

Geberit Group 2016

Integrated
Annual Report

Busi- ness Report

Geberit Group 2016

Highlights of the business year 2016



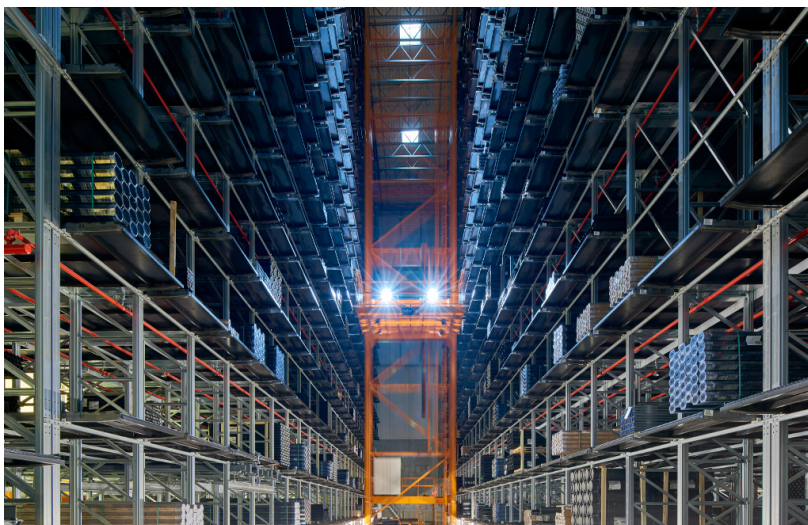
On target

The integration of the former Sanitec organisation progressed according to plan. The majority of the planned synergies has been captured. The insourcing of products such as ceramics for shower toilets is nearly completed. And in all markets, Geberit is now operating as a single company with harmonized processes and tools.



Successful market launch

In July, the Silent-Pro piping system was delivered to wholesalers for the first time. Well thought out down to the last detail, the highly sound-insulating drainage plug-in system is specially designed for tough everyday use on building sites. Italy and Austria were the first markets where it was launched, and other countries will follow soon.



Expanded logistic centre

Geberit invested 40 million euros in the expansion of its logistic centre in the southern German town of Pfullendorf. Both the construction of additional 19,200 square-metres of logistics space as well as the installation of the sophisticated storage and conveyor technology were completed in due time. The commissioning is scheduled for April 2017.



Ceramics appliance production in Wesel

The high demand for the AquaClean Mera shower toilet has led to an expansion of production capacities at the ceramics plant in Wesel (DE). The manufacture of the innovative ceramic appliance pushes man and materials to their absolute limits during every step of the production process.



A case for BIM

BIM (Building Information Modelling) has become an established method worldwide for representing the components installed in a building in an integrated fashion. That's why Geberit too provides relevant data for sanitary applications. Thanks to BIM, the high-security prison Pi2 in Zaanstad (NL) was able to be completed in just 18 months.



The new urinal system in action

The urinal systems at the Mövenpick congress hotel in Regensdorf (CH) are showing their age. Because they require a lot of maintenance, they are replaced by new ones – and all without having to renovate the entire sanitary facility. The flexible urinal system from Geberit is perfect for such situations.



Two weeks in Warsaw

This year's social project saw ten Geberit apprentices travel to Warsaw (PL), where they spent two weeks renovating the toilet facilities at the primary school "Żwirki i Wigury". They removed the old WC ceramic appliances and tiles, laid new pipes and installed Duofix elements with concealed cisterns.



Nelson Mandela Children's Hospital

When installing the drainage system on the major building site in the South African city of Johannesburg (ZA), everything fit perfectly straight away. The plumbers were therefore able to install the system's five kilometres of Geberit PE pipes and over 2,900 fittings on schedule. The desperately needed 200-bed children's hospital was opened in December.

How loud is too loud?

→ Interactive application: geberit.com/annualreport > Competences > Sound insulation

Hearing the grass grow

In the building technology and acoustics laboratory at the Swiss headquarters, Geberit works on the scientific and technical fundamentals to ensure that sanitary noises that disturb your sleep become a thing of the past.

Be it in a hotel, an apartment or at work – fewer and fewer people are prepared to simply accept sanitary noises as an inevitable fact of life. And rightly so. After all, the sounds that emanate from a discharge pipe or when a toilet is flushed can be substantially reduced by choosing and professionally installing the right products.



Samuel Pasteur, acoustics specialist at Geberit, measures the sound transmitted from a concealed installation to a neighbouring room using acceleration sensors.

Approaching the problem from both sides

"There are basically two options when it comes to optimising the acoustic properties of a sanitary installation, namely modifying the source of the sound or reducing the sound transmission. We do both," says Oliver Wolff, Head of Building Physics at Geberit. In this regard, the company systematically ensures as early as the development stage that sanitary products produce only minimal noise levels. A good example is the new shower toilet AquaClean Mera. Here, the inner geometry of the rimless WC ceramic appliance was designed so that the flush is virtually noiseless.

Highly sound-insulating building drainage systems such as Geberit Silent-db20 and Silent-Pro are further examples. Thanks to hydraulically optimised fittings, there is less turbulence and therefore less noise in the pipes, and the special low-resonance material used absorbs sound.

However, as it is impossible to fully eliminate noise in sanitary installations, Geberit also attaches great importance to reducing sound transmissions. With the appropriate installation technology, water supply lines, drainage pipes and appliances can be decoupled from the building structure so that sanitary noise transmitted to the building is considerably reduced.

Multi-storey test assemblies

The acoustic properties of sanitary products and various installation technologies are put through their paces at the company's own building technology and acoustics laboratory in Switzerland. The lab, which is unique within the sanitary sector, is acoustically decoupled from its surroundings to the greatest possible extent. Thanks to state-of-the-art measurement technology, this lab can be used for standard tests as well as for conducting scientific research.

The generation and spread of noise is influenced by a lot of factors, which is why sound tests are always carried out under conditions that are as realistic as possible. A test assembly can easily span several floors, with fully equipped and professionally panelled prewalls or waste water discharge stacks of up to ten metres in height. To calculate the sound emissions, the acoustics specialists not only use highly sensitive microphones but also dozens of sensors and even laser light.

The results of the sound tests lead to improvements in existing products and the development of completely new solutions. The installation technology and application engineering departments also benefit greatly from the vast know-how of the acoustics specialists.

Optimal flow

→ Interactive application: geberit.com/annualreport > Competences > Virtual engineering

Pushing the limits of what is possible

All drainage systems from Geberit are noted for their excellent flow behaviour. This is in no small part down to the great work carried out by the flow specialists – the experts who optimise virtual products on their high-performance computers until the correct performance profiles are achieved.

Geberit uses computer simulations to determine and optimise the flow behaviour of sanitary components, long before the first prototypes are made. Doing so enables time and money to be saved during product development while also allowing solution approaches to be pursued that would be virtually unthinkable without virtual engineering.



This graphic visualisation of the Sovent fitting is based on data from the computer simulation. It shows how the fitting brings the water column into a rotating motion.

An old trick

This can be illustrated in greater detail using the Geberit Sovent fitting as an example. This fitting is used in high-rises to connect the discharge pipes from an individual floor to the discharge stack. As part of the product optimisation process, the aim was to increase the product's discharge rate. The key questions here were: What is the highest possible flow rate in theory and to what extent can this value also be achieved in practice? An everyday trick put the flow specialists on the right track. If you want to empty a full water bottle as quickly as possible, you hold it with the opening facing downwards and rotate it gently. This makes the water swirl, enabling an air column to form in the middle of the opening. This air column ensures pressure compensation, which enables the water to drain out of the bottle at a much faster rate.

Major improvement in performance

Inspired by this physical phenomenon, the engineers set to work at their computers and added an asymmetrical kink in the upper section of the virtual Sovent fitting. This caused the – also virtual – water flowing down to rotate just like the engineers had envisaged, creating a continuous column of air in the centre. Initial calculations showed that this design modification had significantly accelerated the flow rate of the water.

After the completion of the simulation work on the computer, the first prototypes were made and tested under realistic conditions in the 24-metre-high waste water tower. The results were clear: Installing Sovent fittings that had been optimised from a fluid dynamics perspective increased the discharge capacity of a discharge stack by 40 per cent.

Invisible threat

→ Interactive application: geberit.com/annualreport > Competences > Drinking water hygiene

Protecting lives

In the drinking water systems at hotels, sports stadiums, hospitals and holiday apartments, entire pipe sections can go months on end without being used. Geberit offers a clever solution to prevent microbial contamination of these water supply lines when they are not in use.

Potable water is never completely germ-free. However, the concentration of bacteria and germs is normally so low that it does not pose a threat to the human immune system. Only when these pathogens are able to multiply does a serious health risk arise.

Water temperatures of 25 to 50 degrees Celsius and water systems that are not used for extended periods of time provide optimal conditions for bacteria such as legionella. They cannot multiply in colder, warmer or flowing water. This is precisely how Geberit tackles the problem: To prevent germs from forming, a programmable device – the fully automated Geberit sanitary flush unit – rinses the pipes when required, thus ensuring that stagnating potable water is regularly replaced and that potable water that is too warm is cooled down.



The Geberit sanitary flush prevents stagnation in water pipes by automatically flushing them when required. All settings on the unit can be programmed via smartphone.

A real threat

After a short time, a biofilm forms on all surfaces where water is present. Its occurrence is dependent on the water's nutrients, flow velocity, quality and temperature. Biofilms provide a habitat for pathogens such as legionella or pseudomonas. With prolonged stagnation phases, these microorganisms can multiply in the biofilm and later contaminate the potable water.

Legionella bacteria claim the lives of thousands of people in Europe each year. The only way to become infected with these bacteria is by inhaling them, which can occur in the shower, for example. By installing a sanitary flush unit, plumbers and sanitary engineers can play a decisive role in reducing the health risk caused by legionella bacteria.

Tested to the limit

→ Interactive application: geberit.com/annualreport > Competences > Materials technology

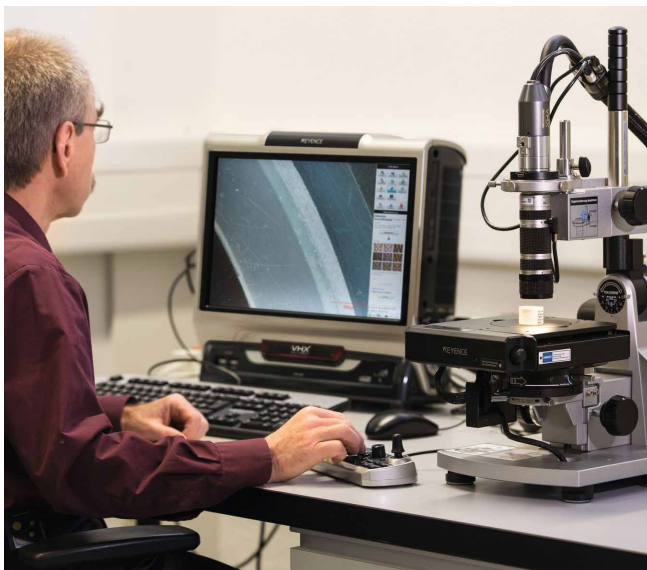
Probing the limits

Sanitary products have to work perfectly for decades. This is why Geberit attaches utmost importance to selecting the best possible product material. In its own laboratories, Geberit systematically goes to the limits – and beyond.

Today, plastics technologists and product developers can choose from thousands of different materials, many of which are subject to ongoing further development and optimisation. This also includes polyethylene – a key plastic in the thermoplastics class (the lead picture of this annual report shows black-coloured plastic granulate for Geberit fittings).

The wide world of polyethylene

Geberit uses polyethylene (PE for short) in different compositions to manufacture products such as cisterns, components of building drainage systems and drinking water pipes. The most suitable PE type is evaluated for each product in the company's own materials laboratories.



Using a digital microscope, Robert Fleischmann, materials technology specialist, examines a pipe section that has been exposed to a solution containing a high level of chlorine for an extended period of time.



In these autoclaves, samples are exposed to excess oxygen and "cooked" at high pressure until they become brittle.

High requirements

In sanitary technology, the service life of a material is one of the most important selection criteria. For example, plastic pipes for drinking water and discharge piping systems in buildings have to fulfil extremely demanding functional specifications according to ISO standards and yield a certified service life of 50 years. As it would not be realistic to test new materials for 50 years before they can be used in practice, the ageing process has to be accelerated during the testing phase.

Comprehensive testing

Various tests are carried out to evaluate the long-term properties of materials and predict their service life. For example, a PE material for drinking water applications is exposed for months to warm water containing a high level of chlorine in order to test how resistant it is to this relatively aggressive element. This is relevant given the fact that potable water in many places contains chlorine, albeit in very low concentrations. In another series of tests, samples of the same material are "cooked" at high pressure in autoclaves containing excess oxygen until they become brittle. The degradation mechanisms and its progression over time is then examined using state-of-the-art analytical equipment.

These tests and analyses can often take several years. If a material performs well in all of these tests, Geberit may decide to take advantage of these benefits in new or existing products.

How strong is a toilet?

→ Interactive application: geberit.com/annualreport > Competences > Statics

Solid as a rock

A full-grown Kodiak bear and a well-equipped Harley-Davidson can each tip the scales at 400 kilogrammes. The Geberit installation elements for wall-hung WCs are designed to handle such a weight.

Wall-hung WC and bidet ceramic appliances have to be designed so that they can withstand loads of up to 400 kilogrammes. This is a European standard specification. As a matter of consistency, Geberit also designs the installation elements for drywall or solid construction to be able to cope with such a load. "When a toilet in front of a drywall is exposed to maximum loaded, the load-bearing installation element is only permitted to deform slightly," explains Oliver Wolff, Head of Building Physics at Geberit International. "If the degree of deformation exceeds our defined limit values, cracks can appear in the wall tiles or other damage can occur, which we of course want to avoid at all costs."

Realistic load test

The Geberit installation elements for wall-hung WCs and bidets are statically designed to be able to bear a load of up to 400 kilogrammes. The maximum load for washbasins and urinals is 150 kilogrammes, and 100 kilogrammes for support handles. For the statics tests in the building technology and acoustics laboratory, the installation elements are built in exactly as they would be at a normal building site. The only difference to real construction situations is that a steel support frame for the test weights – and not a washbasin or WC ceramic appliance – is screwed into the installation elements. This is mainly done for safety reasons.

Narrow tolerances

To be able to precisely measure drops and deformations, the installation elements are equipped with measuring rods at specifically defined points. Laser crosshairs provide the relevant reference points. The drop at the front end of the support frame and the deformation of the installation element are measured before, during and after the test. If they exceed the narrow tolerances defined by Geberit, the design of the installation element has to be revised and improved.



René Gmür, statics specialist at Geberit, lowers eight steel plates with a total weight of 400 kilogrammes onto a support frame that is attached to a Duofix element in the very same way as a WC ceramic appliance. The degree of deformation of the Duofix element is precisely measured by means of laser light.

Testing galore

As a provider of comprehensive installation systems for drywall and solid construction, Geberit possesses extensive know-how in structural analysis. In a building technology and acoustics laboratory that is indeed unique in Europe, Geberit's experienced building physicists carry out several hundred statics tests each year. Thanks to these tests, the product developers can access an extensive database with the results of over 2,500 statics tests. They are also supported in their work by experts who carry out complex statics calculations using powerful simulation programmes.

Wide-ranging knowledge

→ Interactive application: geberit.com/annualreport > Competences > Brilliant minds

More than 50 employees work in the Technology & Innovation department at Geberit. Here are some of them. They represent all the professions currently found in this area. Which professions these are is revealed by the engineers, technologists, scientists and specialists themselves at the click of a mouse.



Editorial

Dear Shareholders

The 2016 financial year was shaped by a positive environment in the construction industry and the integration of the ceramics business. Our excellent results allowed us to further consolidate our position as the leading supplier of sanitary products in Europe.

Net sales increased by 8.3% in 2016, to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a positive foreign currency effect of +0.7% and an acquisition- and divestment-related net increase of 1.2%. The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 16.2% to CHF 686.5 million and the correspondingly adjusted EBIT margin came to 24.4%. Adjusted net income rose by 18.4% to CHF 584.0 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 19.8% to CHF 15.85. The non-adjusted figures were CHF 640.1 million for the EBIT, CHF 548.2 million for net income and CHF 14.88 for earnings per share. Free cashflow rose by 16.5% to CHF 563.9 million.

The integration of the Sanitec business that started in the second quarter of 2015 continued to progress according to plan in the reporting year. Since 1 January 2016, we have been operating as a single company with a completely integrated sales organisation in all markets. In 2016, the focus also fell on the harmonisation of processes and systems as well as the realisation of synergies. The Koralle Group acquired as part of Sanitec was sold to AFG Arbonia-Forster-Holding AG on 1 July 2016 due to limited synergies with the core business. Koralle provides shower enclosures and generated net sales of some EUR 40 million with 240 employees in 2015.

The forward-looking, continuously optimised product portfolio is an important factor for the success of Geberit. In 2016 we once again expanded our proven range with major innovations and thus further extended our market position. With regard to piping systems, for example, we launched the Geberit Silent-Pro building drainage system. This plug-in system is state of the art with a high degree of sound insulation, versatile fire protection solutions and simple installation. With our new urinal system, we can optimally equip public rest rooms. There is a choice between conventional water flush, individually programmed water flush or operation entirely without water. Rimless ceramics and free access to all connectors simplify the cleaning process and reduce the maintenance costs of this product. We also launched the Glow bathroom range in northern Europe. Glow includes washbasins, WCs and bidets as well as bathroom furniture.

As already announced in the last annual report, with a view to future growth and the continued optimisation of existing logistics processes, we are investing some EUR 40 million in order to expand the central logistics center in Pfullendorf. In the reporting year, the extensive and complex storage and conveyor technology was installed, the employees were trained in operating all the new systems and all required test runs were carried out. The project is on track, both in terms of timing and finances, with commissioning scheduled for spring 2017.

The development of the Geberit share price was pleasing once again. As per 31 December 2016, the share price grew by 20.0% to CHF 408.20. In the same period, the Swiss Market Index (SMI) lost 6.8%. We wish to let the shareholders participate in the excellent development of the business and will maintain the attractive distribution policy of previous years. Therefore, we will propose at the General Meeting a dividend of CHF 10.00, which is 19.0% higher than in the previous year. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors. The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. The General Meeting of 6 April 2016 approved the proposal to cancel the shares that were bought back by means of capital reduction. This took place on 20 June 2016. Given the solid financial position, the Board of

Directors has decided to initiate a new share buyback programme of up to CHF 450 million with a maximum duration of three years. The programme is expected to start at the end of the second quarter of 2017.

There will be changes on the Board of Directors. Regi Aalstad will not be standing for re-election at the ordinary General Meeting on 5 April 2017 as she wishes to concentrate on other duties. We would like to thank her warmly for her contribution to the further development of the company. → **Eunice Zehnder-Lai** will be recommended to the General Meeting as her successor and new Member of the Board of Directors.

In the Group Executive Board, the tasks of the products area have been divided between Operations and Product Management & Innovation since 1 September 2016. This organisational change takes account of the many demanding and complex projects as well as the potential arising from the integration of the ceramics business. It also strengthens two of our four strategic pillars – innovation and continuous optimisation of business processes. The Group Division Operations is now headed by Michael Reinhard while Egon Renfordt-Sasse – previously responsible for Marketing & Brands on the Group Executive Board – is the new Head of Group Division Product Management & Innovation. Martin Baumüller took over as Head of Group Division Marketing & Brands and joined the Group Executive Board.

We owe the good results in 2016 and the successful integration of the Sanitec activities to the high degree of motivation and professionalism of our employees. We wish to express our thanks and appreciation for their exemplary performance. Our customers in the commercial and trade sectors again deserve special thanks for their trust and constructive collaboration. Last but not least, we also wish to express our gratitude, esteemed shareholders, for your continued confidence in our company.

The Geberit Group's 2017 financial year is expected to see further progress with the integration of the ceramics business. We wish to focus on continuing to consolidate the sales teams in the countries. Another emphasis will be on the further harmonisation of systems and processes, further development of the product range, and continuous improvements in the ceramics manufacturing. However, just as important will be the focus on our daily business. The objective shall be to provide convincing services in all markets and, as in previous years, gain market shares. There will be concerted marketing of the new products that have been introduced in recent years, focusing on greater penetration of markets in which Geberit products or technologies are still under-represented, and on further expansion of the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes. We are convinced that the company is 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 year under review

Beginning the year at CHF 340.20, the share price then rose continuously to more than CHF 370 by the end of April. Following the publication of the half-year results in August, the price climbed further and reached an all-time high of CHF 434.10 at the end of August. The price then tailed off slightly until the end of the year and closed at CHF 408.20. Overall, this corresponds to a substantial increase of 20.0% in 2016. In the same period, the Swiss Market Index (SMI) lost 6.8%. Viewed over the past five years, the Geberit share posted an annual average increase of 17.7% (SMI +6.7%). The Geberit Group's market capitalisation reached CHF 15.1 billion at the end of 2016.

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

At the end of 2016, the free float as defined by SIX was 100%.

Distribution

Given a normal market environment, Geberit achieves solid free cashflow, which is invested in organic growth, 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.

Over the last five years, around CHF 1.8 billion has been paid out to shareholders in the form of distributions or share buybacks. During the same period, the price of the Geberit share has risen from CHF 181.00 at the end of 2011 to CHF 408.20 at the end of 2016.

The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 5 April 2017 an increase in the dividend of 19.0% to CHF 10.00 in line with the higher earnings per share. The payout ratio of 63.4% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

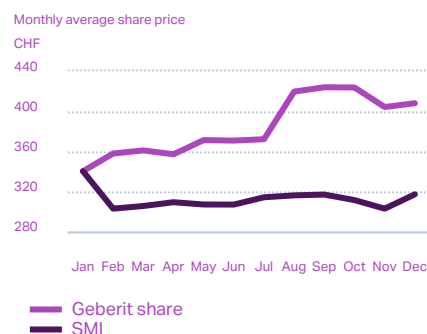
The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. When the programme ended, this represented 2.0% of the share capital recorded in the Commercial Register. The share buyback was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The ordinary General Meeting of 6 April 2016 approved the proposal to cancel the repurchased shares by means of a capital reduction. This took place on 20 June 2016.

Communication

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

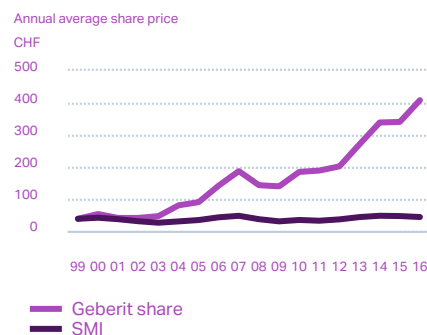
→ www.geberit.com, including ad hoc announcements. Among other things, the current version of the investor presentation is available on the website at any time. In addition, interested parties may add their names to a mailing list → www.geberit.com/media/services/mailling-list/ in order to receive the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

Share price development 1.1. until 31.12.2016



Source: Thomson Reuters

Share price development 22.6.1999 (IPO) – 31.12.2016



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

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

	2012	2013	2014	2015	2016	Total
Distribution	242	248	282	311	309	1,392
Share buyback	198	0	37	160	51	446
Total	440	248	319	471	360	1,838

Distribution paid

(in CHF per share)

	2012	2013	2014	2015	2016
Dividend	–	3.80	7.50	8.30	8.40
Capital redemption	6.30	2.80	–	–	–
Total	6.30	6.60	7.50	8.30	8.40

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

31.12.2016

Registered shareholders	27,159
Capital stock (CHF)	3,704,192.70
Number of registered shares of CHF 0.10 each	37,041,427
Registered shares	22,354,320
Treasury stock	239,869
Stock exchange	SIX Swiss Exchange
Swiss securities identification number	3017040
ISIN code	CH-0030170408
Telekurs	GEBN
Thomson Reuters	GEBN.S

Key figures

(in CHF per share)

	2015	2016
Net income	13.23 ¹	15.85 ¹
Net cashflow	16.00	18.97
Equity	39.76	44.39
Distribution	8.40	10.00 ²

¹ Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income, as well as the amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

² Subject to approval of the General Meeting 2017

Time schedule

2017

General Meeting	5 Apr
Dividend payment	11 Apr
Interim report first quarter	2 May
Half-year report	17 Aug
Interim report third quarter	31 Oct

2018

First information 2017	18 Jan
Results full year 2017	13 Mar
General Meeting	4 Apr
Dividend payment	10 Apr
Interim report first quarter	3 May

(Subject to minor changes)

Management structure

Board of Directors

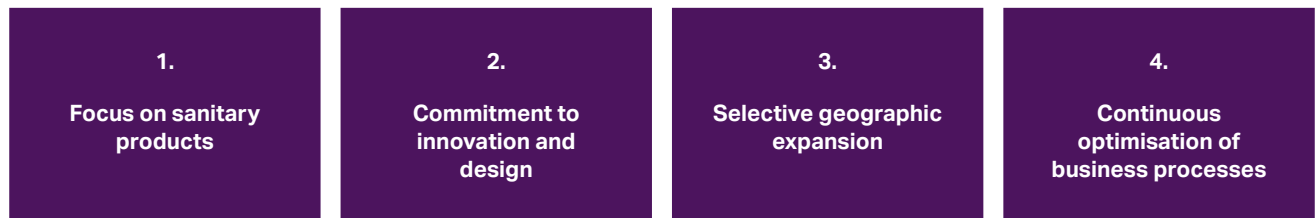
Chairman Albert M. Baehny	Vice Chairman Hartmut Reuter
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CEO Division	Sales Europe	Sales International	Marketing & Brands	Operations	Product Management & Innovation	Finance
Chief Executive Officer Christian Buhl	Member Executive Board Karl Spachmann	Member Executive Board Ronald van Triest	Member Executive Board Martin Baumüller	Member Executive Board Michael Reinhard	Member Executive Board Egon Renfordt-Sasse	Member Executive Board Roland Iff
Human Resources Roland Held	Germany Clemens Rapp	North America Andreas Nowak	Marketing Bathroom Systems / Installation and Flushing Systems Severin Daniels	Purchasing Adriaan 't Gilde	Quality Christian Englisch	Controlling Andreas Jäger
Communications / Investor Relations Roman Sidler	Switzerland Hanspeter Tinner	Far East / Pacific Ronald Kwan	Marketing Piping Systems Arnd Gildemeister	Logistics Gerd Hailfinger	Technology / Innovation Felix Klaiber	Treasury Thomas Wenger
Strategic Planning Andreas Lange	Nordic Countries Lars Risager	Middle East / Africa Ronald van Triest	Marketing Operations Daniela Koch	Production Plant IBA* Robert Lernbecher	Accredited Test Laboratory Markus Tanner	Information Technology Markus Enz
Environment / Sustainability Roland Högger	Italy Giorgio Castiglioni		Pricing / Master Data Management Frank Heuser	Production Plant EFA** Martin Ziegler	Products Installation and Flushing Systems Egon Renfordt-Sasse	Taxes Jürgen Haas
Shower Toilet Margit Harsch	Netherlands Menno Portengen		Digital Dirk Wilhelm	Production Plant CER*** Robert Lernbecher a. i.	Products Piping Systems Pietro Mariotti	Legal Services Albrecht Riebel
	Belgium Thierry Geers				Products Bathroom Systems Jörn Ikels	Internal Audit Martin Reiner
	Austria / Hungary / Romania Stephan Wabnegger					
	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					
	Key Account Management Michael Albrecht					
	Business Development / OEM / Industry Tobias Beck					

* IBA: Injection / Blow Moulding / Assembly
** EFA: Extrusion / Forming / Assembly
*** CER: Ceramics

Strategy

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



1. Focus on sanitary products: Geberit concentrates on "behind the wall" sanitary and piping systems for transporting water in buildings, as well as bathroom ceramics and ceramics complementary products "in front of the wall". 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 and development in areas such as hydraulics, statics, fire protection, hygiene and acoustics, 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. Here, the aspects of design are constantly growing in importance.
3. Selective geographic expansion: an important factor in long-term success is stronger growth in those markets outside Europe in which Geberit products or technology are still under-represented. Outside Europe, Geberit concentrates on the most promising markets. These include North America, China, Southeast 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. In this respect, the company always adheres strictly to the existing high standards in terms of quality and profitability.
4. Continuous optimisation of business processes: the purpose behind this focus is to ensure a leading, competitive cost structure in the long term. This is 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 stable management structure
- a lean, high-performance organisation with optimised processes
- a unique corporate culture

Medium-term goals

Geberit has set itself the goal of being the standard-bearer for sanitary products, continually developing those products in a sustainable way and thereby gaining market shares. Among other things, this approach yields sales growth that outstrips the industry average. Basically, Geberit is aiming to achieve its sales targets while at the same time maintaining its industry leadership in terms of profitability and the ability to generate high cashflows.

The medium-term goals were reappraised in autumn 2015 following the acquisition of Sanitec and the switching of reporting to net sales from the 2015 financial year onwards. Once the Sanitec business has been successfully integrated, from 2018 onwards 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 from 2018 is expected to reach 25 percent.

2017 and 2018 will each see around CHF 150 million investments in property, plant and equipment in order to achieve the expected growth, for upcoming larger projects and due to the integration of the Sanitec business.

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 industry
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 market penetration
4. **Geberit AquaClean**, to further expand the shower toilet category in Europe
5. **Innovation leadership** in the sanitary industry, in order to set new standards
6. **Continuous process and cost optimisation**

Value-oriented management

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

The remuneration model for Group management as a whole 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". 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 above a certain amount are approved only if strict criteria are met. In this context, it is mandatory that an investment return be achieved that exceeds the cost of capital plus a premium.

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

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. This hedging is almost entirely successful, particularly as regards the euro and US dollar. There are, however, minor deviations arising from the Swiss franc, British pound and the Nordic and Eastern European currencies. As a consequence of the natural hedging strategy, currency fluctuations only have a minor impact on the 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: +/-8% to +/-10%
- EBITDA: +/-9% to +/-11%
- EBITDA margin: approximately +/-0.5 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**.

Sanitec integration

For Geberit, the acquisition of Sanitec in February 2015 represented an expansion of its strategic focus. The future product portfolio was enhanced with bathroom ceramics. Geberit became the European market leader for sanitary products and in particular strengthened its position in regions such as the Nordic Countries, France, United Kingdom and Eastern Europe, in which Geberit had not yet gained a firm foothold. The acquisition combined technical know-how in sanitary technology “behind the wall” with design expertise “in front of the wall”. It also supported the Group’s key → **growth and earnings drivers** and will create added value.

The integration activities, which began in the second quarter of 2015, continued to progress according to plan in the reporting year. Since 1 January 2016, Geberit and the former Sanitec units have been operating as a single company in sales activities in all markets with joint order and invoicing processes. In 2016, the focus also fell on the harmonisation of processes and systems and the realisation of synergies.

Market environment

Improved business climate

As in previous years, the construction industry in 2016 was shaped by developments that varied by region. The market environment was, however, friendlier than in the previous year.

In November 2016, Euroconstruct forecasted an increase in building construction for **Europe** in 2016 of +2.9%, which confirmed the previous report of mid-2016. A comparison with older forecasts explains the more positive outlook: at the beginning of 2015, Euroconstruct still expected building construction to increase by +2.3% in 2016. At +4.5%, new construction reported stronger growth in 2016 than renovations (+1.6%). Although the volume for new buildings still lagged behind the record highs of 2007/2008 in 2016, renovation volumes were almost on a par again with the level seen at that time. At +3.9%, residential construction was the growth driver for building construction in 2016. The following countries that are important to Geberit in terms of sales did well in 2016: the Netherlands (+6.8%), the Nordic Countries (+6.2%), Belgium (+4.0%), Germany (+2.5%), Italy (+1.9%), Austria (+1.7%) and Switzerland (+0.5%).

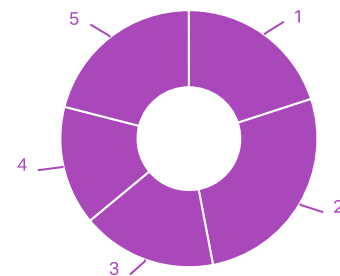
Of the total European construction volume of EUR 1,441 billion in 2016, 79% was generated by building construction. The ratio of residential to non-residential building construction remained the same at around 60 to 40 percent. In spite of stronger growth, new construction as a share of total building construction once again lagged slightly behind the renovation business in 2016.

In the **US**, gross domestic product (GDP) rose by 1.6% and the economy grew considerably slower than in 2015 (+2.6%). Investments in building construction increased by 5.9%. Within building construction, investments in non-residential construction increased by 8.0% in total, which was less than in the previous year (+13.8%). This development was supported by the office, hotel and commercial buildings sector. The health care/hospitals and schools/universities segments, which are important for Geberit, developed with +4.7% slightly below the previous year (+5.0%). Residential construction slowed down further in the reporting year: the number of building permits for new private residential units only increased by 0.4% in the reporting year after the previous year's good performance of 12.4% (these figures for the US construction industry were published by the U.S. Department of Commerce, United States Census Bureau).

In the **Far East/Pacific** region, economic growth at +4.7% was on a par with the previous year (+4.6%). At +2.5%, global economic growth was considerably lower. At 62% (previous year 55%), more than half of the global growth once again originated from the Far East/Pacific region, where all relevant economies enjoyed positive growth. As in previous years, China contributed around two-thirds to the growth of this region. In spite of the comparatively good macroeconomic situation, activity in the Chinese residential construction sector remained low, in particular in the smaller conurbations, as the market is burdened by large numbers of unsold residential properties.

Total construction output Europe 2016

(EUR 1,441 billion)

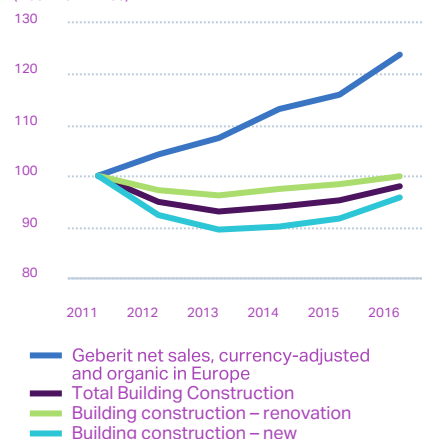


- 1 Residential - New (20%)
- 2 Residential - Renovation (27%)
- 3 Non-residential - New (17%)
- 4 Non-residential - Renovation (15%)
- 5 Civil engineering (21%)

Source: 82nd Euroconstruct Conference in Barcelona (ES), November 2016

Construction output and Geberit net sales in Europe 2012 – 2016

(Index: 2011 = 100)



Source: 82nd Euroconstruct Conference in Barcelona (ES), November 2016, and 81th Euroconstruct Conference in Dublin (IRL), June 2016

Net sales

Very good sales development

Cumulative net sales in 2016 increased by 8.3% to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a foreign currency effect of +0.7% and an acquisition- and divestment-related increase of 1.2%.

The net sales for the second half of 2015 of the Koralle Group (sold at the end of June 2016) and the net sales for January 2016 of the Sanitec Group (acquired in February 2015) were not included in the calculation of organic growth. The net effect of these eliminations amounted to CHF 31.7 million.

The currency gains contained in net sales amounted to CHF 18 million. In 2016, 62% of net sales were generated in euros, 10% in Swiss francs, 5% in US dollars and 4% in British pounds.

The following changes in net sales in the markets and product areas relate to currency-adjusted, organic developments.

Convincing developments in European markets

The biggest region, **Europe**, grew by 6.8%. Austria (+12.3%), the Nordic Countries (+11.1%) and Central/Eastern Europe (+10.4%) posted double-digit growth. The other European markets/countries also reported convincing growth, with +7.9% for the Benelux Countries, +6.5% for the Iberian Peninsula, +6.4% for Switzerland, +5.4% for United Kingdom/Ireland, +4.8% for France, +4.7% for Germany and +3.9% for Italy. **Far East/Pacific** (+4.3%), **Middle East/Africa** (+3.5%) and **America** (+0.2%) posted below-average growth compared to the European markets.

Sanitary Systems reported strongest growth

Net sales for the **Sanitary Systems** product area amounted to CHF 1,263.5 million, corresponding to growth of 9.2%.

Net sales for the **Installation Systems** product line, at 28.1% of Group net sales the most important product line, rose by 8.0%. This growth was strongly supported by the drywall elements, high-quality actuator plates and the synergies that were realised from the Sanitec integration. Growth of 14.3% was posted by the **Cisterns and Mechanisms** product line, which accounts for 9.1% of total net sales. This above-average growth was driven by the reduction of the order backlog for the newly-launched premium shower toilet AquaClean Mera on the one hand, and on the other by continued strong demand for the Monolith WC module. Net sales for the **Faucets and Flushing Systems** product line, which accounts for 4.4% of total net sales, increased by 3.0% in 2016. The below-average result for this product line was due to the difficult market conditions faced by the US subsidiary Chicago Faucets in business with schools and hospitals. Sales of urinal systems, however, trended very well. Net sales for the **Waste Fittings and Traps** product line rose by 14.3%. The share of total Group net sales came to 3.4%. This product line posted the strongest growth of all, primarily because of the great success of the CleanLine shower channel launched in the market in the previous year.

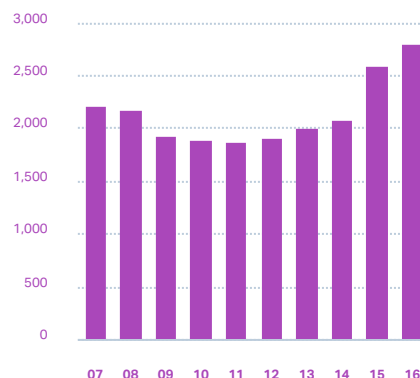
Net sales for the **Piping Systems** product area increased by 2.5% to CHF 823.8 million. As in the previous year, growth for this product area lagged behind Sanitary Systems.

Building Drainage Systems grew by 4.4%. The share of total net sales reached 10.7%. The Silent-PP sound-insulating drainage system and the PE drainage system experienced positive development. Sales for the **Supply Systems** product line increased by 1.4%. This product line contributed 18.6% to total net sales. The product line was burdened by the carbon steel piping systems, which suffered from low copper prices. Stainless steel piping systems, however, reported encouraging growth.

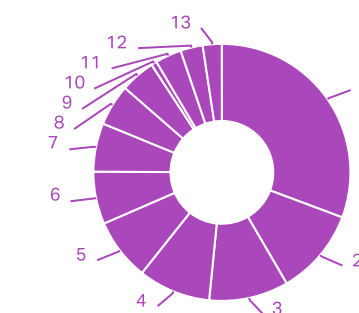
The **Sanitary Ceramics** product area posted organic, currency-adjusted growth of +6.5% to CHF 721.7 million. Measured for the year as a whole (inclusive of Sanitec's sales for January 2016), currency-adjusted growth was +4.9%.

Net sales development 2007 – 2016

(in CHF million)



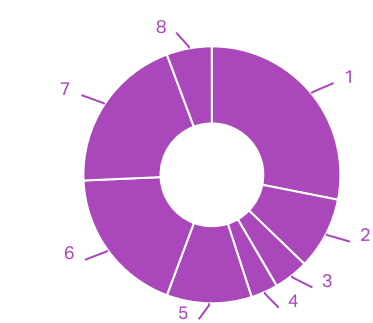
Net sales by markets/regions 2016



- 1 Germany (30.7%)
- 2 Nordic Countries (10.9%)
- 3 Switzerland (10.0%)
- 4 Central/Eastern Europe (9.1%)
- 5 Benelux (7.8%)
- 6 Italy (6.6%)
- 7 France (6.1%)
- 8 Austria (5.2%)
- 9 United Kingdom/Ireland (4.4%)
- 10 Iberian Peninsula (0.7%)
- 11 America (3.3%)
- 12 Far East/Pacific (2.8%)
- 13 Middle East/Africa (2.4%)

The **Bathroom Ceramics** product line grew by 8.3%. The contribution of this product line, which is the second largest measured by Group net sales, came to 20.0%. Wall-hung WC ceramic appliances and WC seats were the most important drivers of growth. Net sales for the **Ceramics Complementary Products** product line, which accounted for 5.7% of Group net sales, improved by 0.7%. This comparatively low growth rate was due to the fact that the installation systems of the former Sanitec, which fall under this product line, are increasingly being substituted by Geberit systems.

Net sales by product areas and product lines 2016



- Sanitary Systems (45,0%)
- 1 Installation Systems (28.1%)
- 2 Cisterns and Mechanisms (9.1%)
- 3 Faucets and Flushing Systems (4.4%)
- 4 Waste Fittings and Traps (3.4%)
- Piping Systems (29,3%)
- 5 Building Drainage Systems (10.7%)
- 6 Supply Systems (18.6%)
- Ceramics (25,7%)
- 7 Bathroom Ceramics (20.0%)
- 8 Ceramics Complementary Products (5.7%)

Results

Improved profitability

In the 2016 financial year, the results of the Geberit Group were once again impacted by acquisition, divestment and integration costs, and income related to the Sanitec acquisition – albeit much lower than in the previous year. For better comparability, adjusted figures are shown and commented on.

The adjusted operating cashflow (adj. EBITDA) rose by 14.6% to CHF 794.9 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 28.3% compared with 26.7% in the previous year. Foreign currency developments did not have any material impact on the adjusted EBITDA margin.

The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices.

The adjusted operating profit (adj. EBIT) rose by 16.2% to CHF 686.5 million, and the adjusted EBIT margin reached 24.4% (previous year 22.8%). Adjusted net income improved by 18.4% to CHF 584.0 million, which led to an adjusted return on sales of 20.8% (previous year 19.0%). The adjusted earnings per share were up by 19.8% to CHF 15.85 (previous year CHF 13.23). This above-average increase when compared with the operating results is explained by an improved financial result and a slightly smaller number of shares.

Operating expenses remain on track

Total adjusted operating expenses increased by 6.0% in 2016 to CHF 2,122.5 million, which is below average when compared to the net sales growth. As a percentage of net sales, this equates to 75.6% (previous year 77.2%).

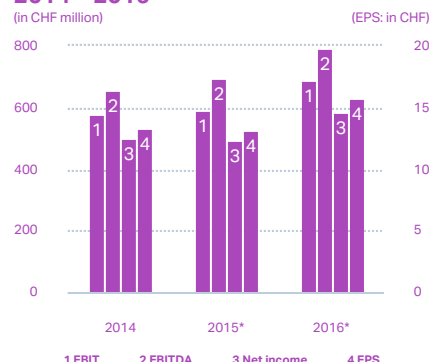
The adjusted cost of materials increased by 2.3% to CHF 773.5 million, whereas in percentage of net sales dropped substantially from 29.1% in the previous year to 27.5%. Expenditure was reduced by lower purchase prices for industrial metals and plastic, even though the prices for these materials started trending upwards again in the second half of the year. Adjusted personnel expenses grew by 6.4% to CHF 696.2 million, which equates to 24.8% of net sales (previous year 25.2%). Adjusted for acquisition and currency effects, the adjusted personnel expenses were only slightly higher. The largely tariff-related salary increases were partly offset by synergies and efficiency gains, see also → [Business and financial review, employees](#). Adjusted depreciation rose by 4.0% to CHF 99.7 million. The adjusted amortisation of intangible assets amounted to CHF 8.7 million (previous year CHF 6.7 million). Adjusted other operating expenses increased – in part driven by the acquisition – by 11.1% to CHF 544.4 million.

The adjusted net financial result came to CHF -9.3 million, which is an improvement of CHF 7.9 million compared with the previous year. This development can be explained by the exceptional expenditure incurred in connection with the financing of the Sanitec acquisition in the previous year and foreign currency gains (rather than the previous year's foreign currency losses). Adjusted tax expenses grew by CHF 12.6 million to CHF 93.2 million. This resulted in a slightly lower adjusted tax rate compared with 2015 of 13.8% (previous year 14.0%). A number of one-off effects led to this lower rate.

Acquisition and integration costs in the income statement lower than in previous year

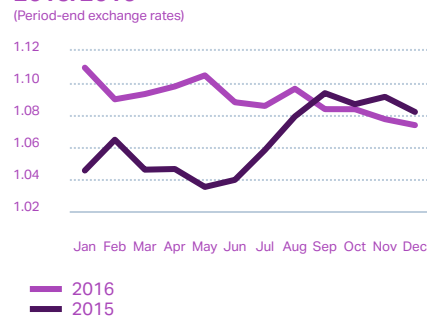
The negative special effects (see table below) arising from the Sanitec acquisition/integration amounted to CHF 10 million as regards EBITDA, CHF 46 million as regards EBIT, and CHF 36 million as regards net income. The non-adjusted figures were CHF 785.2 million for EBITDA, CHF 640.1 million for EBIT, CHF 548.2 million for net income, and CHF 14.88 for earnings per share.

EBIT, EBITDA, Net income, Earnings per share (EPS) 2014 – 2016

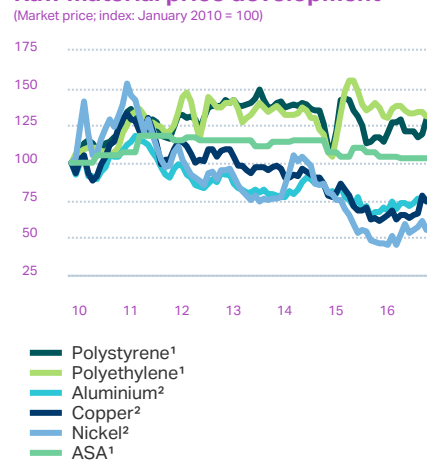


* Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income as well as amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

EUR/CHF exchange rates 2015/2016



Raw material price development



¹ Source: Kunststoff Information Verlagsgesellschaft mbH

² Source: London Metal Exchange

Increase in free cashflow

The considerably higher operating cashflow (EBITDA) and an improved financial result on the one hand and higher absolute tax expenditure on the other led to an increase in net cashflow of 17.2% to CHF 699.0 million. A slight decline in the investments in property, plant and equipment and negative effects of the change in net working capital resulted in an increase in free cashflow of 16.5% to CHF 563.9 million (see also → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 28. Cash-flow figures**). Free cashflow was used to pay distributions of CHF 309.3 million to shareholders, to repay debts of net CHF 172.8 million and, as part of the last phase of the share buyback programme, to buy back shares for CHF 50.7 million.

