

1. INTRODUCTION

The Remuneration Report provides an overview of Geberit's remuneration principles and programmes, as well as information about the determination method for the remuneration. It also includes the remuneration of the members of the Board of Directors and of the Group Executive Board for the business year 2018. The report provides the relevant information to be considered by the shareholders when making their decision regarding the votes on the remuneration of the Board of Directors and the Group Executive Board submitted to the 2019 General Meeting for approval.

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

The report is structured as follows:

1. Introduction
2. Foreword by the Chairman of the Nomination and Compensation Committee
3. Remuneration at a glance
4. Determination of remuneration
5. Remuneration architecture
6. Board of Directors: remuneration and share ownership in 2018
7. Group Executive Board: remuneration and share/option ownership in 2018
8. Summary of share and option plans 2018
9. Summary of shares and options held by employees and management as of 31 December 2018
10. Report of the statutory auditor

For additional information on business development in 2018 see also → **Business and financial review**.

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

Dear shareholders,

On behalf of the Nomination and Compensation Committee (NCC), I am pleased to present the 2018 Remuneration Report.

In 2018, the market environment was characterised by increased volatility and a declining growth momentum in certain markets. The solid sales growth and high profitability mean we can look back on a good financial year. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. The Remuneration Report summarises how these results impacted the variable remuneration made to the members of the Group Executive Board under the different remuneration components.

During the reporting year, the NCC performed a thorough review of the compensation programmes applicable to the Group Executive Board in order to ensure their alignment with the business strategy and with the long-term interests of our shareholders. As a result of this analysis, the NCC concluded that the main characteristics of the compensation system are fit for purpose. Nevertheless, the long-term incentive plan needs simplification and harmonisation. Therefore, the following changes will be implemented in the business year 2019:

- All options granted under the long-term incentive plan and under the management share purchase plan will be subject to a three-year cliff vesting and a maturity of nine years.
- Clawback and malus provisions will be introduced in the long-term incentive.

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

At the 2019 General Meeting, we will request your approval of the total remuneration amount to be awarded to the Board of Directors for the period until the following General Meeting, and the maximum aggregate remuneration awarded to the Executive Board for the 2020 business year. Additionally, you will have the opportunity to express your opinion on this Remuneration Report in a consultative vote. You will see in the report that the remuneration awarded to the Board of Directors for the compensation period ending with the 2019 General Meeting and the remuneration awarded to the Group Executive Board in 2018 are within the limits approved at the 2018 General Meeting and 2017 General Meeting respectively.

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

Yours sincerely,



Hartmut Reuter
Chairman of the Nomination & Compensation Committee

3. REMUNERATION AT A GLANCE

BOARD OF DIRECTORS

SUMMARY OF CURRENT COMPENSATION SYSTEM

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

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

See → 5. Remuneration architecture, 5.1 Board of Directors

COMPENSATION IN 2018

The compensation awarded to the Board of Directors for the term of office until the Annual General Meeting 2018 is within the limits approved by the shareholders at the annual general meetings:

Comparison period	Approved amount (CHF)	Effective amount (CHF)
AGM 2017 – AGM 2018	2,350,000	2,279,943
AGM 2018 – AGM 2019	2,350,000	2,277,435*

* The compensation period is not yet completed, a definitive assessment will be provided in the compensation report for FY 2019

GROUP EXECUTIVE BOARD

SUMMARY OF CURRENT COMPENSATION SYSTEM

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

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

See → 5. Remuneration architecture, 5.2 Group Executive Board

COMPENSATION IN 2018

The compensation awarded to the Group Executive Board in the financial year 2018 is within the limits approved by the shareholders at the annual general meeting:

Comparison period	Approved amount (CHF)	Effective amount (CHF)
Financial year 2018	11,300,000	8,727,347

Performance in the financial year 2018

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

See → **7. Group Executive Board, 7.1 Performance in 2018**

Changes from 2019 onwards

Performance options granted under the long-term incentive and under the management share purchase plan will have a three-year cliff vesting and a maturity of nine years. Claw-back and malus provisions will be introduced in the long-term incentive plan (currently in place in the short-term incentive plan).

