
NMVOC	direct	74,797	84,086	-11.0
	indirect	19,059	19,471	-2.1
	Total NMVOC	**93,856**	**103,557**	**-9.4**
Dust (PM10)	direct	435	1,578	-72.4
	indirect	30,916	31,720	-2.5
	Total dust	**31,351**	**33,298**	**-5.8**
CFC11 equivalents	direct	0.7	0.4	70.5
	indirect	8.8	9.0	-2.5
	Total CFC11 equivalents	**9.5**	**9.4**	**0.8**

Calculation based on Ecoinvent data version 3.1

WASTE

Waste	2019 Tonnes	2018 Tonnes	Deviation %
to incineration	1,308	1,434	-8.8
to inert waste landfill	13,580	18,082	-24.9
to mixed waste landfill	971	933	4.1
to external recycling	62,717	62,260	0.7
to hazardous waste incineration	957	777	23.3
to hazardous waste recycling	516	588	-12.3
Total waste	**80,049**	**84,074**	**-4.8**

KEY FIGURES EMPLOYEES AND SOCIETY

WORKFORCE

Workforce as of December 31, 2019	2019	Share %	2018	Share %
Germany	3,267	28.1	3,282	28.2
Poland	1,658	14.3	1,655	14.2
Switzerland	1,435	12.4	1,395	12.0
Ukraine	639	5.5	660	5.7
Austria	555	4.8	557	4.8
Italy	533	4.6	520	4.5
China	531	4.6	530	4.6
Portugal	426	3.7	381	3.3
Others	2,575	22.0	2,650	22.7
Total	**11,619**	**100.0**	**11,630**	**100.0**
Production	6,960	59.8	7,103	61.1
Marketing and sales	3,041	26.2	2,928	25.2
Administration	958	8.3	932	8.0
Research and development	396	3.4	420	3.6
Apprentices	264	2.3	247	2.1
Total	**11,619**	**100.0**	**11,630**	**100.0**
Permanent	9,696	83.4	9,625	82.8
Temporary	1,923	16.6	2,005	17.2
Total	**11,619**	**100.0**	**11,630**	**100.0**
Full-time	11,066	95.2	11,071	95.2
Part-time	553	4.8	559	4.8
Total	**11,619**	**100.0**	**11,630**	**100.0**
Management	216	1.9	207	1.8
Employees	11,403	98.1	11,423	98.2
Total	**11,619**	**100.0**	**11,630**	**100.0**

Information in full-time equivalents

DIVERSITY

Diversity as of December 31, 2019		Management %	Employees %	Total %
Proportion of female employees		11	24	24
Age structure	> 45 years	76	41	42
	30 - 45 years	24	42	42
	< 30 years	0	17	16

Diversity as of December 31, 2018		Management %	Employees %	Total %
Proportion of female employees		9	24	24
Age structure	> 45 years	80	40	41
	30 - 45 years	20	43	42
	< 30 years	0	17	17

FLUCTUATION

Fluctuation excl. natural departures		2019	Rate %	2018	Rate %
Age group	> 45 years	206	4.6	259	6.0
	30 - 45 years	292	7.1	393	9.9
	< 30 years	133	13	190	18.7
Gender	Male	474	6.4	634	8.9
	Female	157	7.1	208	9.5
Region	Germany	74	3.3	153	5.7
	Poland	62	5.1	73	8.1
	Switzerland	91	7.1	113	8.9
	Ukraine	88	14	116	18.9
	Austria	42	7.9	44	8.3
	Italy	6	1.3	2	0.4
	China	17	7.4	21	8.7
	Portugal	21	8.5	22	8.8
	Others	230	8.2	298	12.4
Total fluctuation excl. natural departures		**631**	**6.5**	**842**	**9.0**

Fluctuation incl. natural departures		2019	Rate %	2018	Rate %
Age group	> 45 years	380	8.4	404	9.3
	30 - 45 years	297	7.2	396	9.9
	< 30 years	133	13.0	190	18.7
Gender	Male	590	8.0	732	10.2
	Female	220	9.9	258	11.8
Region	Germany	154	6.9	220	8.2
	Poland	66	5.5	76	8.4
	Switzerland	115	8.9	133	10.5
	Ukraine	90	14.3	116	18.9
	Austria	54	10.2	54	10.2
	Italy	10	2.2	2	0.4
	China	26	11.3	32	13.2
	Portugal	24	9.8	28	11.2
	Others	271	9.6	329	13.7
Total fluctuation incl. natural departures		**810**	**8.4**	**990**	**10.6**

Information in headcounts
Natural departures includes retirements

TRAINING AND EDUCATION

Training and education	Hours per employee	2019	2018	Deviation %
Women		12.7	11.8	7.6
Men		14.2	14.3	-0.7
Management		14.0	9.0	55.6
Other employees		13.8	13.8	0.0
Training and education group		**13.8**	**13.7**	**0.7**

PERSONNEL EXPENSES

Personnel expenses	2019 MCHF	2018 MCHF	Deviation %
Wages and salaries	578.9	561.3	3.1
Pension contributions	31.5	36.9	-14.6
Other social benefits	108.5	107.6	0.8
Other personnel expenses	33.2	38.2	-13.1
Total personnel expenses	**752.1**	**744.0**	**1.1**

SOCIAL ENGAGEMENT

Social engagement	Unit	2019	2018	Deviation %
Donations and contributions	MCHF	4.1	4.1	0.0
Orders to social institutions	MCHF	7.9	8.1	-2.5
Charitable work	Hours	3,409	1,380	147.0

HEALTH AND SAFETY

Health and safety	2019	2018	Deviation %
Number of occupational accidents	193	191	1.0
Accident frequency rate (AFR)	9.8	9.7	1.0
Lost days due to occupational accidents	3,688	3,584	2.9
Accident severity rate (ASR)	187.6	181.5	3.4

Accident frequency rate (AFR) = Number of occupational accidents per million working hours performed
Accident severity rate (ASR) = Number of lost working days due to accidents per million working hours performed

Absenteeism rate per region 2019	Illness %	Accident %	Total %
Europe	4.79	0.13	4.92
Asia	2.02	0.03	2.05
USA	1.43	0.02	1.45
Others	1.49	0.00	1.49
Absenteeism rate group	**4.52**	**0.12**	**4.64**

Absenteeism rate per region 2018	Illness %	Accident %	Total %
Europe	5.07	0.11	5.18
Asia	1.46	0.05	1.51
USA	4.31	0.77	5.08
Others	0.86	0.00	0.86
Absenteeism rate group	**4.77**	**0.12**	**4.89**

Absenteeism rate based on regular working hours