Acquisition and integration related costs

(in CHF million)

	2015	2016
Transaction costs	7	0
Integration costs	27	10
Inventory revaluation charge*	28	0
Total cost on EBITDA level	62	10
Depreciation and amortisation*	31	36
Total cost on EBIT level	93	46
Financing costs	6	0
Tax effect	-28	-10
Total cost on net income level	71	36

* mainly related to purchase price allocation

Financial structure

Solid financial foundation

Once again, the substantial contribution from free cashflow allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group.

Total assets increased from CHF 3,553.8 million to CHF 3,601.1 million. Liquid funds increased from CHF 459.6 million to CHF 509.7 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 340.6 million. Debts were reduced to CHF 970.9 million (previous year CHF 1,139.2 million). This resulted in a reduction in net debt by CHF 218.4 million to CHF 461.2 million at the end of 2016. This development resulted from the strong free cashflow, the dividend payment to the shareholders, share buybacks and the repayment of debts (see also → **Increase in free cashflow**).

At CHF 147.3 million, net working capital was on a par with the previous year (previous year CHF 146.6 million). Property, plant and equipment increased from CHF 715.4 million to CHF 726.5 million, while goodwill and intangible assets dropped from CHF 1,757.1 million to CHF 1,681.1 million.

The ratio of net debt to equity (gearing) improved from 45.9% in the previous year to 28.2%. The equity ratio reached a very solid 45.4% (previous year 41.7%). Based on average equity, the adjusted return on equity (ROE) was 38.3% (previous year 32.2%); the non-adjusted value of this ratio was 35.9% (previous year 27.6%). Average invested operating capital, comprising net working capital, property, plant and equipment, and goodwill and intangible assets amounted to CHF 2,704.6 million at the end of 2016 (previous year CHF 2,504.9 million). The adjusted return on invested capital (ROIC) was 21.5% (previous year 20.1%); the non-adjusted value of this ratio was 20.2% (previous year 17.0%). For details on the non-adjusted gearing, ROE and ROIC calculations, please refer to the → **Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 5. Management of Capital**.

The Geberit Group held 239,869 treasury shares on 31 December 2016, which equals 0.6% of the shares entered in the Commercial Register. These shares are mostly earmarked for participation plans. The total number of shares entered in the Commercial Register stands at 37,041,427 shares. The share buyback programme, which began on 30 April 2014, ended on 29 February 2016. A total of 757,000 registered shares were bought back for CHF 247.8 million. When the programme ended, this represented 2.0% of the share capital recorded in the Commercial Register. The share buyback was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The ordinary General Meeting of 6 April 2016 approved the proposal to cancel the shares that were bought back by means of capital reduction. This took place on 20 June 2016.

Debt

(in CHF million; as of 31 December)

	2014	2015	2016
Long-term debt	6.6	1,135.5	966.7
Total debt	10.5	1,139.2	970.9
Liquid funds	749.7	459.6	509.7
Net debt	-739.2	679.6	461.2

Investments

Slightly lower investments

In 2016, investments in property, plant and equipment and intangible assets amounted to CHF 139.1 million, CHF 8.2 million or 5.6% less than in the previous year. As a percentage of net sales, the investment ratio was 5.0% (previous year 5.7%). All larger investment projects were carried out as planned.

The bulk of investments went toward machinery, building conversions and new building projects, and the procurement of tools and moulds for new products. The biggest project was the expansion of the logistics centre in Pfullendorf (DE), which will commence operations in spring 2017. Additionally, investments were made in important development projects and the further optimisation of production processes.

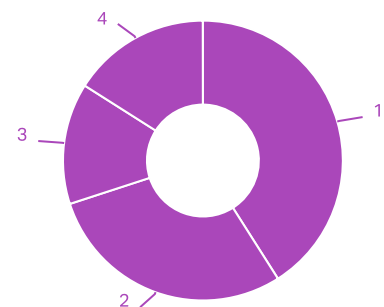
In 2016, 41% of total investments, or CHF 57.7 million, went toward expanding infrastructure, 16% or CHF 22.9 million was used to acquire tools and equipment for new product developments, 29% or CHF 39.7 million was invested in the modernisation of property, plant and equipment, while 14% or CHF 18.8 million was used for rationalisation measures relating to property, plant and equipment.

Expenditures for property, plant and equipment and intangible assets

(in CHF million)

	2012	2013	2014	2015	2016
	86.0	98.0	104.8	147.3	139.1
In % of net sales	4.5	4.9	5.0	5.7	5.0

Investments by purpose



- 1 Capacity expansion (41%)
- 2 Modernisation (29%)
- 3 Rationalisation (14%)
- 4 New products (16%)

Employees

Decreasing number of employees

At the end of 2016, the Geberit Group employed 11,592 staff worldwide, which is 534 employees or 4.4% less than in the previous year. This is mainly due to fewer people employed in the ceramics plants, synergies as a result of the consolidation of functions and efficiency-enhancing measures, as well as the sale of the Koralle Group. Based on the average headcount of 11,972, net sales per employee amounted to TCHF 234.6, or 12.8% more than in the previous year.

Broken down by business process, staff numbers were as follows: marketing and sales employed 24.5% of the staff members (previous year 23.9%). 61.7% worked in production (previous year 62.6%). Additionally, 8.2% (previous year 7.8%) of the employees worked in administration, and 3.6% (previous year 3.6%) in research and development. The share of apprentices was 2.0% (previous year 2.1%).

An attractive employer

First-rate employees guarantee the company's success in the future. With this in mind, efforts were again made in 2016 to position Geberit on the job market as an attractive employer with an open corporate culture and international development opportunities at the interface between craft, engineering and sales. For example, specialists from various departments attended a series of university career fairs together with Human Resources managers.

Geberit offers its employees attractive employment conditions. In 2016, personnel expenses – adjusted for special effects in connection with the Sanitec integration – amounted to CHF 696.2 million (previous year CHF 654.2 million). The employees can also participate 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 men and women are embedded in the corporate philosophy. The proportion of female employees at the end of 2016 was 24% (previous year 25%), and for senior management this figure was 9% (previous year 8%). Since 2016, the six-member Board of Directors now has a female member once again.

The capital of tomorrow

Geberit employed 233 apprentices at the end of 2016 (previous year 255). The transfer rate to a permanent employment relationship was 75% (previous year 64%). The target is 75%. All apprentices are essentially required to work at several sites during their training. Experience abroad and the transfer of know-how are an advantage for both employees and the company. Apprentices also have the option of working abroad for a period of six months on completion of their apprenticeship. Such apprenticeship programmes took participants to the US, India and South Africa.

The two-stage Potentials Management Programme continues to be held. The aim is to selectively identify talents throughout the company and support them along their path to middle or senior management. Initial experience of managerial or project management responsibility are part of this. The problems investigated in project work as part of the programme are geared towards the reality at the company and provide the decision-makers involved with concrete bases for action. The Potentials programme is intended to help fill at least half of all vacant managerial positions within the company with internal candidates. In 2016, this was achieved for 88% of all Group management vacancies (previous year 40%).

Fair and uniform conditions for all

The standard Performance Assessment, Development and Compensation (PDC) process has been in place since 2012. This standardised process enables the company to gain an overview of the available potential. PDC has several goals: to reinforce the performance culture, increase transparency and better identify and promote talents. Except for the employees who work directly in the production processes, all employees of the original Geberit

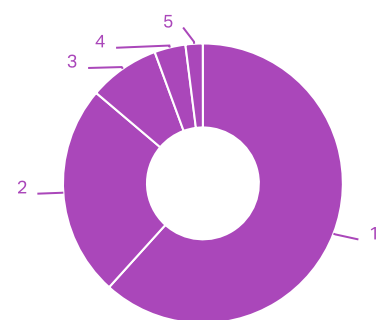
Employees by countries

(as of 31 December)

	2015	Share in %	2016	Share in %
Germany	3,319	27	3,282	28
Poland	1,532	13	1,515	13
Switzerland	1,333	11	1,336	12
Ukraine	1,089	9	627	5
France	693	6	691	6
China	665	5	637	5
Austria	541	4	532	5
Sweden	431	4	419	4
Italy	425	4	434	4
Others	2,098	17	2,119	18
Total	12,126	100	11,592	100

Employees by business processes 2016

(as of 31 December)



- 1 Production (61.7%)
- 2 Marketing and Sales (24.5%)
- 3 Administration (8.2%)
- 4 Research and Development (3.6%)
- 5 Apprentices (2.0%)

Group have now been incorporated into the PDC process. The circle of participants is currently being extended to include the managers of the former Sanitec. PDC in practice means that the individual performance as well as the potential for future development are assessed by several supervisors. The direct supervisor then has to give employees feedback on their performance, development and compensation. As regards compensation, the standardised job assessments used throughout the Group provide a solid reference system.

Group-wide survey carried out

84% of the employees took part in the Group-wide survey carried out in the reporting year. This encouraging response rate shows that the employees are prepared and willing to participate in the development of the company.

A very good sign is that more than 80% of the employees are positive or at least neutral about the integration, even though such processes always go hand in hand with much personal uncertainty. The survey also revealed cultural differences between the original Geberit and the acquired Sanitec units, and confirmed that the integrated organisation has some way to go until it is really one company.

Since October, the local Geberit companies have been discussing the survey results and evaluating and implementing measures in all areas flagged for action by the feedback from the employees.

Identity and Code of Conduct consolidated

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. In this regard, the → **Geberit 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 → **Geberit Code of Conduct** for employees serve as the applicable guidelines (see also → **Compliance**). The Compass, together with a letter from the CEO, was delivered to all employees of the new, enlarged Geberit Group at the end of 2015.

Focus on occupational safety

Geberit's vision is to be an accident-free company. The extension of the production network following the integration of the Sanitec plants and the resulting increase in staff numbers led to the adjustment of the targets in 2015. 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 to be reduced to a value of 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to 90 (number of days lost per million working hours).

The accident frequency dropped to 9.8 in 2016 (previous year 11.4), a reduction of 14.0%. In contrast, the accident severity increased by 1.6% to 209 in the same period (previous year 206). In the reporting year, many optimisation measures were implemented at the different plants (see also → **Production**), all of which play a central role in occupational safety. Special attention continues to be paid to changes in behaviour, as the majority of occupational accidents and time lost are still attributable to carelessness. Occupational safety has been part of the annual appraisal of plant managers since 2013.

Customers

Market cultivation remains intense

With the integration of the ceramics business in its established sales structures, Geberit substantially strengthened its presence in many markets. Since the beginning of 2016, each market has been serviced by one local sales company only. The more than 800 advisors deployed throughout Europe no longer focus on specific product areas, but rather on different customer segments, such as the wholesale trade, plumbers and planners, architects and showrooms. This means that the advisors must have very broad product knowledge in order to provide comprehensive support to their customers.

Architects, planners and engineering offices are increasingly using BIM (Building Information Modelling) to optimise and integrate their processes. Nowadays, it is essential for manufacturers of sanitary products to provide the relevant BIM data, in particular for large projects. Geberit has therefore started recording the BIM data for all relevant products, and now makes the data available for download to customers across the world.

For decades, Geberit's broad range of training opportunities has been a proven instrument for retaining customers. During the reporting year, more than 30,000 customers were provided with education and further training on Geberit products, tools and software tools at the 25 Geberit information centres in Europe and overseas. In addition, a total of around 90,000 customers became more familiar with Geberit know-how and products at external events, some of which were organised in cooperation with market partners.

Market presence of Geberit AquaClean expanded further

The advertising measures for Geberit AquaClean shower toilets focused on 13 campaign markets in Europe. As in the previous year, the Geberit AquaClean truck went on a major tour, this time to the Netherlands, Belgium, the UK and for a second time to Germany. Under the motto "My first time", the mobile showroom and test unit offered interested parties the opportunity to try out an AquaClean shower toilet at their leisure and assess the various models.

The strategy of offering potential end users the opportunity to try out a shower toilet for themselves was also followed in Italy, Denmark, Austria and Switzerland. The Swiss and Austrian sales companies, for example, made a mobile AquaClean WC lounge available to the public at selected concerts, sporting events and other major events. In the reporting year, it was possible to establish contact with around 15,000 end users with these two lounges.

The international sales initiative for mid-range and high-end hotels also made excellent progress. More than 60 new hotel projects were acquired in the reporting year, which pushed up the number of four- and five-star hotels equipped with AquaClean shower toilets in Europe to 350.

The premium AquaClean Mera model launched in September of the previous year met with a very positive response in all markets. This unexpected level of success led to an order backlog, which has since been reduced by the fast expansion of our internal capacity to produce the sophisticated ceramic sanitary appliances. Demand, which has remained persistently high, has been met on time again since the fourth quarter.

Direct link to sanitary professionals

Most of Geberit's marketing activities continued to target sanitary professionals and entrepreneurs. Proven measures such as customer visits, training and the publication of regularly updated technical documents, brochures and magazines, online platforms and apps were continued and developed further. The successful "Geberit On Tour" campaign was repeated for the sixth time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers and offered plumbers the opportunity to assess Geberit innovations and solutions directly on site. In 2016, more than 25,000 visitors were addressed at more than 900 events in 16 countries.

Fully integrated trade fair presence

In 2016, numerous trade fairs were once again used as platforms to demonstrate Geberit's innovative strength and to foster and enlarge the network of contacts in the market. Important trade fairs attended were Batibouw in Brussels, the Ideal Home Show in London, Swissbau in Basel, Aquatherm in Vienna, SHK in Essen as well as the Kitchen & Bath Industry Show in Las Vegas. Architects and designers were specifically targeted at the Fuori Salone and the Salone del bagno in Milan.

A new trade fair concept was developed in the reporting year and successfully implemented for the first time in Belgium in October. With this concept, several brands can be exhibited jointly at Geberit's stand, which guarantees a first-class presentation of ceramic sanitary appliances and bathroom furniture in addition to the regular, more technical product range. The achievable synergies include the reduction of the exhibition space required at a trade fair – in the previous year, Geberit still needed three large exhibition stands at the ISH in Frankfurt – and the joint presentation of products and improved cross-selling opportunities.

Innovation

Ongoing high investment in the future

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 72.3 million (previous year CHF 63.4 million) or 2.6% 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. Over the last financial year, Geberit applied for 32 patents, bringing the total for the last five years to 118.

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 and a system approach are of central importance here. Since the beginning of 2016, the development projects of the acquired Sanitary Ceramics business area have also been following this process.

Holistic solutions thanks to wide-ranging expertise

Geberit leads the sector when it comes to technologies such as virtual engineering, hydraulics, materials technology, sound insulation, statics, fire protection, hygiene, electronics, surface technology and process engineering. Thanks to the bundling of expertise under one roof, the company can develop sophisticated solutions in-house.

An example of this holistic approach is the → **Geberit tap system**, which will be launched in the market in 2017. Electronic washbasin taps will be installed in the sanitary facilities of public or semi-public buildings such as airports, sport stadiums, schools and catering establishments. They enable a hygienic hand washing. These taps usually also save a lot of water. In high-traffic locations, however, they have to be quite robust to withstand rough treatment. Most electronic taps are standard washbasin-mounted taps. Wall-mounted taps are quite rare, even though they are much more practical. They leave the entire washbasin area free, which makes cleaning easier and the washing of hands a better ergonomic exercise. To date, however, there has been no way to safely and reliably install such systems. Geberit's new tap system enables a new way of thinking: electronic tap systems can be flawlessly installed in the wall from the outset and are slim, shapely yet still very robust. With the exception of the infrared sensor, the electronics, mixer, valves and power supply are stored in a separate function box. This box is built into the prewall under the washbasin, which makes it easily accessible and also puts it outside of the wet zone. This opens up entirely new design opportunities. The tap system, which is also available in a washbasin-mounted version, not only offers an attractive price-performance ratio but also promises to be very economical; there are three available power supply options: connection to the mains supply, battery operation or a self-sustaining power supply by means of a generator unit driven by the pressure of the tap water.

New products for sophisticated markets

The following products were newly launched on the market in 2016:

- → **Geberit Silent-Pro**, the highly sound-insulating building drainage plug-in system represents the state of the art, with a proven high degree of sound insulation, versatile fire protection solutions, simple installation, first-class materials and unrivalled quality. The sound insulation is largely achieved by a low-resonance product material and a consistent decoupling from the building structure.
- Whether urinal systems are needed for a stadium or for a modern hotel – with the new → **Geberit urinal system**, such infrastructures can be tailored optimally to the customer's needs. There is a choice between conventional water flush, individually programmed water flush or operation entirely without water. Rimless ceramic appliances and unobstructed access to all connections simplify cleaning and reduce maintenance costs.

R&D expenditures

(in CHF million)

	2012	2013	2014	2015	2016
	49.8	50.9	55.8	63.4	72.3
In % of net sales	2.6	2.5	2.7	2.4	2.6

- The ceramic appliances in the → **Glow bathroom range** are characterised by their harmonious forms. The bath range, which is marketed under the IDO and Porsgrund brands in Northern Europe, comprises washbasins, WCs and bidets as well as bathroom furniture.

For more details on new products in 2016, see → **the magazine Facts & Figures 2016**.

Several new product launches are planned for 2017. Among them will be:

- Geberit's latest shower toilet → **Geberit AquaClean Tuma**, which stands out with a sophisticated product concept and simple yet elegant design. It is offered as a complete solution including a rimless WC ceramic appliance. Alternatively, it is also available as a WC enhancement solution that can be combined with the previously installed ceramic appliances.
- The shower surface → **Geberit Setaplano** is made from high-quality solid material. It feels warm, is non-slip and easy to clean. To simplify the work at the building site and ensure reliable sealing, as many components as possible are pre-mounted at the plant. New, ultra-flat traps were developed for the shower surface.
- The new modular → **Geberit tap system** represents clever installation technology, different energy concepts and elegant wall-mounted or washbasin-mounted taps. The taps can be mounted quickly and flawlessly. Mixer, valves, electronics and power supply are stored in a function box, which is mounted under the washbasin where it is protected from moisture.
- The competitively priced new → **Geberit Volex** supply system consists of multilayer pipes and brass press fittings. It is suitable for drinking water as well as heating installations. The range comprises all standard pipe diameters and fittings.

For more details on new products in 2017, see → **the magazine Facts & Figures 2017**.

Production

A single common denominator

Following the sale of the two Koralle plants in the reporting year, the Geberit Group operates of 33 plants, six of which are located overseas. A wide range of production technologies are applied in these plants, which fall into three categories:

- Ceramic moulding (CER)
- Injection moulding, blow moulding and assembly (IBA)
- Extrusion, metalforming and thermoforming and appliance construction (EFA)

During the reporting year, the Geberit Production System (GPS 2.0) was implemented at all plants of the former Sanitec Group. All managers were trained in its "lean manufacturing" principles. These courses are now being expanded to all employees. The clearly defined and central objective of GPS 2.0 is the change in production philosophy from the workshop principle of step-by-step manufacturing to a comprehensive system of continuous flow production aimed at maximising efficiency and resource conservation.

In spite of the diversity of production technologies, efforts to further standardise and optimise the processes progressed well in the reporting year. The "OneERP" project to harmonise the IT systems and standardise the business processes has been implemented at the Polish production sites at the beginning of 2017. The project will be progressively implemented at all former Sanitec plants in the coming years.

Interdisciplinary support

A key condition for achieving efficiency gains with innovative processes in the plants is the establishment of a centre of expertise for each production area. The future course for this was set at the ceramics plant in Haldensleben (DE): Haldensleben is ready, both in terms of infrastructure and staff, to assume its future role as the Group's lead ceramics plant and to test new processes before these are implemented at its sister plants.

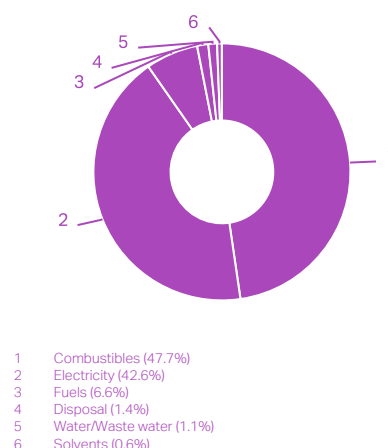
Environmental management in production

The acquisition of Sanitec and, in particular, the integration of the new ceramics plants had a considerable impact on Geberit's ecological footprint. Because of the processes involved, the manufacture of ceramic sanitary appliances is very energy-intensive. For this reason, the Group's energy consumption increased fivefold in 2015. Its environmental impact and CO₂ emissions also increased significantly. The environmental impact was reduced in the reporting year. The absolute environmental impact decreased by 4.0%, even though currency-adjusted net sales increased by 7.6% in the same period. Thereby, the absolute environmental impact of the former Sanitec plants decreased. The environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 10.8%. As regards the long-term target, which is based on a decrease of 5% per year, Geberit therefore remains on course.

CO₂ emissions were reduced in 2016 by 3.0% to 250,108 tonnes. In relation to currency-adjusted net sales, emissions decreased by 9.9%. This enabled the targets set out in the long-term → **CO₂ strategy** for reducing → **CO₂ emissions** to be met. In addition to relative targets, this strategy now also includes long-term absolute targets. A three-pillar model is used for implementing the CO₂ strategy. The first pillar is about savings in energy consumption. The second pillar relates to increasing efficiency and the third pillar comprises the selective purchasing of high-quality, renewable energy. The detailed → **CO₂ balance sheet** and all measures taken to reduce CO₂ emissions are also disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP).

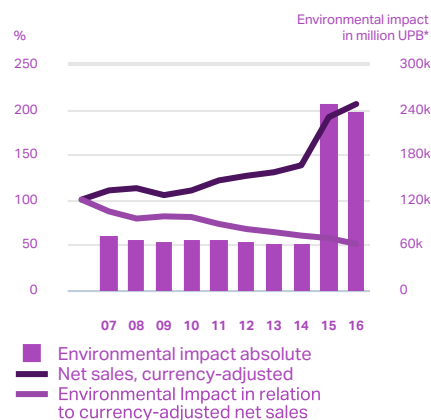
Geberit aims to further reinforce its position as industry leader in the area of sustainability. Thus the ambitious reduction targets formulated in 2006 continue to apply: eco-efficiency and relative CO₂ emissions should be improved by 5% per year (see also → **Sustainability Strategy 2017-2019**). One of the

Distribution environmental impact 2016



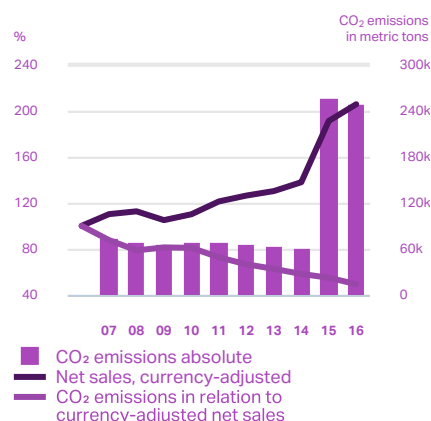
Environmental impact 2007 – 2016

(Index: 2006 = 100)



CO₂ emissions 2007 – 2016

(Index: 2006 = 100)



main instruments that helps achieve this goal is the integrated Geberit management system, which unites the themes of quality, environment, health and occupational safety as well as energy. By the end of 2018, all former Sanitec sites are to be integrated into this system and will accordingly comply with the requirements of the standards → **ISO 9001 (quality)**, → **ISO 14001 (environmental management)** and → **OHSAS 18001 (health and safety protection)**. Adding certification according to ISO 50001 (energy management) will be on the agenda for selected sites. A number of certifications were successfully completed in the reporting year.

Logistics and procurement

Uniform IT standards for Group logistics

The integration of the ceramics business into Group logistics continued in 2016, with efforts focusing on a full integration of reporting activities and the introduction of the Geberit Logistics Operation System (G-LOS). At the end of 2016, the logistics infrastructure of the ceramics business comprised 14 distribution sites of varying sizes across Europe.

At the Pfullendorf logistics centre – the central logistics centre of the original Geberit – SAP EWM, a new storage management system, was introduced in January 2016 and defined as the new standard for IT systems in Group logistics.

Logistics centre expansion project on track

The logistics centre in Pfullendorf in south Germany is the logistics hub for almost all Geberit sanitary technology products. With a view to future growth and the continued optimisation of existing logistics processes, the decision was made in 2014 to further expand the capacities of this centre and invest around EUR 40 million by 2017. In January 2016, only nine months after the groundbreaking ceremony, the topping-out ceremony for the new 19,200-square-metre logistics space took place and the installation of extensive and complex storage and conveyor technology began. In the last quarter of the reporting year, employees received training on the new systems and all necessary test runs were completed. The project is on track both in terms of timing and finances, with commissioning scheduled for spring 2017.

Continued optimisation of transport management

Since the introduction of integrated Group logistics in 2010, central transport management has played an important role as the interface between plants, markets and transport service providers, enabling cost- and resource-efficient transport solutions in the process. Transport between the company's own production plants, for instance, is combined with customer deliveries. This reduces the number of empty kilometres and increases truck capacity utilisation → **Strategy Green Logistics**. In the reporting year, the implementation of Geberit processes and standards also continued in relation to transport service providers for ceramic products and bathroom furniture. Furthermore, Geberit's key transport service providers are required to report regularly on reductions in energy consumption and emissions.

Ceramics business suppliers integrated

Structured like a network, the Corporate Purchasing department is responsible worldwide (except in the USA) for procuring raw materials, semi-finished and finished products, commercial products, and services.

In the reporting year, an uninterrupted supply of raw materials and semi-finished products to all plants was largely guaranteed. Temporary bottlenecks only arose in relation to externally purchased sanitary ceramics appliances and a number of actuator plates made of metal.

Beside minimising lost working time as well as costs, the primary purpose of comprehensive supplier management is to safeguard supplies.

All business partners and suppliers are obligated to maintain → **comprehensive standards**. This applies to quality, socially responsible and healthy working conditions, 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 binding for every new supplier. The suppliers to the ceramics business acquired in the previous year are also required to abide by these standards. By the end of 2016 more than 80% of the most important 250 suppliers to the former Sanitec had signed the Code, bringing the number of suppliers that had signed the Code in total to 1084 by the end of the reporting year. This represents over 90% of the Geberit Group's purchasing volume.

In 2017, a "Supplier Integrity Line" is to be launched, thus allowing suppliers to anonymously report via a third party any violations of the Code of Conduct for Suppliers by Geberit employees.

Sustainability

Sustainability – a guiding element of corporate culture

For decades, sustainability has been an integral part of Geberit's corporate culture. A firmly established sustainability strategy ensures that key objectives are measurable, making a valuable contribution to the corporate culture in the process. As part of the integration of Sanitec, the Group's high sustainability standards were rolled out to apply to the new units. The focus of sustainable business management is on water-saving and durable products, resource-saving and environmentally friendly production, procurement and logistics with high environmental and ethical standards, and on good, safe working conditions for all employees worldwide. Geberit exercises its social responsibility just as consistently, through the continuance of its own social projects as well as its partnership with the Swiss development organisation Helvetas. Furthermore, numerous awards are proof of the company's distinctly sustainable approach.

Water management is a global challenge

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. The business world plays a pivotal role in implementing these targets and indicators. Goal number 6, which calls for equitable access to clean drinking water and basic sanitation for all people worldwide, is of particular importance to Geberit. Intelligent, sustainable water management is crucial to achieving this goal. A growing world population, migration, urbanisation, climate change and natural disasters mean that even regions that are currently well supplied with water are not immune to their situation deteriorating. Sanitary technology must take these global developments into account, with water-saving, resource-efficient products set to become increasingly important in future.

Ecolabels for environmentally friendly sanitary products are now standard within the EU. The industry also has its own voluntary labels that relate to the water efficiency of products. For example, the WELL label (Water Efficiency Label) of the European umbrella organisation for valve manufacturers EUnited, which was introduced in 2011, serves as an information and orientation aid. Of a total of eleven Geberit product groups that have already been certified – corresponding to just under 700 sales products – ten are represented in the highest class, accounting overall for 18% of Group sales.

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

Water footprint throughout the value chain in 2016*

Provision of raw materials

0.2% of the total amount of water is required in the manufacture of raw materials for Geberit products.



0.2%
(6.3 million m³)

Manufacturing

A mere 0.03% of the water is used in the manufacture of products at Geberit in 2016.



0.03%
(1.1 million m³)

Use

The greatest water consumption by far occurs during the use of Geberit products manufactured in 2016 during their entire service life (cisterns, urinal flushing systems and lavatory taps).



99.76%
(3,425 million m³)

Disposal

0.01% of the total amount of water is used for disposal of Geberit products.



0.01%
(0.2 million m³)

* Geberit organic

Well equipped for green building

Green building is becoming ever more important in both the public and private construction sector, with European standards that define the use of sustainable products and systems in buildings gaining in significance. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie or BREEAM. Consequently, there is demand among investors, project developers, owners and tenants for system providers with comprehensive know-how in green building which will enable the relevant standards to be met. Geberit is addressing this demand with water and energy-saving, low-noise and durable products, thereby positioning itself in the front line with regard to green building, as numerous green building reference projects prove. For example, the reporting year saw the inauguration of the → **Port House** – a BREEAM-certified building designed by Zaha Hadid Architects, located in the heart of the docklands of the Belgian city of Antwerp. → **Oasia Downtown** in Singapore is a 27-storey high rise that meets the Green Mark Certified standard, and a perfect example of the concept of the “mini-city” – a new approach to addressing the problem of high-density living. Another example to underscore the importance of green building is the “NEST” modular research and innovation house that has been opened in Switzerland. Equipped with various Geberit products, the building offers innovative companies a unique opportunity to test new technologies, materials and systems in real-life conditions.

Sustainability means long-term value added

Geberit is committed to a binding sustainability strategy that is closely linked to the company's core areas of focus and also applies to the company's newly added sites.

A total of eleven sustainability modules continue to form the basis of this strategy. Among these are → **green procurement**, → **green logistics**, → **environmental management in production**, → **occupational safety**, → **eco-design in product development** or → **social responsibility**.

Sustainability strategy



Since 2007, a sustainability performance review of the Geberit Group has been prepared annually in accordance with the guidelines of the Global Reporting Initiative (GRI). An internal process to define the essential aspects of sustainability at Geberit was the key starting point for introducing the current GRI G4 guidelines. In 2016, for the third time an → **external stakeholder panel** was convened for the purpose of reviewing the → **materiality analysis** along with the sustainability strategy and related communication. Reporting on the 2016 financial year already takes key input from the stakeholder panel into account.

All aspects of the GRI G4 guidelines can be found in the → **Sustainability Performance Report** for 2016. The information disclosed within the scope of this report fulfils the “comprehensive” transparency grade set out in the GRI G4 guidelines, as verified by → **GRI**.

Since 2008, Geberit has been a member of the United Nations Global Compact – a global agreement between businesses and the UN designed to make globalisation more socially responsible and environmentally friendly. A → **Communication on Progress** regarding measures in the areas of human rights, labour practices, environmental protection and combating corruption is submitted annually. Geberit is also a member of the local network of the UN Global Compact. The → **Code of Conduct** and the → **Code of Conduct for Suppliers** further incorporate the topic of sustainability. Continuously improved → **compliance processes** ensure compliance with 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 → **Corporate Governance, 3. Board of Directors, 3.7 Information and Control Instruments vis-à-vis the Group Executive Board**.

The activities in terms of sustainable business management are rewarded 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 Dow Jones Sustainability Europe Index (DJSI Europe), the STOXX Europe Sustainability Index and the FTSE EO 100 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, which are still gaining in importance.

Technology, innovation – and sustainability

At Geberit, technology and innovation go hand in hand with sustainability. This is why the eco-design approach has been consistently applied 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 must be better than its predecessor from an ecological perspective. The new → **electronic tap system**, which may be equipped with a self-sustaining power supply, is an example of this.

Product life cycle assessments are important decision-making tools for the development processes, providing arguments for the use of resource-efficient products. Geberit has produced detailed life cycle assessments for various important products. The environmental product declarations (EPDs) in accordance with the Euro-

European standard EN 15804 are also becoming increasingly important and can also be used directly for green building standards such as LEED. EPDs present relevant, comparable and verified information about products' environmental performance in a transparent manner. In 2016, an EPD was drawn up for the Piave washbasin tap.

Compliance

Compliance provides clarity

In the reporting year, there was a repeat of the Group-wide survey on correct practice regarding donations. The survey showed that the giving of donations to business partners continues to be very moderate in nature, normally taking the form of non-critical customer invitations to sporting or other events, as well as free material or tool consignments in connection with sales activities. Any local Geberit companies carrying out incentive programmes for their customers first consulted the legal department. All managing directors subsequently gave explicit confirmation that no donations were made to public officials or to business partners in connection with ongoing projects.

The reporting year also saw the completion of risk assessment in relation to agents, which involved all local sales companies being surveyed on their collaboration with agents. It was established that only a small number of companies work with agents and that there is no exposure to risk. An adapted code of conduct for agents – based on → **Geberit's Code of Conduct** – was nevertheless drawn up, with its contents communicated to agents accordingly.

Raising awareness through training and reporting

Geberit's Code of Conduct, drawn up in 2008, and of which a new version has been available since the start of 2015, focuses on antitrust legislation and corruption – fields with their own dedicated guidelines which are accessible to relevant employees. A range of training events on antitrust legislation were held for the managing directors of the European sales companies on the one hand and members of the sales teams in Scandinavia on the other. In addition, the sales employees of the European sales companies and members of the Group management again attended an eLearning course on antitrust legislation. A repeat of the antitrust legislation eLearning course is also planned for 2017 at the non-European sales companies, while supplementary face-to-face training will take place at more European sales companies. Furthermore, the theme of antitrust legislation will be integrated as a standard element in the internal audit team's audit programme.

The Geberit Integrity Line, which was established in 2013 and has also been available to employees of the former Sanitec Group since 2015, recorded a number of cases during the reporting year that were subsequently investigated. One of these cases resulted in the discovery of shortcomings at a local company, which ultimately led to changes in personnel.

Social responsibility

Water matters

Innovative sanitary technology continuously improves the quality of people's lives. Geberit rigorously pursues this mission. The guideline for employees, the → **Geberit Compass**, sets this out.

Besides improving quality of life through innovative sanitary products, Geberit takes its social responsibilities seriously – which is why it has for many years undertaken social projects involving its own apprentices. These projects always exhibit a relationship to the topic of water and to the company's core competencies. Apart from being involved in the projects, the young people who take part become familiar with other cultures and acquire new social, linguistic and professional competencies – experiences that will aid their personal and professional development. Furthermore, these 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.

In 2016, the apprentices travelled to Warsaw (PL). Employees of Geberit Poland had become aware of a school in the Warsaw district of Wola with sanitary installations that were in urgent need of renovation. The 300 or so children at → **Żwirki i Wigury primary school** were being educated in a building constructed in 1949. With the school unable to afford renovations, the bathrooms, toilets and showers were in poor condition. In stepped the local Geberit sales company with a plan to renovate and expand the school's existing toilet facilities and common rooms. In October 2016, a Geberit team comprising ten apprentices, a technical manager and a coach spent two weeks at the school installing the sanitary facilities. In addition, various activities involving the schoolchildren were organised during this time. Geberit Poland also prepared a number of interactions with the pupils following completion of the project. These related to the theme of water, giving the children a playful and interesting take on how to conserve this valuable resource.

Global commitments

Geberit continued its extensive partnership with the Swiss development organisation Helvetas, supporting the new Helvetas campaign with a substantial sum of money. The "Change of Perspective" project was also implemented, as two Swiss plumbers travelled to Nepal in the autumn for the first time, working there for a week with two Nepalese colleagues. Their Nepalese counterparts returned the compliment a short time later, visiting and working with the Swiss plumbers in their home country for a week. The "Change of Perspective" project is set to continue in 2017. In addition, 17 Geberit employees visited Nepal for a voluntary two-week deployment in November 2016, helping a village community in western Nepal to construct a water pipeline. Geberit also made a major donation to support Helvetas-run water projects in Nepal.

In partnership with the Swiss Cooperation Office in Ukraine and the Ukraine education ministry, and with technical assistance from Geberit, a vocational school for plumbers was opened in 2016 in the Ukrainian city of Odessa. As the sixth establishment of its kind to be supported by Geberit in Ukraine, the school will provide apprentices with a professional, contemporary training in plumbing.

The cooperation with the non-profit organisation Swiss Water Partnership was continued. 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.

A multitude of other initiatives and collection campaigns at a local level round off the Geberit Group's social responsibilities. 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 (NGOs), even 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 and related commitments are neutral from a party political point of view. Furthermore, 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

Due to limited synergies with the core business, the Koralle Group was sold to AFG Arbonia-Forster-Holding AG on 1 July 2016 for EUR 33.0 million plus cash. Geberit took over Koralle as part of the Sanitec acquisition in 2015. Employing 240 people, the supplier of shower enclosures operated mainly in the Swiss, German and Austrian markets. In the first half of 2016, Koralle contributed CHF 22.6 million to net sales, CHF 2.1 million to EBIT and CHF 1.7 million to net income of the Geberit Group.

In addition, there were various changes to the legal structure of the Geberit Group, mainly in connection with the integration of the Sanitec Group. Please see also the [→ Financial Statements of the Geberit Group, Notes to the Consolidated Financial Statements, 2. Changes in Group structure](#).

Outlook

Construction industry looking more positive

The construction industry should develop favourably in 2017. However, the individual regions/markets and construction sectors will carry on performing very differently. In **Europe**, the recovery that began in the previous year should continue. Overall, a favourable market environment is expected for Germany, the Nordic Countries, Switzerland, Austria, France, the Benelux Countries and the countries of Eastern Europe. The situation in Italy should stabilise, while the uncertainty in the United Kingdom will continue as a result of Brexit. In **North America**, stagnation is predicted in the public sector construction industry, which is important to Geberit's business in the USA, along with moderate growth in residential construction. In the **Far East/Pacific** region, the Chinese residential construction sector should stabilise, while the business climate in Australia and India is expected to be positive. In terms of the **Middle East/Africa** region, the outlook in South Africa remains sound, whereas the construction industry in the Gulf countries will continue to see low activity due to the depressed oil price.

Fluctuations in the Swiss francs 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). In general, the effects of currency fluctuations on margins 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. The influence of currency fluctuations on operating profit margins is relatively small due to the natural hedging strategy. 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.

In the first half of 2017, raw material prices are likely to exceed their prior-year level – driven mainly by higher prices for industrial metals and, to a lesser extent, for plastics.

Geberit

The Geberit Group's 2017 financial year will see further progress with the integration of the ceramics business. A focus will be on continuing to consolidate the sales teams in the countries; another emphasis will be on the further harmonisation of systems and processes, further development of the product range, and continuous improvements in the ceramics manufacturing. However, Geberit will pay just as much attention to its daily business. The objective will be to perform strongly in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years, focusing on greater penetration of markets in which Geberit products or technologies are still under-represented, and on further expansion of the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes.

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 opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. 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 our market partners in both commerce and trade, and the Group's continued solid financial foundation are vital to our future success.

1. Group structure and shareholders

1.1 Group structure

The operational Group structure is shown in the diagram → [Management Structure](#).

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 → [Geberit share information](#).

The Group's consolidated subsidiaries are listed in → [Note 33, Group companies as of 31 December 2016](#), to the Consolidated Financial Statements, 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 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 (Finanzmarktinfrustrukturgesetz, FinfraG) were entered in the company's share register on 31 December 2016 as holding more than 3% of the voting rights or share capital recorded in the Commercial Register, or held more than 3% of the voting rights or share capital recorded in the Commercial Register on 31 December 2016.

Disclosure notifications reported to Geberit during 2016 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

As a consequence of the new provisions of the Ordinance against Excessive Compensation with respect to Listed Companies (OaEC), the Articles of Incorporation were amended in April 2014. No amendments to the Articles of Incorporation were made in the 2015 financial year. In the 2016 financial year, the Articles of Incorporation were amended due to the capital reduction agreed on 6 April 2016 (see → [2.4 Shares and participation certificates](#)).

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

Significant shareholders*

(as of 31 December 2016)

in %

BlackRock, New York, USA	4.84
Capital Group Companies, Inc., Los Angeles, USA	4.94

* In accordance with the corresponding reports to SIX Swiss Exchange

2. Capital structure

2.1 Capital

Amount of ordinary, authorised and conditional capital of the company as of 31 December 2016:

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

2.2 Authorised and conditional capital details

As of 31 December 2016, the Geberit Group had no conditional or authorised capital.

2.3 Changes in capital

For Geberit AG's changes in capital, see the following table:

For further details on changes in capital, reference is made to the Geberit Group's Consolidated Financial Statements in this Annual Report 2016 (→ **consolidated statements of changes in equity and consolidated statements of comprehensive income** and → **Note 21, capital stock and treasury shares**, to the information in the → **Financial Statements of Geberit AG** as well as to the 2014 figures in the → **2015 Annual Report** (Geberit Group's Consolidated Financial Statements: → **consolidated statements of changes in equity and statements of comprehensive income**, and → **Note 21, capital stock and treasury Shares**; → **Financial Statements of Geberit AG**).

	31.12.2014	31.12.2015	31.12.2016
	MCHF	MCHF	MCHF
Share capital	3.8	3.8	3.7
Reserves	875.1	875.1	617.2
Retained earnings	316.4	305.0	393.6

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.

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 the company's → **Articles of Incorporation** and allocated to the general reserve. As of 31 December 2016, the company held 239,869 treasury shares. The ordinary General Meeting of 6 April 2016 approved the proposal of the Board of Directors to cancel the 757,000 treasury shares acquired as part of the share buyback program announced in March 2014 and completed by the end of February 2016 by means of capital reduction. This capital reduction was entered in the Commercial Register on 20 June 2016.

No participation certificates of the Geberit Group are outstanding.

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. The → **Articles of Incorporation** provide for the registration of a maximum of 3% of the shares held by nominees, which may be permitted by the Board of Directors. 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 2016, there were no registrations in the share register of shares held by nominees of up to a maximum of 3% of the share capital or in excess of this registration limitation. Moreover, the Board of Directors did not have to delete any entries in the share register retroactively as of the date of entry in the reporting year.

According to 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 2016, Corporate Governance, 6. Participatory Rights of the Shareholders**.

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 → **Remuneration Report** and → **Note 17, participation plans** 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 2016, the Board of Directors was composed of six members.

Albert M. Baehny (1952)

Non-executive Chairman of the Board of Directors since 2015 (Executive Chairman of the Board of Directors from 2011 to 2014), Member of the Board of Directors since 2011

Swiss citizen

CEO Regent Lighting 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 Sero-Hypolab. His further career comprised various marketing, sales, strategic planning and global management positions with Dow Chemicals 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 Division Marketing and Sales Europe from 2003–2004. 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.

Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Regi Aalstad (1964)

Non-executive, independent member of the Board of Directors since 2016

Norwegian citizen

Member of the Board of Directors Telenor, Fornebu (NO)

Regi Aalstad holds a Master of Business Administration in International Business from the University of Michigan (US). Until 2014, she worked for over 25 years at Procter & Gamble (P&G) in various divisions as General Manager and Vice President in Europe, the Middle East and Africa, and was also responsible for paper and hygiene products in Asia. Her career started in 1988 at the Nordic subsidiary of P&G. From 2005, she was a member of the Global Business Leadership Council of P&G. She also served as Vice President of Baby Care until 2014 in the CEEMEA division (Central Eastern Europe, Middle East & Africa).

Regi Aalstad has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from her Board of Directors' mandate, she 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

Group General Counsel and Member of the Executive Committee Novartis since 2011, Basel (CH); Chairman of the Board of Directors Globance Bank AG, Zurich (CH); Member of the Board of Directors Hyos Invest Holding AG, Zurich (CH); Chairman of SwissHoldings, Bern (CH); Member of the Board of Trustees Avenir Suisse, 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. In 1986, he completed an LL.M. at the McGeorge School of Law in the USA. He has completed a number of management training courses, including at Harvard University in Boston (US). He has been Group General Counsel of Novartis since October 2011 and a member of the Executive Committee of the Novartis Group since 1 January 2012. 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 ad-



vanced 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.

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

Thomas M. Hübner (1958)

Non-executive, independent member of the Board of Directors since 2015
Swiss citizen

Member of the Board of Directors and Lead Director B&M European Value Retail S.A., Luxembourg (LU); Chairman of the Board of Directors Burger King SEE S.A., Brussels (BE)

Thomas M. Hübner completed a Master's degree in International Restaurant & Hospitality Management at the Hotel Management School in Zurich (CH) in 1982. In 1996, he received an Executive MBA from the University of St. Gallen (CH). Thomas M. Hübner was Chief Operating Officer at McDonald's in Switzerland from 1988 to 1990, and was responsible for the Czech Republic and Slovakia from 1990 to 1995. He held the role of CEO at Prodega AG (CH) from 1996 to 2000. At Metro Cash & Carry International GmbH (DE), he was Chief Operating Officer for Eastern Europe and Russia from 2000 to 2002, and CEO from 2002 to 2008. From 2008 to 2011, he was both Chairman of the Board of Directors of Citrus International (CH) and Vice Chairman of the Board of Directors of Contract Farming India (CH). From 2011 to 2013, Thomas M. Hübner was Executive Director Europe & International Partnerships and a member of the Group Executive Board at Carrefour SA (FR). Furthermore, for three years up to 2014 he was Co-Chairman of ECR (Efficient Consumer Response) Europe, the most important European retail and manufacturer association.

Thomas M. Hübner has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.