See → **Outlook**

REMUNERATION PRINCIPLES

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

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

COMPENSATION GOVERNANCE

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

See → **4. Determination of remuneration**

4. DETERMINATION OF REMUNERATION

4.1 NOMINATION AND COMPENSATION COMMITTEE (NCC)

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

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

APPROVAL AND AUTHORITY LEVELS ON REMUNERATION MATTERS:

Decision on	CEO	NCC	BoD	AGM
Remuneration policy and guidelines, in line with the provisions of the Articles of 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 , 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 of independent and non-executive members of the Board of Directors only, who are elected annually by the shareholders at the General Meeting. Since the 2018 General Meeting, the NCC has consisted of Hartmut Reuter as Chairman as well as Eunice Zehnder-Lai and Jørgen Tang-Jensen as members.

The NCC meets at least three times per year. In 2018, it held a total of four meetings, including three regular meetings covering, among others, the predefined recurring agenda items illustrated below, as well as an extraordinary meeting for the review of the long-term incentive plan. The participation rate for NCC meetings in 2018 was 100%.

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

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

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

4.2 PROCESS OF DETERMINATION OF REMUNERATION

BENCHMARKS AND EXTERNAL CONSULTANTS

Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2017, a detailed analysis of the remuneration of the CEO and the other members of the Group Executive Board was carried out by an independent external compensation consulting firm, Willis Towers Watson (CH) as disclosed in last year's Remuneration Report. This consulting firm has no other mandates from Geberit. The study, together with other published data, was used to determine the target remuneration levels of the CEO and other members of the Group Executive Board for the business year 2018. While many different factors (such as the individual role, experience in the role and contribution, company performance and affordability) are considered to determine remuneration levels, the policy of Geberit is to provide a target remuneration that is in principle positioned around the market median.

In 2018, Agnes Blust Consulting (CH) supported the review of the long-term incentive programme. This consulting firm has no other mandates from Geberit.

With 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 Willis Towers Watson, which covered companies of the Swiss Market Index Mid (SMIM).

PERFORMANCE MANAGEMENT

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



4.3 SHAREHOLDER INVOLVEMENT

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

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 so that the Board of Directors has sufficient flexibility to make any necessary amendments to the remuneration programmes. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Incorporation and are aligned with 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 the → **5. Remuneration architecture, 5.1 Board of Directors**).

5. REMUNERATION ARCHITECTURE

5.1 BOARD OF DIRECTORS

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

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

The compensation amounts have remained unchanged since the last review in 2016 as follows:

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

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

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

Further information regarding the remuneration amounts for the period from the 2019 General Meeting to the 2020 General Meeting is provided in the invitation to the 2019 General Meeting.

5.2 GROUP EXECUTIVE BOARD

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

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

	Programme	Instrument	Purpose	Plan/ Performance period	Performance metrics in 2018
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 and retain	1-year performance period	Sales, EBIT, EPS, ROIC, individual objectives
	Share Participation Programme 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	Swiss pension funds (Gemeinschafts-stiftung, Wohlfahrtsfonds)	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract and retain		

BASE SALARY

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

VARIABLE CASH REMUNERATION / SHORT-TERM INCENTIVE (STI)

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

The base salary and the 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.

The financial objectives include equal weightings of sales performance, earnings before interest and taxes (EBIT) and earnings per share (EPS) compared with the previous year as well as the return on invested capital (ROIC). These financial objectives have been chosen because they are key value drivers for Geberit and generally reward for growing the business and gaining market share (top-line contribution), for increasing profitability over-proportionally through strong operating leverage (bottom-line contribution) and for investing the capital efficiently. Every year, on the basis of a recommendation made by the NCC, the Board of Directors determines the expected target level of performance for each financial objective for the following year. 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 Di-

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

rectors 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.

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

Members of the Group Executive Board have the opportunity to invest part or all of their variable cash remuneration in shares of the company through the Management Stock Purchase Plan (MSPP). They may define a fixed number of shares to purchase, or a certain amount or a percentage of their variable cash remuneration to be invested in shares. The shares are blocked for a period of three years. In order to encourage executives to participate in the programme, 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 at → **Long-Term Incentive (LTI)**.

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

Termination reason	Plan rules	Vested options	Restricted shares
	Unvested options		
Death	Accelerated full vesting based on effective performance at the 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 2018, the market value of options granted amounts to 60% 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 2018 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, an additional 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 lin-

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

ear 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:

Termination reason	Plan rules	Vested options
	Unvested options	
Death	Accelerated pro-rata 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 could as such create a competitive disadvantage for the company. Therefore, the decision was made not to disclose the specifics of those targets at the time of their setting, but to provide a general comment on the performance at the end of the cycle. As a general principle, on a comparable basis, significant improvements against the previous year's achievements are required in order to meet the target level of performance, in line with the company's ambitious financial plan.

BENEFITS

Members of the Group Executive Board participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to TCHF 148 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 148 is insured (including actual variable cash remuneration), up to the maximum amount permitted by law. The company pays for the entire contribution in the supplementary plan.

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

EMPLOYMENT TERMS AND CONDITIONS

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

In order to ensure good corporate governance, Geberit has implemented a clawback policy on payments made under the Short-Term Incentive programme, 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 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.

OUTLOOK: CHANGES TO THE REMUNERATION SYSTEM IN 2019

The NCC conducted a thorough review of the LTI and concluded the following:

- Performance options are still appropriate for Geberit. They have been in place for several years and are well accepted externally and internally, especially because of the strong linkage to shareholders' interests;

- ROIC has been re-confirmed as the relevant performance indicator for the long-term success of the company: ROIC reflects the ability of the company to generate long-term value through returns on investment that are higher than the cost of capital. ROIC ensures a high degree of shareholder alignment since it is the major key driver for the valuation of the company;
- However, the current LTI programme is too complex. The vesting schedule of the MSOP options is staged over a period of five years and that of the MSPP options over four years. This means that in any given year, there are seven different tranches that are vesting, which is complex to administer and communicate. Consequently, the decision was made to harmonise the vesting schedules for MSOP and MSPP. In line with prevalent market practice of other Swiss listed companies, Geberit will introduce a three-year cliff vesting period;
- In order to keep the economic value of the performance options similar to the previous plans, the maturity of the options has been reduced from 10 years to 9 years;
- Finally, clawback and malus provisions will be introduced to the long-term incentive plan (they are already in place in the short-term incentive including MSPP). Those provisions foresee that in case of financial restatement due to non-compliance to accounting standards and/or fraud, and/or in case of violation of the law or internal rules by a participant, the Board of Directors may deem all or part of any unpaid short-term incentive or unvested long-term incentive to be forfeited (malus provision) and/or may seek reimbursement of all or part of any paid short-term incentive or vested long-term incentive. The clawback and malus provisions may be enacted for a period of three years following the year subject to a financial restatement and/or the year of the fraudulent behaviour.

Those changes result in a simplified remuneration system that is well-aligned to shareholders' interests and with market practice of other Swiss listed companies. The vesting of MSOP and MSPP options will depend on the same performance period and thus will be harmonised.

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

6. BOARD OF DIRECTORS: REMUNERATION AND SHARE OWNERSHIP IN 2018

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 2018, members of the Board of Directors received a total remuneration of TCHF 2,280 (previous year TCHF 2,283). 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 to the previous year.