Hartmut Reuter (1957)

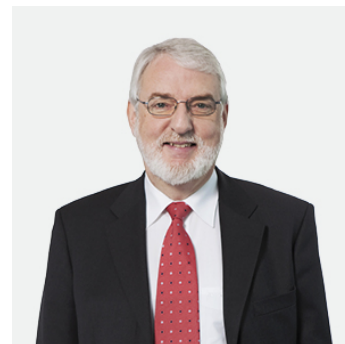
Vice Chairman of the Board of Directors since April 2016; non-executive, independent member of the Board of Directors since 2008

German citizen

Member of the Shareholders Committee and Supervisory Board Vaillant GmbH, Remscheid (DE); Chairman of the Advisory Board GBT-Bücolit GmbH, Marl (DE); Member of the Board of Directors Wilkhahn GmbH + Co KG, Bad Münden (DE)

After graduating in industrial engineering from Technical University Darmstadt (DE), Hartmut Reuter joined the Bosch Group in Stuttgart (DE) in 1981. During more than 15 years with Bosch, he occupied management positions in various industrial business units, until finally becoming Director in the planning and controlling division at Bosch headquarters. From 1997–2009, Hartmut Reuter was member of the Group Executive Board of the Rieter Group in Winterthur (CH); for the last seven of those years he was CEO of the company. Since then, he has worked as a freelance management consultant and has held positions in various supervisory bodies.

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



Jørgen Tang-Jensen (1956)

Non-executive, independent member of the Board of Directors since 2012

Danish citizen

CEO Velux A/S, Hørsholm (DK); Member of the Board of Directors

Coloplast A/S (DK); Member of the Confederation of Danish Industry Business

Political Committee; Chairman of the Board of Directors Danish Green Investment Fund (DK)

Jørgen Tang-Jensen holds an MSc in Economics & Business Administration from the Business School in Aarhus (DK). He has also completed a number of management further training courses at the IMD in Lausanne (CH) and at Stanford University (US). Jørgen Tang-Jensen has been CEO of the Danish building materials manufacturer VELUX A/S since 2001. After completing his studies, Jørgen Tang-Jensen joined the VELUX Group in 1981 and worked in various executive positions in the main VELUX sales and production companies until being appointed CEO in 2001. As a managing director, he was responsible for the respective national companies in Denmark from 1989–1991, France from 1991–1992, the United States in 1996 and Germany from 1999–2000.



Jørgen Tang-Jensen has not been a member of any Management Board of a Geberit Group company in the past three years. Apart from his Board of Directors' mandate, he does not have any significant business relations with the Geberit Group.

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 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.

3.4 Elections and terms of office

Since 1 January 2014, pursuant to Art. 3 of the OaEC, the term of office for a member of the Board of Directors 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.

Also since 1 January 2014, the Chairman of the Board of Directors is elected by the General Meeting. Their term of office also 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.

Since 1 January 2014, members of the Nomination and Compensation Committee are also elected annually and on an individual basis at 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.

Robert F. Spoerry no longer stood for re-election at the ordinary General Meeting on 6 April 2016. Regi Aalstad was newly elected to the Board of Directors. Hartmut Reuter (Chairman), Regi Aalstad and Jørgen Tang-Jensen were elected to the Nomination and Compensation Committee. The constitution subsequent to the ordinary General Meeting resulted in the following composition of the Audit Committee: Felix R. Ehrat (Chairman), Thomas M. Hübner, Hartmut Reuter. Hartmut Reuter assumed office as Vice Chairman of the Board of Directors.

Regi Aalstad will not be standing for re-election at the ordinary General Meeting in 2017. Within the context of succession planning, the Geberit AG Board of Directors will nominate Eunice Zehnder-Lai as a new member of the Board of Directors and – if elected as member of the Board of Directors – as a new member of the Nomination and Compensation Committee. 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. 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** and the → **Organisational Regulations of the Board of Directors of Geberit AG** (see also → **"Definition of areas of responsibility"**).

As a result of the entry into force of the OaEC on 1 January 2014 and the amendments made to the → **Articles of Incorporation** in this respect, 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 ordinary 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 one day each (2016: ten meetings or telephone conferences). 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.

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 2016 was 97%.

	15 Feb	8 Mar	14 Mar	6 Apr	30 Jun	15 Aug	31 Aug	1 Sep	26 Oct	2 Dec
Albert M. Baehny	X	X	X	X	X	–	X	X	X	X
Regi Aalstad ¹	n/a	n/a	n/a	n/a	X	X	X	X	X	X
Robert F. Spoerry ²	n/a	X	X	–	n/a	n/a	n/a	n/a	n/a	n/a
Felix R. Ehrat	X	X	X	X	X	X	X	X	X	X
Thomas M. Hübner	X	X	X	X	X	X	X	X	X	X
Hartmut Reuter	X	X	X	X	X	X	X	X	X	X
Jørgen Tang-Jensen	X	X	X	X	X	X	X	X	X	X

1) Regi Aalstad has been a member of the Board of Directors since 6 April 2016

2) Robert F. Spoerry was a member of the Board of Directors until 6 April 2016

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

Nomination and Compensation Committee (NCC; formerly Personnel Committee)

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. 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 2016 were Hartmut Reuter (Chairman), Regi Aalstad and Jørgen Tang-Jensen. The committee meets at least three times a year generally for a half day each (2016: three meetings). The participation rate for meetings in 2016 was 100%.

The Nomination and Compensation Committee supports the Board of Directors in fulfilling its duties specified by law and the → **Articles of Incorporation** 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 of the Nomination and Compensation Committee (NCC)** 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. 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 2016, the Audit Committee was composed of Felix R. Ehrat (Chairman), Thomas M. Hübner and Hartmut Reuter. It meets at least twice a year, generally for a half day each (2016: five meetings). The participation rate for meetings in 2016 was 100%.

	26 Feb	31 Aug	1 Dec
Hartmut Reuter	X	X	X
Regi Aalstad ¹	n/a	X	X
Robert F. Spoerry ²	X	n/a	n/a
Jørgen Tang-Jensen	X	X	X

1) Regi Aalstad has been a member of the Nomination and Compensation Committee since 6 April 2016

2) Robert F. Spoerry was a member of the Nomination and Compensation Committee until 6 April 2016

	26 Feb	26 Apr	9 Aug	31 Aug	2 Dec
Felix R. Ehrat	X	X	X	X	X
Thomas M. Hübner ¹	n/a	X	X	X	X
Hartmut Reuter	X	X	X	X	X
Robert F. Spoerry ²	X	n/a	n/a	n/a	n/a

1) Thomas M. Hübner has been a member of the Audit Committee since 6 April 2016.

2) Robert F. Spoerry was a member of the Audit Committee until 6 April 2016.

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 and external auditors provide a comprehensive report on all audits carried out and the measures to be implemented. The Audit Committee monitors the implementation of the conclusions of the audit. It also assesses the functionality of the internal control system, including risk management (refer to → **"3.7 Information and control instruments vis-à-vis the Group Executive Board"**). 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 of the Audit Committee (AC)** of the Board of Directors of Geberit AG.

3.6 Definition of areas of responsibility

Pursuant to Swiss Corporate Law and 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 compensation 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** and the → **Supplement to the Organisational Regulations**.

To the extent legally permissible and in accordance with its → **Organisational Regulations**, 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 2016, 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** 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 Organisational Regulations of the → **Board of Directors**, the → **Nomination and Compensation Committee** and the → **Audit Committee** can be viewed at → www.geberit.com/company/downloads/publications/.

3.7 Information and control instruments vis-à-vis the Group Executive Board

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. 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, information 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** and the → **Organisational Regulations of the Audit Committee (AC)** 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 of 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 information on the management of financial risks, refer to → **Notes to the Consolidated Financial Statements, 4. "Risk assessment and management"**. 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.

4. Group Executive Board

4.1/4.2 Members of the Group Executive Board

At the end of 2016, the Group Executive Board was composed of seven members.

Christian Buhl (1973)

Chief Executive Officer (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 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 → [Management Structure](#).



Roland Iff (1961)

Member of the Group Executive Board since 2005
with Geberit since 1993
Head of Group Division Finance (CFO)
Swiss citizen
Vice Chairman of the Board of Directors VZ Holding AG, Zurich (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 Group Controlling. Beginning in October 1997, he served as Head Group Treasury. Roland Iff has been Head Group Division Finance (CFO) of the Geberit Group since 2005; see also → [Management Structure](#).



Martin Baumüller (1977)

Member of the Group Executive Board since 1 September 2016
with Geberit since 2011
Head of Group Division Marketing & Brands
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 until the end of August 2016 he was responsible as Head Geberit AquaClean for the management and development of the entire shower toilet business of the Geberit Group. The Board of Directors of Geberit AG has appointed Martin Baumüller as Head of Group Division Marketing & Brands with effect from 1 September 2016; see also → [Management Structure](#).



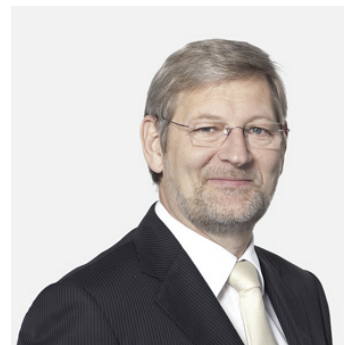
Michael Reinhard (1956)

**Member of the Group Executive Board since 2005
with Geberit since 2004**

**Head of Group Division Operations
German citizen**

Member of the Board of Directors Reichle & De-Massari AG, Wetzikon (CH)

Michael Reinhard studied mechanical engineering at the Technical University Darmstadt (DE) and was awarded a PhD in materials science from the Deutsche Kunststoffinstitut. He started his professional career in 1987 as a project manager with Automatik GmbH, Gross-Ostheim (DE). In 1990, he joined McKinsey & Company and was soon promoted to senior associate. In 1992, Michael Reinhard joined Schott, Mainz (DE), where he was entrusted with management functions of increasing overall responsibility. In 1995, he became Vice President of Schott's Pharmaceutical Packaging Division and in 1998 Senior Vice President of the Tubing Division comprising 2,400 employees. At Geberit, Michael Reinhard became Head Group Division Sales in 2005. From 2006 until the end of August 2016 he was Head Group Division Products. Since 1 September 2016 he has been Head Group Division Operations; see also → [Management Structure](#).



Egon Renfordt-Sasse (1957)

**Member of the Group Executive Board since February 2015
with Geberit since 1997**

**Head of Group Division Product Management & Innovation
German citizen**

Egon Renfordt-Sasse completed his mechanical engineering studies at RWTH Aachen University (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 Products Sanitary Systems at the Group, a position he held until 2012. Since then, he has been Head Group Marketing. From 2015 until the end of August 2016 he was Head Group Division Marketing & Brands. Since 1 September 2016 he has been Head Group Division Product Management & Innovation; see also → [Management Structure](#).



Karl Spachmann (1958)

**Member of the Group Executive Board since 2011
with Geberit since 1997**

**Head of Group Division Sales Europe
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, platoon leader and press officer until 1990. In early 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 the Division Sales Europe since 2011; see also → [Management Structure](#).



Ronald van Triest (1969)

**Member of the Group Executive Board since 2015
with Geberit since 2015
Head of Group Division Sales International
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 the 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 South-East Asia and the Middle East, as well as a joint venture in India. Since 2015 Ronald van Triest has been Head of Group Division Sales International of the Geberit Group; see also → [Management Structure](#).



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 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.

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 → [Remuneration Report](#).

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.

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

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 → [Corporate Governance, 2. Capital structure, Clause 2.6 Limitations on transferability and nominee registrations](#).

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.

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.

7.2 Change of control clauses

For agreements and plans in the event of a change of control, see the → [Remuneration report](#).

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, 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.

8.2 Auditing fees

In 2016, PricewaterhouseCoopers invoiced the Geberit Group TCHF 1,810 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 737 relating to tax consultancy and support as well as TCHF 49 for other services. Therefore, the non-audit fees amount to 43% of the audit fees.

8.4 Information tools of the external auditors

Before every meeting, the external auditor informs the Audit Committee in writing about relevant auditing activities and other important facts and figures related to the company. Representatives of the external and internal auditors attend the meetings of the Audit Committee for specific agenda items, and to comment on their activities and answer questions. The external auditors attended three meetings of the Audit Committee in the reporting year 2016.

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. 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 → [item 3, Board of Directors, 3.5 Internal organisational structure, Audit Committee](#).

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/maillinglist, in order to receive ad hoc announcements or further information relating to the company. All published media releases of the Geberit Group from recent years can be downloaded at → www.geberit.com/media.

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, please refer to the → [Geberit share information](#).

Remuneration Report

The Remuneration Report provides an overview of Geberit's remuneration principles and programs, as well as information about the method of determination of remuneration. It also includes details of the remuneration of the members of the Board of Directors and of the Group Executive Board related to the business year 2016. The report provides important and relevant information to be considered by the shareholders when making their decision with regards to the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2017 General Meeting for approval.

The report is written in accordance with the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations, 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 by the Chairman of the Nomination and Compensation Committee
2. Remuneration policy and principles
3. Determination of remuneration
4. Remuneration architecture
5. Board of Directors: remuneration and share ownership in 2016
6. Group Executive Board: remuneration and share/option ownership in 2016
7. Summary of share and option plans 2016
8. Summary of shares and options held by employees and management as of 31 December 2016

Additional information on business development in 2016 see also → [Business and financial review](#).

1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholder

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to introduce the 2016 compensation report.

Following the election of the members of the NCC at the 2016 General Meeting, we welcomed Regi Aalstad as a new member of the committee. Furthermore, the Board of Directors appointed the signatory as Chairman of the Nomination and Compensation Committee for the term of office starting at the 2016 General Meeting.

2016 has been a very strong year for Geberit. The integration of Sanitec has been proceeding successfully according to plan. Geberit and the former Sanitec sales units have been operating as one company with common ordering and invoicing processes in all markets since 1 January 2016. In the year, the focus has been on harmonisation of processes and realisation of synergies. The successful integration of Sanitec has contributed to a strong financial and operational performance of Geberit. The compensation report summarises how these results impacted the variable incentive payments made to the members of the Group Executive Board under the different compensation plans.

During the reporting year, and in the context of the integration of Sanitec, the NCC has concentrated its effort on the assessment of the management team and the succession planning for positions on the Group Executive Board. Further, the NCC has continued to review the compensation programmes in order to ensure their alignment to the business strategy and to the long-term interests of our shareholders. 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 compensation report and of the say-on-pay vote at 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 2017 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 to the Executive Board for the 2018 business year. Further, 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 2017 General Meeting and the remuneration awarded to the Group Executive Board in 2016 are in line with the limits approved by the 2016 General Meeting.

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 evolve the compensation system. We trust that you find this report informative. We are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with the shareholders' interests.

Yours sincerely,



Hartmut Reuter
Chairman of the Nomination & Compensation Committee

2. Remuneration policy and principles

Core 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
- Shareholding programmes 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

Remuneration of the Board of Directors

In order to ensure the independence of the Board of Directors in its supervisory function over the Group Executive Board, members of the Board of Directors receive a fixed remuneration in the form of cash and non-discounted shares with a blocking period of four years. The remuneration system for the Board of Directors does not contain any performance-related components (see also → [Remuneration architecture, Board of Directors](#)).

Remuneration of the Group Executive Board

The remuneration of the Group Executive Board consists of fixed and variable elements.

The base salary and benefits form the fixed remuneration and are based on prevalent market practice.

The variable remuneration drives and rewards best-in-class performance by way of continuously setting ambitious and stretched targets. The variable remuneration consists of short-term and long-term elements:

- The short-term variable remuneration is based on Geberit's value drivers sales, earnings before interest and tax (EBIT), return on invested capital (ROIC) and earnings per share (EPS), as well as individual objectives that are embedded in the annual performance management process. This remuneration balances the reward of individual performance and company success.
- The long-term variable remuneration is based on the return on invested capital (ROIC) and aims to reward sustainable performance, to align the interests of management to those of shareholders and to foster long-term retention of the executives.

The variable remuneration is capped in order to not reward inappropriate risk-taking or short-term profit maximisation at the expense of the long-term health of the company (see also → [Remuneration architecture, Group Executive Board](#)).

Governance and shareholders' involvement

Authority for decisions related to remuneration are 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. In addition, the Remuneration Report for the preceding period is subject to a consultative vote (see also → [Determination of remuneration](#)).

3. Determination of remuneration

3.1 Nomination and Compensation Committee (NCC)

As determined in the Articles of Incorporation and in the Organisational Regulations of Geberit AG, the NCC supports the Board of Directors (BoD) in the fulfillment 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
- 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 (GEB)
- 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 Association		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 and 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 consists exclusively of independent and non-executive members of the Board of Directors, who are elected annually by the General Meeting. Since the 2016 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman, Regi Aalstad and Jørgen Tang-Jensen as members.

The NCC meets at least three times per year. In 2016, it held three meetings including, among others, the predefined recurring agenda items illustrated below. The participation rate for NCC meetings in 2016 was 100%.

	Beginning of year (Feb/March)	Summer (August)	End of year (December)
Remuneration policy		- Review of remuneration policy and programmes	
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	- Target remuneration (following year) - Target setting for STI (following year) - Option valuation and definition of performance criteria LTI for next grant
BoD remuneration			- BoD remuneration (following year)
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

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.

3.2 Process of determination of remuneration

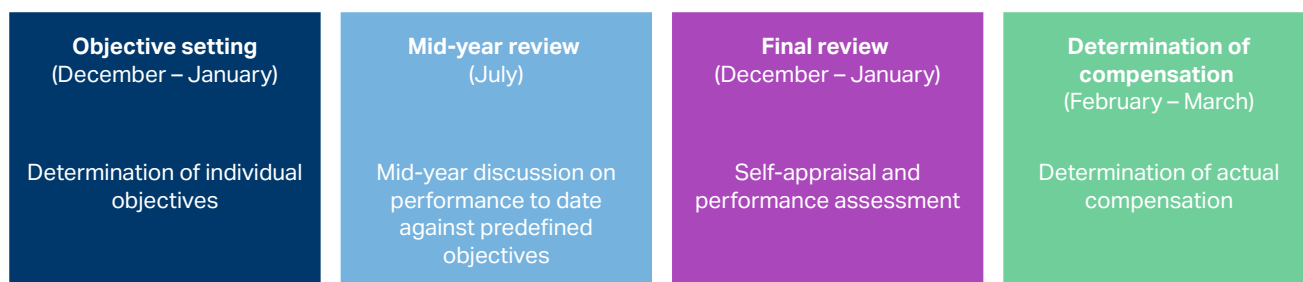
Benchmarks and external consultants

Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, e.g. every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2015, 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, Towers Watson. This consulting firm has no other mandates from Geberit. The remuneration analysis was conducted on the basis of a peer group of industrial companies of comparable size and geographic scope and headquartered in Switzerland: Autoneum, Barry Callebaut, Bucher, Dätwyler, Ems-Chemie, Georg Fischer, Givaudan, dormakaba, Logitech, Lonza, Mettler-Toledo, OC Oerlikon, Schindler, Schweiter, SFS, Sika, Sonova, Sulzer and Zehnder. The study, together with other published data, served as basis to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2016. While many different factors, such as individual role and contribution, company performance and affordability, are considered to determine remuneration levels, the policy of Geberit is to provide target remuneration that is in principle positioned around the market median.

In regard to the remuneration of the Board of Directors, the remuneration and levels are reviewed periodically by the NCC. Such a review took place in 2015 with a benchmarking analysis provided by Towers Watson, which investigated companies of the Swiss Market Index Mid (SMIM). The study, together with other published data, served as basis to determine the remuneration of the members of the Board of Directors for the remuneration period starting at the 2016 General Meeting.

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. 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 achievements against those objectives are assessed after year-end. The performance appraisal is the basis for the determination of the actual remuneration.



3.3 Shareholder involvement

In the last four years, based on the feedback received by shareholders and shareholders' representatives, Geberit has made significant efforts to improve the remuneration disclosure in terms of transparency and level of detail provided about the remuneration principles and programmes. The positive outcome of the consultative votes on the 2013, 2014 and 2015 Remuneration Reports indicates that shareholders welcome the progress made. Geberit foresees to continue to submit the Remu-

neration Report to a consultative shareholders' vote at the General Meeting, in order that shareholders have an opportunity to express their opinion about the remuneration system.

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:
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:
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:
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:
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 in order that the Board of Directors has sufficient flexibility to make amendments to the remuneration programmes in the future, if so necessary. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned to good 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 → **Remuneration architecture, Board of Directors**).

4. Remuneration architecture

4.1 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 a remuneration for their committee work. The remuneration is paid in form of restricted 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 same expense allowance but is not entitled to additional fees for committee attendance.

The compensation amounts have been reviewed in 2016. The total fixed retainer of the Chairman has been reduced from TCHF 985 to TCHF 885 as the transition period to the new CEO has been successfully completed. Further, the annual fixed retainer of the members of the Board of Directors has been increased from TCHF 170 to TCHF 190 to align more closely to market practice.

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 regular contributions to social security. The members of the Board of Directors are not insured 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 2017 General Meeting to the 2018 General Meeting is provided in the invitation to the 2017 General Meeting.

4.2 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 2016
Base salary	Annual base salary	Monthly cash payments	Pay for the function		
Short-Term Incentive	Short-Term Incentive, STI	Annual variable cash	Drive and reward performance, attract & retain	1-year performance period	Sales, EBIT, EPS, ROIC, individual objectives
	Share Participation Program MSPP	Matching share options in case of an investment of variable cash in restricted shares	Align with shareholders' interests	Shares: 3-year restriction period Share options: 4-year vesting period (staged), 7-year plan period	Share options: ROIC
Long-Term Incentive	Share Option Plan MSOP	Performance share options	Drive and reward long-term performance, align with shareholders' interests, retain	5-year performance period (staged), 10-year plan period	ROIC
Benefits	Pension	Gemeinschaftsstiftung, Wohlfahrtsfonds	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & 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, 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 some 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 variable cash remuneration (assuming 100% achievement of all objectives) form the so-called target income. The base salary makes up 70% of the target income and the variable remuneration 30%, out of which 25% is driven by the achievement of business goals and 5% by the achievement of individual objectives.

Functionality remuneration model

The financial objectives include sales, EBIT, earnings per share (EPS) and return on invested capital (ROIC), equally weighted. These financial objectives have been chosen because they are key value drivers and generally reward for growing the business and gaining market shares (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. In order to strengthen the company's position as market leader and to continuously strive for superior performance, significant improvements against the previous year's achievements are generally required 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 variable remuneration is capped, are determined as well. The payout level between the threshold, the target and the maximum is calculated by linear interpolation. The maximum payout for the financial objectives shall not exceed 60% of the target income.

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, entry in new markets, management of strategic projects and leadership. The maximum payout for the individual objectives shall not exceed 10% of the target income.

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

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 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, a free share option is provided for each share purchased through the programme. The options are subject to a performance-based vesting period of four years: a quarter vest one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant. The other features of the options and the performance condition (return on invested capital ROIC) are the same as those applicable to the options granted under the Long-Term Incentive MSOP plan, see section → **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
Death	Accelerated full vesting based on effective performance at date of termination as determined by the BoD	Regular exercise period	Immediate unblocking
Retirement or disability	Full vesting at regular vesting date	Regular exercise period	Immediate unblocking
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period	Regular blocking period
Change of control*	Accelerated full vesting based on effective performance at date of termination as determined by the BoD	Regular exercise period	Immediate unblocking

* 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.

Long-Term Incentive (LTI)

The purpose of the Long-Term Incentive (Management Share 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. The MSOP was revised, with the introduction of a performance-based vesting condition effective 1 January 2013 and with the extension of the vesting period to five years, effective 1 January 2016.

Every year, the Board of Directors determines the grant of share options. In 2016, the market value of options granted amounts to 50% of the target income for the CEO and to between 40 and 50% for the other members of the Group Executive Board. For some 100 additional participants of the Group management, the market value amounts to 10% of the target income.

The options granted in 2016 are subject to a vesting period staged over five years as follows: one third of the options can be exercised three years after the grant, a further third can be exercised four years after the grant and the remaining third can be exercised five years after the grant. The options have a term of 10 years (counted from the grant date) after which they expire.

The vesting of share options is subject to the achievement of a performance criterion, the average Return on Invested Operating 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 target level of performance for which the options will vest in full and a minimum level of performance (threshold), below which there is no vesting at all. Both the threshold and the target are ambitious: they are substantially above the weighted average cost of capital. The payout level between the threshold and the target is determined by linear interpolation. There is no over-achievement in the MSOP. The options can be exercised between the respective vesting date 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.

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

To find out how the long-term option programme (MSOP) works, visit the interactive graphic in the online Annual Report at → www.geberit.com/annualreport > **Business report** > **Remuneration report**.

Termination reason	Plan rules	
	Unvested options	Vested options
Death	Accelerated prorata vesting on the basis of the number of full months worked during the vesting period based on effective performance at date of termination as determined by the BoD	Regular exercise period
Retirement or disability	Pro-rata vesting (on the basis of the number of full months worked) at regular vesting date	Regular exercise period
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period
Change of control*	Accelerated full vesting based on effective performance at date of termination as determined by the BoD	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.

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 therefore may 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 146 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 146 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 claw-back policy on payments made under the Short-Term Incentive programme, which covers situations where the company is required to restate its accounts due to non-compliance with financial reporting requirements under the securities laws at the time of disclosure. In such cases, the Board of Directors is empowered to recalculate the STI payout, taking into account the restated financial results, and to seek reimbursement of any STI amount paid in excess of the newly calculated amount. The claw-back clause is applicable for three years after the payment of the respective variable remuneration.

5. Board of Directors: remuneration and share ownership in 2016

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 2016, members of the Board of Directors received a total remuneration of TCHF 2,296 (previous year TCHF 2,293). Remuneration for regular board activities and committee assignments amounted to TCHF 2,100 (previous year TCHF 2,100). The structure of remuneration of the members of the Board of Directors has not changed compared with the previous year. The level has been decreased for the Chairman and been increased for the members of the Board of Directors, totally to the same extent.

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 ¹	R. Aalstad ²	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2016							
Remuneration of the Board of Directors							
Accrued remuneration ³	270,000	306,250	165,000	231,250	212,500	220,000	1,405,000
Cash remuneration	615,000						615,000
Expenses	15,000	15,000	11,250	15,000	15,000	15,000	86,250
Contributions to social insurance	47,156	14,527	8,152	11,204	10,361	10,709	102,109
Total	947,156	335,777	184,402	257,454	237,861	245,709	2,208,359

¹ H. Reuter has been Vice Chairman of the Board of Directors since 6 April 2016

² R. Aalstad has been a member of the Board of Directors since 6 April 2016

³ Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2017 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 4 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 (R. Spoerry*)							
Accrued remuneration							80,000
Expenses							3,750
Contributions to social insurance							3,959
Total							87,709

* R. Spoerry was a member of the Board of Directors until 6 April 2016

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	T. Hübner	H. Reuter	J. Tang- Jensen	Total
	CHF	CHF	CHF	CHF	CHF	CHF	CHF
2015							
Remuneration of the Board of Directors							
Accrued remuneration	300,000	320,000	200,000	150,000	245,000	200,000	1,415,000
Cash remuneration	685,000	0	0	0	0	0	685,000
Expenses	15,000	15,000	15,000	11,250	15,000	15,000	86,250
Contributions to social insurance	52,825	15,145	9,788	7,388	11,807	9,794	106,747
Total	1,052,825	350,145	224,788	168,638	271,807	224,794	2,292,997

CHF

Remuneration of former members of the Board of Directors

Accrued remuneration	0
Expenses	0
Contributions to social insurance	0
Total	0

For the period from the 2016 General Meeting to the 2017 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,294,866. This is within the limit of CHF 2,350,000 approved by the 2016 General Meeting.

Reconciliation between the reported board compensation and the amount approved by the shareholders at the General Meeting

	1*	2**	3***	4****	5*****	6*****
GM16–GM17	2016	1 Jan 2016 to 2016 GM	1 Jan 2017 to 2017 GM	2016 GM to 2017 GM	2016 GM	2016 GM
BoD (total)	2,296,068	-574,948	+573,746	2,294,866	2,350,000	98%
GM15–GM16	2015	1 Jan 2015 to 2015 GM	1 Jan 2016 to 2016 GM	2015 GM to 2016 GM	2015 GM	2015 GM
BoD (total)	2,292,997	-531,090	+574,948	2,336,855	2,350,000	99%

* 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)

**** 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 2016 and 2015, the members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	R. Aalstad	F. Ehrat	T. Hübner	J. Tang-Jensen	Total
2016							
Shareholdings Board of Directors							
Shares	56,219	7,649	0	1,776	394	2,131	68,169
Options	55,231*	0	0	0	0	0	55,231
Percentage voting rights shares	0.15%	< 0.1%	0%	< 0.1%	< 0.1%	< 0.1%	0.18%

* A. Baehny options until 2014 as CEO

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	T. Hübner	H. Reuter	J. Tang-Jensen	Total
2015							
Shareholdings Board of Directors							
Shares	46,969	8,479	1,251	10	7,004	1,715	65,428
Options	63,688*	0	0	0	0	0	63,688
Percentage voting rights shares	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.17%

* A. Baehny options until 2014 as CEO

As of 31 December 2016, 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.

6. Group Executive Board: remuneration and share/option ownership in 2016

This section is audited by the external auditor.

6.1 Performance in 2016

The successful integration of Sanitec has led to a strong financial and operational performance of Geberit in 2016.

Net sales increased by 8.3% in 2016, to CHF 2,809.0 million. Total growth comprised organic growth in local currencies of 6.4%, a positive foreign currency effect of +0.7% and an acquisition- and divestment-related net increase of 1.2%. The very good development of the operating margins was supported by synergies derived from the integration of the Sanitec business, volume growth and – in spite of an increase in the second half of the year – lower raw material prices. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 16.2% to CHF 686.5 million and the correspondingly adjusted EBIT margin came to 24.4%. Adjusted net income rose by 18.4% to CHF 584.0 million, with an adjusted return on net sales of 20.8%. Adjusted earnings per share improved by 19.8% to CHF 15.85. The non-adjusted figures were CHF 640.1 million for the EBIT, CHF 548.2 million for net income and CHF 14.88 for earnings per share. Free cashflow rose by 16.5% to CHF 563.9 million. The average Return on Invested Capital (ROIC) was 21.5% (prior year 20.1%).

To determine the variable cash remuneration (STI) of the members of the Group Executive Board, the following Key Performance Indicators (KPI) are used: Sales, EBIT, Earning per Share (EPS) and ROIC, all equally weighted. Furthermore, the achievement of qualitative individual targets is considered. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration exceeded the targets.

6.2 Remuneration awarded in 2016

The remuneration of the Group Executive Board amounted to TCHF 9,126 in 2016 (previous year TCHF 6,764). The remuneration of the CEO amounted to TCHF 2,287 in 2016 (previous year TCHF 1,786). The higher total remuneration in 2016 for the Group Executive Board compared to the previous year is the result of various factors:

- Compensation increase for the CEO in order to align compensation gradually to market
- The Group Executive Board was increased from six to seven members
- Target achievement in the STI programme was higher than in the previous year
- Selected higher option grants (LTI) to align compensation to market

The base salaries of the existing Group Executive Board, except for the CEO, remained unchanged. Contributions to company pension funds increased due to higher results in the variable compensation (STI), as well as the other benefits with the additional member of the Group Executive Board.

At the 2014 General Meeting, the shareholders approved a maximum aggregate compensation amount of TCHF 9,750 for the Group Executive Board for the year 2016. The compensation paid for that period amounts to TCHF 9,126 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2016, compared with the maximum potential amount of remuneration, is provided with the invitation to the Ordinary General Meeting 2017.

The following table – reviewed by the external auditor – shows details of remuneration for 2016 and 2015:

	2016		2015	
	C. Buhl CEO	Total	C. Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	791,804	3,145,644	756,800	2,819,507
- Variable salary ¹	709,550	2,776,122	401,500	1,459,092
<i>thereof in shares in 2016²</i>			400,819	1,034,605
Shares/options				
- Call options MSOP 2016/2015 ³	574,986	2,123,866	439,927	1,502,281
- Call options MSPP 2016/2015 ⁴	29,705	81,824	18,937	144,005
Non-cash benefits				
- Private share of company vehicle ⁵	7,056	45,040	6,648	39,864
Expenditure on pensions				
- Pension plans and social insurance	171,254	937,049	159,607	786,263
- Contribution health/accident insurance	2,454	16,382	2,238	13,388
Total⁶	2,286,809	9,125,927	1,785,657	6,764,400

¹ The amounts to be paid (current year), respectively the amounts effectively paid (previous year) 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 361.75 (PY CHF 349.15).

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 Share Option Programme (MSOP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 361.75 (previous year CHF 349.15); definitive acquisition of the option ("vesting") dependent on various conditions, 3-5-year blocking period (3 tranches at 33%); previous year 2-4 year blocking period (3 tranches at 33%). Market value of CHF 31.42 (previous year CHF 33.48) determined using the binomial method.

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 361.75 (previous year CHF 349.15); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 26.81 (previous year CHF 34.06) determined using the binomial method.

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.**

6.3 Shareholdings of Group Executive Board

As of the end of 2016 and 2015, the Group Executive Board held the following shares in the company:

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	M. Baumüller	Total
2016										
Shareholdings Group Executive Board										
Shares			4,588	31,812	2,500	2,336	8,691	40	1,343	51,310
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.14%
Call options*										
Vesting period:										
Vested	2017–2022	242.80	1,633	0	0	1,990	7,314	0	3,046	13,983
2017	2020–2023	306.01	5,841	9,172	9,308	2,789	8,013	10	995	36,128
2018	2021–2023	330.95	5,339	6,834	7,011	2,477	6,140	10	687	28,498
2019	2022–2026	355.45	10,896	7,227	7,739	3,920	6,647	2,556	600	39,585
2020	2023–2026	361.75	6,377	3,994	4,331	2,006	3,706	2,556	325	23,295
2021	2026	361.75	6,100	3,866	4,206	1,909	3,628	2,546	277	22,532
Total options			36,186	31,093	32,595	15,091	35,448	7,678	5,930	164,021
Percentage potential share of voting rights options			0.1%	< 0.1%	< 0.1%	< 0.1%	0.1%	< 0.1%	< 0.1%	0.44%

* Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt-Sasse	K. Spachmann	R. van Triest	Total
2015									
Shareholdings Group Executive Board									
Shares			3,480	31,300	2,000	1,665	7,462	0	45,907
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0%	0.12%
Call options*									
Vesting period:									
Vested	2017–2021	225.54	1,547	0	375	2,298	2,103	0	6,323
2016	2017–2022	242.80	1,709	7,558	7,567	1,483	6,541	0	24,858
2017	2020–2022	287.43	5,564	9,044	9,183	2,692	7,935	0	34,418
2018	2021–2022	315.55	5,062	6,706	6,886	2,380	6,062	0	27,096
2019	2022	349.15	4,519	3,233	3,408	1,914	2,941	0	16,015
Total options			18,401	26,541	27,419	10,767	25,582	0	108,710
Percentage potential share of voting rights options			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0%	0.29%

* Purchase ratio 1 share for 1 option

As of 31 December 2016, 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.

7. Summary of share and option plans 2016

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

In 2016 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**, 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 2016 (ESPP)	2018	2,234	18,661	235.14
Management share purchase plan 2016 (MSPP)	2019	91	8,600	361.75
Directors programme 2016 (DSPP)	2020	6	3,616	361.75
Total			30,877	

The 30,877 shares required for these plans were taken from the stock of treasury shares.

In 2016 Geberit management participated in two different **option plans** (MSPP and MSOP). The plans are described in this Remuneration Report. Under the two different option plans, the following numbers of options were allocated.

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2016 (MSPP)	2017–2020	2023	91	8,600	361.75
Option plan 2016 (MSOP)	2019–2021	2026	88	122,619	361.75
Total				131,219	

The fair value of the options granted in 2016 amounted to CHF 26.81 (MSPP) and CHF 31.42 (MSOP Group Executive Board) 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*	Expected Ø volatility	Expected Ø dividend yield	Contractual period	Risk free Ø interest rate
	CHF	%	%	Years	%
Management share purchase plan 2016 (MSPP)	361.75	17.06	2.33	7	-0.61
Option plan 2016 (MSOP)	361.75	17.43	2.33	10	-0.42

* The exercise price corresponds to the average price of Geberit shares for the period from 8. – 21.3.2016.

Costs resulting from participation plans amounted to CHF 2.6 million in 2016 (prior year CHF 3.0 million); those for option plans totalled CHF 2.9 million (prior year CHF 3.0 million).

8. Summary of shares and options held by employees and management as of 31 December 2016

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

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2016, the Board of Directors, the Group Executive Board and the employees owned a combined total of 353,688 (previous year 357,850) shares, i.e. 1.0% (previous year 0.9%), of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2016:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2017–2022	86,867	260.16	86,867	260.16
2017	2020–2023	94,138	292.12	94,138	292.12
2018	2021–2023	70,845	311.26	70,845	311.26
2019	2022–2026	67,393	357.15	67,393	357.15
2020	2023–2026	42,811	361.75	42,811	361.75
2021	2026	40,661	361.75	40,661	361.75
Total		402,715	313.91	402,715	313.91

The following movements took place in 2016 and 2015:

	MSOP		MSPP		Total 2016		Total 2015	
	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	312,211	278.09	34,873	287.80	347,084	279.07	302,914	247.98
Granted options	122,619	361.75	8,600	361.75	131,219	361.75	97,747	349.15
Forfeited options	3,248	295.82	21	327.98	3,269	296.03	1,126	246.95
Expired options	0	0	0	0	0	0	0	0
Exercised options	66,744	231.59	5,575	253.10	72,319	233.25	52,451	230.85
Outstanding 31 December	364,838	314.35	37,877	309.68	402,715	313.91	347,084	279.07
Exercisable at 31 December	75,933	259.10	10,934	267.56	86,867	260.16	49,223	232.22

The options outstanding at 31 December 2016 had an exercise price of between CHF 192.85 and CHF 361.75 and an average remaining contractual life of 5.8 years.

9. Report of the statutory auditor



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

Report of the statutory auditor to the General Meeting on the remuneration report 2016

We have audited the → **Remuneration report** dated 8 March 2017 of Geberit AG for the year ended 31 December 2016.

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 Gerberit AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'B. Inauen'.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Knöpfel'.

Martin Knöpfel
Audit expert

Zürich, 8 March 2017

Finan- cial Report

Geberit Group 2016

Geberit Group

Highlights of the financial year 2016

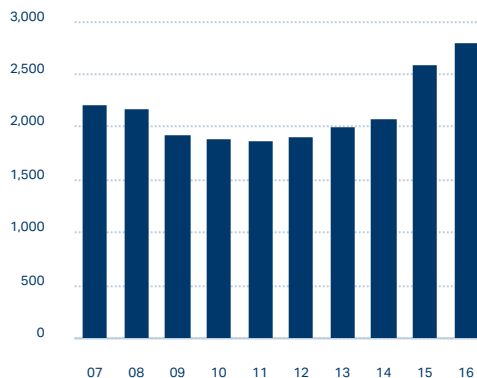
Net sales

+6.4%

Organic, currency-adjusted net sales growth in 2016

Net sales development 2007 – 2016

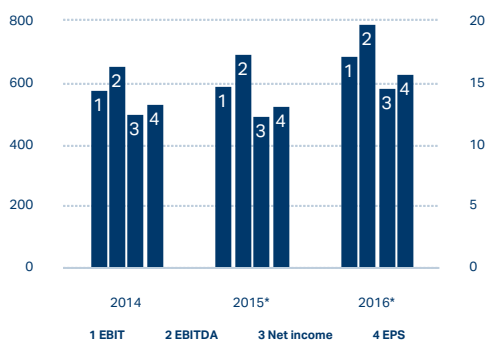
(in CHF million)



EBIT, EBITDA, Net income, Earnings per share (EPS) 2014 – 2016

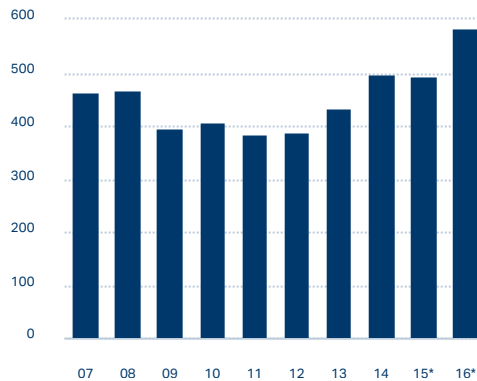
(in CHF million)

(EPS: in CHF)



Net income development 2007 – 2016

(in CHF million)



Operating cashflow margin* (EBITDA margin)

28.3%

1.6 percentage higher than prior year

Free cashflow (in CHF)

563.9 mio.

16.5% above prior year

Earnings per share*
(in CHF)

15.85

19.8% above prior year

Payout ratio

63.4%

of adjusted net sales

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

139.1 mio.

-5.6% versus prior year

R&D expenditures
(in CHF)

72.3 mio.

+8.9 million versus prior year

Currency effects in net sales
(in CHF)

+18 mio.

Currency effects in EBIT
(in CHF)

-0.5 mio.

* Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income as well as amortisation of intangible assets and one-off costs resulting from the inventory revaluation)

Geberit key figures

2012 – 2016

		2016	2015	2014	2013	2012 ³
Net sales	MCHF	2,809.0	2,593.7	2,089.1	1,999.9	1,919.6
Change on previous year	%	+8.3	+24.2	+4.5	+4.2	+2.8
Operating profit (EBIT)²	MCHF	686.5	590.9	576.9	510.7	456.5
Margin in % of net sales ²	%	24.4	22.8	27.6	25.5	23.8
Net income²	MCHF	584.0	493.1	498.6	435.8	387.5
Margin in % of net sales ²	%	20.8	19.0	23.9	21.8	20.2
Operating cashflow (EBITDA)²	MCHF	794.9	693.5	657.1	592.8	536.6
Margin in % of net sales ²	%	28.3	26.7	31.5	29.6	28.0
Free cashflow	MCHF	563.9	484.0	460.4	444.3	391.0
Margin in % of net sales	%	20.1	18.7	22.0	22.2	20.4
Financial results, net²	MCHF	-9.3	-17.2	-1.7	-5.5	-7.2
Capital expenditures	MCHF	139.1	147.3	104.8	98.0	86.0
Research and development expenses	MCHF	72.3	63.4	55.8	50.9	49.8
In % of net sales	%	2.6	2.4	2.7	2.5	2.6
Earnings per share^{1,2}	CHF	15.85	13.23	13.28	11.59	10.16
Distribution per share	CHF	10.00	8.40	8.30	7.50	6.60
Employees						
Number of employees (31.12)		11,592	12,126	6,247	6,226	6,134
Annual average		11,972	12,477	6,303	6,219	6,150
Net sales per employee	TCHF	234.6	207.9	331.4	321.6	312.1
Balance sheet						
		31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Total assets	MCHF	3,601.1	3,553.8	2,431.5	2,226.0	2,007.4
Liquid funds and marketable securities	MCHF	509.7	459.6	749.7	612.8	423.1
Net working capital	MCHF	147.3	146.6	169.1	127.9	134.4
Property, plant and equipment	MCHF	726.5	715.4	550.9	536.4	521.2
Goodwill and intangible assets	MCHF	1,681.1	1,757.1	645.3	645.5	638.1
Total debt	MCHF	970.9	1,139.2	10.5	11.7	14.7
Equity	MCHF	1,635.2	1,482.2	1,717.1	1,664.1	1,431.3
Equity ratio	%	45.4	41.7	70.6	74.8	71.3
Gearing	%	28.2	45.9	-43.0	-36.1	-28.5
ROIC²	%	21.5	20.1	35.5	32.1	28.9

¹ Based on the 1:10 stock split implemented on May 8, 2007.

² 2015 and 2016: Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income as well as amortization of intangible assets and one-off costs resulting from the inventory revaluation)

³ Restatement see → [Note 1](#) in the consolidated financial statements of the Geberit Group 2013

Geberit key figures

2007 – 2011

		2011	2010	2009	2008	2007
Net sales	MCHF	1,867.6	1,900.0	1,931.0	2,178.9	2,206.4
Change on previous year	%	-1.7	-1.6	-11.4	-1.2	+14.0
Operating profit (EBIT)²	MCHF	449.2	486.2	526.7	563.4	553.8
Margin in % of net sales ²	%	24.1	25.6	27.3	25.9	25.1
Net income²	MCHF	384.0	406.8	397.5	466.3	463.3
Margin in % of net sales ²	%	20.6	21.4	20.6	21.4	21.0
Operating cashflow (EBITDA)²	MCHF	532.0	573.7	611.0	649.1	637.9
Margin in % of net sales ²	%	28.5	30.2	31.6	29.8	28.9
Free cashflow	MCHF	386.0	493.8	349.7	407.9	362.7
Margin in % of net sales	%	20.7	26.0	18.1	18.7	16.4
Financial results, net²	MCHF	-7.3	-14.3	-13.5	5.4	-11.4
Capital expenditures	MCHF	92.6	80.5	106.4	152.5	103.5
Research and development expenses	MCHF	48.4	44.2	45.6	46.0	48.1
In % of net sales	%	2.6	2.3	2.4	2.1	2.2
Earnings per share^{1,2}	CHF	9.82	10.32	10.18	11.90	11.67
Distribution per share	CHF	6.30	6.00	6.40	5.40	5.20
Employees						
Number of employees (31.12)		6,004	5,820	5,608	5,697	5,344
Annual average		5,992	5,793	5,634	5,684	5,360
Net sales per employee	TCHF	311.7	328.0	342.7	383.3	411.6
Balance sheet						
		31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Total assets	MCHF	2,122.7	2,171.2	2,212.2	2,054.1	2,298.3
Liquid funds and marketable securities	MCHF	542.0	586.6	406.5	302.6	450.1
Net working capital	MCHF	114.1	108.5	180.9	156.5	168.7
Property, plant and equipment	MCHF	516.2	514.3	576.2	555.5	529.3
Goodwill and intangible assets	MCHF	645.2	658.8	753.1	756.2	828.8
Total debt	MCHF	75.6	73.4	110.9	152.3	273.9
Equity	MCHF	1,419.5	1,520.9	1,509.2	1,311.9	1,404.4
Equity ratio	%	66.9	70.0	68.2	63.9	61.1
Gearing	%	-32.9	-33.7	-19.6	-11.5	-12.5
ROIC ²	%	28.8	28.7	28.5	28.2	25.9

¹ Based on the 1:10 stock split implemented on May 8, 2007.

² 2015 and 2016: Adjusted for costs and income in connection with the Sanitec acquisition (transaction, integration, divestments and one-off financing costs and income as well as amortization of intangible assets and one-off costs resulting from the inventory revaluation)

Consolidated Balance Sheets

	Note	31.12.2016 MCHF	31.12.2015 MCHF
Assets			
Current assets			
Cash and cash equivalents		509.7	459.6
Trade accounts receivable	6	174.4	130.6
Other current assets and current financial assets	7	111.0	90.7
Inventories	8	275.6	279.9
Total current assets		1,070.7	960.8
Non-current assets			
Property, plant and equipment	9	726.5	715.4
Deferred tax assets	18	96.7	95.7
Other non-current assets and non-current financial assets	10	26.1	24.8
Goodwill and intangible assets	11	1,681.1	1,757.1
Total non-current assets		2,530.4	2,593.0
Total assets		3,601.1	3,553.8
Liabilities and equity			
Current liabilities			
Short-term debt	12	4.2	3.7
Trade accounts payable		112.3	105.5
Tax liabilities and tax provisions		120.0	108.5
Other current liabilities	13	263.5	217.0
Current provisions	13	37.7	31.6
Total current liabilities		537.7	466.3
Non-current liabilities			
Long-term debt	14/15	966.7	1,135.5
Accrued pension obligations	16	325.8	300.8
Deferred tax liabilities	18	89.7	128.0
Other non-current liabilities	19	11.2	10.1
Non-current provisions	19	34.8	30.9
Total non-current liabilities		1,428.2	1,605.3
Equity			
Capital stock	21	3.7	3.8
Reserves		2,084.9	1,912.5
Cumulative translation adjustments		-453.4	-434.1
Total equity		1,635.2	1,482.2
Total liabilities and equity		3,601.1	3,553.8

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

Consolidated Income Statements

	Note	2016 MCHF	2015 MCHF
Net sales	29	2,809.0	2,593.7
Cost of materials		774.9	784.4
Personnel expenses		702.0	671.6
Depreciation	9	102.0	95.9
Amortisation of intangible assets	11	43.1	37.5
Other operating expenses, net	23	546.9	506.0
Total operating expenses, net		2,168.9	2,095.4
Operating profit (EBIT)		640.1	498.3
Financial expenses	24	-13.5	-20.1
Financial income	24	1.9	1.2
Foreign exchange loss (-) /gain	24	2.3	-4.6
Financial result, net		-9.3	-23.5
Profit before income tax expenses		630.8	474.8
Income tax expenses	25	82.6	52.4
Net income		548.2	422.4
- Attributable to shareholders of Geberit AG		548.2	422.4
EPS (CHF)	22	14.88	11.33
EPS diluted (CHF)	22	14.85	11.31

The accompanying → [Notes](#) are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Note	2016 MCHF	2015 MCHF
Net income according to the income statement		548.2	422.4
Cumulative translation adjustments ¹		-19.0	-203.7
Taxes		-0.3	0.3
Cumulative translation adjustments, net of tax		-19.3	-203.4
Cashflow hedge accounting	15	0.0	71.5
Taxes		0.0	-10.2
Cashflow hedge accounting, net of tax		0.0	61.3
Total other comprehensive income to be reclassified to the income statement in subsequent periods, net of tax		-19.3	-142.1
Remeasurements of pension plans	16	-20.8	-14.8
Taxes		4.5	2.7
Remeasurements of pension plans, net of tax		-16.3	-12.1
Total other comprehensive income not to be reclassified to the income statement in subsequent periods, net of tax		-16.3	-12.1
Total other comprehensive income, net of tax		-35.6	-154.2
Total comprehensive income		512.6	268.2
- Attributable to shareholders of Geberit AG		512.6	268.2

¹2015: The Swiss National Bank abandoned the minimum exchange rate of CHF 1.20 per euro on January 15, 2015. This decision triggered currency fluctuations and led to an appreciation of the Swiss franc against all other key currencies. As Geberit is exposed to currency risks on both the assets and liabilities side, this contributed significantly to the negative translation effect of MCHF 203.7.

The accompanying → [Notes](#) are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of Geberit AG						Total equity
	Ordinary shares	Reserves	Treasury shares	Pension plans	Hedge accounting	Cum. translation adjustments	
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	
Balance at 31.12.2014	3.8	2,235.0	-78.3	-151.4	-61.3	-230.7	1,717.1
Net income		422.4					422.4
Other comprehensive income				-12.1	61.3	-203.4	-154.2
Distribution		-310.7					-310.7
Share buyback programme			-167.6				-167.6
Purchase (-)/Sale of treasury shares		7.6	-30.6				-23.0
Management option plans		-1.8					-1.8
Balance at 31.12.2015	3.8	2,352.5	-276.5	-163.5	0.0	-434.1	1,482.2
Net income		548.2					548.2
Other comprehensive income				-16.3		-19.3	-35.6
Distribution		-309.3					-309.3
Share buyback programme			-42.9				-42.9
Purchase (-)/Sale of treasury shares		7.0	-8.0				-1.0
Capital reduction	-0.1	-247.9	248.0				0.0
Management option plans		-6.4					-6.4
Balance at 31.12.2016	3.7	2,344.1	-79.4	-179.8	0.0	-453.4	1,635.2

The accompanying → [Notes](#) are an integral part of the consolidated financial statements.

Consolidated Statements of Cashflows

	Note	2016 MCHF	2015 MCHF
Cash provided by operating activities			
Net income		548.2	422.4
Depreciation and amortisation	9/11	145.1	133.4
Financial result, net	24	9.3	23.5
Income tax expenses	25	82.6	52.4
Other non-cash income and expenses		18.5	22.6
Operating cashflow before changes in net working capital and taxes		803.7	654.3
Income taxes paid		-98.6	-82.6
Changes in trade accounts receivable		-29.4	20.8
Changes in inventories		-2.6	9.7
Changes in trade accounts payable		13.4	-17.2
Changes in other positions of net working capital		28.7	27.1
Net cash from/used (-) in operating activities		715.2	612.1
Cash from/used (-) in investing activities			
Acquisitions of subsidiaries	2	0.0	-1,185.4
Sales of subsidiaries	2	32.8	0.0
Purchase of property, plant & equipment and intangible assets	9/11	-139.1	-147.3
Proceeds from sale of property, plant & equipment and intangible assets		6.2	6.3
Interest received		0.9	1.3
Other, net		-0.5	-0.1
Net cash from/used (-) in investing activities		-99.7	-1,325.2
Cash from/used (-) in financing activities			
Proceeds from borrowings	2/14/15	50.3	1,985.5
Repayments of borrowings	2/14/15	-223.1	-1,033.6
Interest paid		-6.2	-3.5
Distribution		-309.3	-310.7
Share buyback programme		-50.7	-159.8
Purchase (-) /Sale of treasury shares		-22.2	-44.5
Financing cost paid		-0.4	-14.5
Other, net		-1.3	-1.2
Net cash from/used (-) in financing activities		-562.9	417.7
Effects of exchange rates on cash and cash equivalents		-2.5	5.3
Net increase/decrease (-) in cash and cash equivalents		50.1	-290.1
Cash and cash equivalents at beginning of year		459.6	749.7
Cash and cash equivalents at end of year		509.7	459.6

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 Sanitary Systems, Piping Systems and Sanitary Ceramics product areas. Worldwide, the vast majority of its products are sold through the wholesale channel. Geberit sells its products in 122 countries. The Group is present in 49 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.

In 2016, all functions (production, marketing and sales, R&D, corporate functions) of the Sanitec Group acquired in 2015 were integrated fully into the Geberit Group's functional business model. Among other things, the Sanitec sales organisations were decoupled from the individual Sanitec companies and merged with the corresponding Geberit sales companies. As a result, there is no longer any profit responsibility and information at the level of the group that was originally acquired. The same is true of earlier acquisitions. Management thus no longer monitors the goodwill items at the level of the original cash generating units, but rather at Group level. This also fits in with the current reporting structure. Consequently, the original cash generating units (CGU) were combined into a single CGU and only a single goodwill item is now tested for impairment. The disclosure made in → [Note 11](#) was adjusted accordingly.

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 3](#))

2. Changes in Group structure

2016

Sale of the Koralle Group

The Group sold the Koralle Group to AFG Arbonia-Forster-Holding AG on July 1, 2016. The sales price was MEUR 33.0 plus net cash and cash equivalents. The Koralle Group companies are Bekon Koralle AG, Koralle Sanitärprodukte GmbH, Baduscho Dusch- und Badeeinrichtungen Produktions- und Vertriebsgesellschaft mbH and Servico Gesellschaft für Sanitärtechnik mbH. The Koralle Group was acquired as part of the Sanitec acquisition in 2015. The provider of shower enclosures primarily operates in the Swiss, German and Austrian markets and employed 240 people as of June 30, 2016. The Koralle Group contributed MCHF 22.6 to the Geberit Group's net sales, MCHF 2.1 to the EBIT, and MCHF 1.7 to the net income as of June 30, 2016. In 2015 (11 months), the Koralle Group contributed MCHF 42.2 to the Geberit Group's net sales, MCHF 2.4 to the EBIT, and MCHF 1.9 to the net income. On June 30, 2016, the Koralle Group had current assets of MCHF 17.1, non-current assets of MCHF 33.7, current liabilities of MCHF 7.3, and non-current liabilities of MCHF 7.3.

In addition there were various changes to the legal structure of the Group mainly in connection with the integration of the Sanitec Group but with no effect on the consolidated results.

2015

Acquisition of the Sanitec Group

Geberit AG submitted a takeover bid to the shareholders of Sanitec Oyj, Helsinki, Finland (Sanitec) on October 14, 2014, to acquire all Sanitec shares at a price of SEK 97 per share in cash. The Sanitec shares were listed on the NASDAQ Stockholm stock exchange. Sanitec is a leading European producer and supplier of bathroom ceramics. The Group achieved net sales of MEUR 689 and an EBIT margin of 11.4% in 2014. The company employed 6,200 people in 18 production facilities and 24 sales units. Sanitec sold its products primarily in Europe under 14 leading brands that are firmly established in their local markets. For Geberit, the acquisition of Sanitec represents an expansion of its product range. Its portfolio will be enhanced with the addition of the Sanitary Ceramics area. The new company will be the European market leader for sanitary products and will, in particular, strengthen its position in those European markets in which Geberit had not yet gained a firm foothold, i.e. the Nordic Countries, France, UK and Eastern Europe. It combines technical know-how in sanitary technology "behind the wall" with design expertise "in front of the wall". The acquisition also bolsters the Group's key sales and earnings drivers.

The relevant competition authorities granted all the required approvals in late January 2015. At the end of the acceptance period on February 2, 2015, 99.27% of the Sanitec shares had been tendered to Geberit. The purchase/sale of these shares was effected on February 10, 2015 and was financed by Geberit using its own funds as well as new debt. Following an extended offer period, Geberit held 99.77% of the shares, with a squeeze-out process instigated for the remaining shares and completed successfully in September 2015.

The purchase price for the Sanitec Group in cash amounted to MCHF 1,203.5 plus additional transaction costs of MCHF 22. Of the latter, MCHF 10 is attributable to consultation fees (of which MCHF 3 was already incurred in 2014) and MCHF 12 was incurred in connection with the financing. Of the financing costs, MCHF 6 is recognised in the 2015 income statement and a further MCHF 6 is being amortised over the term of the financing instruments. In addition debt of MCHF 184 had to be refinanced.

The acquisition was financed by means of bond issuance, bank loans and from own funds. Geberit issued the following three bonds: a bond for MCHF 150 with a term of four years and a coupon of 0.05%, a bond for MCHF 150 with a term of eight years and a coupon of 0.3%, and a bond for MEUR 500 with a term of six years and a coupon of 0.688%. A bridge facility in the form of a syndicated bank loan amounting to MCHF 900 was available for the period between the closing of the transaction and the issuance of the bonds. In addition, a second syndicated bank loan ("term loan facility") amounting to MEUR 325 was drawn on and existing funds of MCHF 247 were used.

The instruments for hedging the foreign exchange risks were released on the closing and reflected in the acquisition price. The corresponding effect is contained in the "Cashflow hedge accounting" item in the consolidated statements of comprehensive income.

As the first consolidation of the Sanitec Group took place in February 2015, the consolidated income statement for the previous year included the Sanitec Group's figures for 11 months only. No subsequent changes were made to the already disclosed values in the annual report 2015. Additional information of the acquisition is disclosed in the 2015 annual report (→ [Note 2](#)).

Further changes in the Group structure for 2015 were as follows:

- Geberit Service AB, Bromölla (newly founded)
- Keramag Service GmbH & Co. KG, Pfullendorf (newly founded)
- Contura Steel AB, Bromölla (sold)

3. Summary of significant accounting policies

New or revised IFRS standards and interpretations 2016 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Adoption
IFRS 11 – Joint Arrangements	1.1.2016	The additional guidance clarifies that an acquisition of an interest in a joint operation, that meets the definition of a business under IFRS 3, is not a business combination, as the acquiring party does not obtain control. This amendment had no impact on the consolidated financial statements.	1.1.2016
IAS 16 – Property, Plant and Equipment; IAS 38 – Intangible Assets	1.1.2016	This amendment clarifies which principle for the basis of depreciation and amortisation can be used. The objective of the amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This amendment had no impact on the consolidated financial statements.	1.1.2016
IAS 27 – Separate Financial Statements	1.1.2016	The amendment restores the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. This amendment had no impact on the consolidated financial statements.	1.1.2016

New or revised IFRS standards and interpretations as from 2017 and their adoption by the Group

Standard/Interpretation	Enactment	Relevance for Geberit	Planned adoption
IAS 12 – Income Taxes	1.1.2017	These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. This amendment has no impact on the consolidated financial statements.	1.1.2017
IFRS 9 – Financial Instruments	1.1.2018	The main characteristics of the new standard are on: 1) Classification and measurement of financial instruments: Financial assets are classified and subsequently measured at amortised cost or fair value through income statement depending on the business model followed for managing them and their contractual cash flow characteristics. Classification of financial liabilities remains unchanged. 2) Impairment of financial assets: The new impairment model is an expected credit loss (ECL) model which implies both an earlier recognition of credit losses and disclosure of additional forward looking information. A simplified approach is applied for trade receivables or contract assets that do not contain a significant financing component for which the tracking of changes in credit risk is not required but instead the base lifetime expected credit loss at all times is applied. 3) Hedge accounting: The new hedge accounting model is less rules-based, aligns hedge accounting more closely with the Group's risk management practices and enables a wider range of economic hedging strategies to achieve hedge accounting. The early adoption of the above standard does not have a material impact on the consolidated financial statements.	1.1.2017
IFRS 15 – Revenue from Contracts with Customers	1.1.2018	The new standard on the recognition of revenue from contracts with customers is based on a five step approach: 1) Identify the contract with the customer 2) Identify the separate performance obligations in the contract 3) Determine the transaction price 4) Allocate the transaction price to separate performance obligations 5) Recognise revenue when a performance obligation is satisfied. Based on a preliminary assessment the Group does not expect any material impact on recognition and measurement of revenue, and is expected to result in additional disclosures.	1.1.2018
IFRS 2 – Share-based Payment	1.1.2018	The amendment clarifies the accounting treatment of: 1) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (clarification that the valuation is not in the scope of IFRS 13 'Fair Value Measurement') 2) Share-based payment transactions with a net settlement feature for withholding tax obligations 3) Modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. This amendment has no impact on the consolidated financial statements.	1.1.2018
IFRS 16 – Leases	1.1.2019	Under current IAS 17 lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The new 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. These amendments will have an impact on the consolidated financial statements and they are currently under evaluation, e.g. a significant leasing commitment will have to be recognised in the balance sheet.	1.1.2019

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.

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.

Intangible assets and goodwill

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. Since the capitalised trademarks are an inherent element of the business model of the Geberit Group and are therefore used over an indefinite time period, they are assigned an indefinite useful life. 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 years), software (4–6 years) and capitalised development costs (6 years).

Valuation of intangible assets and goodwill

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](#).

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 size 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

Net sales are recognised when the risks and rewards are transferred, which normally happens when the products are shipped, i.e. when they are handed over to the carrier at the ramp of a Geberit logistics centre. Net sales include the invoiced amounts after deduction of the rebates shown on the customer's invoice. Customer bonuses and cash discounts granted subsequently are deducted as well.

Customer bonuses are sales deductions linked to the achievement of predefined sales targets. Cash discounts are sales deductions recognised on receipt of timely payments.

Marketing expenses

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

Taxes

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. 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, then the deferred tax assets are reduced accordingly.

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

Leasing

Property, plant and equipment acquired on a lease and deemed to be owned in respect of their risks and rewards are classified under finance leasing. Leased property, plant and equipment are capitalised and depreciated over their estimated useful life. The corresponding lease obligations are recognised as liabilities. Payments under operating leases are reported as operating expenses on a straight-line basis and charged directly to the income statement accordingly.

Research and development expenditures

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 if 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 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 allotted 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

Trade accounts receivable and other current assets are carried at amortised cost less allowances for credit losses. Trade accounts payable and other payables are carried at amortised cost. The carrying amount of such items virtually corresponds to their fair value.

Debts are initially recorded at fair value, net of transaction costs, and 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](#)).

Hedge accounting

Geberit applies hedge accounting in accordance with IAS 39 to hedge balance sheet items and future cashflows, thus reducing income statement volatility. Changes in the value of instruments designated as fair value hedges are recorded together with the change in fair value of the underlying item directly in the income statements, net. The effective portion of instruments designated as cashflow hedges is recognised in → ["other comprehensive income"](#). The ineffective portion of such instruments is recorded in financial result, net. Changes in value resulting from cashflow hedges recognised in other comprehensive income are recorded in the income statement in the period in which the cashflow from the hedged transaction is recognised in the income statement.

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 according to 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 the 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 its risks with the value-at-risk method for foreign exchange rate risks and the cashflow-at-risk method for interest rate risks.

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 to be 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 MCHF 50 (or MCHF 70 for the major Swiss 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. In order 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.

Any remaining currency risks are measured with the value-at-risk (VaR) method. By using statistical methods, the effect of probable changes in foreign exchange rates on the fair value of foreign currency positions and therefore on the financial result of the Group is evaluated. The risk is controlled with the key figure (VaR +/- unrealised gains/losses from foreign exchange positions)/equity. based on internal limits, it is decided whether any hedging measures have to be taken. Normally, forward exchange contracts are used as hedging instruments. The limit for the key figure is determined annually and amounts to 0.5% (PY: 0.5%) of equity for the reporting period.

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

Model	Method	Confidence level	Holding period
J. P. Morgan	Variance-covariance approach	95%	30 days

Foreign exchange rate risk as of December 31:

	2016	2015
	MCHF	MCHF
Value-at-risk +/- unrealised gains/losses	6.3	5.6
Equity	1,635.2	1,482.2
(Value-at-risk +/- unrealised gains/losses)/equity	0.4%	0.4%

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 taken into account 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 calculation of the CfaR is based on the same model as the calculation of the value-at-risk regarding the foreign exchange rate risk.

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 of December 31:

	2016	2015
	MCHF	MCHF
EBITDA	785.2	631.7
Financial result, net + CfaR	9.8	12.7
EBITDA/(Financial result, net + CfaR)	80x	50x

Combined foreign exchange rate and interest rate risk

The following table shows the combined foreign exchange rate and interest rate risk according to the calculation method of the value-at-risk model, and includes all foreign exchange rate risk and interest rate risk positions and instruments described above. Foreign exchange rate risks and interest rate risks are monitored with the key figures as previously mentioned.

	2016	2015
	MCHF	MCHF
Combined foreign exchange rate and interest rate risk	9.7	19.1

Management of liquidity risk

Liquid funds, including the committed unused credit lines, must be available in order 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 561.2 (PY: MCHF 516.8).

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. Concentrations of debtors' risk with respect to trade receivables are limited due to the large number of customers of the Group. The Group records allowances for potential credit losses. 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 2016, the average balance of trade receivables is about 141% (PY: 176%) 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 in order 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	2016	2015
Foreign exchange rate risk	(VaR +/- unrealised gains/losses)/equity	0.4%	0.4%
Interest rate risk	EBITDA/(financial result, net + CfaR)	80x	50x
Liquidity risk	(Deficit)/excess of liquidity reserve	MCHF 561.2	MCHF 516.8

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
- draw 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 ensures the necessary measures in connection with the capital structure can be taken in a timely manner.

The relevant values as of December 31 are outlined below:

	2016 MCHF	2015 MCHF
Gearing		
Debt	970.9	1,139.2
Liquid funds and marketable securities	509.7	459.6
Net debt	461.2	679.6
Equity	1,635.2	1,482.2
Net debt/equity	28.2%	45.9%
Return on equity (ROE)		
Equity (rolling)	1,526.3	1,530.2
Net income	548.2	422.4
ROE	35.9%	27.6%
Return on invested capital (ROIC)		
Invested capital (rolling)	2,704.6	2,504.9
Net operating profit after taxes (NOPAT)	545.8	425.6
ROIC	20.2%	17.0%

6. Trade accounts receivable

	2016 MCHF	2015 MCHF
Trade accounts receivable	187.1	145.4
Allowances	-12.7	-14.8
Total trade accounts receivable	174.4	130.6

Of the total trade accounts receivable, MCHF 8.7 were denominated in CHF, MCHF 64.4 in EUR, MCHF 20.1 in USD, MCHF 17.0 in GBP, MCHF 15.6 in SEK, MCHF 9.6 in DKK, MCHF 13.1 in NOK and MCHF 3.6 in PLN.

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

	2016 MCHF	2015 MCHF
Allowances for trade accounts receivable		
January 1	14.8	9.8
Changes in scope of consolidation	-0.2	6.6
Additions	4.5	0.8
Used	-5.4	-0.5
Reversed	-0.8	-0.9
Translation differences	-0.2	-1.0
December 31	12.7	14.8

	2016 MCHF	2015 MCHF
Maturity analysis of trade accounts receivable		
Not due	120.0	95.5
Past due < 30 days	43.0	33.5
Past due < 60 days	5.2	4.2
Past due < 90 days	4.0	0.9
Past due < 120 days	3.8	1.0
Past due > 120 days	11.1	10.3
Allowances	-12.7	-14.8
Total trade accounts receivable	174.4	130.6

7. Other current assets and current financial assets

	2016 MCHF	2015 MCHF
Value-added tax receivables	77.0	53.7
Income tax refunds receivable	13.9	15.6
Short-term derivative financial instruments (see → Note 15) ¹	0.3	0.5
Prepaid expenses	9.7	6.8
Other current assets	10.1	14.1
Total other current assets and current financial assets	111.0	90.7

¹ Not part of the calculation of net working capital

8. Inventories

	2016 MCHF	2015 MCHF
Raw materials, supplies and other inventories	94.2	92.0
Work in progress	46.3	48.8
Finished goods	116.8	130.3
Merchandise	18.2	8.8
Prepayments to suppliers	0.1	0.0
Total inventories	275.6	279.9

As of December 31, 2016, inventories included allowances for slow-moving and obsolete items of MCHF 37.9 (PY: MCHF 44.3).

9. Property, plant and equipment

	Total	Land and buildings	Machinery and equipment	Office equipment	Assets under constr. / advance payments
	MCHF	MCHF	MCHF	MCHF	MCHF
2016					
Cost at beginning of year	2,122.2	614.4	1,361.2	58.7	87.9
Changes in scope of consolidation	-26.3	-6.0	-20.3		
Additions	127.9	15.3	54.3	7.7	50.6
Disposals	-114.3	-15.1	-82.5	-16.7	
Transfers	0.0	16.4	50.3	6.8	-73.5
Translation differences	-20.8	-5.2	-13.7	-0.8	-1.1
Cost at end of year	2,088.7	619.8	1,349.3	55.7	63.9
Accumulated depreciation at beginning of year	1,406.8	324.4	1,039.1	43.3	0.0
Changes in scope of consolidation	-24.6	-5.0	-19.6		
Depreciation	102.0	18.3	75.9	7.8	
Disposals	-107.2	-12.5	-78.5	-16.2	
Translation differences	-14.8	-1.6	-12.5	-0.7	
Accumulated depreciation at end of year	1,362.2	323.6	1,004.4	34.2	0.0
Carrying amounts at end of year	726.5	296.2	344.9	21.5	63.9
2015					
Cost at beginning of year	1,392.1	396.2	883.9	56.9	55.1
Changes in scope of consolidation	724.4	236.0	482.3		6.1
Additions	133.3	5.2	45.9	7.2	75.0
Disposals	-62.7	-9.6	-49.8	-3.3	
Transfers	0.0	2.7	41.6	1.0	-45.3
Translation differences	-64.9	-16.1	-42.7	-3.1	-3.0
Cost at end of year	2,122.2	614.4	1,361.2	58.7	87.9
Accumulated depreciation at beginning of year	841.2	159.8	637.5	43.9	0.0
Changes in scope of consolidation	559.2	159.0	400.2		
Depreciation	95.9	15.0	75.7	5.2	
Disposals	-58.5	-7.2	-48.0	-3.3	
Translation differences	-31.0	-2.2	-26.3	-2.5	
Accumulated depreciation at end of year	1,406.8	324.4	1,039.1	43.3	0.0
Carrying amounts at end of year	715.4	290.0	322.1	15.4	87.9

As of December 31, 2016, there were no qualified assets for which borrowing costs were capitalised during the production phase. As of December 31, 2016, the Group had entered into firm commitments for capital expenditures of MCHF 7.8 (PY: MCHF 23.3).

10. Other non-current assets and non-current financial assets

	2016 MCHF	2015 MCHF
Reinsurance policies for pension obligations (see → Note 16)	19.3	17.2
Assets from defined benefit plans (see → Note 16)	0.4	1.4
Deposits	2.6	2.1
Capitalised financing costs	0.5	0.6
Other	3.3	3.5
Total other non-current assets and non-current financial assets	26.1	24.8

11. Goodwill and intangible assets

	Total MCHF	Goodwill MCHF	Patents and technology MCHF	Trademarks MCHF	Other intangible assets ¹ MCHF
2016					
Cost at beginning of year	2,256.4	1,508.0	260.9	381.5	106.0
Changes in scope of consolidation	-32.9	-31.3			-1.6
Additions	11.2				11.2
Disposals	-7.7				-7.7
Translation differences	-13.8	-9.1	-0.9	-3.7	-0.1
Cost at end of year	2,213.2	1,467.6	260.0	377.8	107.8
Accumulated amortisation at beginning of year	499.3	213.2	158.5	59.8	67.8
Changes in scope of consolidation	-1.4				-1.4
Amortisation	43.1		34.4		8.7
Disposals	-7.5				-7.5
Transfer	0.0			2.0	-2.0
Translation differences	-1.4	-0.7	-0.8		0.1
Accumulated amortisation at end of year	532.1	212.5	192.1	61.8	65.7
Carrying amounts at end of year	1,681.1	1,255.1	67.9	316.0	42.1

	Total	Goodwill	Patents and technology	Trademarks	Other intangible assets ¹
	MCHF	MCHF	MCHF	MCHF	MCHF
2015					
Cost at beginning of year	1,086.5	765.8	127.2	144.4	49.1
Changes in scope of consolidation	1,302.8	900.3	129.2	229.1	44.2
Additions	14.0				14.0
Disposals	-2.9				-2.9
Translation differences	-144.0	-158.1	4.5	8.0	1.6
Cost at end of year	2,256.4	1,508.0	260.9	381.5	106.0
Accumulated amortisation at beginning of year	441.2	225.9	127.2	59.8	28.3
Changes in scope of consolidation	35.4				35.4
Amortisation	37.5		30.8		6.7
Disposals	-2.5				-2.5
Transfer	0.0				0.0
Translation differences	-12.3	-12.7	0.5		-0.1
Accumulated amortisation at end of year	499.3	213.2	158.5	59.8	67.8
Carrying amounts at end of year	1,757.1	1,294.8	102.4	321.7	38.2

¹ Others: mainly software and capitalised product development costs (see → [Note 27: Research and development cost](#))

In 2016, the original cash generating units (CGU) were combined into a single CGU and only a single goodwill item is now tested for impairment. For further details see → [Note 1](#). The following table lists the carrying amounts and parameters of the items that are material for the Group.

	Carrying amount 31.12.2016	Carrying amount 31.12.2015	Calculation of recoverable amount (PY numbers in brackets)			
	MCHF	MCHF	Value in use (U) or fair value less cost to sell (F)	Growth rate beyond planning period	Discount rate pre-tax	Discount rate post-tax
				%	%	%
Goodwill	1,255.1	1,277.5	U	2.4 (2.1 - 2.5)	7.3 (8.0 - 9.4)	6.4 (7.1 - 7.3)
Geberit trademarks	84.6	84.6	U	2.4 (2.1)	7.4 (8.2)	6.4 (7.1)
Various other trademarks	231.4	237.1	U	2.4 (2.1)	5.7 - 8.5 (6.1 - 9.3)	5.6 - 7.2 (6.0 - 7.8)

The discounted cashflow method is applied to test the goodwill for impairment. The Group bases the impairment test on the current business plan (for a four-year period) and its assumptions 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 based on 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 are tested using the relief from royalty method. The item "Various other trademarks" mainly includes the trademarks Ifö, Keramik, Kolo, IDO, Twyford, Allia and Sphinx. 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 based on 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.

The sensitivity analysis shows that changes to the material assumptions (discount rate +0.5% and growth rate -1.0%) that are possible and realistic from today's perspective would not result in any need to impair the goodwill or the trademarks.

12. Short-term debt

	2016 MCHF	2015 MCHF
Other short-term debt	4.2	3.7
Total short-term debt	4.2	3.7

Short-term credit lines

The Group maintains credit lines of MCHF 40.6 (PY: MCHF 45.6) 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 of December 31, 2016 and 2015, the Group did not have any outstanding drawings on the above-mentioned credit lines.

Other short-term debt

As of December 31, 2016, the Group had MCHF 4.2 in other short-term debt (PY: MCHF 3.7). This debt incurred an effective interest rate of 5.4% (PY: 5.6%).

Currency mix

Of the short-term debt outstanding as of December 31, 2016, MCHF 4.1 was denominated in EUR (PY: MCHF 3.7).

13. Other current liabilities and provisions

	2016 MCHF	2015 MCHF
Compensation-related liabilities	89.9	88.6
Customer-related liabilities	77.3	58.0
Value added tax payables	49.7	28.3
Short-term derivative financial instruments (see → Note 15)	0.1	0.0
Short-term interest payables	3.5	5.1
Other current liabilities	43.0	37.0
Total other current liabilities	263.5	217.0

The position "other current liabilities" mainly includes accruals for services and deliveries which are not invoiced.

	2016 MCHF	2015 MCHF
Current provisions	25.8	15.4
Provisions for restructuring	11.9	16.2
Total current provisions	37.7	31.6

The movements of current provisions for 2016 and 2015 are shown in the following table:

	2016 MCHF	2015 MCHF
Current provisions		
January 1	15.4	2.0
Changes in scope of consolidation	0.0	12.6
Additions	15.9	4.0
Used	-4.3	-2.3
Reversed	-0.6	-1.2
Translation differences	-0.6	0.3
December 31	25.8	15.4

The current provisions increased mainly due to pending legal cases.

The movements of provisions for restructuring for 2016 and 2015 are shown in the following table:

	2016 MCHF	2015 MCHF
Provisions for restructuring		
January 1	16.2	0.0
Changes in scope of consolidation	0.0	13.5
Additions	1.5	4.0
Transfers	2.8	0.0
Used	-8.0	-1.9
Reversed	-0.2	0.0
Translation differences	-0.4	0.6
December 31	11.9	16.2

The restructuring provisions and the current provisions generated in 2015 relate primarily to the integration of the Sanitec Group into the functional organisational structure of the Geberit Group.

14. Long-term debt

	2016 MCHF	2015 MCHF
Bonds	829.5	831.4
Syndicated bank loan (term loan facility)	128.4	295.7
Credit facility (revolving facility)	0.0	0.0
Other long-term debt	8.8	8.4
Total long-term debt	966.7	1,135.5
Short-term portion of long-term debt	0.0	0.0
Total long-term debt	966.7	1,135.5

Bonds

Geberit has the following three bonds outstanding: a bond for MCHF 150 (fair value as of December 31, 2016: MCHF 150.8) with a term of four years and a coupon of 0.05% due 2019, a bond for MCHF 150 (fair value as of December 31, 2016: MCHF 152.6) with a term of eight years and a coupon of 0.3% due 2023, and a bond for MEUR 500 (fair value as of December 31, 2016: MEUR 513.1) with a term of six years and a coupon of 0.688% due 2021.

Syndicated bank loan (term loan facility)

The term loan facility is used for medium-term financing and has a term of three years due 2018. Its variable interest rate is based on the LIBOR plus a margin that depends on the ratio of net debt to EBITDA. MEUR 120 of the loan had been drawn as of December 31, 2016 (PY: MEUR 275). MEUR 155 was repaid in 2016. Its fair value of MEUR 120.1 was calculated by discounting all future cashflows at the current interest rate (swap rate for residual term plus credit spread).

Credit facility (revolving facility)

The firmly committed credit line ("revolving facility") of MCHF 300 is intended to ensure the Group's financial flexibility and has a term of five years due 2019. The interest rate is variable and is based on the LIBOR plus a fixed margin. An additional fee is charged if this credit line is drawn down. None of this credit facility was drawn down as of December 31, 2016. A commitment fee is charged in respect of the portion not drawn down.

The MEUR 500 bond, the syndicated bank loan and the credit facility are secured by guarantees from Geberit AG. The syndicated bank loan and the credit facility contain covenants and conditions typical for syndicated financing, including compliance with the following financial ratio:

- Net debt/EBITDA: max. 2.50x

This ratio was 0.59x in the reporting period.

Other long-term debt

As of December 31, 2016, the Group had MCHF 8.8 of other long-term debt (PY: MCHF 8.4). This debt incurred an effective interest rate of 5.9% (PY: 6.0%).

Currency mix

Of the total long-term debt outstanding as of December 31, 2016, MCHF 669.3 was denominated in EUR (PY: MCHF 839.1) and MCHF 297.4 in CHF (PY: MCHF 296.4).

15. Financial instruments

Derivative financial instruments

Where required, the Group hedges foreign currency exchange rate and interest rate risks using derivative financial instruments according to the treasury policy. This policy and the corresponding accounting policies for the Group's derivative financial instruments are disclosed in → Notes 3 and → 4. As of December 31, 2016 and 2015, the following derivative financial instruments were outstanding.

a) Cross Currency Interest Rate Hedges

The following instrument was used to hedge foreign exchange rate risks arising from the intercompany financing of subsidiaries:

2015	Maturity	Strike price	Contract amount buy	Contract amount sell	Fair value 31.12.	Interest rate %	Interest rate %	Calculation method
			MCHF	MUSD	MCHF	CHF	USD	
CHF buy/USD sell	18.12.2016	1.03345	12.4	-12.0	0.4	0.00	2.22	DCF ¹

¹ Discounted Cash Flow

The cross currency interest rate swap (CHF buy/USD sell) for MUSD 12.0 was not designated as a cashflow hedge according to IAS 39.86 et seq. The change in fair value of the instrument is recognised directly in the financial result, net. This instrument was terminated in 2016 as per maturity date.

b) Forward foreign exchange contracts and foreign exchange options

	Contract values					Fair value 31.12.	Calculation method
2016	MCZK	MEUR	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	-5.0	-55.0	-1.0	0.0	0.0	0.2	Mark-to-Market
2015	MCZK	MEUR	MGBP	MPLN	MDKK	MCHF	
Foreign exchange contracts	-5.0	-10.0	0.0	-2.0	0.0	0.1	Mark-to-Market

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

Measurement of financial instruments by categories according to IAS 39

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 according to IAS 39. In addition, a fair value measurement hierarchy was introduced for assets and liabilities that are measured at fair value. 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 of 31.12.2016	Loans and receivables	Financial assets at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	509.7	509.7	0.0	
Trade accounts receivable	174.4	174.4	0.0	
Other current assets	110.7	110.7	0.0	
Other non-current assets	5.4	5.2	0.2	Level 2
Derivative financial instruments	0.3	0.0	0.3	Level 2
Total	800.5	800.0	0.5	

	Carrying amount as of 31.12.2016	Financial liabilities at amortised cost	Financial liabilities at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	4.2	4.2	0.0	
Trade accounts payable	112.3	112.3	0.0	
Bonds	829.5	829.5	0.0	
Syndicated bank loan	128.4	128.4	0.0	
Other financial liabilities	8.8	8.8	0.0	
Derivative financial instruments	0.1	0.0	0.1	Level 2
Total	1,083.3	1,083.2	0.1	

	Carrying amount as of 31.12.2015	Loans and receivables	Financial assets at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial assets				
Cash and cash equivalents	459.6	459.6	0.0	
Trade accounts receivable	130.6	130.6	0.0	
Other current assets	90.2	90.2	0.0	
Other non-current assets	5.2	5.0	0.2	Level 2
Derivative financial instruments	0.5	0.0	0.5	Level 2
Total	686.1	685.4	0.7	

	Carrying amount as of 31.12.2015	Financial liabilities at amortised cost	Financial liabilities at fair value	Fair value measurement hierarchy
	MCHF	MCHF	MCHF	
Financial liabilities				
Short-term debt	3.7	3.7	0.0	
Trade accounts payable	105.5	105.5	0.0	
Bonds	831.4	831.4	0.0	
Syndicated bank loan	295.7	295.7	0.0	
Other financial liabilities	8.4	8.4	0.0	
Derivative financial instruments	0.0	0.0	0.0	
Total	1,244.7	1,244.7	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 of the balance sheet date:

	Carrying amount	Maturity				
	31.12.2016	2017	2018	2019	2020	2021 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	4.2	4.4	0.0	0.0	0.0	0.0
Trade accounts payable	112.3	112.3	0.0	0.0	0.0	0.0
Bonds	829.5	4.2	4.2	154.2	4.1	691.8
Syndicated bank loan	128.4	1.0	129.8	0.0	0.0	0.0
Other financial liabilities	8.8	0.5	2.7	2.3	2.1	3.1
Total non-derivative financial liabilities	1,083.2	122.4	136.7	156.5	6.2	694.9
Derivative financial assets, net	-0.2	60.5	0.0	0.0	0.0	0.0
Total derivative financial instruments	-0.2	60.5	0.0	0.0	0.0	0.0
Total	1,083.0	182.9	136.7	156.5	6.2	694.9

	Carrying amount	Maturity				
	31.12.2015	2016	2017	2018	2019	2020 and later
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Short-term debt	3.7	3.9	0.0	0.0	0.0	0.0
Trade accounts payable	105.5	105.5	0.0	0.0	0.0	0.0
Bonds	831.4	4.2	4.2	4.2	154.2	700.2
Syndicated bank loan	295.7	2.2	2.2	297.8	0.0	0.0
Other financial liabilities	8.4	0.5	2.7	2.1	1.7	3.1
Total non-derivative financial liabilities	1,244.7	116.3	9.1	304.1	155.9	703.3
Derivative financial assets	-0.5	23.9	0.0	0.0	0.0	0.0
Total derivative financial instruments	-0.5	23.9	0.0	0.0	0.0	0.0
Total	1,244.2	140.2	9.1	304.1	155.9	703.3

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:

	2016	Noncash movements				2015
	Total	Cashflows	Changes in scope of consolidation	Translation differences	Others	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Long-term debt	966.7	-172.5	0.0	-3.8	7.5	1,135.5
Short-term debt	4.2	-0.3	0.0	0.0	0.8	3.7
Interest liabilities	3.5	-6.2	0.0	0.0	4.6	5.1
Total	974.4	-179.0	0.0	-3.8	12.9	1,144.3

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.

	2016 MCHF	2015 MCHF
Switzerland		
Benefit obligation (for funded retirement benefit plans)	582.9	554.9
Plan assets at fair value	510.6	496.1
Funded status	-72.3	-58.8
Germany		
Benefit obligation (for unfunded retirement benefit plans)	220.9	210.6
Plan assets at fair value	0.0	0.0
Funded status	-220.9	-210.6
Reimbursement rights	12.3	10.8
Other plans		
Benefit obligation (for funded retirement benefit plans)	42.2	39.6
Benefit obligation (for unfunded retirement benefit plans)	30.8	29.1
Plan assets at fair value	40.8	38.7
Funded status	-32.2	-30.0
Reimbursement rights	7.0	6.4
Total		
Benefit obligation (for all retirement benefit plans)	876.8	834.2
Plan assets at fair value	551.4	534.8
Funded status	-325.4	-299.4
Reimbursement rights	19.3	17.2

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 current financial status of the Swiss BVG-based pension plans does not require any remedial measures; the technical funding ratio of this Foundation in accordance with the BVG was 114.6% as of December 31, 2016 (PY: 115%).

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". On retirement, the benefit is drawn as a lump sum or converted into a fixed-term annuity. The employer's contributions must equal at least the total of all contributions by the insured party.

A pension plan of Bekon-Koralle AG was acquired with the Sanitec Group in 2015. This company belongs to the Koralle Group, which was sold on July 1, 2016 (see → [Note 2](#)).

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 make 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.

The acquisition of the Sanitec Group also added various pension plans in Germany. In respect of Keramag Keramische Werke GmbH, Ratingen, there exists a benefit obligation arising from certain pension commitments made as well as a benefit obligation with reinsurance assets.

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

	2016	2015
	MCHF	MCHF
Current service cost	33.2	31.1
Contributions of employees	-9.2	-8.9
Net interest cost for retirement benefit plans	4.2	4.2
Net periodic pension cost	28.2	26.4

The service cost for the Swiss retirement benefit plans was MCHF 22.5 in 2016 (PY: MCHF 21.5) and for the German retirement benefit plans MCHF 9.7 (PY: MCHF 8.6). The net interest cost for the Swiss retirement benefit plans was MCHF 0.4 in 2016 (PY: MCHF 0.3) and for the German retirement benefit plans MCHF 3.5 (PY: MCHF 3.6).

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

	2016	2015
	MCHF	MCHF
Actuarial gains (-) / losses:	43.1	21.8
- of which from changes in demographic assumptions	-1.0	-0.3
- of which from changes in financial assumptions	43.4	22.2
- of which from experience adjustments	0.7	-0.1
Return on plan assets (excluding interest based on discount rate)	-22.2	-6.9
Return on reimbursement rights (excluding interest based on discount rate)	-0.1	-0.1
Asset ceiling adjustment	0.0	0.0
Total pre-tax remeasurements recognised in other comprehensive income	20.8	14.8

The remeasurements recognised in other comprehensive income in the Consolidated Statements of Comprehensive Income in 2016 for the Swiss retirement benefit plans amounted to MCHF 13.6 (PY: MCHF 15.6) and for the German retirement benefit plans to MCHF 5.4 (PY: MCHF 2.7).

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

	2016	2015
	MCHF	MCHF
Benefit obligation		
At beginning of year	834.2	727.5
Changes in scope of consolidation	-15.1	87.6
Current service cost	33.2	31.1
Interest cost	10.0	11.9
Actuarial gains (-) / losses	43.1	21.8
New plans / plan adjustments	1.5	0.1
Benefits paid	-22.8	-26.8
Translation differences	-7.3	-19.0
Benefit obligation at end of year	876.8	834.2

	2016 MCHF	2015 MCHF
Plan assets at fair value		
At beginning of year	534.8	471.0
Changes in scope of consolidation	-9.5	47.3
Interest income (based on discount rate)	5.3	7.2
Return on plan assets (excluding interest based on discount rate)	22.2	6.9
Contributions of employees	8.7	8.5
Contributions of employers	9.0	9.3
New plans / plan adjustments	0.0	-0.1
Benefits paid	-13.8	-17.2
Translation differences	-5.3	1.9
Plan assets at fair value at end of year	551.4	534.8
Funded status at end of year	-325.4	-299.4
Asset ceiling adjustment	0.0	0.0
Assets from defined benefit plans (→ Note 10)	-0.4	-1.4
Net funded status at end of year	-325.8	-300.8
	2016 MCHF	2015 MCHF
Fair value of reimbursement rights		
At beginning of year	17.2	16.2
Changes in scope of consolidation	0.0	0.0
Interest income (based on discount rate)	0.5	0.5
Return on reimbursement rights (excluding interest based on discount rate)	0.1	0.1
Contributions of employers	1.3	1.3
Contributions of employees	0.5	0.4
Benefits paid	-0.3	-0.3
Translation differences	0.0	-1.0
Fair value of reimbursement rights at end of year	19.3	17.2

As of December 31, 2016, the fair value of the reinsurance policies for the German retirement benefit plans was MCHF 12.3 (PY: MCHF 10.7).