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

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

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

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

	A. Baehny Chairman CHF	H. Reuter Vice Chairman CHF	E. Zehnder-Lai ¹ CHF	F. Ehrat CHF	T. Hübner CHF	J. Tang- Jensen CHF	Total CHF
2017							
Remuneration of the Board of Directors							
Accrued remuneration ²	270,000	320,000	165,000	235,000	220,000	220,000	1,430,000
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	44,843	15,161	8,140	11,360	10,689	0 ³	90,193
Total	944,843	350,161	184,390	261,360	245,689	235,000	2,221,443

¹ E. Zehnder-Lai has been a member of the Board of Directors since 5 April 2017.

² Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2018 in the form of restricted shares of the company with a par value of CHF 0.10 each, valued at fair value at grant date. The blocking period is four years. The portion not paid in shares is used for the payment of social charges and for Swiss withholding taxes for non-Swiss board members.

³ No more social insurance contributions in Switzerland in 2017.

CHF

Remuneration of former members of the Board of Directors (R. Aalstad*)

Accrued remuneration	55,000
Expenses	3,750
Contributions to social insurance	2,713
Total	61,463

* R. Aalstad was a member of the Board of Directors until 5 April 2017.

For the period from the 2018 General Meeting to the 2019 General Meeting, the remuneration paid to the Board of Directors is expected to amount to CHF 2,277,435. This is within the limit of CHF 2,350,000 approved by the 2018 General Meeting.

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

(in CHF)	1*	2**	3***	4****	5*****	6*****
GM18 – GM19	2018	1 Jan 2018 to 2018 GM	1 Jan 2019 to 2019 GM	2018 GM to 2019 GM	2018 GM	2018 GM
BoD (total)	2,279,514	-571,957	+569,878	2,277,435	2,350,000	97%
GM17 – GM18	2017	1 Jan 2017 to 2017 GM	1 Jan 2018 to 2018 GM	2017 GM to 2018 GM	2017 GM	2017 GM
BoD (total)	2,282,906	-574,920	+571,957	2,279,943	2,350,000	97%

* Compensation earned during financial year as reported (A)

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

*** Plus compensation accrued from January to General Meeting of year following financial year (C) / budget value for 2019

**** 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 2018 and 2017, the members of the Board of Directors held the following shares in the company:

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

* A. Baehny options until 2014 as CEO

	A. Baehny Chairman	H. Reuter Vice Chairman	E. Zehnder- Lai	F. Ehrat	T. Hübner	J. Tang- Jensen	Total
2017							
Shareholdings Board of Directors							
Shares	56,812	8,318	0	2,281	858	2,511	70,780
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%	0.19%

* A. Baehny options until 2014 as CEO

As of 31 December 2018, there were no outstanding loans or credits between the company and the members of the Board of Directors, closely related parties or former members of the Board of Directors.

7. GROUP EXECUTIVE BOARD: REMUNERATION AND SHARE/OPTION OWNERSHIP IN 2018

This section is audited by the external auditor.

7.1 PERFORMANCE IN 2018

Consolidated sales in 2018 increased by 5.9% to CHF 3,081 million. Total growth comprised organic growth in local currencies of 3.1% and a foreign currency effect of +2.8%. As in previous years, one-off costs related to the Sanitec acquisition and integration had an impact on results, although to a significantly lower extent and for the last time in this reporting year. Operating profit (EBIT) adjusted for these effects increased by 5.4% to CHF 744 million and the adjusted EBIT margin came to 24.2%. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. Adjusted earnings per share improved by 4.7% to CHF 17.21. The adjusted return on invested capital (ROIC) rose to 22.6% (previous year 22.4%).

To determine the variable cash remuneration (STI) of the members of the Group Executive Board, the following Key Performance Indicators (KPI) are used: sales performance, EBIT and EPS compared with the previous year as well as ROIC. The achievement of qualitative individual targets is also taken into consideration. The degree of achievement varies by KPI, and the weighted average of all elements used to calculate the variable cash remuneration slightly exceeded the targets.

7.2 REMUNERATION AWARDED IN 2018

The remuneration of the Group Executive Board amounted to TCHF 8,727 in 2018 (previous year TCHF 9,608). The remuneration of the CEO amounted to TCHF 2,503 in 2018 (previous year TCHF 2,401). The lower total remuneration in 2018 for the Group Executive Board compared to the previous year is the result of two main factors:

- no one-off employer contributions to the company pension funds in 2018
- the lower remuneration of the new Group Executive Board member compared to his predecessor which affects the STI and LTI figures

At the 2017 General Meeting, the shareholders approved a maximum aggregate amount of TCHF 11,300 for the remuneration of the Group Executive Board for the year 2018. The compensation paid for that period amounts to TCHF 8,727 and is therefore within the approved amount.

Further information on the remuneration awarded to the Group Executive Board for the business year 2018, compared with the maximum potential amount of remuneration, is provided with the invitation to the ordinary General Meeting 2019.

The following table shows details of remuneration for 2018 and 2017:

	2018		2017	
	C. Buhl CEO	Total	C. Buhl CEO	Total
	CHF	CHF	CHF	CHF
Salary				
- Fixed salary	931,801	3,342,650	861,809	3,449,744
- Variable salary ¹	541,350	1,947,550	516,250	2,013,879
<i>thereof in shares in 2018²</i>			515,182	1,296,600
Shares/options				
- Call options MSOP 2018/2017 ³	809,885	2,357,518	749,955	2,475,927
- Call options MSPP 2018/2017 ⁴	43,639	109,830	56,385	167,211
Non-cash benefits				
- Private share of company vehicle ⁵	7,056	46,380	7,056	48,978
Expenditure on pensions				
- Pension plans and social insurance	166,482	905,247	206,854 ⁶	1,433,489 ⁶
- Contribution health/accident insurance	2,476	18,172	2,497	18,319
Total⁷	2,502,689	8,727,347	2,400,806	9,607,547

¹ The amounts to be paid (current year), and the amounts effectively paid (previous year) respectively, and 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 432.20 (PY CHF 435.95).

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 432.20 (previous year CHF 435.95); definitive acquisition of the option ("vesting") dependent on various conditions, 3-5-year blocking period (3 tranches at 33%). Market value of CHF 39.29 (previous year CHF 39.87) 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 432.20 (previous year CHF 435.95); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 36.61 (previous year CHF 34.72) 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 Including one-off compensation in pension provision due to pension scheme modifications (reduction of pension conversion rate).

⁷ Immaterial payments (below CHF 500) are not included in the total. Overall, these payments do not exceed CHF 2,000 per member of the Group Executive Board.

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

7.3 SHAREHOLDINGS OF GROUP EXECUTIVE BOARD

As of the end of 2018 and 2017, the Group Executive Board held the following shares in the company:

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

* 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	M. Baumüller	Total
2017										
Shareholdings Group Executive Board										
Shares			6,212	32,840	2,500	2,452	12,407	200	2,850	59,461
Percentage voting rights shares			<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	0.16%
Call options*										
End of vesting period:										
Vested	2020–2023	306.01	7,474	9,172	3,783	4,779	3,236	10	2,922	31,376
2018	2021–2024	357.20	5,745	7,091	7,261	2,631	6,140	50	784	29,702
2019	2022–2026	382.28	11,302	7,484	7,989	4,074	6,647	2,596	697	40,789
2020	2023–2027	398.85	13,053	7,427	7,895	3,664	6,632	4,602	1,926	45,199
2021	2024–2027	398.85	12,776	7,299	7,770	3,567	6,554	4,592	1,878	44,436
2022	2027	435.95	6,270	3,176	3,314	1,504	2,926	2,006	1,504	20,700
Total options			56,620	41,649	38,012	20,219	32,135	13,856	9,711	212,202
Percentage potential share of voting rights options			0.15%	0.11%	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%	0.57%

* Purchase ratio 1 share for 1 option

As of 31 December 2018, there were no outstanding loans or credits between the company and the members of the Group Executive Board, closely related parties or former members of the Group Executive Board.