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

	2016			2015		
	Listed on an active market	Other	Total	Listed on an active market	Other	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Equity instruments	192.8	9.0	201.8	184.4	8.8	193.2
Bonds and other debt instruments	108.5	38.0	146.5	109.7	36.0	145.7
Real estate property	54.8	121.1	175.9	50.7	114.8	165.5
Cash and cash equivalents	20.1	0.0	20.1	15.4	0.0	15.4
Other	2.4	4.7	7.1	2.8	12.2	15.0
Total	378.6	172.8	551.4	363.0	171.8	534.8

The plan asset of the Swiss retirement benefit plans was MCHF 510.6 as of December 31, 2016 and the effective income on the plan assets was +3.45% in 2016 and +2.6% in 2015. As of the end of 2016, the plan assets included MCHF 6.3 (PY: MCHF 5.2) in equity instruments of Geberit AG and MCHF 10.1 (PY: MCHF 10.1) 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:

	2016				2015			
	Active members	Deferred members	Pensioners	Total	Active members	Deferred members	Pensioners	Total
Plan members (number)								
Swiss retirement benefit plans	1,238		500	1,738	1,248	4	487	1,739
German retirement benefit plans	4,254	525	355	5,134	4,065	500	371	4,936
Total plan members	5,492	525	855	6,872	5,313	504	858	6,675
Benefit obligation (in MCHF)								
Swiss retirement benefit plans	346.6		236.3	582.9	335.6	0.7	218.6	554.9
German retirement benefit plans	156.4	23.7	40.8	220.9	147.7	22.9	40.0	210.6
Total benefit obligation	503.0	23.7	277.1	803.8	483.3	23.6	258.6	765.5
Share in %	62.6	2.9	34.5	100.0	63.1	3.1	33.8	100.0

The weighted average duration of the benefit obligation for the Swiss retirement benefit plans is approx. 17 years (PY: approx. 16 years) and for the German retirement benefit plans approx. 12 years (PY: approx. 12 years).

Employer contributions of MCHF 8.9 are expected for the Swiss retirement benefit plans in 2017. 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 %):

	2016		2015	
	CH	DE	CH	DE
Discount rate	0.6	1.6	0.8	1.8
Salary increase rate	1.2	0 - 2.5	1.2	0 - 2.5
Pension increase rate	0.0	2.0	0.0	2.0
Mortality	BVG 2015 generations table	2005G actuarial tables	BVG 2010 generations table	2005G actuarial tables

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	-7.6%	-5.5%
Reduced by 50 basis points	+8.7%	+6.2%
Salaries		
Increased by 25 basis points	+0.43%	+0.03%
Reduced by 25 basis points	-0.42%	-0.03%

In addition, the Group's consolidated income statement for 2016 included expenses for defined contribution plans of MCHF 7.4 (PY: MCHF 10.0).

17. Participation plans

Share plans

In 2016, employees were able to purchase a defined number of shares at a discount of 35% (PY: 45%) compared to the market price ("Employee share purchase plan 2016"). 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 2016"). For each of these shares, management participants received one option (see part 2: → "Option plans"). As part of the "Directors programme 2016", members of the Board of Directors received their compensation for 2015 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 2016 are summarised below:

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2016 (ESPP)	2018	2,234	18,661	235.14
Management share purchase plan 2016 (MSPP)	2019	91	8,600	361.75
Directors programme 2016 (DSPP)	2020	6	3,616	361.75
Total			30,877	

The 30,877 shares required for these plans were taken from the stock of treasury shares.

As of December 31, 2016, the Board of Directors, the Group Executive Board and the employees owned a combined total of 353,688 (PY: 357,850) shares, i.e. 1.0% (PY: 0.9%) 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, a free option is provided for each share purchased through the programme. These options are subject to a vesting period of four years: a quarter of the options can be exercised one year after the grant, a further quarter two years after the grant, a further quarter three years after the grant, and the remaining quarter four years after the grant.

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 five years: a third of the options can be exercised three years after the grant, a further third four years after the grant and a further third five years after the grant.

The exercise price of the options corresponds to the fair market value of the Geberit shares at the time of grant. The options have a term of seven years (MSPP) resp. ten years (MSOP) after which they expire. 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 is a summary of the options allocated to the management in 2016:

	End of vesting period	Maturity	Number of participants	Number of options allocated	Exercise price CHF
Management share purchase plan 2016 (MSPP)	2017 - 2020	2023	91	8,600	361.75
Option plan 2016 (MSOP)	2019 - 2021	2026	88	122,619	361.75
Total				131,219	

The fair value of the options granted in 2016 amounted on average to CHF 26.81 (PY: 34.06) for MSPP and CHF 31.42 (PY: 34.06 resp. 33.48 for the members of the Group Executive Board) 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 ¹	Expected Ø volatility	Expected Ø dividend yield	Contractual period	Riskfree Ø interest rate
	CHF	%	%	Years	%
Management share purchase plan 2016 (MSPP)	361.75	17.06	2.33	7	-0.61
Option plan 2016 (MSOP)	361.75	17.43	2.33	10	-0.42

¹ The exercise price corresponds to the average price of Geberit shares for the period from 8. - 21.3.2016.

The following table summarises all option plans in place as of December 31, 2016:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2017 - 2022	86,867	260.16	86,867	260.16
2017	2020 - 2023	94,138	292.12	94,138	292.12
2018	2021 - 2023	70,845	311.26	70,845	311.26
2019	2022 - 2026	67,393	357.15	67,393	357.15
2020	2023 - 2026	42,811	361.75	42,811	361.75
2021	2026	40,661	361.75	40,661	361.75
Total		402,715	313.91	402,715	313.91

The following movements took place in 2016 and 2015:

	MSOP		MSPP		Total 2016		Total 2015	
	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 January 1	312,211	278.09	34,873	287.80	347,084	279.07	302,914	247.98
Granted options	122,619	361.75	8,600	361.75	131,219	361.75	97,747	349.15
Forfeited options	3,248	295.82	21	327.98	3,269	296.03	1,126	246.95
Expired options	0	0	0	0	0	0	0	0
Exercised options	66,744	231.59	5,575	253.10	72,319	233.25	52,451	230.85
Outstanding December 31	364,838	314.35	37,877	309.68	402,715	313.91	347,084	279.07
Exercisable at December 31	75,933	259.10	10,934	267.56	86,867	260.16	49,223	232.22

The 402,715 options outstanding represent 1.1% of the outstanding shares of Geberit AG. In principle, the Group hedges this exposure with treasury shares. The options outstanding at December 31, 2016 had an exercise price of between CHF 192.85 and CHF 361.75 and an average remaining contractual life of 5.8 years. Cost resulting from participation plans amounted to MCHF 2.6 in 2016 (PY: MCHF 3.0); those for option plans totalled MCHF 2.9 (PY: MCHF 3.0).

18. Deferred tax assets and liabilities

	2016	Movements 2016					2015
	Total	(Charged) / credited to income	Through equity	Through OCI ¹	Changes in scope of consolidation	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets							
Loss carryforwards	8.2	4.0	0.0	0.0	0.0	0.0	4.2
Accrued pension obligations	37.2	0.4	0.0	3.8	-0.6	-0.1	33.7
Property, plant and equipment	7.5	1.6	0.0	0.0	0.0	-0.3	6.2
Intangible assets	19.0	-9.6	0.0	0.0	0.0	0.0	28.6
Other	24.8	0.9	0.8	0.2	0.1	-0.2	23.0
Total deferred tax assets	96.7	-2.7	0.8	4.0	-0.5	-0.6	95.7
Deferred tax liabilities							
Inventories	-5.0	-0.2	0.0	-0.1	0.1	-0.1	-4.7
Property, plant and equipment	-31.0	-1.5	0.0	0.0	0.1	0.2	-29.8
Intangible assets	-48.7	40.1	0.0	-0.4	0.0	0.0	-88.4
Employer contribution reserve	-0.2	0.0	0.0	0.7	0.0	0.1	-1.0
Other	-4.8	-1.0	0.0	0.0	0.2	0.1	-4.1
Total deferred tax liabilities	-89.7	37.4	0.0	0.2	0.4	0.3	-128.0

¹ Recorded in other comprehensive income

	2015	Movements 2015					2014
	Total	(Charged) / credited to income	Through equity	Through OCI ¹	Changes in scope of consolidation	Translation differences	Total
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Deferred tax assets							
Loss carryforwards	4.2	-2.6	0.0	0.0	3.8	-0.2	3.2
Accrued pension obligations	33.7	0.2	0.0	3.5	3.8	-2.2	28.4
Property, plant and equipment	6.2	0.4	0.0	0.0	3.1	-0.1	2.8
Intangible assets	28.6	11.8	0.0	0.0	0.4	0.0	16.4
Other	23.0	-1.7	0.7	-10.2	8.9	-0.2	25.5
Total deferred tax assets	95.7	8.1	0.7	-6.7	20.0	-2.7	76.3
Deferred tax liabilities							
Inventories	-4.7	6.0	0.0	0.0	-4.6	0.0	-6.1
Property, plant and equipment	-29.8	-0.3	0.0	0.0	-2.1	1.2	-28.6
Intangible assets	-88.4	5.3	0.0	0.0	-81.7	-3.7	-83
Employer contribution reserve	-1.0	-0.1	0.0	-0.8	-0.1	0.0	0.0
Other	-4.1	0.5	0.0	0.3	-0.2	0.7	-5.4
Total deferred tax liabilities	-128.0	11.4	0.0	-0.5	-88.7	-1.8	-48.4

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 of December 31, 2016 and 2015, 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 0.1.

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:

	2016	Without deferred tax asset	With deferred tax asset	2015	Without deferred tax asset	With deferred tax asset
	MCHF	MCHF	MCHF	MCHF	MCHF	MCHF
Maturity						
1 year	0.2	0.0	0.2	0.7	0.0	0.7
2 years	0.0	0.0	0.0	0.6	0.0	0.6
3 years	16.7	15.3	1.4	0.9	0.0	0.9
4 years	7.2	0.0	7.2	20.3	16.1	4.2
5 years	2.0	0.0	2.0	6.0	5.4	0.6
6 years	10.6	8.7	1.9	6.7	6.2	0.5
> 6 years	149.0	128.3	20.7	130.8	119.6	11.2
Total loss carryforwards	185.7	152.3	33.4	166.0	147.3	18.7

19. Other non-current liabilities and provisions

	2016	2015
	MCHF	MCHF
Accrued investment grants	3.6	3.6
Other non-current liabilities	7.6	6.5
Total other non-current liabilities	11.2	10.1
Provisions for operating risks	31.6	28.6
Other non-current provisions	3.2	2.3
Total non-current provisions	34.8	30.9
Total other non-current liabilities and provisions	46.0	41.0

Movements of the provisions for operating risks in 2016 and 2015 are shown in the following table.

	2016	2015
	MCHF	MCHF
Provisions for operating risks		
January 1	28.6	22.9
Changes in scope of consolidation	0.0	6.7
Additions	14.0	7.6
Used	-8.4	-6.0
Reversed	-2.5	-0.9
Translation differences	-0.1	-1.7
December 31	31.6	28.6

Provisions for operating risks mainly include provisions for warranties. The payments for the warranty claims delay on average 3.6 years (PY: 3.9 years).

	2016 MCHF	2015 MCHF
Other non-current provisions		
January 1	2.3	1.6
Changes in scope of consolidation	0.0	0.7
Additions	0.0	0.0
Transfers	1.6	0.0
Used	-0.6	0.0
Reversed	-0.2	0.0
Translation differences	0.1	0.0
December 31	3.2	2.3

20. Contingencies

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 adverse 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 adverse effect on the Group's financial position or operating results.

The product area Bathroom Ceramics was exposed to many challenges in the past. Declining export markets on a European level but also for the local demand in France led to production over-capacities and an ongoing cost pressure. As a result, in France the strategic options regarding the production sites of Allia SAS in La Villeneuve-au-Chêne and Digoin are being discussed. For this purpose, an information and consultation process was initiated with the central work council of the company. Closure of the two French production plants is considered in the contemplated project for the sites. This project is submitted to the information and consultation of Allia employee representative bodies. If this project would materialize the related cost could be in a range of MCHF 30 to MCHF 40. However, depending on the outcome of the negotiations and the finally chosen option, the amount could also be below or above this range.

21. Capital stock and treasury shares

	2016 pcs.	2015 pcs.
Issued shares		
January 1	37,798,427	37,798,427
Capital reduction	-757,000	0
December 31	37,041,427	37,798,427

The share buyback programme, which began on April 30, 2014, ended on February 29, 2016. A total of 757,000 registered shares were bought back for MCHF 247.8. When the programme ended, this represented 2.0% of the share capital registered with the commercial register. The share buyback programme was conducted via a second trading line set up especially for this purpose. The average purchase price per share was CHF 327.40. The General Shareholders Meeting of April 6, 2016 approved the proposal to cancel the repurchased shares by means of a capital reduction. The shares were cancelled on June 20, 2016.

	2016	2015
	pcs.	pcs.
Stock of treasury shares		
From share buyback programmes	0	634,600
Other treasury shares	239,869	243,280
Total treasury shares	239,869	877,880

As of December 31, 2016, the Group held a total of 239,869 (PY: 877,880) treasury shares with a carrying amount of MCHF 79.4 (December 31, 2015: MCHF 276.5), meaning that the Group decreased its net number of treasury shares by 638,011 in 2016. Treasury shares are deducted at cost from equity.

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.

	2016	2015
Attributable net income according to income statement (MCHF)	548.2	422.4
Weighted average number of ordinary shares (thousands)	36,839	37,279
Total earnings per share (CHF)	14.88	11.33

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.

	2016	2015
Attributable net income according to income statement (MCHF)	548.2	422.4
Weighted average number of ordinary shares (thousands)	36,839	37,279
Adjustments for share options (thousands)	72	59
Weighted average number of ordinary shares (thousands)	36,911	37,338
Total diluted earnings per share (CHF)	14.85	11.31

23. Other operating expenses, net

	2016	2015
	MCHF	MCHF
Outbound freight cost and duties	98.0	89.9
Energy and maintenance expenses	129.2	107.9
Marketing expenses	105.2	97.7
Administration expenses	68.7	64.2
Other operating expenses	169.6	161.3
Other operating income	-23.8	-15.0
Total other operating expenses, net	546.9	506.0

"Other operating expenses" includes, among other things, commissions, rental and consulting expenses as well as warranty cost.

"Other operating income" includes, among other things, insurance benefits received, rental income, gains from sales of fixed assets and subsidiaries and catering revenues.

In 2016, cost of MCHF 16.4 (PY: MCHF 14.6) 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

	2016 MCHF	2015 MCHF
Interest expenses	-9.5	-9.0
Amortisation of deferred financing fees	-2.1	-8.7
Other financial expenses	-1.9	-2.4
Total financial expenses	-13.5	-20.1
Interest income	1.9	1.2
Total financial income	1.9	1.2
Foreign exchange loss (-) /gain	2.3	-4.6
Total financial result, net	-9.3	-23.5

"Interest expenses" mainly includes the interest for the bonds and for the syndicated bank loans. The main part of the position "Amortisation of deferred financing fees" in 2015 belongs to the amortisation of cost related to the installation of the bridge facility. "Other financial expenses" mainly includes commitment and other fees.

25. Income tax expenses

	2016 MCHF	2015 MCHF
Current taxes	117.3	71.9
Deferred taxes	-34.7	-19.5
Total income tax expenses	82.6	52.4

The differences between income tax expenses computed at the weighted-average applicable tax rate of the Group of 14.6% (PY: 19.3%) and the effective income tax expenses were as follows:

	2016 MCHF	2015 MCHF
Income tax expenses, at applicable rate	91.8	91.6
Operating losses with no current tax benefit	3.1	11.9
Offsetting of current profits against loss carryforwards without tax assets	-6.1	-30.2
Changes in future tax rates	-0.4	0.5
Taxable goodwill amortisation	0.0	-3.2
Non-deductible expenses and non-taxable income, net	0.8	-23.0
Other	-6.6	4.8
Total income tax expenses	82.6	52.4

"Other" in 2016 includes mainly reversals of tax provisions. In 2015 there were several one-off effects resulting from the Sanitec acquisition (transaction) or from subsequent integration projects (e.g. transfer of IP rights).

26. Operating Leasing

	2016 MCHF	2015 MCHF
Minimum lease payments		
< 1 year	19.8	16.6
1-5 years ¹	53.7	49.6
> 5 years ¹	71.3	76.9
Total minimum lease payments	144.8	143.1

¹ The permanent (open-ended) contracts were defined to last for a period of eight years in 2016. In 2015 there was no such specific definition. Therefore the figures for 2015 were adjusted on the basis of this new definition.

The lease expenses for 2016 were MCHF 24.8 (PY: MCHF 18.5). The acquisition of the Sanitec Group added various operating lease agreements in 2015. The leasing agreements are mainly for rent of buildings and equipment.

27. Research and development cost

	2016 MCHF	2015 MCHF
Research and development expenses	72.3	63.4
Capitalised development expenses	-5.7	-7.8
Amortisation of capitalised development expenses	2.1	1.1
Research and development cost	68.7	56.7

Geberit spent in the past in average around 2.4% of net sales on research and development every year (2016: 2.6%). The expenses have remained relatively constant over the years. In 2016, research and development expenses totalling MCHF 72.3 (PY: MCHF 63.4) were included in the items "Personnel expenses", "Depreciation" and "Other operating expenses, net". For four major development projects, the capitalisation criteria according to IAS 38.57 were met and expenses of MCHF 5.7 (PY: MCHF 7.8) were capitalised.

28. Cashflow figures

Net cashflow is calculated as follows:

	2016 MCHF	2015 MCHF
EBITDA ¹	785.2	631.7
Financial result, net	-9.3	-23.5
Income tax expenses	-82.6	-52.4
Changes in deferred taxes ² and current income tax liabilities and provisions	-21.4	-19.5
Changes in non-current provisions	32.0	23.9
Non-cash effective depreciation of the Sanitec inventory revaluation	0.0	28.4
Changes in non-current assets and other	-4.9	7.7
Net cashflow	699.0	596.3

¹ EBIT + Depreciation + Amortisation

² Only portion booked to the income statement

"Changes in non-current provisions" mainly includes the changes in provisions for operating risks, accrued pension obligations and non-cash expenses resulting from share participation and option plans charged or credited to net income.

"Changes in non-current assets and other" mainly includes the changes in prepaid pension assets booked to net income, the reclassification of gains from the disposal of property, plant and equipment and subsidiaries and the amortisation of deferred financing fees.

Free cashflow is calculated as follows:

	2016	2015
	MCHF	MCHF
Net cashflow	699.0	596.3
Purchase of property, plant and equipment and intangible assets, net	-132.9	-141.0
Changes in net working capital	10.1	40.4
Payments charged to non-current provisions	-12.3	-11.7
Free cashflow	563.9	484.0

As per the Group definition, the term "Free cashflow" does not include cashflows from divestments or acquisitions of subsidiaries, proceeds or repayments of borrowings, the purchase or sale of treasury shares and dividend payments.

"Changes in net working capital" comprises the changes in the aggregate of trade accounts receivable, inventories and other current assets, less the aggregate of trade accounts payable and other current provisions and liabilities.

"Payments charged to non-current provisions" mainly includes outflows resulting from pension and warranty obligations.

"Net cashflow" and "Free cashflow" are no substitute for figures shown in the consolidated income statements and the consolidated statements of cashflows, but they 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 subsidiary is local market development, which focuses mainly on the support of plumbers, sanitary planners and wholesalers. 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 lines 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 geographical allocation of net sales is based on the domicile of the customers.

The information is as follows:

	2016 MCHF	2015 MCHF
Net sales by product lines		
Installation Systems	789.9	724.1
Cisterns and Mechanisms	254.7	221.2
Faucets and Flushing Systems	123.4	117.9
Waste Fittings and Traps	95.5	82.7
Sanitary Systems	1,263.5	1,145.9
Building Drainage Systems	300.6	286.1
Supply Systems	523.2	512.7
Piping Systems	823.8	798.8
Bathroom Ceramics	561.5	478.1
Ceramics Complementary Products	160.2	170.9
Sanitary Ceramics	721.7	649.0
Total net sales	2,809.0	2,593.7
	2016 MCHF	2015 MCHF
Net sales by markets		
Germany	861.0	798.2
Nordic Countries	306.3	253.3
Switzerland	281.0	275.7
Central/Eastern Europe	256.8	238.2
Benelux	219.0	195.8
Italy	185.9	172.6
France	170.8	153.1
Austria	147.3	129.8
United Kingdom/Ireland	123.2	126.1
Iberian Peninsula	18.8	17.3
Other markets	238.9	233.6
Total net sales	2,809.0	2,593.7
	2016 MCHF	2015 MCHF
Share of net sales by customers		
Customers with more than 10% of net sales: customer A	403.3	376.2
Total > 10%	403.3	376.2
Remaining customers with less than 10% of net sales	2,405.7	2,217.5
Total net sales	2,809.0	2,593.7

	2016 MCHF	2015 MCHF
Property, plant and equipment by markets		
Germany	250.0	232.8
Nordic Countries	36.0	43.7
Switzerland	161.7	169.3
Central/Eastern Europe	107.4	102.9
Benelux	4.9	3.4
Italy	48.5	45.3
France	10.2	10.7
Austria	39.6	38.0
United Kingdom/Ireland	2.3	1.7
Iberian Peninsula	11.7	11.2
Other markets	54.2	56.4
Total property, plant and equipment	726.5	715.4

30. Related party transactions

In 2016 and 2015, total booked compensation for the Group Executive Board and the Board of Directors was as follows:

	2016 MCHF	2015 MCHF
Remuneration and salary fixed	5.2	4.9
Remuneration and salary variable	2.7	1.5
Options	2.2	1.6
Expenditure on pensions	1.1	0.9
Other	0.1	0.1
Total	11.3	9.0

Further information regarding compensation and investments of the Group Executive Board and the Board of Directors is disclosed in the Remuneration Report.

In 2016 and 2015, there were no further material related party transactions.

31. Foreign exchange rates

The following exchange rates were used for the consolidated financial statements:

			2016		2015	
	Currency		Balance sheet	Income statement	Balance sheet	Income statement
European Currency Union	EUR	1	1.0736	1.0908	1.0819	1.0675
United Kingdom	GBP	1	1.2515	1.3344	1.4682	1.4726
USA	USD	1	1.0191	0.9845	0.9900	0.9618
Poland	PLN	100	24.2900	25.0150	25.3800	25.5470
China	CNY	100	14.6600	14.7610	15.2400	15.3510
Denmark	DKK	100	14.4400	14.6460	14.4990	14.3290
Australia	AUD	1	0.7368	0.7328	0.7231	0.7224
Czech Republic	CZK	100	3.9730	4.0380	4.0040	3.9030
Hungary	HUF	100	0.3453	0.3500	0.3453	0.3450
Norway	NOK	100	11.8130	11.7380	11.2630	11.9640
Sweden	SEK	100	11.2020	11.5210	11.7660	11.4270
Singapore	SGD	1	0.7048	0.7137	0.7003	0.6991
South Africa	ZAR	100	7.4800	6.7060	6.3700	7.6090
Turkey	TRY	100	28.8840	32.5180	33.9460	35.2940
Russia	RUB	100	1.6790	1.4940	1.3440	1.5760
Ukraine	UAH	100	3.7600	3.8600	4.1300	4.4630
India	INR	100	1.5000	1.4660	1.5000	1.5030

32. Subsequent events

Approval for publication of the consolidated financial statements

The consolidated financial statements are subject to approval by the General Meeting and were released for publication by the Board of Directors on March 8, 2017.

33. Group companies as of December 31, 2016

Switzerland	Ownership in %
Geberit AG, Rapperswil-Jona	
Geberit Holding AG, Rapperswil-Jona	100
Geberit International AG, Rapperswil-Jona	100
Geberit International Sales AG, Rapperswil-Jona	100
Geberit Verwaltungs AG, Rapperswil-Jona	100
Geberit Vertriebs AG, Rapperswil-Jona	100
Geberit Marketing e Distribuzione SA, Rapperswil-Jona	100
Geberit Produktions AG, Rapperswil-Jona	100
Geberit Apparate AG, Rapperswil-Jona	100
Geberit Fabrication SA, Givisiez	100
Geberit Finanz AG, Rapperswil-Jona	100
Australia	
Geberit Pty Ltd., North Ryde NSW	100
Austria	
Geberit Vertriebs GmbH & Co. KG, Pottenbrunn	100
Geberit Produktions GmbH & Co. KG, Pottenbrunn	100
Geberit Beteiligungsverwaltung GmbH, Pottenbrunn	100
Geberit Huter GmbH, Matrei	100
Belgium	
Geberit N.V., Machelen	100
Channel Islands	
Geberit Reinsurance Ltd., Guernsey	100
China	
Geberit Flushing Technology Co. Ltd., Daishan	100
Geberit Plumbing Technology Co. Ltd., Shanghai	100
Geberit Shanghai Trading Co. Ltd., Shanghai	100
Geberit Shanghai Investment Administration Co. Ltd., Shanghai	100
Sanitec Trading (Zhongshan) Co. Ltd., Zhongshan	100
Czech Republic	
Geberit spol. s.r.o., Brno	100
Denmark	
Geberit A/S, Lystrup	100
Finland	
Geberit Oy, Helsinki	100
Geberit Investment Oy, Vantaa (Helsinki)	100
Sanitec Oyj, Helsinki	100
IDO Kylpyhuone Oy, Tammisaari	100
Sanitec Russia Oy, Helsinki	100

France

Geberit S.a.r.l., Rungis Cedex	100
Geberit Holding France S.A., Samoreau	100
Varicor S.A.S., Wisches	100
Allia S.A.S., Samoreau	100
Alliages Céramiques S.A.S., Limoges	100
Produits Céramiques de Touraine S.A.S., Samoreau	100

Germany

Geberit Verwaltungs GmbH, Pfullendorf	100
Geberit Service GmbH & Co. KG, Pfullendorf	100
Geberit Vertriebs GmbH, Pfullendorf	100
Geberit Produktions GmbH, Pfullendorf	100
Geberit Logistik GmbH, Pfullendorf	100
Geberit Mapress GmbH, Langenfeld	100
Geberit RLS Beteiligungs GmbH, Langenfeld	100
Geberit Lichtenstein GmbH, Lichtenstein	100
Geberit Weilheim GmbH, Weilheim	100
Allia Holding GmbH, Pfullendorf	100
Sanitec Beteiligungs- und Service GmbH, Vlotho	100
Keramag Service GmbH & Co. KG, Pfullendorf	100
Keramag Keramische Werke GmbH, Ratingen	100
Varicor GmbH, Gaggenau	100
Ceravid GmbH, Essen	100
Koralle International GmbH, Vlotho	100

Hungary

Geberit Kft, Budapest	100
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India

Geberit Plumbing Technology India Pvt. Ltd., Bangalore	100
Geberit India Manufacturing Pvt. Ltd., Bangalore	100

Italy

Geberit Produzione S.p.a., Villadose	100
Geberit Service S.p.a., Spilimbergo	100
Pozzi Ginori S.p.a., Spilimbergo	100

Netherlands

Geberit B.V., Nieuwegein	100
Geberit International B.V., Nieuwegein	100

Nigeria

Geberit Nigeria Ltd., Ikoyi, Lagos	100
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Norway

Geberit AS, Lorenskog	100
Geberit Service AS, Porsgrunn	100

Poland

Geberit Sp. z o.o., Warsaw	100
Geberit Service Sp. z o.o., Lodz	100
Geberit Ozorków Sp. z o.o., Ozorkow	100
Geberit Produkcja Sp. z o.o., Kolo	100

Portugal

Geberit Tecnologia Sanitária S.A., Lisbon	100
Geberit Produção S.A., Carregado	100

Romania

Geberit SRL, Bucharest	100
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Russia

Geberit RUS LLC, Moscow	100
Sanitec Trading LLC, Moscow	100

Singapore

Geberit South East Asia Pte. Ltd., Singapore	100
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Slovakia

Geberit Slovensko s.r.o., Bratislava	100
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Slovenia

Geberit proizvodnja d.o.o., Ruše	100
Geberit prodaja d.o.o., Ruše	100

South Africa

Geberit Southern Africa (Pty) Ltd., Johannesburg	100
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Spain

Geberit S.A.U., Barcelona	100
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Sweden

Geberit AB, Malmö	100
Sanitec Holdings Sweden AB, Stockholm	100
Geberit Service AB, Bromölla	100
Ifö Sanitär AB, Bromölla	100
Cetinax AB, Bromölla	100

Turkey

Geberit Tesisat Sistemleri Ticaret Ltd., Istanbul	100
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Ukraine

Slavuta Holdings LLC, Kiev	100
PJSC Slavuta Plant "Budfarfor", Slavuta	100
Sanitec Ukraine LLC, Kiev	100
Geberit Trading LLC, Kiev	100

United Kingdom

Geberit Sales Ltd., Warwick	100
Sanitec UK Ltd., Alsager	100
Geberit Service, Alsager	100
Twyford Ltd., Alsager	100
Twyfords Ltd., Alsager	100

USA

Duffin Manufacturing Co., Elyria	100
The Chicago Faucet Company, Des Plaines	100

Report of the statutory auditor



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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Geberit Group and its subsidiaries (the Group), which comprise the → [consolidated balance sheet](#) as at 31 December 2016 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 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

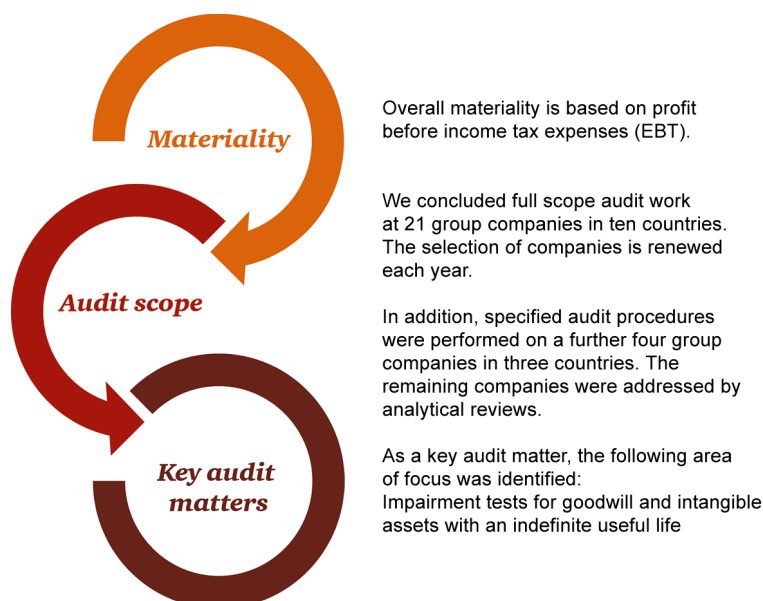
Basis for opinion

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



Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated 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.

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.

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. 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. 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.

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 tests for goodwill and intangible assets with an indefinite useful life

Key audit matter

Impairment testing of goodwill and intangible assets with an indefinite useful life was deemed a key audit matter for the following two reasons.

Goodwill and intangible assets with an indefinite useful life represent a significant amount on the balance sheet (goodwill of CHF 1,255.1 million and intangible assets with an indefinite useful life of CHF 316.0 million). These assets are not regularly amortised but tested for impairment at least annually. Moreover, 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 specifying the cash generating units (CGUs).

With regard to the accounting policies and information on goodwill and intangible assets with an indefinite useful life, 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).

How our audit addressed the key audit matter

Impairment testing of goodwill and intangible assets with an indefinite useful life is based on a process defined by the Board of Directors, using the business plans approved by them. As part of this process, Management estimates the cash flows for the cash-generating units concerned.

We assessed the identification of the relevant CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and management of the 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 in retrospect might appear too optimistic regarding the cash flows. The business results of the year under review slightly exceeded the budget. As in previous years, Management therefore based this year's forecasts on the growth rates and margins used in the current business plan of the Geberit Group.

We compared Management's assumptions concerning long-term revenue growth and margin growth with industry growth forecasts and historical margins, as appropriate. 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 forecasted change in net working capital.

The assumptions used were consistent and in line with our expectations.

We tested the sensitivity analyses of the key assumptions. These analyses enabled us to assess any potential impairment of goodwill or of intangible assets.

Based on the evidence obtained from our audit, we consider the valuation method and the underlying assumptions to be an appropriate and adequate basis for the impairment testing of goodwill and of intangible assets with an indefinite useful life.

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 intends either 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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement 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 communicate to 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

St. Gallen, 8 March 2017

Geberit AG

Balance Sheets

	31.12.2016	31.12.2015
	MCHF	MCHF
Assets		
Current assets		
Cash	0.0	5.7
Other current receivable		
- Third parties	4.8	4.4
- Group companies	17.2	58.6
Prepaid expenses	2.6	3.6
Total current assets	24.6	72.3
Non-current assets		
Loan to group companies	300.0	300.0
Investments	996.9	920.8
Total non-current assets	1,296.9	1,220.8
Total assets	1,321.5	1,293.1
Liabilities		
Current liabilities		
- Third parties	2.7	10.6
- Group companies	4.3	3.6
Total current liabilities	7.0	14.2
Long term interest-bearing liabilities		
Bonds	300.0	300.0
Total long term interest-bearing liabilities	300.0	300.0
Shareholders' equity		
Capital stock	3.7	3.8
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	79.4	71.5
Free reserves from retained earnings		
- Free reserves	511.3	777.1
- Retained earnings	393.6	305.0
Treasury shares		
- against free reserves	0.0	-205.0
Total shareholders' equity	1,014.5	978.9
Total liabilities and shareholders' equity	1,321.5	1,293.1

Income Statements

	2016	2015
	MCHF	MCHF
Income		
Dividends from Group companies	388.1	300.0
Other financial income	6.9	7.5
Other operating income	0.5	0.5
Total income	395.5	308.0
Expenses		
Administrative expenses	3.8	3.8
Financial expenses	1.6	3.2
Direct tax expenses	0.3	0.1
Total expenses	5.7	7.1
Net income	389.8	300.9

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 Long term 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.

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 the actual 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

	31.12.2016	31.12.2015
	MCHF	MCHF
Guarantee notes, MEUR 500, 0.688%, due 30.03.2021	536.8	540.9
Guarantee Term Loan Facility, MEUR 120 (PY: MEUR 275), due 10.02.2018	128.8	297.5
Guarantee Revolving Facility, due 19.11.2019	300.0	300.0
Guarantee GRI Pensions	0.1	0.1

The guarantees are limited to the distributable reserves of the company.

2.2 Significant investments

	2016 Ownership in %	2016 capital stock	2015 Ownership in %	2015 capital stock
Geberit Holding AG, Rapperswil-Jona	100	TCHF 39 350	100	TCHF 39 350
Geberit Finance Ltd., Jersey ¹	0	0	76	TEUR 382
Geberit Reinsurance Ltd., Guernsey	100	TEUR 2	100	TEUR 2

¹ The remaining 24.0% are held by Geberit Companies.

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.

	2016	2015
	pcs.	pcs.
Number of shares issued		
January 1	37,798,427	37,798,427
Capital reduction as at June 2016	-757,000	0
December 31	37,041,427	37,798,427

2.4 Capital contribution reserves

From the total of MCHF 25.7 shown as at 31.12.2016 the amount of MCHF 4.2 was confirmed by the Swiss tax authorities and is therefore available for withholding tax free distribution.

2.5 Treasury shares

Treasury shares held by Geberit AG or by companies in which Geberit AG holds a majority interest:

	Number of registered shares	High in CHF	Average in CHF	Low in CHF
Balance at December 31, 2015	877,880			
Purchases share buyback program 2014	122,400	364.41	350.62	330.02
Cancellation share buyback program 2014	-757,000			
Other Purchases	100,000	429.58	390.27	354.92
Sales	-103,411	433.10	374.49	305.00
Balance at December 31, 2016	239,869			
Number of treasury shares held by Geberit AG	0			

The Board of Directors of Geberit AG decided in March 2014 to initiate a share buyback program. The program was terminated as of February 29, 2016. In total 757'000 shares equal to MCHF 247.8 were repurchased under the program. The General Meeting dated April 6, 2016 approved a capital reduction of the shares repurchased. The 757 000 shares were cancelled in June 2016.

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 four years and a coupon of 0.05%, due 17.04.2019
- a bond of MCHF 150 with a term of eight years and a coupon of 0.3%, due 17.04.2023

2.7 Shareholdings of members of the board of directors and of the group executive board

As of the end of 2016 and 2015, members of the Board of Directors held the following shares in the company:

	A. Baehny Chairman	H. Reuter Vice Chairman	R. Aalstad	F. Ehrat	T. Hübner	J. Tang-Jensen	Total
2016							
Shareholdings Board of Directors							
Shares	56,219	7,649	0	1,776	404	2,131	68,179
Options	49,499	0	0	0	0	0	49,499
Share of voting rights	0.15%	< 0.1%	0.0%	< 0.1%	< 0.1%	< 0.1%	0.18%
	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	T. Hübner	H. Reuter	J. Tang-Jensen	Total
2015							
Shareholdings Board of Directors							
Shares	46,969	8,479	1,251	10	7,004	1,715	65,428
Options	63,688	0	0	0	0	0	63,688
Share of voting rights	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.17%

As of December 31, 2016, there were no outstanding loans or credits between the company and members of the Board of Directors

As of the end of 2016 and 2015, 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	M. Rein- hard	E. Renfordt- Sasse	K. Spach- mann	R. van Triest	Total
2016										
Shareholdings Group Executive Board										
Shares			4,588	31,812	1,343	2,500	2,336	8,691	40	51,310
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.14%
Call options¹										
End of blocking period:										
Lapsed	2017-2022	242.80	1,633	0	3,046	0	1,990	7,314	0	13,983
2017	2020-2023	306.01	5,841	9,172	995	9,308	2,789	8,013	10	36,128
2018	2021-2023	330.95	5,339	6,834	687	7,011	2,477	6,140	10	28,498
2019	2022-2026	355.45	10,896	7,227	600	7,739	3,920	6,647	2,556	39,585
2020	2023-2026	361.75	6,377	3,994	325	4,331	2,006	3,706	2,556	23,295
2021	2026	361.75	6,100	3,866	277	4,206	1,909	3,628	2,546	22,532
Total options			36,186	31,093	5,930	32,595	15,091	35,448	7,678	164,021
Percentage potential share of voting rights options			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.44%

¹ Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	C. Buhl CEO	R. Iff CFO	M. Reinhard	E. Renfordt- Sasse	K. Spach- mann	R. van Triest	Total
2015									
Shareholdings Group Executive Board									
Shares			3,480	31,300	2,000	1,665	7,462	0	45,907
Percentage voting rights shares			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.0%	0.12%
Call options¹									
End of blocking period:									
Lapsed	2017-2021	225.54	1,547	0	375	2,298	2,103	0	6,323
2016	2017-2022	242.80	1,709	7,558	7,567	1,483	6,541	0	24,858
2017	2020-2022	287.43	5,564	9,044	9,183	2,692	7,935	0	34,418
2018	2021-2022	315.55	5,062	6,706	6,886	2,380	6,062	0	27,096
2019	2022	349.15	4,519	3,233	3,408	1,914	2,941	0	16,015
Total options			18,401	26,541	27,419	10,767	25,582	0	108,710
Percentage potential share of voting rights options			< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.0%	0.29%

¹ Purchase ratio 1 share for 1 option

As of December 31, 2016, 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:

	31.12.2016	31.12.2015
Capital Group Companies, Inc., Los Angeles	4.94%	4.94%
Black Rock, New York	4.84%	5.11%

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:

Appropriation of available earnings

	2016	2015
	CHF	CHF
Available earnings		
Net income	389,770,714	300,924,316
Withdrawal from free reserves	0	10,000,000
Balance brought forward	3,812,822	4,036,493
Total available earnings	393,583,536	314,960,809
Transfer to free reserves	20,000,000	0
Proposed/paid dividend	370,414,270	311,147,987
Balance to be carried forward	3,169,266	3,812,822
Total appropriation of available earnings	393,583,536	314,960,809

Dividend payments

The Board of Directors proposes a dividend of CHF 10.00 per share (PY: CHF 8.40). 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



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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 2016, → [income statement](#) for the year then ended and → [notes](#), including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

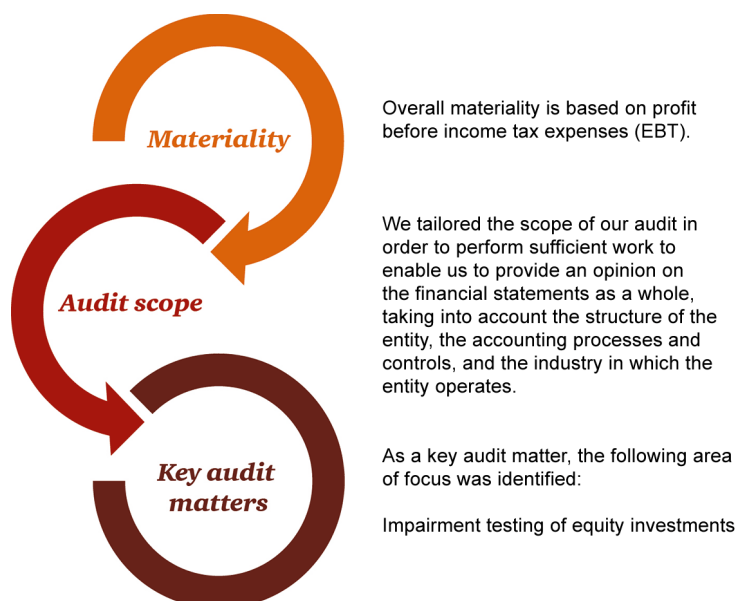
Basis for opinion

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



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.

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. We chose profit before income tax expenses as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured, and it is a generally accepted benchmark.

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 tests for goodwill and intangible assets with an indefinite useful life

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 (75.4% of total assets). Any impairment of these investments 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'](#).

How our audit addressed the key audit matter

We tested the equity investments as at 31 December 2016 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 concerned with its budget in order to identify any assumptions that in retrospect might appear too optimistic regarding the cash flows; and
- checked for plausibility the outlook based on the multi-year plan approved by the Board of Directors and discussed this outlook with Management.

Based on the audit procedures performed, we addressed the risk of the impairment of 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 intends either 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 judgement 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 communicate to 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

St. Gallen, 8 March 2017

Sus- tain- ability

Geberit Group 2016

Sustainability performance report

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 the many ways in which added value is created. 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](#)
- → [Key figures sustainability](#)
- → [Communication on Progress UN Global Compact](#)

Since 2007, a sustainability performance review has been published annually in accordance with the guidelines of the Global Reporting Initiative (GRI), currently in accordance with the GRI G4 guidelines.

The information disclosed within the scope of this report fulfils the "comprehensive" transparency grade set out in the GRI G4 guidelines. Sustainability reporting has been subjected to and successfully completed the GRI Materiality Disclosures Service, 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 → [process to determine the material aspects of sustainability](#) based on the aspects defined by the GRI was the strategic starting point. An external stakeholder panel was also consulted in 2012, 2014 and 2016. Its mandate consisted of scrutinising the results of the internal materiality analysis and providing feedback on the sustainability strategy and sustainability communication. The results were summarised 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:

- → [Introduction to the Stakeholder Panel](#)
- → [Members of the Stakeholder Panel](#)
- → [Panel statement](#)
- → [Response from Geberit to the Panel Statement](#)

The next stakeholder panel is planned for 2018.

CEO statement on sustainability



«For us, sustainability means being oriented towards the future and being successful over the long term. We want to create added value for everyone affected by our activities. By doing so, we contribute to sustainable development – also in the spirit of the new UN Sustainable Development Goals.»

Christian Buhl, CEO

Sustainability has been an integral part of our identity for a long time. For us to be successful over the long term, a balance has to be struck between economic, ecological and social aspects in all our decision-making processes and concrete added value has to be generated for the key stakeholders. This also became clear in the recently conducted stakeholder panel. Geberit generates added value in a number of ways: innovative, design-oriented and sustainable products; training and education of plumbers, sanitary engineers and architects; the smallest possible ecological footprint along the entire value chain; production plants with prospects for numerous regions; a cooperation with suppliers and business partners that is based on fairness; and leadership for sustainable development in the sanitary industry. We realise our social responsibility within the scope of our global social projects relating to the topics of water and sanitary facilities, as well as in cooperation with partners.

A concrete contribution to solving global challenges

The UN 2030 Agenda, which was launched at the beginning of 2016 and contains 17 Sustainable Development Goals (SDGs), shows the major challenges the world is facing. Sustainability leaders like Geberit are called upon to make concrete contributions to solving these problems. In this regard, goal number 6 – “Clean Water and Sanitation” – is very closely linked to our products and services. Intelligent water management is very much needed, particularly in regions where water shortages are a growing problem and the quality of drinking water is poor, as well as in the ever-increasing number of megacities. The biggest environmental contribution of Geberit therefore still lies in the conservation of water.

Integrated products in front of and behind the wall

Our expanded product portfolio was a key focus for us in 2016. The integration of products in front of and behind the wall opens up new opportunities for Geberit. For example, our expertise in the area of hydraulics, statics and hygiene complement each other perfectly, thus enabling the creation of integrated systems and solutions. The new urinal system Preda is a perfect example of what can be achieved with integrated technology: a first-rate product that is beautiful, easy to service and resource-efficient. Thanks to closer cooperation in all areas, we can react to global trends and develop pioneering products. For example, increasing urbanisation means that bathrooms are generally getting smaller in several important markets. Thanks to forward-looking product development, we can offer integrated and comfortable products in this growth segment.

A common denominator at 33 production sites

Thanks to the Geberit Production System (GPS 2.0), all production sites worldwide have a modern and future-oriented foundation. Continuous improvements are made by means of “lean manufacturing”. The clearly defined and central objective of the Geberit Production System is the shift in production philosophy from the workshop principle of step-by-step manufacturing to a comprehensive system of continuous flow production. The manufacture of ceramic sanitary appliances is our most resource- and energy-intensive process in this regard. We are therefore investing in cutting-edge technology here in particular: Five tunnel kilns for ceramic production have already been equipped with state-of-the-art burner technology, with the equipping of a further six planned. Each kiln can bring about energy savings of over 20%.

We are sticking to our ambitious goals of improving eco-efficiency by 5% per year and reducing relative CO₂ emissions by 5% per year. Furthermore, new absolute target values – based on the two-degree target set out in the Paris Agreement (science-based) – were approved in 2016. By doing so, we are aiming to play our part in limiting global warming to under two degrees. This can only be achieved through optimised processes, investments in an energy-efficient infrastructure and facilities, intensive exchanges on best practice and an integrated and certified management system.

Integration of the former Sanitec Group making good progress

The integration of the former Sanitec Group was resolutely pressed ahead with in 2016 – something which places great demands on our some 12,000 employees every single day. The high level of participation and great commitment shown by the employees when it came to last year's employee survey are particularly pleasing. The employee survey shows that sustainability and occupational safety are considered important and rated as good. The health and safety of employees continues to have the highest priority and is guided by concrete long-term objectives. The very good results achieved in the area of quality and innovation, team and personal goals show that the integration process is making good progress.

Statement of continued support for the UN Global Compact

Geberit has been a member of the UN Global Compact since October 2008 and is engaged in the area of environmental protection, responsible labour practices, human rights and the prevention of corruption. We provide customers, employees, investors and other interested parties with information on our sustainability goals and performances in a transparent manner. This year's report is once again prepared in accordance with the GRI G4 guidelines and fulfills the “comprehensive” transparency grade. The Communication on Progress UN Global Compact (COP) on 2016 can be found at → www.geberit.com > Company > Sustainability > UN Global Compact.

Christian Buhl, CEO

Sustainability strategy

For Geberit, sustainability means being oriented towards the future and being successful over the long term. A long-term orientation results when a balance is struck between economic, ecological and social aspects in all decision-making processes. Sustained high profitability is being striven for. In addition to shareholder value, value is simultaneously created for many other stakeholders (creating shared value): innovative, design-oriented and sustainable products; training and education of plumbers, planners and architects; the smallest possible ecological footprint along the entire value chain; production plants with prospects for 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. The vision of achieving sustained improvement in the quality of people's lives with its innovative solutions in the field of 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. 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. The sustainability strategy supplements the core strategy with eleven 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. This is illustrated by → **concrete key figures**. At the same time, the results contribute to the UN Sustainable Development Goals (SDGs) set out in the 2030 Agenda for Sustainable Development (→ see G4-2). Goal number 6 – "Clean Water and Sanitation" – is a key focus for Geberit due to its product portfolio. However, significant contributions are also made when it comes to "Decent Work and Economic Growth" (goal number 8), "Industry, Innovation and Infrastructure" (goal number 9) and "Sustainable Cities and Communities" (goal number 11).

The modules of the sustainability strategy bundle current or future projects, initiatives or activities. Each module contains clear responsibilities with measurable objectives, derived measures and quantifiable key figures for effective monitoring.

Our foundations

People

- Employees
- Customers (B2B)
- End users (B2C)
- Stakeholders
- Society

Planet

- Raw materials
- Energy
- Water

Profit

- Shareholders
- Financial structure
- Investments
- Market environment
- Areas of competence
- Innovation
- Logistics
- Purchasing
- Production
- Marketing and sales

Our business model



Connection to UN Sustainable Development Goals



Our results

People

- Competent and motivated employees
- Healthy and safe working environment
- High level of expertise in the sanitary industry
- Improved quality of life
- Solid partnerships
- Fair business partner
- Contribution to the public value

Planet

- Reduced ecological footprint along the entire value chain
- Compatibility with the two-degree target set out in the Paris Agreement
- Water-saving and resource-efficient products

Profit

- Good sales development and high profitability
- Solid financial foundation
- Attractive dividends
- Exemplary corporate governance
- Transparent remuneration system
- Innovative products, systems and services
- Legal compliant products and organisation
- Contribution to civil society

The following pages provide an overview of the sustainability modules with important facts and achievements for 2016 as well as the outlook for 2017 to 2019. The current sustainability strategy covers the entire Geberit Group, including the Sanitec Group, which was acquired at the beginning of 2015. Although the ecological footprint and the number of employees increased significantly due to the integration, the Geberit Group is sticking to its strategic approaches and ambitious goals. Geberit aims to be a pioneer and leader in the sanitary industry in the area of sustainability.

Procurement & Logistics

Modules and goals	Important Facts and Achievements 2016	Outlook and Goals 2017-2019
Green Procurement Suppliers demonstrably comply with Geberit's high standards for environmentally friendly and socially responsible production.	- Amendment and translation of the Code of Conduct for Suppliers into an additional 13 languages. As of the end of 2016, 1,084 suppliers have signed the Code of Conduct for Suppliers (previous year 868 suppliers). This equates to over 90% of the total procurement value. Among the top 200 suppliers, the share of companies that have signed is 95.5% (previous year 93.1%). - In 2012, the planning system for the performance of systematic audits was developed further. In addition to consistent quality audits, EHS audits (environment, health and safety) are performed in the highest sustainability risk class in particular. When a purchasing agent from Geberit next visits a supplier, they check to ensure that the corrective measures agreed with the supplier have been implemented. - A Group-wide portfolio analysis with regard to sustainability risks showed a higher risk for 42 existing suppliers (previous year 42), which corresponds to around 7% of the procurement value of the former Geberit. 38 of these 42 suppliers have already been audited. - Five third-party audits were carried out on suppliers in China, Poland and India.	- All new suppliers and all existing suppliers of the former Sanitec have to sign the Code of Conduct. - Additional third-party audits of suppliers are to be carried out and the required corrective measures checked as part of re-audits. - Sustainability risks in the supply chain of the suppliers of the former Sanitec are to be analysed. - An Integrity Line for suppliers, via which irregularities in the purchasing process can be anonymously reported, is to be introduced.
Green Logistics Geberit optimises its logistics with regard to energy consumption, emissions and packaging.	- In 2010, a logistics calculator was developed to measure the key transport and environmental figures for the most important transport service providers in Europe. The system scope was expanded by three sites compared to the previous year. - In 2016, the transport service providers handled 302.6 million tkm (previous year 183.0 million tkm), resulting in 42,179 tonnes of CO₂ emissions (previous year 29,671 tonnes) – a figure that can be explained by the expansion of the system scope and sales growth. - The share handled by Euro 5 trucks was 70.8% and the share handled by state-of-the-art Euro 6 vehicles increased further to 26.2%. - At the beginning of 2015, work began on the expansion of the logistics centre in Pfullendorf (DE). This is expected to commence operations in 2017 and facilitates further enhancements in efficiency, including with regard to the environment. - The implementation of Geberit processes and standards, including sustainability aspects, at the logistics sites of the former Sanitec was commenced. The number of transport service providers was reduced (Poland, Germany), with orders now being handled by existing service providers. - Bundling of transportation and freight capacity optimisation resulted in synergies and fewer transport runs. The capacity utilisation of sea shipments to the USA increased by 20%. - Increase in the quantities transported to Turkey by train of over 15% and daily deliveries to customers in Germany in combined transport via Ulm. - The use of super lorries (with a length of up to 25 metres and a total weight of up to 60 tonnes) in Scandinavia increases load volumes and the number of transported pallets by around 40%.	- Extension of environmental monitoring to the sites of the former Sanitec and formulation of suitable measures in close collaboration with the transport service providers. - Further optimisation of loading capacity with technical equipment and organisational changes. - Discontinuation of Euro 1, Euro 2 and Euro 3 trucks and more intensive use of Euro 6 vehicles. - Review of use of vehicles with an alternative drive technology on further routes. Truck powered by natural gas to remain in operation between Jona and Pfullendorf.

Production

Modules and goals	Important Facts and Achievements 2016	Outlook and Goals 2017-2019
Environmental management Geberit operates environmentally friendly, energy- and resource-efficient as well as economical production plants.	- The absolute environmental impact reduced by 4.0% in 2016. The environmental impact in relation to net sales (currency-adjusted) dropped by 10.8%. This confirms that Geberit is exceeding its long-term target of 5% per year. - All 17 Geberit production plants and 13 of the 16 former Sanitec plants are certified to ISO 14001. The Group certificate is valid until 2018. - Continued roll-out of the integrated Geberit management system for quality, environment, occupational safety and energy (selective) at all plants. - Roll-out of approval process for hazardous substances in all former Sanitec plants.	- Improvement of eco-efficiency (environmental impact in relation to net sales, currency-adjusted) by 5% per year on average. - Same improvement in relative water consumption as for eco-efficiency, i.e. 5% per year on average. - Integration of all new plants into the Geberit management system and certification according to ISO 9001/14001 and OHSAS 18001 by the end of 2018. - Systematic documentation and management of packaging and electronic waste from the sales companies.
CO₂ strategy Geberit actively contributes to the protection of the climate and consistently reduces CO ₂ emissions.	- In 2016, CO₂ emissions decreased by 3.0%. CO₂ emissions in relation to net sales (currency-adjusted) declined by 9.9%. This confirms that Geberit is on track with its long-term CO₂ strategy. - The share of purchased green electricity increased by 3 GWh to 44 GWh in 2016. In total, renewable energy sources accounted for 37.7% of electricity and 6.3% of combustibles. 3.4 GWh of green electricity was produced in 2016. - First certification of the plants in Wesel and Haldensleben (DE) to ISO 50001 – a total of five plants are certified to this standard.	- Same improvement in relative CO₂ emissions as for eco-efficiency, i.e. 5% per year on average. - Long-term CO₂ target compatible with the two-degree target set out in the 2015 Paris Agreement (science-based): Reduction of absolute CO₂ emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). - Annual purchase of an additional 3 GWh of green electricity and increase in the share of electricity and combustibles accounted for by renewable energy sources to 45% and 10% respectively by 2021. - Continuation of the fuel-reduction plan: Reduce emissions of new vehicles to 100 grams of CO₂/km by 2020.
Processes and Infrastructure Geberit procures and operates durable and high-quality infrastructures such as buildings, equipment and tools.	- Demolition and safe disposal of infrastructure and systems in Wesel and Haldensleben (DE), Gaeta (IT), Limoges, Digoin and Selles-sur-Cher (FR) and Ekenäs (FI) that were obsolete and no longer required. Old, inefficient machines in Langenfeld (DE) and a total of four tunnel kilns in Haldensleben (DE) and Slavuta (UA) were scrapped or put out of operation. - Number of injection moulding machines with energy-efficient drive technology increased from 137 to 150. - An optimised manufacturing process for the production of urinal divisions reduces throughput times, energy consumption and occupational safety risks. - Process optimisation for the manufacture of the Mepla multilayer pipe in Givisiez (CH) with a reduction in water and natural gas consumption of over 70%. - Two tunnel kilns for ceramic production were previously retrofitted with state-of-the-art burner technology. In 2016, this technology was also installed in an additional three tunnel kilns, resulting in savings of around 3.6 GWh of gas.	- Consistent renewal of machine fleet with energy-efficient drive technology. Further increase in the number of injection moulding machines with energy-efficient drive technology (hybrid, fully electrical, standby) from 150 to 155 machines. - Removal of two additional tunnel kilns in Ekenäs (FI). - Process optimisation for the manufacture of 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 first fully electrically driven production line. - Retrofitting of an additional six tunnel kilns for ceramic production, reducing gas consumption by a total of around 27 GWh/a and saving a total of some 6,500 tonnes of CO₂ emissions.
Occupational safety Geberit operates safe production plants and promotes a safety culture at a high level.	- Global implementation of the Geberit Safety System, including integration into the Geberit management system and certification according to OHSAS 18001. - The accident frequency rate (AFR) decreased by 14.0% to 9.8. The accident severity rate (ASR) increased slightly by 1.6% to 209.4. - All 17 Geberit production plants and 7 of the 16 former Sanitec plants are certified to OHSAS 18001.	- Long-term objective: AFR and ASR to be reduced by 50% between 2015 and 2025, targets AFR = 5.5 and ASR = 90. - Integration of the Geberit Safety System into the Geberit management system and certification of all production plants to OHSAS 18001 by the end of 2018. - Introduction of the new occupational safety standard ISO 45001 (replacing OHSAS 18001).

People

Modules and goals	Important Facts and Achievements 2016	Outlook and Goals 2017-2019
Compliance 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.	- Compliance with the Code of Conduct has been checked with a Group-wide survey every year since 2008; compliance at the former Sanitec companies has been checked since 2015. The Internal Audit Department carries out special interviews with the managing directors on the topics in the Code of Conduct. No significant breaches of the Code of Conduct were identified. - One significant incident was reported via the Geberit Integrity Line, which was launched Group-wide in 2013. An integrity audit was carried out, which ultimately led to changes in personnel. - Various training events on antitrust legislation for managing directors of the European sales companies and for new sales employees in Germany, among others. - Repeat of the antitrust legislation eLearning course in the European sales companies and of the Group-wide survey on correct practice regarding donations. - Analysis of compliance risks with respect to the collaboration with independent agents. Creation and introduction of a specific code of conduct for business partners as well as a compliance obligation for contractors involved in construction projects.	- Further promotion of the Geberit Integrity Line. - Introduction of an Integrity Line for suppliers, via which irregularities in the purchasing process can be anonymously reported. - Repeat of the antitrust legislation eLearning course in the non-European sales companies.
Employer responsibility Geberit is committed to providing attractive jobs. Geberit supports disadvantaged employees and apprentices	- Expansion of the standardised global Performance assessment, Development and Compensation process (PDC), including to the new companies of the former Sanitec. 2,300 employees were integrated at the end of 2016. - End 2016, Geberit employed 233 apprentices. The transfer rate to a permanent employment relationship was 75%. - The employee survey carried out across the Group saw a high level of participation and, on the whole, great commitment on the part of the employees. Very good results were achieved in the area of quality and innovation, team and personal goals, while the survey revealed a need for action when it comes to employee development and the integration of the acquired business. - A volunteering project was conducted in Nepal with Geberit employees in cooperation with Helvetas. - A comprehensive vitality programme that focuses on exercise, nutrition, mental challenges, vitality and working environment at the sites in Jona (CH) and Pfullendorf (DE).	- Continued roll-out of the Performance assessment, Development and Compensation process (PDC). - Targeted support for transfer of apprentices to a permanent position: Target rate is 75%. - Top-down communication of the results of the employee survey as well as the definition of measures at all levels of the organisation; launch of the implementation phase. - Continuation of a volunteering project with Geberit employees. - Development of management personnel at the ceramics plants with the goal of promoting Geberit's performance culture, beginning with a pilot project in Wesel (DE).
Social responsibility Geberit fulfils social responsibilities in society within the scope of the UN Sustainable Development Goals.	- Geberit employees contributed 2,336 hours of charitable work as part of social projects. - Partnership with Helvetas on the topic of drinking water and sanitary facilities in developing countries. - Social project carried out in Warsaw (PL) with apprentices, an assignment involving the renovation of several sanitary facilities and volunteering work with children at a primary school. - Opening of a sixth vocational school for plumbers in Ukraine in collaboration with the local ministry of education. - In 2016, the Geberit production plants supported a number of workshops for disabled persons, where simple assembly and packaging work in the amount of CHF 6.3 million was carried out.	- Continuation of the partnership with Helvetas. Access to clean drinking water and sanitary facilities for people in developing countries. - Implementation of a major social project in Ukraine with apprentices in 2017. - Review of the effectiveness of social projects two to three years after their implementation. - Analyse and illustrate in a more systematic manner how Geberit benefits society.

Products

Modules and goals	Important Facts and Achievements 2016	Outlook and Goals 2017-2019
Eco-design During the development process, all Geberit products are optimised with regard to their environmental friendliness, resource efficiency and durability. Environmental aspects are already considered during technology development.	■ Eco-design workshops have been part of the development process for all new products since 2007, and since 2010 they have also been part of product modifications and technology projects. ■ The successful continuation of this approach resulted in a number of ecological improvements to products, such as - New Geberit urinal system fulfils the most stringent water and energy consumption standards while minimising life-cycle costs. - Electronic washbasin tap Piave with optimal user-friendliness and ease of installation as well as minimal water and energy consumption. - Shower toilet Geberit AquaClean Tuma Comfort with innovative WhirlSpray shower technology and significantly reduced energy consumption thanks to heating-on-demand technology. - Revised Pluvia roof drainage system featuring an ergonomic and more compact design and resulting in savings in materials of 25%, which translates into savings of around 350 tonnes of CO₂ each year. ■ Comprehensive product life cycle assessment of the washbasin tap Piave and the creation of an Environmental Product Declaration (EPD).	■ Systematic continuation of eco-design workshops for product development, including in the area Bathroom Ceramics and Ceramics Complementary Products. ■ Creation of additional Environmental Product Declarations (EPDs) in accordance with the European standard EN 15804. ■ Expansion of the green building product portfolio. ■ Search for alternative materials or a combination of existing materials for optimising resource efficiency when developing integrated sanitary products.
Green building Geberit has in-depth expertise in the fields of water conservation, quality of drinking water, sound insulation and green building. Geberit is the leading partner in the planning and implementation of first-class sanitary solutions for green buildings.	■ Geberit products are exemplary when it comes to water and energy consumption and sound insulation. A broad range of Geberit products 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, USA, ZA and AU. ■ Eleven Geberit product groups – a total of just under 700 sales products – carry the water efficiency label WELL. Ten of these eleven product groups carry the top A class label and account for more than 18% of Group sales. ■ Preparation of FSC certification (wood label) for bathroom furniture; this certification will cover the entire supply chain. ■ Certification of first products in the Ifö Sense bathroom furniture series with the “Nordic Swan” ecolabel. ■ Support of the NEST project (Next Evolution in Sustainable Building Technologies) at EMPA in Dübendorf (CH).	■ Use of the existing product portfolio and expansion of the green building area of competence. ■ Targeted search for green building reference projects in the European core markets and the Asia-Pacific region. ■ First FSC-certified bathroom furniture series from the brands Keramag and Sphinx. ■ Classification of selected Ifö products according to the sustainability standard EN 16578.

Materiality analysis

The results of the internally conducted materiality analysis were reviewed and approved by the external stakeholder panel in September 2016. The results are shown in the following dynamic chart. Material aspects are deemed material if they are significant from the internal perspective of the company or the external perspective of stakeholders. The aspects were divided into four categories: most material, material, less material and not material or not requiring any action.

	Less material	Material	Most material
Economy	- Market Presence	- Indirect Economic Impacts	- Economic Performance
Environment	- Effluents and Waste	- Materials - Emissions - Compliance Environment - Transport	- Energy - Water - Products and Services
Labor Practices	- Diversity and Equal Opportunity - Equal Remuneration for Women and Men - Labor Practices Grievance Mechanisms	- Employment	- Occupational Health and Safety - Training and Education
Human Rights	- Investments - Non-discrimination - Freedom of Association and Collective Bargaining - Human Rights Assessment	- Child Labor - Forced or Compulsory Labor	
Society		- Anti-Corruption - Compliance	- Anticompetitive Behaviour
Product Responsibility		- Product and Service Labeling - Compliance Product Responsibility	- Customer Health and Safety
Suppliers	- Supplier Assessment for Impacts on Society - Supplier Environmental Assessment - Supplier Assessment for Labor Practices	- Supplier Human Rights Assessment	

Communication on Progress UN Global Compact

Human rights

Principle 1:

Support and respect the protection of internationally proclaimed human rights.

- When selecting employees and determining their assignment in the company, Geberit attaches great importance to qualifications appropriate to the task description. According to an annual survey of all Geberit Group companies, applicable local minimum wages are well met. This considerably reduces the risk of human rights violations.
- The revised Code of Conduct was communicated to all employees in 2015. In this Code, 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.
- Compliance with the Code of Conduct is monitored Group-wide as part of an annual survey. Verification is supplemented by internal audits on site.
- The Geberit Integrity Line gives all employees the opportunity to report irregularities anonymously.

→ G4-EC5

→ Code of Conduct for Employees

→ Society

→ G4-HR2

Principle 2:

Make sure the company is not complicit in human rights abuses.

- With respect to human rights violations, 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.
- 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 2016, 1,084 suppliers had signed the Code of Conduct. This equates to over 90% of the total procurement value.
- Audits focusing on sustainability are performed primarily on suppliers in the highest risk category. 42 suppliers, which equates to around 7% of the total procurement value, were classified in this category in 2016. 38 of these 42 suppliers have already been audited. In 2016, five third-party audits were carried out at suppliers in China, Poland and India. 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.

→ Sustainability Strategy

→ Code of Conduct for Suppliers

→ Chapter 14.2

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 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 2016.
- 9,014 employees, corresponding to 78% of all employees, are currently covered by collective agreements. In Germany, Austria, Switzerland, France, Italy, Ukraine, Finland and Sweden, over 90% of employees are subject to a collective labour or wage agreement. While collective agreements with employees have been in place in China since 2016, there are still none in the USA.

→ Chapter 11.3

→ G4-11

Principle 4:

Uphold the elimination of all forms of forced and compulsory labour.

- Geberit's exposure with respect to forced and child labour is considered low because of its industry sector and the countries in which business activities are carried out, as well as its high quality requirements.
- Forced and child labour are categorically rejected at Geberit. According to the annual Group-wide survey, no cases of forced or child labour were discovered in 2016, 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.

→ Chapter 11.4
→ Chapter 11.5

Principle 5:

Uphold the effective abolition of child labour.

- 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. During the reporting year, two cases of bullying were reported that were settled following discussions with the parties concerned.
- Geberit's personnel policy and recruitment practices do not differentiate between members of the local community and other applicants or employees.
- 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 2016 as part of the annual Group-wide survey. The proportion of female employees as of the end of 2016 was 24%; in management this figure was 9.2%.

→ Code of Conduct for Employees

→ G4-HR3

→ Chapter 11.2
→ Chapter 10.4, 10.5

Principle 6:

Uphold the elimination of discrimination in respect of employment and occupation.

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 has implemented an extensive system for monitoring and controlling the risks (incl. environmental risks) linked to the business activities. → **G4-46**
- Geberit has long stood for a high level of environmental awareness and 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 greatly exceeds statutory requirements. → **Geberit Compass**
→ **Environmental policy**
- An analysis of the carbon footprint over the entire value chain – 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 (64.5%) and the provision of raw materials (19%) are by far the largest sources of CO₂ emissions. → **Carbon footprint**
- In 2016, CO₂ emissions amounted to 250,108 tonnes, corresponding to a decrease of 3.0%. CO₂ emissions per net sales (currency-adjusted) fell by 9.9%, meaning that Geberit exceeded its long-term target of 5% per year. → **G4-EC2**
- A long-term CO₂ target was developed in 2016 that is compatible with the two-degree target set out in the Paris Agreement (science-based). Within this context, Geberit plans to reduce its absolute CO₂ emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). → **Chapter 9.4**

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 OHSAS 18001 (occupational health and safety) that is valid until the end of 2018. The annual preparation of a corporate eco-balance has been an established part of Geberit's environmental strategy since 1991. It was possible to make a year-on-year comparison with the expanded company for the first time. The total environmental impact was reduced by 4.0%. The environmental impact per net sales (currency-adjusted) dropped by 10.8%. → **ISO-certificate**
→ **Chapter 9**
→ **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. → **Chapter 9.2**
→ **G4-EN19**
- As part of the long-term CO₂ strategy, specific goals for the share of renewable energy sources by 2021 were also established: 45% for electricity and 10% for combustibles. The share of purchased green electricity increased by 3 GWh to 44 GWh in 2016. In total, renewable energy sources account for 37.7% of electricity and 6.3% of combustibles. → **G4-EN19**
- Geberit regards eco-design as the key to environmentally friendly products. 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 is also implemented in product modifications and technology projects. Every new product is to be better than its predecessor with respect to environmental aspects. This also applies to all new products from the area Sanitary Ceramics and Ceramics Complementary Products. → **Chapter 9.6**

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 2,430 million cubic metres of water in 2016 alone. → **G4-2**
→ **Water footprint**
- Eleven Geberit product groups – nearly 700 sales products in total – carry the WELL label and represent over 18% of Group sales. → **Sustainability Strategy**
- 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. → **Reference magazine**

Anti-corruption

Principle 10:

Work against corruption in all its forms, including extortion and bribery.

- As a long-time 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. → **Chapter 12.1**
- In 2016, the Internal Audit Department audited a total of 20 companies. Each company is audited at least every five years, or considerably more frequently if it has a heightened risk profile. No cases of corruption were discovered in 2016.
- From 2017, an Integrity Line will now be available to suppliers for anonymously reporting irregularities in the procurement process. → **Chapter 14.2**
- As a rule, Geberit does not make donations to parties or politicians. All donations and related commitments are neutral from a party political point of view. This was verified and documented as part of the annual Group-wide survey.

Introduction Stakeholder Panel

As part of sustainability reporting on the financial year 2016 and following the acquisition of Sanitec in 2015, Geberit consulted a panel of external stakeholders for the third time in September 2016. The results of the external stakeholder panel's analysis are documented in the → **Panel statement**. The external review and the recommendations contained therein are dealt with in detail in the → **Response from Geberit to the Panel statement**.

Panel's objective and role

The objective of the external stakeholder panel was to provide feedback on the materiality analysis and the sustainability strategy – in particular in connection with the acquisition of Sanitec. The panel also aimed to examine whether the most important topics were included in sustainability reporting and whether the concerns of the stakeholders were taken into consideration.

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

Panel composition and independence

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

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

Process and results

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

- Prior to the stakeholder dialogue, all panel members received all documents on sustainability reporting (including the sustainability strategy) for analysis.
- In September 2016, the panel met with CEO Christian Buhl and the Sustainability team for a half-day externally moderated workshop.
- In February 2017, the panel was consulted once again, the revised sustainability strategy presented and the → **Panel statement** finalised.
- Following this, the → **Response from Geberit to the Panel statement** was finalised on the basis of current reporting on the financial year 2016.

Stakeholder Panel 2016: Members



Prof. Dr. Christine Kaufmann

**Chair for public and international law,
Centre for Human Rights Studies,
University of Zurich (CH)**



Prof. Dr. Alexander J.B. Zehnder

tripleZ, Zurich (CH)



Prof. Dr. Volker Hoffmann

**Professor for Sustainability and
Technology, ETH Zurich, Zurich (CH)**



Roger Baumann

**Director, COO & Head Sustainability,
Real Estate Investment Manage-
ment, Credit Suisse, Zurich (CH)**



Peter Zollinger

**Head Impact Research,
Globalance Bank, Zurich (CH)**



Matthias Pestalozzi

**CEO and Member of the Board of
Directors Pestalozzi Group,
Dietikon (CH)**



Dr. Barbara Dubach: Moderation

CEO, engageability, Zurich (CH)

Panel statement

Overall impression

Overall, the stakeholder panel considers Geberit's sustainability strategy, effective sustainability performance and reporting to be good to very good. The majority of panel members see the greatest potential for further development in the integration of the sustainability strategy. In order to realise its potential, sustainability needs to be presented even more strongly as long-term value creation and linked to the company's core strategy.

The panel can appreciate that the integration of the former Sanitec currently poses the greatest challenge. The question of how Geberit can utilise the opportunities presented by the newly created synergies for integrated sanitary solutions "in front of and behind the wall" is particularly important. The panel members recognise the way Geberit is gradually expanding the established high sustainability standards throughout the enlarged company and its wish to reduce the massively increased ecological footprint in a continuous and targeted manner, for instance.

Sustainability strategy

The panel wishes to see a more up-to-date introduction to the sustainability strategy than the Brundtland definition currently used by Geberit. The focus should be on long-term value creation through sustainability. In addition, appropriate key figures should be used to illustrate how the sustainability strategy contributes to value creation and to the success of the business. For example, it would be interesting to gain a better understanding of which research and development topics Geberit is investing in and how these are related to current trends and future issues. Particularly interesting here is the question of Geberit's contribution to the topic of green building and the concrete added value for planners and architects, for instance. This could be illustrated with existing and new reference projects in the construction sector. The panel members acknowledge the innovative performance of Geberit and see potential for making this more transparent in the area of sustainability. In addition, however, large-scale system changes (urbanisation, separate sewer system, grey water usage etc.) also need to be addressed as part of research and development. In this respect, the panel would like to learn more about how Geberit envisages becoming a system provider with holistic know-how regarding green building and whether it is working on system solutions for water management in real estate properties. Also of interest is the question of which materials Geberit considers sustainable, whether ceramic will remain the key material in bathroom design and what role recycled plastic could play.

The panel also recommends reflecting on the 17 Sustainable Development Goals (SDGs) newly approved by the United Nations in September 2015 within the strategy. UN Sustainable Development Goal number 6 "Ensuring the availability and sustainable management of water and sanitation for all", number 9 "Build resilient infrastructure, promote sustainable industrialisation and foster innovation" and number 11 "Make cities safe, resilient and sustainable" have the greatest immediate relevance for Geberit.

Materiality analysis

Concerning the presentation of material topics (GRI aspects), the panel suggests underlining the most important key topics from the wide range of material topics, establishing the link to the company's business and corporate activities and aiming to achieve a simpler, aggregated form of presentation. The most important connecting factor for enhancing Geberit's sustainability lies in the area of water.

Concerning Geberit's social responsibility, some panel members recommend not just referring to the annual social projects under "Social engagement". Instead, social aspects directly linked to the business model, such as ensuring a high standard of drinking water hygiene or the role of Geberit as an employer, could be placed in the foreground. It would be interesting to analyse the social benefits of Geberit and present them in more detail in the future.

The panel recommends further clarifications on the topics of "Biodiversity" in connection with the extraction of mineral raw materials for ceramic production and "Importance of local communities" in connection with the newly added sites.

Input on material topics

Green building

The panel recognises that Geberit products make a significant contribution to water saving, drinking water quality and sound insulation, and support standards for green building such as MINERGIE or LEED. However, the question arises as to how Geberit as a system provider can continue to contribute to the growing market for green building. The panel recommends further enhancing an understanding of this and the role of Geberit and synchronising it with the external perspective of science, architects, building owners and end users in order to identify further opportunities in this area. Further insights could also be gained from previous reference projects in green building, and the opportunities and risks for Geberit associated with the modular building approach could be assessed.

Product development

Product development is perceived by the panel as Geberit's greatest lever. An integral view of system solutions "in front of and behind the wall" is decisive here. Over the long term, the panel sees the opportunity for Geberit to set new trends with new and integrated system solutions and thereby strengthen its position as a pioneer in the industry (see also sustainability strategy).

CO₂ strategy

The panel members welcome the fact that the existing CO₂ reduction target of an average of 5% per year is still being upheld following the acquisition of Sanitec. It considers the current development of a long-term, absolute CO₂ target geared towards the global two-degree target set out in the Paris Agreement (science-based) to be exemplary. However, the panel questions the extent to which Geberit is in any way capable of setting itself apart in terms of its CO₂ strategy. It recommends seeking flagship projects in this area.

Sustainability communication

Overall, Geberit's sustainability reporting is found to be outstandingly transparent and very substantial. The panel welcomes the fact that almost all information is available online. One or two panel members even consider the reporting to be too detailed. The core messages of the sustainability strategy could be even more strongly underlined. The panel recommends presenting the core sustainability targets and key figures in a condensed overview. In addition, the contribution of sustainability issues to the success of the business could be illustrated more clearly and also include the use of current approaches to integrated reporting.

The fact that the topic of sustainability is not covered in some of the other communication media, particularly the Geberit Facts & Figures brochure, is criticised. The general company presentation could also integrate key sustainability issues more in order to underline their contribution as value drivers.

Attention is drawn to the fact that the changes and opportunities arising from the acquisition of Sanitec need to be presented and communicated.

Final remarks

The panel members thank Geberit for its transparent and constructive dialogue. They look forward to hearing how the integration of Sanitec progresses and to what extent the associated challenges and opportunities are addressed in the future.

The continuation of a biennial stakeholder panel as proposed by Geberit is welcomed in order to follow the further development of the topics addressed and also to enable targeted inputs to be provided and critical questions to be raised by external parties.

Response from Geberit to the Panel Statement

Geberit thanks the members of the stakeholder panel for the constructive discussions and valuable suggestions. Geberit pursues a best-in-class approach and wants to consistently develop its role as a sustainability leader. With this in mind, the suggestions of the panel will be incorporated into the continuous improvement process. The statements made by the panel are commented on individually below, with the content structured according to the Panel Statement.

Sustainability strategy

For Geberit, sustainability means being oriented towards the future and being successful over the long term. In addition to shareholder value, value is simultaneously created for many other stakeholders (creating shared value): innovative, design-oriented and sustainable products; training and education of plumbers, sanitary engineers and architects; the smallest possible ecological footprint along the entire value chain; production plants with prospects for numerous regions; a cooperation with suppliers and business partners that is based on fairness; and leadership for sustainable development in the sanitary industry. The suggestion of the panel to better illustrate the integration of the sustainability strategy and to show how added value is generated for various stakeholders is taken up. A → **summary chart** shows the most important strategic interrelationships and a separate overview sums up the → **relevant results**. The sustainability strategy supplements the core strategy with eleven concrete modules. These modules strengthen Geberit's business model in a targeted manner and generate added value in the areas People, Planet and Profit.

Thanks to targeted investments in research and development, Geberit is the global driving force when it comes to developing and manufacturing sanitary products. In addition to classic product development, investments are made in the following → **relevant fields of competence** as the basis for future innovations: hydraulics, materials technology, hygiene, surface technology, electronics, sound insulation, statics, fire protection, process engineering and virtual engineering. The focus is on the different areas working together and the continuous testing of new, integrated product and system solutions, materials and new concepts.

Green building reference projects are of central importance. With this in mind, the most interesting projects are presented in the → **reference magazine**. Green Building is one of the eleven modules of the → **Sustainability strategy**. How Geberit products and systems help sanitary engineers, architects and building owners is to be demonstrated in more concrete terms here. Environmental Product Declarations (EPDs), which are created for selected products, play an important role in this regard.

The fact that the areas Technology & Innovation and Product Management work closely together enables Geberit to react to global trends. For example, increasing urbanisation means that bathrooms are generally getting smaller. Geberit can optimally tap into this growing market segment with integrated products. Geberit has already worked in the past on possible future concepts – such as wastewater separation systems and grey water usage – as part of the Novaquatis project carried out with the research institute EAWAG in Dübendorf (CH). Furthermore, as part of its support of the NEST project (Next Evolution in Sustainable Building Technologies) at EMPA in Dübendorf (CH), Geberit focuses on the development of networked knowledge in terms of system solutions for green building.

With its products, systems and tools, Geberit covers the entire flow of water within a building. More extensive services in terms of water management for property owners are not envisaged at this time.

Geberit invests a great deal of effort to ensure it chooses the right product material. When doing so, no compromises are made when it comes to quality and existing standards have to be complied with. The use of alternative materials and the combination of existing materials are constantly examined and questioned. The use of recycled plastic is continuously increased as part of this. Although the material ceramic has a relatively large ecological footprint, it impresses thanks to its robustness and the fact that it is hygienic and easy to clean. Ceramic can be used in a sensible and resource-saving manner in combination with other product materials. A concrete example in this regard is the AquaClean Mera, a product where the ceramic is complemented by a metal carrier system.

Materiality analysis

Geberit is sticking to the current way in which it presents the → **materiality analysis**, which is based on the GRI G4 guidelines. However, a new → **summary chart** is created that illustrates which material aspects affect the core strategy and how Geberit creates added value for various stakeholders. The suggestion of the panel to now use the term "social responsibility" and to show how – in addition to its social commitment – Geberit provides added value to society, is taken up.

The topic of 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.

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. This approach also encompasses the newly added sites, whereby the relationships with employees – as part of the aforementioned local community – are particularly important.

Material topics

Green building

Major changes lie ahead for the construction industry. Alongside green building, other topics such as industrialisation, digitisation, transparency in the supply chain and new tender rules will also determine the future environment in which Geberit operates. Like many players in the construction sector, Geberit is taking progressive steps to adapt to the new situation. The continuous development of the green building and Building Information Modelling (BIM) areas of competence are strategic focuses in this regard. Being a member of numerous national associations enables Geberit to keep abreast of the latest trends in the respective markets.

Product development

The integration of products in front of and behind the wall opens up new opportunities for Geberit. For example, the expertise in the area of hydraulics, statics and hygiene optimally supports the development of integrated systems. The basis for sustainable products is a systematic innovation process in which environmentally friendly materials and functional principles are chosen, risks are minimised and a high level of resource efficiency throughout the entire product life cycle is targeted as part of eco-design workshops.

CO₂ strategy

Geberit shares the panel's view that Geberit's focus is on the topic of water. However, continuous improvement when it comes to energy management is a key issue, and Geberit consistently invests in the new production sites in this regard. Five tunnel kilns for ceramic production have already been equipped with state-of-the-art burner technology. Each kiln can bring about energy savings of over 20%. The goal of reducing relative CO₂ emissions by 5% per year remains an ambitious one and requires the utilisation of all available potential. Furthermore, new absolute target values – based on the two-degree target set out in the Paris Agreement – were approved in 2016. By aligning its objectives to these science-based targets, Geberit is aiming to play its part in limiting global warming to under two degrees Celsius.

Sustainability communication

The recommendation regarding the creation of a summary overview outlining → **relevant topics and results** was taken up.

The integration of Sanitec will be continued in a focused and systematic manner and presented in a transparent way. Information on experiences relating to the integration may be incorporated into presentations at conferences or into specific publications.

Final remarks

Geberit thanks all of the panel members for their work. The next stakeholder panel is planned for 2018.

1. Strategy and analysis

G4-1 CEO Statement

For the statement of Christian Buhl (CEO), see → [CEO Statement on sustainability](#).

G4-2 Key impacts, risks and opportunities with regard to sustainability

For Geberit, sustainability means being oriented towards the future and being successful over the long term. This means striking a balance in decision-making processes between various economic, ecological and social aspects. In essence it also means identifying important technological and social trends in good time in dialogue with our stakeholders and developing suitable products and services that provide solutions for customers and added value for other stakeholders. The long-term orientation also minimises risks for business development that are increasingly not of a purely financial nature but arise from social developments and ecological risks. Geberit has a decades-long commitment to sustainability and is a leader in this area, setting 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.

Supplementary to the established → [Sustainability strategy](#) based on the GRI G4 guidelines, the → [Materiality analysis](#) carried out prioritises the key topics for Geberit and simultaneously highlights the areas in which added value for stakeholders is created: water-saving and sustainable products, environmentally friendly and resource-efficient production, procurement and logistics with high environmental and ethical standards, and good, safe working conditions for the some 12,000 employees worldwide. The 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 through memberships such as that with the non-profit organisation Swiss Water Partnership aimed at promoting international dialogue on water. There is also a long-term partnership with the Swiss development organisation Helvetas.

As illustrated by the UN 2030 Agenda for Sustainable Development, the world is facing major challenges. The UN Sustainable Development Goals (SDGs) define concrete targets and indicators 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 third time in September 2016, Geberit sees its contribution above all in four UN Sustainable Development Goals:

UN Sustainable Development Goal number 6 "Ensure availability and sustainable management of water and sanitation for all" has the greatest relevance for Geberit. The efficient and responsible handling of water plays an important role here. A growing world population, migration, urbanisation, climate change and natural disasters can lead to regions that are currently well supplied with water becoming problem regions in future. These global trends will have an impact on future sanitary technology: water-saving and resource-efficient products and high drinking water quality are becoming ever more important. The results achieved by the water-saving products are impressive: According to one model calculation, all Geberit dual-flush and flush-stop cisterns installed since 1998 have so far saved around 22,600 million cubic metres of water in comparison with traditional flushing systems. In 2016 alone, the water saved amounted to around 2,430 million cubic metres. This is more than half of the annual consumption of all German households.

The focus on innovative products and their development is closely linked to UN Sustainable Development Goal number 9 "Build resilient infrastructure, promote sustainable industrialisation and foster innovation". Thanks to targeted investments in research and development as well as modern infrastructures and production processes, Geberit is a global driving force in the development and manufacture of sanitary products. In addition to classic product development, investments are made in the following → [relevant fields of competence](#) as the basis for future innovations: hydraulics, materials technology, hygiene, surface technology, electronics, sound insulation, statics, fire protection, process engineering and virtual engineering. The focus is on the different areas working together and the continuous testing of new, integrated product and system solutions, materials and concepts. In the product development process managed in a uniform manner throughout the Group, → [eco-design](#) plays a role at an early stage, meaning that new products are systematically examined and optimised in terms of environmental and safety aspects. This takes place along the entire value chain – from the selection of raw materials and utilisation right through to disposal.

Geberit also contributes to the implementation of UN Sustainable Development Goal number 11 "Make cities and human settlements safe, resilient and sustainable". As well as saving water, Geberit products impress with their quality, durability, easy installation and maintenance, easy cleaning, design, resource efficiency and good environmental compatibility, thereby contributing to innovation in sanitary applications, sustainable infrastructure and green building. → [Green building](#) is becoming ever more important in both the public and private construction sector, with European standards that define the use of sustainable products and systems in buildings gaining in significance. More and more buildings are being constructed in accordance with sustainability standards such as LEED, DGNB, Minergie and BREEAM. Consequently, there is demand among investors, project developers, owners and tenants for system providers with comprehensive know-how in green building in order to ensure the relevant standards are met. Geberit is addressing this demand with water-saving and energy-saving, low-noise and durable products, thereby positioning itself in the front line with regard to green building. This is demonstrated by the numerous reference projects incorporating green building, see → [reference magazine View](#). Cooperation with research institutes such as → [NEST](#) future projects therefore makes sense as this offers innovative companies a unique opportunity to test new technology, materials and systems in real-life conditions.

Furthermore, as a profitable company with a sound financial basis and as an attractive employer of around 12,000 staff, Geberit makes a tangible contribution to UN Sustainable Development Goal number 8 "Promote sustainable economic growth, employment and decent work for all". The high level of participation and great commitment overall on the part of the employees during the employee survey carried out across the Group in 2016 show that the commitment and performance of Geberit are perceived positively and upheld by the employees. Attractive working conditions, comprehensive further development opportunities and long-term goals such as the vision of an accident-free company are made possible thanks to the sustainable business performance that Geberit has consistently implemented for many years.

Geberit combats risks posed by increasing regulation and changing framework conditions with an effective → [compliance system](#) that focuses on compliance in the five key topic areas of antitrust legislation, corruption, employee rights, product liability and environmental protection.

2. Organizational profile

G4-3 Name of the organization

Geberit Group.

G4-4 Brands, products and/or services

Geberit offers customers high-quality system solutions for applications in private residential construction and public buildings. The systems are used in both renovation projects and new buildings.

The product area Sanitary Systems comprises all sanitary technology found in buildings (with the exception of pipes) and is divided into four product lines: Installation Systems, Cisterns and Mechanisms, Faucets and Flushing Systems and Waste Fittings and Traps. 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 product area Sanitary Ceramics comprises nearly all relevant equipment in the bathroom and is divided into the product lines Bathroom Ceramics and Ceramics Complementary Products.

For further information on the product range, see → www.geberit.com > Products > Product range.

For 2016 net sales by product area and product line, see → [Business Report > Business and financial review > Financial Year 2016 > Net sales](#).

G4-5 Headquarters location

The Geberit Group has its headquarters in Rapperswil-Jona (CH).

G4-6 Countries with business operations

Geberit has its own representatives in 49 countries. The products are sold in over 122 countries throughout the world. Following the integration of the former Sanitec Group, the company has 33 specialised production companies in 14 different countries close to the most important sales markets and a central logistics centre in Pfullendorf (DE).

For a list of the countries in which Geberit operates, see → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 33](#).

G4-7 Ownership and legal form

Geberit AG, the parent company of the Geberit Group, is a stock corporation (AG) under Swiss law.

G4-8 Markets served

In terms of market cultivation, Geberit relies on a three-stage distribution channel. Numerous products are distributed via the wholesale trade. Dealerships then sell them to plumbers and present them at exhibitions where end customers can gain information. At the same time, Geberit provides plumbers and sanitary planners with intensive support through training and advice. This leads to increased demand for Geberit products from wholesalers.

With the integration of the ceramics business in its tried-and-tested sales structures, Geberit substantially strengthened its presence in many markets. Since the beginning of 2016, each market has been serviced by one local sales company only. The more than 800 advisors deployed throughout Europe no longer focus on specific product areas, but rather on different customer segments, such as the wholesale trade, plumbers and planners, architects and exhibitions. This means that sales representatives must have very broad product knowledge in order to provide comprehensive support to their customers.

For net sales by markets and regions as well as by product areas and product lines, see → [Business Report > Business and financial review > Financial Year 2016 > Net sales](#).

G4-9 Scale of the reporting organization

The Geberit Group's market capitalisation reached CHF 15,429 million as of the end of 2016 (previous year CHF 12,859 million). For the consolidated balance sheet with details of current assets, non-current assets, equity and liabilities, see → [Financial Report > Consolidated financial statements Geberit Group > Balance sheet](#). In 2016, net sales amounted to CHF 2,809.0 million (previous year CHF 2,593.7 million).

At the end of 2016, the Group had 11,592 employees (previous year 12,126 employees). For the number of business sites, see → [G4-6](#).

G4-10 Total number of employees by employment type, employment contract, region and gender

At the end of 2016, the Geberit Group employed 11,592 staff worldwide, which is 534 employees or 4.4% less than in the previous year. This is mainly because fewer people are employed in the ceramic plants due to efficiency-enhancing measures and synergies.

For key figures on the workforce by employment type, employment contract, region and gender, see → [Key figures sustainability > Employees and society](#).

G4-11 Employees covered by collective bargaining agreements

There are currently 9,014 employees (corresponding to 78% of the workforce) who are covered by collective agreements (e.g. collective labour agreements, wage agreements). In Germany, Austria, Switzerland, France, Italy, Ukraine, Finland and Sweden, over 90% of employees

are subject to a collective labour or wage agreement. While collective agreements with employees have been in place in China since 2016, there are still none in the USA.

G4-12 Description of the organization's supply chain

See → [chapter Suppliers](#).

G4-13 Significant changes regarding size, structure or ownership

There was a significant change in 2015 due to the acquisition of the Sanitec Group. The divestment of the Koralle business was implemented in the reporting year as of the end of June 2016. See → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 2](#).

G4-14 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 OHSAS 18001 (occupational health and safety) that is valid until the end of 2018. All 17 Geberit production plants and 13 of the 16 former Sanitec plants are certified to ISO 14001. By the end of 2018, all new plants will be integrated into the Geberit management system and certified according to ISO 9001 and 14001, as well as OHSAS 18001. Five plants have already been certified according to ISO 50001. Furthermore, all Geberit companies implemented the European Energy Efficiency Directive 2012/27/EU in 2015.