8. SUMMARY OF SHARE AND OPTION PLANS 2018

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

In 2018, employees, management and the members of the Board of Directors participated in three different share plans. The plans are described for the management and the Board of Directors in this Remuneration Report and for the employees in → **Note 17** of the consolidated financial statements (participation plans). Under the three different **share plans**, a total of the following numbers of shares were allocated.

	End of blocking period	Number of participants	Number of shares issued	Issuing price CHF
Employee share purchase plan 2018 (ESPP)	2020	2,518	18,327	280.95
Management share purchase plan 2018 (MSPP)	2021	101	9,448	432.20
Directors programme 2018	2022	7	3,199	432.20
Total			30,974	

The 30,974 shares required for these plans were taken from the stock of treasury shares.

In 2018, 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, a total of 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 2018 (MSPP)	2019–2022	2025	101	9,448	432.20
Option plan 2018 (MSOP)	2021–2023	2028	90	107,331	432.20
Total				116,779	

The fair value of the options granted in 2018 amounted to CHF 36.61 (MSPP) and CHF 39.29 (MSOP) 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 σ volatility	Expected \emptyset dividend yield	Contractual period	Risk free \emptyset interest rate
	CHF	%	%	Years	%
Management share purchase plan 2018 (MSPP)	432.20	16.88	2.39	7	-0.09
Option plan 2018 (MSOP)	432.20	16.14	2.39	10	0.16

* The exercise price corresponds to the average price of Geberit shares for the period from 6.-19.3.2018.

Costs resulting from share participation plans amounted to CHF 3.0 million in 2018 (previous year CHF 4.3 million); those for option plans totalled CHF 3.8 million (previous year CHF 3.2 million).

9. SUMMARY OF SHARES AND OPTIONS HELD BY EMPLOYEES AND MANAGEMENT AS OF 31 DECEMBER 2018

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

Geberit is committed to a vigilant management of equity dilution. As of 31 December 2018, the Board of Directors, the Group Executive Board and the employees owned a combined total of 386,381 (previous year 362,011) shares, i.e. 1.0% (previous year 1.0%), of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2018:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2020–2024	146,974	296.63	143,635	293.39
2019	2022–2026	68,248	363.69	62,430	357.09
2020	2023–2027	77,238	398.78	38,575	361.75
2021	2024–2028	109,865	410.33	36,027	361.75
2022	2025–2028	70,175	433.93	0	433.93
2023	2028	35,444	432.20	0	432.20
Total		507,944	374.19	280,667	325.73

The following movements took place in 2018 and 2017:

	MSOP		MSPP		Total 2018		Total 2017	
	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	426,857	351.34	46,518	353.09	473,375	351.52	402,715	313.91
Granted options	107,331	432.20	9,448	432.20	116,779	432.20	123,794	435.95
Forfeited options	24,736	399.08	654	369.40	25,390	398.31	1,987	359.97
Expired options	0	0	0	0	0	0	0	0
Exercised options	47,571	294.86	9,249	285.72	56,820	293.37	51,147	259.38
Outstanding 31 December	461,881	373.39	46,063	382.21	507,944	374.19	473,375	351.52
Exercisable at 31 December	124,875	289.04	19,020	322.38	143,895	293.39	130,426	282.31

The options outstanding at 31 December 2018 had an exercise price of between CHF 231.20 and CHF 435.95 and an average remaining contractual life of 5.5 years.

10. REPORT OF THE STATUTORY AUDITOR



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

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE REMUNERATION REPORT 2018

We have audited the accompanying → **remuneration report** of Geberit AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 6 to 9 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Geberit AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

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

Beat Inauen
Audit expert
Auditor in charge

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

Martin Knöpfel
Audit expert

Zurich, 11 March 2019