In the environmental area, the company remains committed to its ambitious goals of improving the relative environmental impact and relative CO₂ emissions by 5% annually. In addition, a long-term CO₂ target was developed in 2016 that is compatible with the two-degree target set out in the Paris Agreement (science-based). It comprises a reduction of absolute CO₂ 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 2.0) was implemented at all new plants in the reporting year. Best-practice standards in production will be 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](#).

G4-15 External agreements and initiatives

Geberit has been a formal member of the UN Global Compact since October 2008 and was a founding member of the local Swiss network in 2011. The company has been a member of the Transparency International organisation since June 2000 and supports its objectives for combating corruption. Since 2007, 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 cooperated with 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.

G4-16 Membership in associations and organizations

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. For major commitments, see → [www.geberit.com > Company > Sustainability > UN Global Compact and Memberships](#).

3. Material Aspects and Boundaries

G4-17 Reporting boundaries in the consolidated financial statements

In general, the report covers the entire Geberit Group and the 2016 financial year. Owing to the divestment of the Koralle business at the end of June 2016, the latter's contributions are only included for the first six months of the reporting 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 → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 33](#).

G4-18 Process for defining report content

For the third time in succession, the GRI G4 guidelines serve as the basis for this report. Geberit implements the report option "comprehensive" and adheres closely to the GRI guidelines regarding the determination of material aspects and boundaries. The starting point is a comprehensive → [Materiality analysis](#) based on the sustainability topics described in the GRI aspects.

For the materiality analysis, it was possible to build on the substantial basis of GRI reporting that has been created since 2007. Material sustainability topics and related measures are already presented in compact form within the → [Sustainability strategy](#) Global Compact, which Geberit has committed itself to uphold and which are presented in the → [Communication on Progress UN Global Compact](#).

On this basis an internal materiality analysis was developed in 2014 as part of workshops with members of the Group Executive Board and later approved by the Executive Board. The results were reviewed and amended slightly by an external stakeholder panel in September 2014. As part of the integration of Sanitec, a further review was carried out in 2015. There were no major changes in the material aspects. The materiality analysis was again discussed by an external stakeholder panel in September 2016. 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 the → [Response from Geberit to the Panel statement](#).

G4-19 Material aspects

Material aspects are deemed material if they are significant from the internal perspective of the company and/or the external perspective of stakeholders. No differentiation was made between internal and external dimensions. The aspects were divided into four categories: most material, material, less material and not material or not requiring any action. The GRI aspects that Geberit identified as material in the economic, environmental and social dimensions can be seen in a → [dynamic chart](#).

The results of the internally conducted materiality analysis were reviewed and approved by the external stakeholder panel in September 2016, see → [Panel statement](#).

The following aspects 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. For comprehensive information on the subject of the supply chain, see → chapter Suppliers .
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.
Investments environment	Geberit plans holistically and integrates the aspect of environmental protection in the development of its products and production sites. In the context of integrated, sustainable planning, it makes no sense for Geberit to report investments in environmental protection separately.
Environmental grievance mechanisms	Any risks or problems cited by stakeholders are addressed and resolved directly. The newly introduced Geberit Integrity Line available to suppliers for anonymously reporting irregularities in the procurement process also contributes to this.
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.
Human rights grievance mechanisms	The risks of human rights violations by Geberit are low in general. Any risks or problems cited by stakeholders are addressed and resolved directly. The newly introduced Geberit Integrity Line available to suppliers for anonymously reporting irregularities in the procurement process also contributes to this.
Local communities	Geberit 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.
Public policy	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.
Social grievance mechanisms	Any risks or problems cited by stakeholders are addressed and resolved directly. The newly introduced Geberit Integrity Line available to suppliers for anonymously reporting irregularities in the procurement process also contributes to this.
Marketing communications	Owing to its marketing strategy, Geberit is little exposed to risks from aggressive advertising or marketing. All external means of communication are checked for correctness and appropriateness.
Customer privacy	Geberit does not possess sensitive data on end users. Data on customers and end users are safeguarded as required by statutory requirements.

G4-20/21 Material aspects and report boundaries outside and within the organization

In the case of the GRI aspects determined to be material, Geberit's business activities have an impact on internal and external stakeholders. The following table shows the stakeholder groups (within the value chain) for which the impact is material and therefore determines the reporting limits for the information presented.

Material GRI aspects	Reporting limits inside the organisation			Reporting limits outside the organisation			
	Company, total	Employees	Production, logistics	Customers	Suppliers, partners	Society	Others
Economic performance	x	x			x	x	Shareholders
Market presence		x				x	
Indirect economic impacts		x		x	x	x	Regional economy
Materials			x	x	x		
Energy	x			x		x	
Water	x			x		x	
Emissions	x			x		x	
Effluents and waste			x			x	
Products and services	x			x	x	x	
Compliance environment			x			x	
Transport			x		x	x	
Supplier environmental assessment					x	x	

Material GRI aspects	Reporting limits inside the organisation			Reporting limits outside the organisation			
	Company, total	Employees	Production, logistics	Customers	Suppliers, partners	Society	Others
Employment		x					Regional economy
Occupational health and safety		x					Regional economy
Education and further training		x					Regional economy
Diversity and equal opportunity		x					
Equal remuneration for women and men		x					
Supplier assessment for labour practices					x	x	
Labour practices grievance mechanisms		x					
Investments	x					x	
Non-discrimination		x					
Freedom of association and right to collective bargaining		x					Unions
Child labour		(x)			x	x	
Forced or compulsory labour		(x)			x	x	
Human rights assessment	x				x	x	
Supplier human rights assessment					x	x	
Anti-corruption	x			x	x	x	
Anti-competitive behaviour	x			x		x	Competitors
Compliance	x					x	
Supplier assessment on impacts on society					x	x	
Customer health and safety	x			x			
Product and service labelling	x			x			
product responsibility	x			x			

G4-22 Effects of any restatements of information provided in earlier reports

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 as a restatement under the respective indicator.

G4-23 Changes from previous reporting periods in scope, boundary or measurement methods

The annual sustainability reporting for the 2006 to 2013 financial years is based on the GRI G3 guidelines in force since October 2006. The 2014 financial year was the first time the GRI G4 guidelines were followed, and they were also applied to the 2015 and 2016 financial years. In this way, Geberit has developed a consistent reporting system in which individual indicators are further developed each year. The switchover to the new GRI standards is planned for the 2018 financial year.

There were no significant changes during the reporting period for topics identified as material (GRI aspects). If, in individual cases, a new measuring method is used, this is noted under the respective indicator. With regard to the change to reporting limits, see → G4-17.

4. Stakeholder engagement

G4-24 Relevant stakeholder groups

Significant stakeholder groups for Geberit are customers, shareholders and analysts, banks, the media, employees and trade unions, neighbours, research institutes, suppliers, transport companies, competitors, associations, non-government organisations and the general public, as well as regulators. Details on stakeholder engagement can be found under → [G4-26](#).

G4-25 Basis for selection of stakeholders

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. At the 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 → [G4-24](#) have been identified as important for systematic stakeholder dialogue as they fulfil 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.

G4-26 Approaches to stakeholder engagement

Geberit consulted an → [external Stakeholder Panel](#) for the third time in September 2016. 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](#). In the → [Response from Geberit to the Panel statement](#) Geberit deals in detail with the external assessment and the recommendations contained therein.

A stakeholder analysis is performed at all production plants as part of environmental management in accordance with ISO 14001. based on this information, Geberit identifies potential for conflict or opportunities and essentially pursues a cooperative approach in order to discuss and further develop possible measures with the stakeholders concerned.

Engagement of stakeholders according to stakeholder group:

Customers:

- More than 800 technical advisors working in the field are in daily contact with plumbers, planners and architects in particular.
- During the reporting year, more than 30,000 customers were provided with basic and further training in Geberit systems and software tools at the 25 information centres in Europe and overseas.
- Mobile AquaClean lounge: Over 15,000 end users in Switzerland and Austria alone received the opportunity to try out a shower toilet for themselves.
- Mobile exhibition Geberit On Tour that presented the advantages of Geberit products at more than 900 events in 16 countries in 2016. More than 25,000 visitors were registered at the events in total.
- For trade fairs and customer surveys, see → [Business Report > Business and financial review > Financial Year 2016 > Customers](#).

Shareholders, analysts:

- For the participatory rights of the shareholders, see → [Business Report > Corporate Governance > Participatory rights of shareholders](#).
- Regular conference calls, bilateral meetings, conferences and roadshows by the CEO, CFO and Head Corporate Communications and Investor Relations.

Media:

- Regular conference calls, bilateral meetings/interviews with the relevant media for Geberit.
- Regular conference calls, bilateral meetings/interviews with the relevant media for Geberit.

Employees, trade unions:

- Extended Europe Forum in 2016 with employee representatives from all 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 in place since 2013 to enable all employees across the world to report internal irregularities anonymously.
- Employee survey in 2016 with all employees of the Geberit Group.

Neighbors, municipalities:

- 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).

- Cooperation with EAWAG Dübendorf, HSR Rapperswil, ZHAW Winterthur, ETH Zurich (CH) and Tongji University (CN) on technological trends and developments directly related to sanitary technology.

Suppliers:

- Initial contact within the scope of the assessment procedure and implementation of the Code of Conduct for Suppliers, see → [chapter Suppliers](#).
- Regular discussions between buyers and suppliers on site.
- On-site audits (quality, environment, occupational safety) carried out by Geberit and since 2012 also by certified third-party specialists.
- Introduction of an Integrity Line for suppliers: irregularities in the purchasing process can be anonymously reported.
- Cooperation with manufacturers of infrastructure facilities, e.g. for the retrofitting of eleven tunnel kilns for ceramic production.

Transport companies:

- Discussions with transport service providers concerning the results of the environmental monitoring, see → [chapter 9.8](#).

Associations:

- Collaboration with FECS (European Federation of Ceramic Sanitary Ware Manufacturers) 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.

Non-government organizations, general public:

- Partnership with the Swiss development organisation Helvetas.
- Participation in the non-profit organisation Swiss Water Partnership.

Feedback from the stakeholder dialogues is incorporated into the → [Materiality analysis](#) and into the → [Sustainability strategy](#).

G4-27 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](#).

Examples of important topics that were introduced by stakeholders and have been implemented by Geberit include:

- Integration of employees of the Sanitec Group, see → [Business Report > Business and financial review > Financial Year 2016 > Employees](#).
- Geberit standards for all processes and production plants, see → [Business Report > Business and financial review > Financial Year 2016 > Production](#).
- Investments in ceramic production with state-of-the-art burner technology, see → [Business Report > Business and financial review > Financial Year 2016 > Production](#).
- Holistic solutions for products and systems in front of and behind the wall, see → [Business Report > Business and financial review > Financial Year 2016 > Innovation](#).
- Expansion of the portfolio of water-saving products, see → [G4-EN27](#) and → [Water footprint](#), which covers the entire Geberit value chain (excluding former Sanitec products).
- Transparency in the selection of water-saving products, see → [Business Report > Business and financial review > Financial Year 2016 > Sustainability](#).
- Uniform sales organisation, see → [Business Report > Business and financial review > Financial Year 2016 > Customers](#).
- Customer training, see → [Business Report > Business and financial review > Financial Year 2016 > Customers](#).
- Direct information for end users, see → [Business Report > Business and financial review > Financial Year 2016 > Customers](#).
- Transparency of the remuneration system, see → [Business Report > Remuneration report](#).
- Long-term CO₂ target compatible with the two-degree target set out in the Paris Agreement (science-based), see → [Management Approach Emissions](#).
- Transparency in the environmental impact of logistics, see → [Management Approach Transport](#).
- Best-in-class approach to occupational safety, see → [Business Report > Business and financial review > Financial Year 2016 > Employees](#).
- Implementation of social projects, see → [Business Report > Business and financial review > Financial Year 2016 > Social responsibility](#).

5. Report profile

G4-28 Reporting period

2016 reporting year.

G4-29 Date of most recent previous report

Geberit published extensive, magazine-like Sustainability Reports in 2004, 2007 and 2010. GRI reporting regarding all GRI G3 guideline requirements at the Level A application stage was published annually for the financial years 2006 to 2013. Reports were prepared in accordance with the GRI G4 guidelines with the report option "comprehensive" for the first time for the financial year 2014. The → [last report](#) for 2015 is still available online; for reports from previous years, see → www.geberit.com > [Downloads](#) > [Publications](#).

G4-30 Reporting cycles

Annually as part of the integrated online reporting for a given financial year.

G4-31 Contact point for questions regarding the report or its contents

Should you have any questions concerning sustainability at Geberit, please contact:

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G4-32 Reporting option chosen

The reporting implements the GRI G4 reporting option "comprehensive". For the formal GRI index, see → [formal GRI index](#).

G4-33 External assurance for the report

There is no external review of the sustainability reporting in its entirety. Instead, individual processes, results and indicators are inspected in detail by external parties:

- The → [Stakeholder Panel](#) examined the selection of material aspects (see → [G4-18](#) and → [G4-19](#)), see → [Panel statement](#) and → [Response from Geberit to the Panel statement](#).
- Financial reporting is audited by an external auditor, see → [Financial Report > 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. In this, the world's largest climate protection ranking, Geberit has achieved the status of "Sector Leader Industrials" in reporting, meaning that it is one of the ten best companies in the sector in Germany, Austria and Switzerland.
- In 2016, Geberit also published its detailed water balance as part of the CDP Water Program for the first time. The results of the evaluation have been integrated into the 2016 Annual Report of Corporate Water Disclosure from CDP.
- The Geberit Group has a → [Group certificate](#) in accordance with ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) that is valid until the end of 2018. All 17 Geberit production plants and 13 of the 16 former Sanitec plants are certified to ISO 14001. By the end of 2018, all new plants will be integrated into the Geberit management system and will be certified according to ISO 9001 and 14001, as well as OHSAS.
- In 2015, all Geberit companies implemented the European Energy Efficiency Directive 2012/27/EU, with five production plants already certified to ISO 50001.
- On-site audits (quality, environment, occupational safety) are carried out by Geberit and since 2012 also by certified third-party specialists as part of on-site supplier auditing, see → [chapter Suppliers](#).

6. Governance

G4-34 Governance structure, committees under the Board of Directors

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](#).

Since 1 September 2016, the operating management structure of Geberit is broken down into seven Group divisions:

- 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](#).

G4-35 Delegation of authority on economic, environmental and social matters

The Board of Directors determines the overall 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 Organisation 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, as the case may be. 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.

G4-36 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 → [Business Report > Management structure](#). 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 regularly reviewed within the company. For over 20 years, Geberit has had an Environment and Sustainability department, which has been reporting directly to the CEO for more than a decade. In recent years, this department has coordinated the further development of the sustainability strategy and related activities, although the responsibility for planning and implementation lies with the individual areas themselves.

G4-37 Consultation process between stakeholders and the Board

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. In 2016, the Europe Forum was expanded to include employee representatives from all European countries.

G4-38 Independent members of the Board of Directors

At the end of 2016, the Board of Directors comprised one woman and five men. 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](#).

G4-39 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](#).

G4-40 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](#).

G4-41 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 the → [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.

G4-42 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 → [G4-56](#). The → [Sustainability strategy](#) is examined and approved by the Group Executive Board and the Board of Directors, see → [G4-45](#).

G4-43 Measures to further enhance the top management's and Board of Directors' related know-how on economic, ecological, and social topics

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 as part of the 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](#).

G4-44 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 → [G4-45](#).

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](#).

G4-45 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 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.

In 2016, Geberit consulted an → [external Stakeholder Panel](#) for the third 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 2018.

G4-46 Assessment of the effectiveness of sustainability related risk management procedures

Based on the Organisation 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 2016 > Compliance](#).

G4-47 Frequency of review of risks and chances in the area of sustainability

The impacts, risks and opportunities are discussed by the Group Executive Board and Board of Directors annually in connection with the sustainability reporting and the → [Sustainability strategy](#).

G4-48 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.

G4-49 Procedure for communicating crucial concerns to the Board

The Board of Directors is available at any time to address the concerns of stakeholders and shareholders.

G4-50 Nature and total number of critical concerns communicated to the Board

Matters brought forward by shareholders within the context of the General Meeting will be dealt with in accordance with the Articles of Incorporation. Only a very small number of matters were submitted directly to the Board of Directors in 2016. It proved possible to discuss and to settle these matters directly with the individuals concerned. There are no significant matters outstanding at the present time.

G4-51 Remuneration policies for highest governance body

Geberit publishes a detailed annual Remuneration Report, which discloses the precise points of its remuneration policy, see → [Business Report > Remuneration report](#).

G4-52 Process for determining remuneration

Geberit publishes a detailed annual Remuneration Report, which discloses the precise points of remuneration to the Board of Directors and Group Executive Board, see → [Business Report > Remuneration report](#).

G4-53 Handling of stakeholder views on 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](#).

G4-54 Annual total compensation ratios

The ratio of the annual remuneration paid to the highest-paid employee to the average annual remuneration for all employees (excluding the highest-paid employees) was (excluding the former Sanitec) 19.6 in Switzerland, 6.4 in Germany, 5.5 in Austria and 3.7 in Italy.

G4-55 Annual compensation related percentage increase ratios

The ratio of the percentage increase in annual remuneration paid to the highest-paid employee to the percentage increase in annual remuneration for all employees (excluding the highest-paid employees) was (excluding the former Sanitec) 14.5 in Switzerland, 6.3 in Germany, 30.0 in Austria and 6.3 in Italy.

7. Ethics and Integrity

G4-56 General principles and code of conduct

Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. In this regard, the → [Geberit Compass](#) (what we do, what motivates us, how we work together, what is responsible for our success) and the → [Geberit Code of Conduct for Employees](#) serve as the applicable guidelines. At the end of 2015, the Compass, together with a letter from the CEO, was delivered to the homes of all our employees and was also explained in the employee magazine. The revised Code of Conduct was communicated to the employees at the start of 2015.

Other specific guidelines that are important to Geberit are the:

- → [Geberit policy on occupational health and safety, environment and energy](#)
- → [Geberit Code of Conduct for suppliers](#)
- → [Geberit Code of Conduct for business partners](#) (only available in English)
- → [Geberit compliance commitment for contractors](#)
- UN Guiding Principles on Business and Human Rights
- → [SQS and IQNet Group certificate ISO 9001/14001 and OHSAS 18001](#)

G4-57 Mechanisms for securing ethical and lawful behavior

Geberit has established an effective compliance system to ensure that its conduct is both ethical and legal compliant. Action on compliance focuses on the following five key topics: antitrust legislation, corruption, employee rights, product liability and environmental protection, see → [Business Report > Business and financial review > Financial Year 2016 > Compliance](#).

Conformity with the Code of Conduct for Employees is subject to controls each year. All companies receive around 50 questions on the five above-mentioned topic areas. 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 Group Executive Board and are published in accordance with the guidelines of the Global Reporting Initiative (GRI) in this report.

G4-58 Mechanisms for reporting concerns regarding unethical or unlawful behavior

The Board of Directors and Group Executive Board are available at any time to address the concerns of stakeholders.

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 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. From 2017, an Integrity Line will also be available to suppliers for anonymously reporting irregularities in the procurement process.

8. Economy (EC)

8.1 Economic Performance (EC)

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 (aspects economic performance, market presence, indirect economic effects).

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

For detailed explanations of the four strategic pillars, 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 2016](#).

G4-EC1 Economic performance

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 → [Financial Report > Consolidated financial statements Geberit Group > Consolidated Statements of Cashflow](#).

Economic Values Passed On

- Operating expenses excl. personnel expenses, see → [Financial Report > Consolidated financial statements Geberit Group > Income statements](#).
- Personnel expenses, see → [Key figures sustainability > Employees and society](#).
- Payments to providers of capital, see → [Financial Report > Consolidated financial statements Geberit Group > Statements of cashflows](#).
- Social engagement, see → [G4-EC7](#).

Retained Economic Values

- Investments in and divestments of property, plants and equipment, see → [Financial Report > Consolidated financial statements Geberit Group > Income statements](#).
- Share buyback, see → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 22](#).

G4-EC2 Financial implications of climate change

The 2015 UN climate change conference in Paris and the agreement reached by its participants to limit global warming to below two degrees Celsius represent far-reaching goals for limiting climate change. Now, there is a growing need to take action to minimise climate change and its consequences. One of the most visible effects of climate change that we are already experiencing is the limited availability of water resources in many areas, which is becoming a major issue in the eyes of the public. In the Global Risks Report periodically published by the World Economic Forum (WEF), water scarcity was classified in 2016 as one of the three highest risks in terms of impact. Consequently, the subject of water has also been included in the Sustainable Development Goals (SDGs) of the UN 2030 Agenda for Sustainable Development, which have been applicable since the beginning of 2016. Goal number 6 calls for people around the world to receive access to clean drinking water and sanitary facilities.

These trends will determine the sanitary technologies of the future. 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 high chances of success, Geberit is exposed to an average risk of natural disasters 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 and energy-intensive process that has become a part of Geberit production. This increases the company's exposure to CO₂ regulations, meaning that their future development must be carefully monitored. However, these risks are currently still low – only one ceramic plant in Sweden pays CO₂ taxes. With the definition of a long-term CO₂ target in 2016 that is compatible with the two-degree target set out in the Paris Agreement (science-based), an increasingly detailed understanding is becoming established within the company regarding CO₂ emissions. The aim is to reduce absolute CO₂ emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth).

In addition, Geberit is indirectly affected by higher energy or raw materials 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 CO₂ strategy (see → [aspect emissions](#)), Geberit is reacting proactively and working continuously on saving energy, improving its energy efficiency and reducing its CO₂ emissions. For example, Geberit is currently investing in the infrastructure of ceramic production: By the end of 2016, five tunnel kilns for ceramic production had already been equipped with state-of-the-art burner technology, with the equipping of a further six planned. 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 CO₂ emissions, see → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 4](#).

G4-EC3 Scope of the organization's defined benefit plan obligations

The Geberit Group sponsors defined benefit plans for its employees in Switzerland, Germany, Austria and the USA. For further details on pension and benefit plans, see → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 3 > Retirement benefit plans](#) and → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 17](#).

G4-EC4 Significant financial assistance received from government

Significant assistance received from the public sector includes:

- Income taxes, see → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 25](#).
- Investment subsidies for new investments to promote the respective business location and secure jobs: CHF 1.2 million (of which approx. CHF 0.54 million for the Kolo plant and CHF 0.66 million for the Ozorkow plant).
- Contributions received to support training and part-time employment prior to retirement: CHF 0.3 million.
- Support for apprentices and subsidies for severely disabled persons: CHF 0.05 million.

The public sector is not represented on the Board of Directors of the Geberit Group.

8.2 Market Presence (EC)

Management Approach - Market Presence

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, see → [Management approach economic performance](#), Geberit's aim is to ensure that production plants and sales companies alike function well as units which enjoy a high degree of autonomy. A 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 the management level.

G4-EC5 Ratio of standard entry-level wage compared to local minimum wage

Geberit pays market-rate wages, taking into account local circumstances and laws. When selecting 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 33 production sites and at the sales companies are paid well above the minimum wage range. Stability and a high level of motivation among employees are important to Geberit. This is being encouraged at the new site in India, for example, by means of a comparatively attractive pay structure. The applicable requirements on minimum wages are well met.

G4-EC6 Procedures for local hiring

Geberit has no personnel policy or employment practices providing for the preferential treatment of persons from local vicinities 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 managing directors who have been recruited locally.

8.3 Indirect Economic Impacts (EC)

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 and standard 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, through know-how transfer in the sanitary industry, via impetus for the economy in regional economic areas, and through 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.

Geberit pursues a clear strategy as part of its social responsibility, and therefore supports social projects each year that 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 across the world, 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.

G4-EC7 Investments in infrastructure and services primarily for public benefit

Donations and financial contributions, including product donations, totalling CHF 3.7 million (previous year CHF 2.6 million) were made during the reporting year. In addition, Geberit employees contributed 2,336 hours of charitable work (previous year 1,657 hours). Geberit also supports facilities for disabled persons and long-term unemployed, where simple assembly and packaging work in the amount of around CHF 6.3 million was carried out in 2016 (previous year CHF 6.2 million), see also → [Key figures sustainability > Employees and society](#).

The focus was on the following projects and partnerships in 2016:

- A → [social project](#) carried out in Warsaw (PL) with apprentices: renovation of several sanitary facilities at a primary school with a team of ten apprentices from Geberit, as well as volunteer work with students on the subject of water.
- The partnership with Helvetas on projects relating to clean drinking water and sanitary facilities and supporting the new Helvetas campaign for clean drinking water and latrines with a substantial contribution.

- Participation in the charitable organisation Swiss Water Partnership to promote international dialogue on the topic of water.
- Implementation of the project Change of Perspective, in which two Swiss plumbers travelled to Nepal and worked together with two Nepalese colleagues for one week. This project was repeated in Switzerland a short time later.
- Volunteer work of 17 Geberit employees for two weeks helping a village community in western Nepal to construct a water pipeline. Geberit also made a major donation to support Helvetas-run water projects in Nepal.
- Support for six vocational schools for plumbers in Ukraine with the goal of providing professional, contemporary training in plumbing.
- Various local initiatives and collection campaigns in Poland, the UK, France, Germany and Switzerland round off the Geberit Group's social engagement at the local level.

G4-EC8 Indirect economic impacts

Geberit forms part of the value chain in the construction industry. It has significant indirect economic impacts downstream on the customer side at planners, plumbers and end users, as well as upstream at suppliers and transport companies. Continuous investment in 33 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 22,600 million cubic metres of water in comparison with traditional flushing systems. In 2016 alone, the water saved amounted to 2,430 million cubic metres. 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. Geberit also supported WELL (Water Efficiency Label), a product classification system for water-saving and resource-efficient sanitary products that was introduced in 2011. Similar to its work in the field of waste water hydraulics, Geberit also played a major part in ensuring that topics such as noise insulation and fire protection, as well as hygiene in drinking water and sanitary areas, have been developed to the benefit of the end user and laid down in standards and recommendations.

Geberit lends impetus to the sanitary industry with innovation and new products that are sold and implemented worldwide by wholesalers, plumbers and planners. In 2016 alone, around 30,000 customers were provided with education and further training on Geberit products and software tools in the 25 information centres in Europe and overseas, see → [Business Report > Business and financial review > Financial Year 2016 > Customers](#).

Geberit employed 233 apprentices at the end of 2016 (previous year 255). The transfer rate to a permanent employment relationship was 75% (previous year 64%). All apprentices are essentially required to work at several sites during their training. Experience abroad and the transfer of know-how are beneficial, especially for young employees.

Geberit employed 233 apprentices at the end of 2016 (previous year 255). The transfer rate to a permanent employment relationship was 75% (previous year 64%). All apprentices are essentially required to work at several sites during their training. Experience abroad and the transfer of know-how are beneficial, especially for young employees.

9. Environment (EN)

Geberit has long stood for a high level of environmental awareness and been committed to environmentally friendly, resource-efficient production as well as the development of water-saving and sustainable products. Eco-design is an integral part of the product development process, with the goal of making each product more environmentally friendly than its predecessor throughout the entire product life cycle. 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](#).

Systematic, Group-wide environmental management takes centre stage. This is the remit of Corporate Environment and Sustainability. Guidelines and measures pertaining to all aspects of the GRI requirements 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. All environmental and occupational safety managers from all production plants were present at the annual international meeting in 2016.

The Geberit Group has a → [Group certificate](#) in accordance with ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) that is valid until the end of 2018. Out of 33 production plants, 30 were certified to ISO 14001, 24 to OHSAS 18001 and five to ISO 50001 at the end of 2016. By the end of 2018, all new plants will be integrated into the Geberit management system and will be certified according to ISO 9001 and 14001 as well as OHSAS 18001.

The annual preparation of a corporate eco-balance has been an established part of Geberit's environmental management since 1991. It covers 33 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 2016, as in the previous year, the new basic data from the internationally recognised Ecoinvent database (version 3.1) and the latest version of the method of ecological scarcity (version 2013) were used. The calculation was based on the national electricity mix.

It was possible to make a year-on-year comparison with the expanded company for the first time. Both the environmental impact and the CO₂ emissions were reduced. The absolute environmental impact reduced by 4.0% (3.6% in organic terms) and CO₂ emissions by 3.0% (2.7% in organic terms). The environmental impact per net sales (currency-adjusted) dropped by 10.8%, or 11% in organic terms (adjusted by the sale of the Koralle business). This figure is above the long-term target of 5% per year.

Detailed key figures on the environmental impact are provided at → [Key figures sustainability > Environment](#).

9.1 Materials (EN)

Management Approach - Materials

The use of raw materials, semi-finished products and finished products with a global procurement value of CHF 789.3 million is a significant production factor for Geberit. At around 12,200 TJ (previous year 11,500 TJ) – based on basic data from Ecoinvent (version 3.1) – the consumption of grey energy associated with purchased materials (including mineral raw materials at the ceramics plants) is 3.9 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 → [Management approach products and services](#).

G4-EN1 Materials used

The use of materials depends on the various manufacturing processes: 17 plants for processing plastic and metal, twelve plants for manufacturing sanitary ceramics and four other plants for processing acrylic, mineral casting compound as well as aluminium and glass (in the case of shower partition walls). The range of manufacturing technologies used thus includes the areas of injection moulding, blow moulding, extrusion, metalforming and thermoforming, assembly and ceramic production.

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 390,421 tonnes of materials were used in 2016 (previous year 384,807 tonnes). At present, this amount includes only the mineral raw materials from the former Sanitec Group. Detailed key figures on the use of materials can be found at → [Key figures sustainability > Environment](#).

For packaging materials used, see → [G4-EN28](#).

G4-EN2 Percentage of recycled material

When estimating 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 8,450 tonnes.

Raw materials are also recycled internally and fed back into the process in ceramic production. The recycling rate for the ceramic slip is around 10%, while this figure is 20 to 40% for the glaze.

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 32,500 tonnes of recycled material.

With plastics, virgin material is primarily used. The search for suitable, high-quality regranulate from external plastic waste is 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. Furthermore,

between one to three tonnes less CO₂ are released into the atmosphere, depending on the material. In 2016, over 700 tonnes of ABS regrunulate were used for the mounting frames for concealed cisterns, the technical cisterns, the Monolith and the flush valve type 240. Thanks to an intelligent redesign, half of the material used for the flush valve can be made of high-quality ABS regrunulate. The use of plastic regrunulate is generally to be increased further and applied to other product areas.

9.2 Energy (EN)

Management Approach - Energy

A software introduced in 2012 permits monthly monitoring of water and energy consumption, as well as the Group-wide calculation of environmental impact and CO₂ emissions. With a share of 96.9%, the consumption of energy in the form of electricity, combustibles and fuels represents Geberit's greatest environmental impact. 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 CO₂ target that is compatible with the two-degree target set out in the Paris Agreement (science-based). By 2021, the share of renewable energy sources should account for 45% of electricity and 10% for combustibles.

At present, the 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.

For the development of energy-efficient products, see → [Management approach products and services](#).

G4-EN3 Energy Consumption within the Organization

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 and solid combustibles as well as the fuels diesel, gasoline and liquefied petroleum gas (LPG). The indirect energy carriers (Scope 2) include electricity and district heating.

Energy consumption decreased by 5.2% in the reporting year and is now 864.7 GWh, corresponding to a reduction of 4.9% when adjusted for the divestments of the Koralie business. After the strong increase in energy consumption in 2015 as a result of the Sanitec acquisition, Geberit has successfully adopted a reduction plan within the enlarged company.

Combustibles (primarily from ceramic production) still account for the greatest share of energy consumption at 70.7%, followed by electricity with 26% and fuels with 3.3%.

In 2015, errors were made in some companies from the former Sanitec due to the initial consolidation when collecting the energy consumption data. This led to a shortfall of around 27 GWh of energy and thus the environmental impact and CO₂ emissions reported were too low on a Group level at 2.0% and 2.5% respectively. The values from previous years have been amended in the information disclosed within the scope of this report.

Renewable sources of energy are to be expanded continuously as a part of the sustainability strategy. Since 2012, a block heating station has been in use in Pfullendorf (DE). This plant was fed by 8.8 GWh of regionally produced biogas in 2016. The electricity generated by the plant (3.4 GWh) is fed into the transmission grid and the resulting heat (4.1 GWh) can be used in production, thereby reducing the use of natural gas. In total, renewable energy sources accounted for 6.3% 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 m² photovoltaic installation. It generated 0.5 GWh of electricity in 2016. However, this contribution is not included in the energy balance as the energy produced is managed by the regional energy supplier. Overall, the share of purchased green electricity was increased by 3 GWh to 44 GWh in 2016 – meaning that renewable sources of energy now account for 37.7% 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](#).

G4-EN4 Energy Consumption outside of the Organization

Where the energy balance outside the organisation is concerned, Geberit concentrates on purchased materials, intercompany and distribution logistics, and business travel.

In 2016, purchased materials (including mineral raw materials at the new ceramic plants) resulted in grey energy consumption of around 12,200 TJ.

For the environmental impact caused by logistics, see → [G4-EN30](#).

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. The CO₂ emissions comprise direct and indirect emissions and are based on the Ecoinvent database (version 3.1) and the IPCC conversion factors from 2013, see → [G4-EN17](#).

G4-EN5 Energy Intensity

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 have also introduced a more refined system of monitoring.

G4-EN6 Energy saved

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 systems
- Increasing the capacity utilisation and efficiency of production installations
- 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)
- The careful use of compressed air

- The insulation of buildings

Concrete examples which show the reduction in energy consumption:

- In 2016, a focus was on the demolition and safe disposal of infrastructure and systems in Wesel and Haldensleben (DE), Gaeta (IT), Limoges, Digoin and Selles-sur-Cher (FR) and Ekenäs (FI) that were obsolete and no longer required. Inefficient machines in Langenfeld (DE) and a total of four tunnel kilns in Haldensleben (DE) and Slavuta (UA) put out of operation and scrapped.
- Five tunnel kilns were retrofitted for ceramic production with the latest burner technology by the end of 2016, with a further six kilns currently being planned. This reduces NO_x emissions and gas consumption per kiln by more than 20%. Overall, annual savings of around 27 GWh of gas and 6,500 tonnes of CO₂ are expected.
- The number of injection moulding machines retrofitted with energy-efficient drive technology was increased in the reporting year from 137 to 150. Analyses show that modifying a machine can reduce energy consumption by up to 40%.
- A new raw material for the inner layer of Mepla pipes is being used at the plant in Givisiez (CH). While maintaining the very highest product quality for customers, this reduced the consumption of water and natural gas for manufacturing by over 70%.
- In Weilheim (DE), an optimised manufacturing process for the production of urinal divisions reduces throughput times and energy consumption thanks to heat recovery, and at the same time reduces occupational safety risks.
- In 2015, the first fully electrically driven production line for fitting bends was put into operation in Langenfeld (DE). This increases process stability while reducing the set-up time, electricity consumption and lubricant quantities needed.
- In Lichtenstein (DE), savings of around 80% per metal frame are expected as a result of switching from hydraulic to servomechanical drives on the new Kombifix production line.

G4-EN7 Energy-efficient products

The biggest environmental contribution by Geberit products lies in the conservation of water, which indirectly also saves on energy. A number of estimates illustrate the scale of this saving: According to the Ecoinvent database (version 3.1), some 10.3 MJ of energy are required and 0.64 kg of CO₂ emissions are released per cubic metre for the conveyance, processing and distribution of water and the subsequent treatment of the unpolluted waste water in a waste water treatment plant. The → **water footprint** calculated for Geberit (excluding former Sanitec products) 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 22,600 million cubic metres 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. Current examples include:

- The → **shower toilet Geberit AquaClean Mera Comfort** is a premium-class complete solution featuring the highest levels of comfort. The patented WhirlSpray shower technology ensures particularly thorough, gentle cleaning while virtually halving water and energy consumption. The hybrid hot water technology with continuous flow heater and boiler only heats the water spray when required. Despite these additional comfort functions, the energy consumption is comparable to that of the AquaClean 8000plus.
- Geberit's latest shower toilet → **Geberit AquaClean Tuma** stands out with a sophisticated product concept and simple yet elegant design. It is offered as a complete solution including rimless WC ceramic appliance. Alternatively, it is also available as a WC enhancement solution that can be combined with the previously installed ceramic appliances. The innovative WhirlSpray and heating-on-demand technology considerably reduces energy consumption compared to its predecessor.
- The new → **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 > **Plumbers and planners** > **Products** > **Sanitary Products** > **Urinal systems**.
- The new modular → **Geberit tap system** is the ultimate in sophisticated installation technology, different energy concepts and elegant wall-mounted or deck-mounted taps. The taps can be mounted quickly and flawlessly. The mixer, valves, electronics and power supply are stored in a function box, which is mounted under the washbasin where it is protected from moisture. The product boasts both optimal user-friendliness and ease of installation as well as minimal water and energy consumption.

9.3 Water (EN)

Management Approach – Water

The → **water footprint**, which covers Geberit's entire value chain (excluding former Sanitec products), 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. For the development of water-saving products and Geberit's commitment beyond product development, see → **Management approach products and services**.

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 (1.1%). Despite this, Geberit also aims to serve as a role model with respect to its own water consumption and to further optimise its water consumption every year. This includes measures such as reusing water in laboratories and production processes.

In 2016, Geberit also published its detailed water balance as part of the CDP Water Program for the first time. The results of the evaluation have been integrated into the 2016 Annual Report of Corporate Water Disclosure from CDP.

G4-EN8 Water consumption

Water consumption dropped compared to the previous year by 3.1% to 1,133,946 m³ (previous year 1,170,356 m³). Above all, the manufacture of ceramic sanitary appliances requires a great deal of water, both for preparing the ceramic slip and glaze and for cleaning the moulds and systems.

Water consumption can be categorised into drinking water (26%), well water (47%), lake and river water (26%) and rain water (1%).

Key figures concerning water consumption by source can be found at → [Key figures sustainability > Environment](#).

G4-EN9 Water sources significantly affected by withdrawal of water

Geberit production plants' water consumption does not place a considerable burden on water sources as defined in the GRI guidelines.

G4-EN10 Water recycling

Throughout the Group, two processes are primarily responsible for much of the water requirements:

- Relatively large quantities of water are used in ceramic production. An initial estimate shows that 5 to 10% of the water used was also recycled internally, corresponding to around 100,000 m³ per year.
- Newly developed products are tested at the Geberit sanitary laboratory in Rapperswil-Jona (CH). The tests required 114,033 m³ of water. Only around 2% or 1,877 m³ of this is fresh water. The remaining 98% was reused in a closed-circuit system.

9.4 Emissions (EN)

Management Approach – Emissions

Production emissions are recorded and analysed in detail as part of the corporate eco-balance – CO₂ emissions are particularly important to Geberit. → [Other air emissions](#) (NO_x, SO₂, hydrocarbons etc.) are also recorded and calculated, but have a comparatively minor impact on the environment. Under the established → [CO₂-strategy](#) the CO₂ emissions per net sales (currency-adjusted) should be reduced annually by 5% per year on average. Geberit is on track here, see → [G4-EN18](#). A long-term CO₂ target was developed in 2016 that is compatible with the two-degree target set out in the Paris Agreement (science-based). Within this context, Geberit plans to reduce its absolute CO₂ emissions (Scopes 1 and 2) by 6% between 2015 and 2021 to under 240,000 tonnes (based on organic growth). Specific goals for the share of renewable energy sources were also established: 45% for electricity and 10% for combustibles.

A CO₂ 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 Group, only production and mineral raw materials are currently taken into account. An analysis revealed that product use (64.5%) and the provision of raw materials (19%) are by far the largest sources of CO₂ emissions. During product use, the provision of water, treatment of unpolluted waste water and generation of hot water play a central role. Production by Geberit accounts for only 7.5% of total CO₂ emissions. Similarly, transport (1%), the provision of combustibles and fuels (1%) and the disposal (7%) of the products also cause only few emissions.

The measures for implementing the CO₂ strategy are based on the three pillars energy saving, increased energy efficiency and targeted expansion of the share of renewable energy sources, see also → [Management approach energy](#).

The calculation of greenhouse gas emissions is based on the internationally recognised Ecoinvent Database (version 3.1), with the IPCC 2013 factors used, production-related process emissions included and the national electricity mix taken into account. The seven leading substances (CO₂ fossil, CH₄, N₂O, HFC, PFC, SF₆ and NF₃) are used for the calculation of the greenhouse gas emissions and shown as a sum parameter according to IPCC (CO₂ equivalents or simply CO₂).

G4-EN15 Direct greenhouse gas emissions (Scope 1) and G4-EN16 Indirect greenhouse gas emissions (Scope 2)

In 2016, CO₂ emissions amounted to 250,108 tonnes (previous year 257,909 tonnes), corresponding to a decrease of 3.0%, or 2.7% in organic terms (adjusted for the sale of the Koralle business). CO₂ emissions per net sales (currency-adjusted) fell by 9.9% (in organic terms 10.2%), meaning that Geberit exceeded its long-term target of 5% per year.

At 50.9%, combustibles are the largest source of CO₂, followed by electricity at 45.9% and fuels at 3.0 %, as well as process emissions and district heating at 0.2% in total. The purchase of 44 GWh of green electricity in Pfullendorf and Weilheim (DE), Bromölla and Mörrum (SE), Givisiez (CH) and Daishan (CN) meant that it was possible to reduce CO₂ emissions by around 17,700 tonnes.

Key figures concerning greenhouse gas emissions can be found at → [Key figures sustainability > Environment](#).

G4-EN17 Other relevant greenhouse gas emissions (Scope 3)

Where other indirect greenhouse gas emissions (Scope 3) are concerned, Geberit concentrates on the following categories:

- Raw materials used (incl. mineral raw materials from ceramic production) and the resulting CO₂ emissions: 632,225 tonnes (previous year 598,946 tonnes).
- The provision of combustibles and fuels, which accounted for 38,573 tonnes from combustibles and 5,377 tonnes from fuels in 2016.
- CO₂ emissions of power generation from the upstream chain are included in → [G4-EN15](#).
- Logistics, (→ [see G4-EN30](#)), which caused a total of 42,179 tonnes of CO₂ emissions in 2016 (previous year 29,671 tonnes). The increase was mainly caused by the increase in locations included as well as the rise in sales and the related expansion in transport volumes.
- Business travel by air, at 1,655 tonnes of CO₂ emissions (previous year 1,956 tonnes) – this includes the whole of Geberit.

G4-EN18 Greenhouse gas emissions intensity

CO₂ emissions (Scopes 1 and 2) in relation to currency-adjusted net sales decreased by 9.9% in the reporting year, and in organic terms (adjusted for the sale of the Koralle business) by 10.2%. This figure is above the long-term target of 5% per year. For the previous year's figure, it must be noted that the CO₂ emissions relate to the entire year and that net sales include only eleven months of the former Sanitec business.

G4-EN19 Initiatives to reduce greenhouse gas emissions

In 2016, Geberit purchased another 3 GWh of certified green electricity, bringing the total to 44 GWh. Overall, renewable energy sources thus accounted for 37.7% of electricity (previous year 36.5%). According to the CO₂ strategy, the share of renewable energy sources should be expanded by 3 GWh annually so that it 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 8.8 GWh of regionally generated biogas in 2016, makes a key contribution. In addition, 15.9 GWh of wooden pellets were burned and 14.1 GWh of district heating were obtained from a paper mill. This brought the share of renewable energies for district heating and combustibles to 6.3% in total in 2016 (previous year 7.2%).

Fuel consumption is determined primarily by the company's own and leased fleet of cars and delivery vans. Since early 2008, binding guidelines have applied for the purchase of new vehicles. An emission value of 100 grams of CO₂/km is to be reached by 2020, as targeted by the EU. In 2016, Geberit gained experience in using electric vehicles as pool vehicles as part of a pilot project.

Substantial volumes of CO₂ 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 CO₂ can be saved, corresponding to savings of about 1 GWh of average European electricity.

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, forest clearing, environmental competitions and environmental newsletters.

All targets and measures for improving the CO₂ balance sheet are disclosed in detail as part of the company's participation in the Carbon Disclosure Project (CDP). In this largest climate protection ranking, Geberit has achieved the status of "Sector Leader Industrials" in reporting, meaning that it is one of the ten best companies in the sector in Germany, Austria and Switzerland.

G4-EN20 Ozone depleting substances

Emissions of ozone-depleting substances, measured in CFC11 equivalents, can be calculated based on the Geberit corporate 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](#).

G4-EN21 NO_x, SO_x and other air emissions

Emissions of NO_x, SO₂, NMVOC (non-methane VOC) and dust (PM10) can be calculated on the basis of the Geberit corporate 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), and indirect emissions (Scope 2) resulting from electricity consumption and the provision of district heating.

Key figures concerning greenhouse gas emissions can be found at → [Key figures sustainability > Environment](#).

9.5 Effluents and Waste (EN)

Management Approach - Effluents and Waste

Waste disposal accounted for 1.4% of the overall environmental impact in 2016. The reduction and safe handling of waste water and waste is promoted at the plants within the scope of the environmental management system according to ISO 14001. Where waste is concerned, it is ensured that this 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 the European vision for 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, is now being used as secondary material in the cement industry since the end of 2016. This reduces waste quantities in landfills by around 8,000 tonnes per year.

G4-EN22 Water discharge

The 2016 figure for waste water was 846,998 m³ (previous year 927,053 m³). At 71%, process waste water from the production of sanitary ceramic appliances accounted for the largest share of the total. Other important categories are domestic waste water (26%), which passes into the communal waste water treatment plant or is pretreated and fed into receiving waters, and other waste water (3%), which is pretreated and fed to a communal waste water treatment plant. Waste water was not directly reused by third-party companies. Geberit does not engage in the unplanned discharge of water. All resulting process waste water and domestic waste water is treated.

Key figures on waste water can be found at → [Key figures sustainability > Environment](#).

G4-EN23 Waste

The total waste quantity in 2016 was 79,864 tonnes (previous year 83,405 tonnes).

74% of waste was channelled to external recycling processes (previous year 72%). 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.

Key figures concerning waste by category are provided at → [Key figures sustainability > Environment](#).

G4-EN24 Significant spills and contamination

There were no significant spills of chemicals in the reporting period.

G4-EN25 Transport of hazardous waste

In 2016, 417 tonnes of hazardous waste (previous year 479 tonnes) were disposed of by incineration and 609 tonnes (previous year 729 tonnes) were recycled. At Geberit, all waste is disposed of and recycled by licensed disposal companies.

G4-EN26 Effects of water discharges on bodies of water

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 guidelines.

9.6 Products and Services (EN)

Management Approach - Products and Services

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. In addition to their quality, durability and high degree of water and resource efficiency, Geberit products also impress with their 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. Geberit regards eco-design as the key to environmentally friendly products and an integral part of the development process. 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 e.g. with BIM (Building Information Modeling). Based on the findings of these eco-design workshops, new solutions are developed which are then 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: wastewater and drinking water pipes, AquaClean Mera, electronic washbasin tap type 185/186, concealed cisterns, urinal control systems, urinal systems and now the electronic washbasin tap Piave. The environmental product declarations (EPDs) in accordance with the European standard EN 15804 are becoming increasingly 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.

The biggest environmental contribution by Geberit products also lies in the conservation of water. The analysis of the entire value chain in the form of a → **water footprint** shows (excluding former Sanitec products) that nearly 100% of the water consumption is attributable to the product usage phase. The water savings are impressive: According to one model calculation, all dual-flush and flush-stop cisterns installed since 1998 have so far saved around 22,600 million cubic metres of water in comparison with traditional flushing systems. In 2016 alone, the water saved amounted to 2,430 million cubic metres. This is more than half of the annual consumption of all German households.

Geberit also advocates the economical use of water beyond processes and products. This can be seen by its collaboration in the further development of the product classification system WELL, which was introduced in 2011. In addition, Geberit collaborated with FECS (European Federation of Ceramic Sanitary Ware Manufacturers) to draw up a voluntary European standard for assessing the sustainability of ceramic sanitary appliances (EN 16578).

G4-EN27 Mitigation of environmental impact of products

The environmental impacts of Geberit's products are improved continually through the consistent application of eco-design principles in product development. For concrete examples of the latest new products, see → **G4-EN7**. Other examples that make a particular contribution to reducing environmental impact include:

- Thanks to an intelligent redesign of the flush valve type 240, it was possible to increase the flush performance by 40% while also reducing the quantity of material used. In addition, half of the material is made of high-quality ABS regranulate. The plastic components in the technical cistern and in the Monolith are also made up of approximately 50% regranulate.
- The new shower channel CleanLine is designed to allow optimal user-friendliness and ease of installation while reducing the resources used.
- The revised Pluvia roof drainage system features an ergonomic and more compact design, resulting in savings in materials of 25%, which translates into savings of around 350 tonnes of CO₂ each year in the latest sales figures.

G4-EN28 Reclaimed packaging material

The following quantities are based on internal estimates from the sales companies: Approximately 152.4 tonnes of old products (mainly electrical equipment) were taken back and disposed of professionally in 2016. In some markets (DE, CH), parts of the multilayer drinking water pipes (Mepla) are also taken back. The exact quantity is not known, but is estimated to be over seven tonnes Group-wide.

In 2016, around 18,250 tonnes of packaging material were used (excluding companies from the former Sanitec), of which over 50% is collected and recycled by Geberit or by financed contractual partners. The rest is disposed of and recycled on a country-specific basis.

9.7 Compliance Environment (EN)

Management Approach - Compliance Environment

In its → **Code of Conduct** Geberit states that it will limit the environmental impact of its business activities to a minimum. This is achieved by means of 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, and is monitored as part of the annual Group-wide survey on compliance with the Code of Conduct at all companies.

G4-EN29 Sanctions due to non-compliance with environmental laws and regulations

In the reporting year, there was one case already cited in the previous reporting year from a former Sanitec company for which fines were announced. It related to an incident regarding a sewer which led to an unplanned discharge of storm water and process water into a body of surface water. A trial and two fines of TEUR 15 each are still pending.

9.8 Transport (EN)

Management Approach - Transport

The logistics centre in Pfullendorf (DE) is the central logistics hub for almost all Geberit sanitary technology products. With a view to future growth and the continued optimisation of existing logistics processes, the decision was made in 2014 to further expand the capacities of this centre by over 25,000 m² and invest around EUR 40 million in this by 2017. The project is on track in terms of timing and finances, with commissioning scheduled for April 2017.

In contrast to this centralisation strategy, the logistics organisation at the former Sanitec had a rather more decentralised structure and was oriented towards the needs of the various brands and regions. The logistics infrastructure at the former Sanitec comprises 15 distribution centres of varying sizes across Europe, with a total capacity of almost 250,000 pallet spaces. Nonetheless, it was still possible to forge the first synergies and start various integration measures at an early stage. For example, logistics organisation and reporting at the former Sanitec were incorporated in Geberit's Group logistics, while a start was also made on integration into the Geberit ERP system. The number of transport service providers in the former Sanitec was reduced further. For example, customer deliveries in Germany (including Keramag) will be executed by a central main forwarder from 2017 onwards.

Geberit does not have its own fleet of vehicles, 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. The logistics calculator developed in 2010 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.

G4-EN30 Environmental impact of transport

Compared to the previous year, the logistics calculator was expanded to include an additional Geberit location as well as two locations from the former Sanitec. In the reporting year, the largest transport service providers handled 302.6 million tonne-kilometres (previous year 183.0 million tonne-kilometres). This generated 42,179 tonnes of CO₂ emissions (previous year 29,671 tonnes). The increase in transport services and CO₂ emissions was mainly caused by the increase in locations included as well as the rise in sales and the related expansion in transport volumes. The share handled by Euro 5 vehicles was 70.8% and the share handled by state-of-the-art Euro 6 vehicles increased further to 26.2%.

Where possible, Geberit takes the opportunity to shift truck traffic to rail. Alongside road transport, rail consignments have been used for traffic transported on the longest overland route in Europe – from Pfullendorf (DE) to Turkey – since 2014. The quantity transported by rail was expanded in 2016 to over 15%. 80% of the goods transported to Italy and 30% of those transported from Italy are moved by train. Since 2016, deliveries to customers in the Cologne region have been transported by combined transport via the Ulm terminal.

With regard to truck transportation, Geberit continues to look for options for transporting even more goods per truck to increase the capacity utilisation of the transport volume. 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%. The bundling of transportation and freight capacity optimisation also improved capacity utilisation in sea shipments to the USA by up to 20%.

9.9 Supplier Environmental Assessment (EN)

Management Approach - Supplier Environmental Assessment

See → [chapter Suppliers](#)

G4-EN32 Screening of suppliers using environmental criteria

See → [chapter Suppliers](#)

G4-EN33 Environmental impacts in the supply chain

See → [chapter Suppliers](#)

10. Labor practices (LA)

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](#), which was updated in 2015. Geberit aims to act as a role model for ethically unimpeachable, environmentally friendly and socially responsible operations. The → [Geberit Code of Conduct](#) updated in 2014 and implemented in 2015 fills this objective with tangible content and offers an authoritative source of guidance.

Responsibility for all material aspects of the GRI guidelines with respect to labour practices at the Geberit Group lies with the Head Corporate Human Resources, who reports directly to the CEO.

Participation in the Group-wide employee survey carried out in the reporting year was an impressive 84%. The views of those surveyed on the topics of quality and innovation, team and personal goals can be considered entirely positive in comparison with the sector. The majority of employees believe that quality is very important at Geberit and that the company continually sets new trends in the industry. Geberit did very well with regard to team, teamwork and exchanging knowledge and information within the team. 74% of employees say that people in their team treat each other with respect and appreciation. Two material topics addressed in the survey were identification and engagement. Although the values here are below those of the last survey back in 2011, this comes as little surprise in view of the integration and the associated uncertainty. Nevertheless, most employees still have a positive attitude towards the company and are still proud to work at Geberit. When compared with the good results achieved in the other areas, the questions as to whether the management acts credibly and informs the employees in an understandable way only achieved an average level of agreement. There is also potential for improvement with regard to employee development.

10.1 Employment (LA)

Management Approach Employment

First-rate employees are key to the success of Geberit. Not only the best, but also the right employees are to be acquired and retained. 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 → [geberit.com > Career > What we offer](#).

Employees enjoy attractive employment conditions. In 2016, salaries and social benefits amounted to CHF 702.0 million (previous year CHF 671.6 million). The employees can also participate in share participation plans at attractive conditions, see → [Financial Report > Consolidated financial statements Geberit Group > Notes > Note 17](#) and → [Remuneration report](#).

G4-LA1 Employee fluctuation

The average fluctuation rate (in terms of employees with permanent contracts, without natural departures and long-term leaves of absence) was 11.3% (previous year 7.5%). Including natural departures, it was 12.7% (previous year 9.0%). For key figures on fluctuation by age group, gender and region, see → [Key figures sustainability > Employees and society](#).

G4-LA2 Benefits

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.

G4-LA3 Return to work and retention rates after parental leave

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 6.7% or 144 women made use of this in 2016. 67 or around 45% returned to Geberit following their maternity leave.

99% of all permanently employed men are entitled to paid paternity leave, and 3.1% or 214 men made use of this in 2016. 206 or around 96% returned to Geberit following their paternity leave.

10.2 Occupational Health and Safety (LA)

Management Approach – Occupational Health and Safety

The health and safety of employees is of major importance. Geberit's vision is to be an accident-free company. Each of the 33 production companies and logistics has a safety manager. The sites Rapperswil-Jona (CH) and Pfullendorf (DE) also have an appointed health manager.

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 to be reduced to a value of 5.5 (accidents per million working hours) and the ASR (Accident Severity Rate) to 90 (number of days lost per million working hours). The key figures are reviewed on a monthly basis at the production plants. In addition, all plants are to implement the OHSAS 18001 standard for occupational health and safety by the end of 2018. Occupational safety has also been part of the annual appraisal of plant managers since 2013.

In the Geberit Safety System (GSS), processes are defined that are applicable throughout the Group and aim to enhance the operational safety of employees on an ongoing basis. The central elements of the GSS were also implemented at the plants of the former Sanitec in 2016.

As part of its Group-wide efforts to support employees' health and well-being, Geberit also offers its employees precautionary healthcare opportunities through various offers and activities. A comprehensive vitality programme is established at the sites in Jona (CH) and Pfullendorf (DE). The focus is placed on promoting personal vitality strategies with an attractive range of offers in the five fields of action exercise, nutrition, mental fitness, energy and vitality.

For objectives and measures concerning employees and occupational safety, see also → [Sustainability strategy](#).

G4-LA5 Percentage of total workforce represented in health and safety committees

64% 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 carried out on behalf of the General 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).

G4-LA6 Accidents, occupational illness and lost time

The Group-wide absenteeism rate based on regular working hours for the reporting year was 4.60% (previous year 4.33%); illness-related absences accounted for 4.46% of this rate (previous year 4.20%) and 0.14% was related to occupational accidents (previous year 0.13%). 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. A total of 202 accidents were recorded (previous year 238 accidents), equivalent to 4,305 lost working days due to occupational accidents (previous year 4,314 lost working days). There were no serious or fatal accidents.

Employees at Geberit are not exposed to a particularly significant extent with regard to occupational illnesses. This category is therefore not covered statistically. However, the accident frequency rate (AFR) and the accident severity rate (ASR) are recorded in a standardised manner. These rates are calculated as the number of accidents or the number of lost working days per one million hours worked. The accident frequency rate (AFR) fell by 14.0% in 2016 to 9.8 (previous year 11.4). The accident severity rate increased slightly by 1.6% to 209.4 (previous year 206.2).

All key figures concerning the absenteeism rate by region can be found under → [Key figures sustainability > Employees and society](#).

G4-LA7 Assistance regarding serious illnesses

There are certain operational activities at Geberit, particularly in ceramic production, involving an increased risk of silicosis (dust disease). The risks lie particularly in the handling of raw materials, glazing and grinding. Geberit makes substantial efforts towards either avoiding the exposure of employees to these risks (e.g. through the deployment 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). This topic is also systematically addressed as part of the Geberit Safety System and certification according to OHSAS 18001. Furthermore, Geberit participates in the NEPSI programme 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.

As part of its Group-wide efforts to support employees' health and well-being, Geberit also offers its employees precautionary healthcare opportunities through various offers and activities. These include, for example, sports facilities, anti-smoking training, health check-ups, massage services, dietary and health tips, presentations on health-related issues and workshops on targeted and correct relaxation. They also include reintegration counselling, which aims to get people back to work as soon as possible in the event of long-term illness. Managers are specifically trained in this respect. 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.

G4-LA8 Health and safety topics covered in agreements with trade unions

Geberit attaches great importance to a high level of health and safety for its employees. To this end, it cooperates with authorities, trade unions and employers' liability insurance associations on a country-specific basis. Written agreements exist at the majority of production and sales companies with parties such as trade unions and employee representatives. These cover topics such as personal protective equipment, complaints procedures, regular inspections, education and further training and the right to refuse unsafe work.

10.3 Training and Education (LA)

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.

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.

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 focus is placed on the standardised global Performance assessment, Development and Compensation process (PDC). PDC has several goals: to reinforce the performance culture, increase transparency and better recognise and promote talent. Except for the employees who work directly in production, all employees of the original Geberit Group have now been incorporated into the PDC process. The circle of participants is currently being extended to include managers of the former Sanitec; their employees in non-productive areas are to be fully incorporated in the near future. PDC in practice means that the individual performance as well as the potential for future development are assessed by several supervisors. The direct supervisor then has to give employees feedback on their performance, development and compensation. As regards compensation, the standardised job assessments used throughout the Group provide a solid reference system.

G4-LA9 Employee education and further training

In the reporting year, employees across the Group attended on average around 10 hours of internal and external education and further training (previous year 14.5 hours). For key figures by gender and employee category, see → [Key figures sustainability > Employees and society](#).

The transfer rate of apprentices to a permanent employment relationship was 75%. The target remains 75%.

G4-LA10 Programs for skills management and lifelong learning

The Potentials Management Programme remains a priority. The aim is to selectively identify talents throughout the company and support them along their path to middle or senior management. Initial experience of managerial or project management responsibility are part of this. The problems compiled as part of the programme are geared towards the reality at the company and sometimes provide decision-makers

with concrete bases for action. The programme is intended to help fill at least half of all vacant managerial positions within the company with internal candidates. In 2016, this was achieved for 88% of all Group management vacancies.

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. Such apprenticeship programmes took participants to the US, India and South Africa.

There were also 192 internships (previous year 158) and 37 diploma placements (previous year 47) offered in 2016.

For further information, see → [Business Report > Business and financial review > Financial Year 2016 > Employees](#).

G4-LA11 Performance and career development of employees

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. Over 75% of all employees received appraisal interviews in 2016 (previous year around 70%) 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. This process is gradually being introduced at the former Sanitec companies.

10.4 Diversity and Equal Opportunity (LA)

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 contribute their full potential to 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.

G4-LA12 Workforce diversity

The proportion of female employees at the end of 2016 was 24% (previous year 25%), and for senior management this figure was 9.2% (previous year 8.2%). The six-member Board of Directors has one female member. No further data on minority group membership 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](#).

10.5 Equal Remuneration for Women and Men (LA)

Management Approach - Equal Remuneration for Women and Men

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, problem-solving and accountability. All jobs are pooled in a Group-wide grading system. The resulting grade is the
- Binding wage agreements with set pay grades at many Geberit sites.

G4-LA13 Gender-based differences in salaries

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.

10.6 Supplier Assessment for Labor Practices (LA)

Management Approach – Supplier Assessment for Labor Practices

See → [chapter Suppliers](#)

G4-LA14 Screening of suppliers using labor practices criteria

See → [chapter Suppliers](#)

G4-LA15 Impacts for labor practices in the supply chain

See → [chapter Suppliers](#)

10.7 Labor Practices Grievance Mechanisms (LA)

Management Approach - Labor Practices Grievance Mechanisms

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. 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.

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 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.

G4-LA16 Grievances about labor practices

The Geberit Integrity Line reported a number of cases during the reporting year that were subsequently investigated. One of these cases resulted in the discovery of shortcomings at a local company, which ultimately led to changes in personnel.

11. Human rights (HR)

As part of the → [Geberit Code of Conduct](#), Geberit undertakes to comply with all laws, guidelines, norms and standards. This also includes assuming responsibility along the value chain, see → [chapter Suppliers](#). Geberit commits itself to upholding human rights. As a member of the UN Global Compact and on the basis of the UN Guiding Principles on Business and Human Rights, Geberit supports compliance with human rights both internally and at suppliers and partners. Geberit deploys a comprehensive process for the implementation of the Code of Conduct and its review of compliance, see → [chapter Society](#).

In terms of information, the promotion of awareness and controlling, human rights issues related to internal topics (aspects equal treatment, freedom of association and the right to collective bargaining) are in the responsibility of Corporate Human Resources.

With respect to measures and objectives in the Code of Conduct, see also → [Sustainability strategy](#).

11.1 Investments (HR)

Management Approach – Investments

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 Programme, 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 → [chapter Society](#).

G4-HR1 Human rights aspects in investment agreements

In 2016, there was no investment agreement in countries or areas that pose a special risk in terms of human rights violations. The integration of the former Sanitec Group only comprised European sites. The Geberit Group's Compliance Programme was extended to the companies of the former Sanitec Group in 2015.

Suppliers are fundamentally required by contractual agreement to comply with the special Code of Conduct for Suppliers that contains provisions for the protection of human rights, see → [Code of Conduct for Suppliers](#).

G4-HR2 Human rights training for employees

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 intranet GIN 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 by means of a circular letter to ensure that all employees without intranet access receive the same information via a suitable channel.

11.2 Non-discrimination (HR)

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 employees. 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. The Geberit Integrity Line is available to all employees as a whistleblower hotline, see → [Labour practices grievance mechanisms](#).

G4-HR3 Cases of discrimination

According to the annual Group-wide survey, no infringements regarding discrimination and sexual harassment were identified in 2016. Two cases of workplace bullying were reported and investigated. Both cases were clarified in discussions with the affected parties.

11.3 Freedom of Association and Collective Bargaining (HR)

Management Approach – Freedom of Association and Collective Bargaining

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.

G4-HR4 Guarantee of freedom of association and collective bargaining

According to the annual Group-wide survey, no infringements of the guarantee of freedom of association and collective bargaining were identified in 2016.

11.4 Child Labor (HR)

Management Approach – Child Labor

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 as well as its high quality requirements. 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 → [Code of Conduct for Suppliers](#) explicitly include compliance with the ILO core labour standards for the exclusion of child labour.

G4-HR5 Risk of and precautionary measures against child labor

According to the annual Group-wide survey there were no cases of child labour revealed in 2016. There were likewise no such cases arising during the audits carried out at suppliers.

11.5 Forced or Compulsory Labor (HR)

Management Approach – Forced or Compulsory Labor

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 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 → [Code of Conduct for Suppliers](#) explicitly include compliance with the ILO core labour standards for the exclusion of forced or compulsory labour.

G4-HR6 Risk of and precautionary measures against forced labor

According to the annual Group-wide survey there were no cases of forced or compulsory labour revealed in 2016. There were likewise no such cases arising during the audits carried out at suppliers.

11.6 Human Rights Assessment (HR)

Management Approach – Human Rights Assessment

With respect to the requirements and implementation of the Geberit compliance system, see → [chapter Society](#).

G4-HR9 Operations subjected to human rights reviews or impact assessments

The upholding of human rights is subject to a survey at all Geberit Group companies each year as part of reporting on the Code of Conduct.

The topic of human rights as part of compliance is a component of the audit programme for the periodic inspections of the production and sales companies by the Internal Audit Department. In 2016, the Internal Audit Department audited a total of 20 companies. In the reporting year, no evidence was found on human rights violations in the context of the various inspections.

11.7 Supplier Human Rights Assessment (HR)

Management Approach – Supplier Human Rights Assessment

See → [chapter Suppliers](#)

G4-HR10 Screening of suppliers using human rights criteria

See → [chapter Suppliers](#)

G4-HR11 Human Rights related impacts in the supply chain

See → [chapter Suppliers](#)

12. Society (SO)

The → **Geberit Code of Conduct** describes the basic principles that have to be met in order to be an exemplary, reliable and fair business partner and employer. The content of the Code of Conduct was updated in 2014 and implemented at Geberit – including the former Sanitec Group – in 2015.

In 2015, the → **Geberit Compass**, a key compliance element, was also updated. It 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. This 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 five following key topics: antitrust legislation, corruption, employee rights, product liability 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 and the Geberit Integrity Line, a whistleblower hotline for employees. A separate Integrity Line will also be available for suppliers from 2017 onwards for reporting anonymously irregularities in the procurement process.

The reporting year also saw the completion of risk assessment in relation to agents, which involved all local sales companies being surveyed on their collaboration with agents. The outcome of this is that only a small number of companies work with agents and there is no exposure to risk. A → **code of conduct for business partners** was nevertheless drawn up based on the Geberit Code of Conduct and communicated to the agents by the managing directors of the local sales companies.

Anti-corruption and anti-competitive behaviour are particularly material aspects in the GRI category Society. Legal Services is responsible for their implementation.

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 50 questions on the five 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 Group Executive Board and are published in this Sustainability Performance Report.

With respect to measures and objectives in the Code of Conduct, see also → **Sustainability strategy**.

12.1 Anti-Corruption (SO)

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. 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 (see the individual indicators for the results). The Internal Audit Department conducts additional on-site audits. In the event of misconduct, corrective measures are taken.

In the reporting year, there was a repeat of the Group-wide survey on the correct practice regarding donations. The survey showed that the giving of donations to business partners continues to be very moderate in nature. All managing directors gave explicit confirmation that no donations in the form of money, no donations to public officials and no donations in connection with ongoing projects were made. This was confirmed by the audits conducted internally.

G4-SO3 Analysis of business units for risks of corruption

According to the annual survey carried out at all Geberit Group companies, there were no cases of corruption in 2016.

The topic of corruption is also a component of the audit programme for the periodic inspections of the production plants and sales 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 heightened risk profile. In 2016, the Internal Audit Department audited a total of 20 companies. No cases of corruption were discovered in these audits.

G4-SO4 Training on anti-corruption policies

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.

Employees throughout Geberit are also provided with information via the intranet about what is permitted and what is not. Supplementary guidelines for the prevention of corruption have been updated and made accessible to the relevant employees (Purchasing, Sales) via the various communication channels.

G4-SO5 Actions taken in response to incidents of corruption

No measures were necessary, as no cases of corruption were identified in 2016.

12.2 Anticompetitive Behavior (SO)

Management Approach – Anticompetitive Behavior

According to the → **Materiality analysis**, the prevention of anti-competitive behaviour is a most material aspect. Cartels of any kind and other anti-competitive behaviour are categorically rejected.

The guidelines on antitrust legislation were updated and communicated in 2015 via the managing directors of all companies and the Geberit intranet.

A range of training events on antitrust legislation were held for the managing directors of the European sales companies on the one hand and members of the sales teams in Scandinavia on the other. The eLearning course on antitrust legislation was also repeated at the European sales companies.

G4-SO7 Anti-competitive behavior

One set of proceedings against Geberit from the previous year is pending at the Swedish competition authorities and Geberit is cooperating fully with the authorities. There was also one case of legal proceedings in Germany due to an alleged trademark infringement.

The appeal proceedings before the European Court of Justice initiated by the European Commission against a ruling by the European Court of first instance remain pending. These concern the known "bathroom antitrust proceedings" dating from 2010 that affected companies of the former Sanitec Group.

12.3 Compliance (SO)

Management Approach – Compliance

The → **Geberit Code of Conduct** hält fest, dass Geberit alle Gesetze, Richtlinien sowie international anerkannte Normen und Standards befolgt. Dabei wird häufig sogar über die gesetzlichen Mindestanforderungen hinausgegangen.

Geberit deploys a comprehensive process for the implementation of the Code of Conduct and its review of compliance, see → **chapter Society**.

G4-SO8 Sanctions due to non-compliance with regulations

Geberit incurred no fines or sanctions in 2016 resulting from violations of statutory requirements.

12.4 Supplier Assessment for Impacts on Society (SO)

Management Approach – Supplier Assessment for Impacts on Society

See → **chapter Suppliers**

G4-SO9 Screening of suppliers using criteria for impacts on society

See → **chapter Suppliers**

G4-SO10 Significant impacts on society within the supply chain

See → **chapter Suppliers**

13. Product responsibility (PR)

13.1 Customer Health and Safety (PR)

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. The company is guided by the zero-error principle. Corporate Quality Management 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 optimisation 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, Quality Management is responsible for defining, arranging and monitoring all necessary inspections to ensure that these requirements are met. A clear organisational distinction is drawn between development and quality management. 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.

When it comes to training its employees on Geberit products, competition, standards, industry or core topics, Geberit relies on a bundle of measures. The integration of former Sanitec employees continues to play an important role here. Employees from different markets were invited to Jona (CH) to become more acquainted with the values and products of the Geberit Group. The focus was also placed on the topics of knowledge and values that are incorporated into the international markets in a targeted manner. A training concept was developed for this that aims to support employees in their daily challenges in the global environment. Paperless learning approaches reduce the printouts of training manuals by 95% and thereby facilitate a longer useful life and better availability of the manuals. The overall concept is being revised for 2017 and enhanced through adaptation to the needs of the market. "Blended learning", i.e. a combination of eLearning and on-site training, makes learning more holistic and effective.

Product Development and Quality Management are responsible for customer health and safety.

G4-PR1 Health and safety impact along the product life cycle

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 use and disposal. Among other things, Quality and Safety Management include 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 involve an increased risk to health or safety, Geberit's technical editorial staff ensures that this is communicated appropriately to customers, see → G4-PR3.

G4-PR2 Non-compliance with health and safety regulations

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.

13.2 Product and Service Labeling (PR)

Management Approach – Product and Service Labeling

With the integration of the ceramic business in its tried-and-tested sales structures, Geberit substantially strengthened its presence in many markets. Since the beginning of 2016, each market has been serviced by one local sales company only. The more than 800 advisors deployed throughout Europe no longer focus on specific product areas, but rather on different customer segments, such as the wholesale trade, plumbers and planners, architects and end users. This means that sales representatives must have very broad product knowledge in order to provide comprehensive support to their customers.

Architects, planners and engineering offices are increasingly using BIM (Building Information Modeling) to optimise and integrate their processes. Geberit has started capturing the BIM data for all relevant products and now makes the data available for download to customers across the world.

For decades, Geberit's broad range of training opportunities has been a proven instrument for retaining customers. During the reporting year, more than 30,000 customers were provided with education and further training on Geberit products, tools and software tools at the 25 Geberit information centres in Europe and overseas. This range of opportunities was supplemented with training and information events at Geberit's bathroom showrooms. These showrooms – many of which are situated at good pedestrian locations – are currently being redesigned as part of a Group-wide initiative. A total of around 90,000 customers became more familiar with Geberit know-how and products at external events, some of which were organised in cooperation with market partners.

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 Product Communication department (Technical Documentation) that forms part of Corporate Marketing at Geberit. 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 more and more important in the conveying of product information, as Geberit is addressing end users 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.

G4-PR3 Product labeling

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.

Eleven Geberit product groups – a total of almost 700 sales products – carry the WELL label (Water Efficiency Label) of the European umbrella organisation for valve manufacturers EUnited which was introduced in 2011, and in doing so represent over 18% of Group sales.

The implementation of FSC certification (wood label) for bathroom furniture was prepared by Geberit in 2016. Additionally, there was also certification of the first products in the Ifö Sense bathroom furniture series with the “Nordic Swan” ecolabel. Collaboration continued with FECS (European Federation of Ceramic Sanitary Ware Manufacturers) to draw up a new European standard for assessing the sustainability of ceramic sanitary appliances (EN 16578).

G4-PR4 Non-compliance with labeling requirements

In the reporting period, there were no known cases of violation of applicable laws or voluntary codes.

G4-PR5 Customer satisfaction

Most of Geberit’s marketing activities continued to target sanitary professionals and companies. Proven measures such as customer visits, training and the publication of regularly updated technical documents, brochures and magazines, online platforms and apps were continued and developed further. The successful Geberit On Tour campaign was repeated for the sixth time in the reporting year. Specially fitted-out mobile showrooms visited local and regional wholesalers and offered plumbers the opportunity to assess Geberit innovations and solutions directly on site. In 2016, more than 25,000 visitors were addressed at more than 900 events in 16 countries.

Over 10,000 customers in Switzerland were asked about their satisfaction with Geberit products and services in a written survey in 2016. Almost 900 plumbers, sanitary planners and architects responded. Innovation and expertise most strongly characterise the image of Geberit (90% and 92% agreement respectively). Geberit is also clearly perceived to be responsible and sustainable (72%) and a fair partner (71%). The excellent assessments and competitiveness of the individual products are pleasing – particularly with regard to quality – as is the high satisfaction with the technical advice given.

For further information, see → [Business Report > Business and financial review > Financial Year 2016 > Customers](#).

13.3 Compliance Product Responsibility (PR)

Management Approach – Compliance – Product Responsibility

See → [Management approach customer health and safety](#) and → [chapter Society](#).

G4-PR9 Sanctions due to non-compliance with product liability regulations

No sanctions have been imposed in connection with Geberit products and services due to non-compliance with product liability regulations.

14. Suppliers (SU)

14.1 Description of the organization's supply chain

Corporate Purchasing is responsible for the 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. It became even more visible and important when the purchasing specialists of the former Sanitec were integrated.

Geberit's production processes entail a high inhouse production depth, i.e. it largely purchases raw materials and semi-finished products with a high share of raw materials. In so doing, material costs represent a relatively low share of Geberit net sales.

The raw materials and semi-finished products primarily come from suppliers in Western Europe (80.5% of procurement value). The share of the procurement volume from Asia amounts to 9.1%, that from Eastern Europe 8.1%, that from America 2.0% and that from Africa 0.3%. Owing to the upstream purchasing in the supply chain and 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 pursuit of a dual source strategy – i.e. the procurement of a resource from two providers – serves additionally to reduce dependencies.

Geberit procured raw materials (27.0%), semi-finished products (45.2%) and finished products (27.8%) with a procurement value of CHF 789.3 million (previous year CHF 755.0 million) from some 2,250 suppliers across the world in 2016.

14.2 Management Approach – supplier assessment using sustainability criteria

Geberit's business partners and suppliers are obligated to maintain comprehensive standards. The basis for the cooperation is the → [Code of Conduct for Suppliers](#) that was amended in 2016 and translated into a further 13 languages. This Code is aligned with the principles of the UN Global Compact and is binding for every new supplier. The Code 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 has integrated a risk management approach that is based on the division of suppliers into risk classes – depending on the production location (country) and type of production process. Owing to the high share of procurement from Western Europe, the risk in Geberit's supply chain is relatively low. In the reporting year, 42 existing suppliers were identified in the highest risk category. This corresponds to around 7% of the procurement value of Geberit (without former Sanitec). 38 of these 42 suppliers have already been audited. Within this risk class, the focus is placed on independent suppliers such as those which are not part of a larger company with recognised sustainability management. The systematic planning and performance of audits is conducted for these suppliers, generally every three years. Likewise, material groups that have been added due to the acquisition of Sanitec are gradually being subjected to systematic auditing and included in risk management. 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.

From 2017, an Integrity Line will now be available to suppliers for anonymously reporting irregularities in the procurement process.

14.3 Percentage of new suppliers that were screened using sustainability criteria

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.

14.4 Sustainability-related impacts in the supply chain

As of the end of 2016, a total of 1,084 suppliers have signed the Code of Conduct for Suppliers (previous year 868). This equates to over 90% of the total procurement value. Among the top 200 suppliers, the consolidated share of companies that have signed has already reached 95.5% (previous year 93.1%).

In 2016, five third-party audits were carried out at suppliers in China, Poland and India. 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 in the highest risk category, an analysis of the most important 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.

Key figures environment

Environmental impact

Environmental impact	2015 UBP	2016 UBP	Deviation %
Electricity	101,508	101,708	0.2
Combustibles	120,734	113,793	-5.7
Fuels	18,944	15,771	-16.8
Disposal	3,183	3,430	7.7
Solvents	1,492	1,460	-2.1
Water and waste water	2,948	2,631	-10.7
Total environmental impact	248,809	238,793	-4.0

UBP = Ecopoints in million UBP in accordance with the Swiss Ecological Scarcity Method (version 2013)

Material usage

Material usage	2015 Metric tons	2016 Metric tons	Deviation %
Raw material plastics	62,734	66,612	6.2
Raw material metal	52,591	60,154	14.4
Raw material mineral	186,237	175,372	-5.8
Other raw materials	531	501	-5.6
Semi-finished products	36,505	41,372	13.3
Finished products	46,209	46,410	0.4
Total material usage	384,807	390,421	1.5

Energy consumption

Energy consumption	Unit	2015	2016	Deviation %
Electricity	GWh	222.3	224.6	1.0
District heating	GWh	13.8	14.1	2.5
Combustibles				
Natural gas	m ³	51,232,158	47,340,113	-7.6
Biogas	m ³	817,436	874,135	6.9
Liquified petroleum gas (LPG)	Metric tons	6,227.4	6,167.4	-1.0
Diesel for electricity generation	l	220,693	142,586	-35.4
Heating oil extra light	Metric tons	57.6	39.0	-32.3
Solid fuels	Metric tons	6,641.3	5,962.7	-10.2
Fuels				
Gasoline	l	241,861	199,556	-17.5
Diesel	l	3,004,475	2,476,475	-17.6
Liquified petroleum gas (LPG)	kg	184,875	171,675	-7.1

Energy consumption	2015 TJ	2016 TJ	Deviation %
Electricity	800.4	808.5	1.0
District heating	49.6	50.9	2.5
Combustibles	2,308.9	2,150.2	-6.9
Natural gas	1,864.9	1,723.2	-7.6
Biogas	29.8	31.8	6.9
Liquified petroleum gas (LPG)	288.3	285.6	-1.0
Diesel for electricity generation	7.9	5.1	-35.4
Heating oil extra light	2.5	1.7	-32.3
Solid fuels	115.5	102.8	-10.2
Fuels (gasoline, diesel, LPG)	124.1	103.2	-16.8
Total energy consumption	3,283.0	3,112.8	-5.2

Electricity mix

Electricity mix 2016	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	166.8	23.2	53.7	21.8	1.3
USA	6.8	9.7	70.2	19.4	0.7
China	5.6	19.1	78.8	2.1	0.0
India	1.4	16.4	81.8	1.8	0.0
Green electricity	44.0	100.0	0.0	0.0	0.0
Total electricity mix	224.6	37.7	44.4	16.9	1.0

Electricity mix 2015	GWh	Renewable %	Fossil %	Nuclear %	Others %
Europe	168.8	22.8	53.2	22.7	1.3
USA	6.8	9.7	70.2	19.4	0.7
China	4.6	19.1	78.8	2.1	0.0
India	1.1	16.4	81.8	1.8	0.0
Green electricity	41.0	100.0	0.0	0.0	0.0
Total electricity mix	222.3	36.5	44.6	17.9	1.0

Water and waste water

Water	2015 m³	2016 m³	Deviation %
Drinking water	330,744	292,681	-11.5
Well water	545,049	533,850	-2.1
River and lake water	289,003	299,466	3.6
Rain water	5,560	7,949	43.0
Total water	1,170,356	1,133,946	-3.1

Waste water	2015 m³	2016 m³	Deviation %
Domestic waste water	291,039	224,110	-23.0
Process water ceramic	607,529	602,124	-0.9
Other waste water	28,485	20,764	-27.1
Total waste water	927,053	846,998	-8.6

Emissions

Absolute CO ₂ emissions	2015 Metric tons	2016 Metric tons	Deviation %
from combustibles (Scope 1)	134,280	127,268	-5.2
from fuels (Scope 1)	9,162	7,613	-16.9
from process emissions (Scope 1)	308	455	47.9
from electricity (Scope 2)	114,105	114,705	0.5
from district heating (Scope 2)	54	67	24.7
Total absolute CO₂ emissions	257,909	250,108	-3.0

Calculation of CO₂ emissions according to IPCC 2013

Air emissions		2015 Kilogram	2016 Kilogram	Deviation %
NO _x	direct	77,663	69,105	-11.0
	indirect	153,716	156,090	1.5
	Total NO_x	231,379	225,195	-2.7
SO ₂	direct	2,160	1,880	-13.0
	indirect	296,919	302,009	1.7
	Total SO₂	299,079	303,889	1.6
NMVOC	direct	107,926	99,620	-7.7
	indirect	20,346	20,224	-0.6
	Total NMVOC	128,272	119,844	-6.6
Dust (PM10)	direct	6,341	5,532	-12.8
	indirect	32,227	32,719	1.5
	Total dust	38,568	38,251	-0.8
CFC11 equivalents	direct	0.4	1.8	346.0
	indirect	9.5	9.4	-1.1
	Total CFC11 equivalents	9.9	11.2	12.6

Calculation based on Ecoinvent data version 3.1

Waste

Waste	2015 Metric tons	2016 Metric tons	Deviation %
to incineration	1,686	2,163	28.3
to inert waste landfill	20,127	16,787	-16.6
to mixed waste landfill	1,023	1,330	30.0
to external recycling	59,361	58,558	-1.4
to hazardous waste incineration	479	417	-12.9
to hazardous waste recycling	729	609	-16.5
Total waste	83,405	79,864	-4.2

Key figures employees and society

Workforce

Workforce as of December 31	2015	Share %	2016	Share %
Germany	3,319	27.4	3,282	28.3
Poland	1,532	12.6	1,515	13.1
Switzerland	1,333	11.0	1,336	11.5
France	693	5.7	691	6.0
China	665	5.5	637	5.5
Ukraine	1,089	9.0	627	5.4
Austria	541	4.5	532	4.6
Italy	425	3.5	434	3.7
Sweden	431	3.5	418	3.6
Others	2,098	17.3	2,120	18.3
Total	12,126	100.0	11,592	100.0
Production	7,596	62.6	7,157	61.7
Marketing and sales	2,903	23.9	2,837	24.5
Administration	939	7.8	950	8.2
Research and development	433	3.6	415	3.6
Apprentices	255	2.1	233	2.0
Total	12,126	100.0	11,592	100.0
Permanent	9,723	80.2	9,100	78.5
Temporary	2,403	19.8	2,492	21.5
Total	12,126	100.0	11,592	100.0
Full-time	11,723	96.7	11,192	96.6
Part-time	403	3.3	400	3.4
Total	12,126	100.0	11,592	100.0
Management	195	1.6	206	1.8
Employees	11,931	98.4	11,386	98.2
Total	12,126	100.0	11,592	100.0

Information in full-time equivalents

Diversity

Diversity as of December 31, 2016	Management %	Employees %	Total %
Proportion of female employees	9.2	24	24
Age structure			
> 45 years	75	40	40
30 - 45 years	25	43	43
< 30 years	0	17	17

Diversity as of December 31, 2015		Management %	Employees %	Total %
Proportion of female employees		8.2	25	25
Age structure	> 45 years	72	39	40
	30 - 45 years	28	44	44
	< 30 years	0	17	16

Fluctuation

Fluctuation excl. natural departures		2015	Rate %	2016	Rate %
Age group	> 45 years	271	5.9	432	9.7
	30 - 45 years	332	7.8	504	12.5
	< 30 years	141	14.2	135	14.0
Gender	Male	503	6.8	670	9.4
	Female	241	9.7	401	17.4
Region	Germany	79	2.8	70	2.6
	Poland	19	2.9	100	14.6
	Switzerland	105	8.6	81	6.6
	France	39	5.8	50	7.9
	China	15	6.1	18	7.3
	Ukraine	220	18.8	512	57.9
	Austria	28	5.6	35	6.9
	Italy	42	9.5	12	2.9
	Sweden	18	4.3	21	5.3
	Others	179	10.4	172	10.0
Total fluctuation excl. natural departures		744	7.5	1,071	11.3

Fluctuation incl. natural departures		2015	Rate %	2016	Rate %
Age group	> 45 years	411	8.9	558	12.5
	30 - 45 years	336	7.8	507	12.5
	< 30 years	143	14.4	137	14.2
Gender	Male	610	8.2	758	10.6
	Female	280	11.3	444	19.2
Region	Germany	139	4.9	129	4.7
	Poland	25	3.8	103	15.0
	Switzerland	126	10.3	100	8.2
	France	53	7.9	67	10.6
	China	23	9.4	20	8.1
	Ukraine	221	18.9	515	58.2
	Austria	29	5.8	37	7.3
	Italy	46	10.4	14	3.4
	Sweden	21	5.0	25	6.3
	Others	207	12.0	192	11.1
Total fluctuation incl. natural departures		890	9.0	1,202	12.7

Information in headcounts
Natural departures includes retirements

Training and education

Training and education	Hours per employee	2015	2016	Deviation %
Women		13.0	10.0	-23.1
Men		15.0	9.9	-34.0
Management		22.4	9.2	-58.9
Other employees		14.4	10.0	-30.6
Total training and education		14.5	10.0	-31.0

Personnel expenses

Personnel expenses	2015 MCHF	2016 MCHF	Deviation %
Wages and salaries	508.8	525.1	3.2
Pension contributions	37.2	35.7	-4.0
Other social benefits	94.4	101.5	7.5
Other personnel expenses	31.2	39.7	27.2
Total personnel expenses	671.6	702.0	4.5

Social engagement

Social engagement	Unit	2015	2016	Deviation %
Donations and contributions	MCHF	2.6	3.7	42.3
Orders to social institutions	MCHF	6.2	6.3	1.6
Charitable work	Hours	1,657	2,336	41.0

Health and Safety

Health and Safety	2015	2016	Deviation %
Number of occupational accidents	238	202	-15.1
Accident frequency rate (AFR)	11.4	9.8	-14.0
Lost days due to occupational accidents	4,314	4,305	-0.2
Accident severity rate (ASR)	206.2	209.4	1.6

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 2016	Illness %	Accident %	Total %
Europe	4.78	0.15	4.93
Asia	1.26	0.04	1.30
USA	3.05	0.02	3.07
Others	0.58	0.00	0.58
Total absenteeism rate	4.46	0.14	4.60

Absenteeism rate per region 2015	Illness %	Accident %	Total %
Europe	4.54	0.14	4.68
Asia	1.26	0.03	1.29
USA	0.48	0.22	0.70
Others	0.72	0.00	0.72
Total absenteeism rate	4.20	0.13	4.33

Absenteeism rate based on regular working hours

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Konzept, Gestaltung und technische Umsetzung

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Photos

Andreas Eberhard (Insight "Training in Switzerland"), **Ben Huggler** ("Insight Sound design"; Insight "Made in Tyrol"; Insight "A new era is born"; Insight "Building of the future"; Insight "A sparkling diamond" (exterior view); T&I team "Clever minds"), **Carlos Crespo** (New urinal system at the Mövenpick, CH), **Christian Grund** (Highlights Sustainability), **De Jong Luchtfotografie/Henk de Jong** (high-security prison Pi2 in Zaanstad, NL), **Dennis Scholz** (Insight "Industrial Chic" (lead picture)), **Francisco Nogueira** (Insight "A wave-shaped landmark"), **Geberit B.V. NL** (Insight "Ready for take-off"), **Geberit nv BE** (Insight "Ready for take-off"; Insight "Right across Europe"), **Geberit Shanghai Investment Administration Co., Ltd** (Insight "Panda-City"), **Geberit Vertriebs GmbH DE** (Market launch Silent-Pro), **Geberit Vertriebs GmbH & Co KG AT** (Insight "Debut in Vienna"), **Hastings Pier Charity/Photo by John Cole** (Insight "Hastings Pier"), **Hélène Binet** (Insight "A sparkling diamond" (lead picture)), **Herbert Wannhoff** (Insight "On track"), **Hufton Crow** ("A sparkling diamond" (interior view)), **Jannes Linders** (Insight "A glass-roofed railway station"), **Katharina Wernli** (Albert M. Baehny; CEO Christian Buhl), **Lasse Bech Marti-nussen** (Insight "Nordic style"), **Michael Onikoyi-Deckon** (Insight "Territory expanded"), **Michael Suter** (Insight "Well equipped"; Materials technology/laboratory; Sound insulation/Picture S. Pasteur; Statics/laboratory; Insight "A step forward"), **Nantscheff und Haller** (Insight "3D architecture"), **Patrick Bingham-Hall** (Insight "A haven of relaxation"), **Patrick Rohr** (Insight "Change of perspective"), **Peter Kihlmann** (Insight "Pranksters"), **Shutterstock** (Highlights financial year; Insight "Everything going to plan"; Insight "Good results"; Insight "All-time high"), **Sigurd Hoeyen** (Insight "Award-winning"), **Simon Straetker** (Insight "Nepalese mountain air"), **Stefan Kuhn** (Insight "Industrial chic" (interior view)), **Sven Löffler** (Insight "Next stop: Warsaw"), **Tomas Muscionico** (Insight "Under the Californian sun"), **Tristan McLaren** (Nelson Mandela Children's Hospital), **Vitaliy Litvin** (Insight "Investment in the future"), **Werner Huthmacher** (Center of Brain, Behavior and Metabolism), **Žiga Intihar** (Insight "Live demo" (lead picture))

Movies

SCHOKOLADE Filmproduktion GmbH (Editorial/Albert M. Baehny), **Sven Löffler** (Social Project 2016, PL), **Till Gmür** (Interview with Christoph Behling),

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Der Geschäftsbericht erscheint in Deutsch und Englisch als Online-Version.
Die deutsche Online-Version ist bindend.