

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 2015. 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 2016 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 2015
6. Group Executive Board: remuneration and share ownership in 2015
7. Summary of share and option plans 2015
8. Summary of shares and options held by employees and management as of 13 December 2015

Additional information on business development in 2015 see also → [Business and financial review](#).

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

Dear Shareholder

The purpose of the remuneration programs is to attract, retain and motivate employees, to drive best-in-class performance and to encourage behaviours that are aligned with the company's high standards of integrity. We strive to proactively refine our remuneration system in order to respond to the changing business and regulatory environment, and we are keen to ensure that our remuneration principles reward performance and are well aligned to the interests of our shareholders.

Based on your feedback and in the context of the implementation of the Ordinance against Excessive Compensation in Listed Stock Corporations, we continuously assess and review our remuneration system. We made a number of changes in recent years, such as the elimination of performance-based remuneration for members of the Board of Directors, the introduction of a performance condition and, for the coming years, the extension of the vesting period in the long-term incentive plan for the Group Executive Board, as well as the implementation of a claw-back policy on the variable remuneration payments made to the Group Executive Board.

We have also expanded the disclosure of remuneration in our Remuneration Report. Based on the positive outcome of the shareholder consultative vote on the Remuneration Report at the 2014 and 2015 General Meetings, we believe that shareholders welcome the changes made to our remuneration programs and disclosure. This year again, we decided to further enhance our disclosure with additional information about performance in the reporting year, so that you can better assess the link between pay and performance. Looking ahead, we will continue to review and refine our remuneration framework in order to promote sustainable performance and employees' engagement, while ensuring compliance on the regulatory requirements.

At the 2016 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 2017 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 2016 General Meeting is in line with the limits approved by the 2015 General Meeting (limits approved for the remuneration of the Group Executive Board start to apply with business year 2016).

The Board of Directors would like to thank you for your valuable feedback about our executive remuneration. We hope that you find this report informative and are confident that our remuneration system rewards performance in a balanced and sustainable manner and aligns well with the shareholders' interests.

Yours sincerely



Robert F. Spoerry
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 programs 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 talent
- Both company performance and individual contributions are recognised and rewarded
- Remuneration programs are balanced between rewarding short-term success and long-term value creation
- Shareholding programs 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 programs

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 component, refer also to [→ 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 ways 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, such as 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, refer also to [→ 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 Annual General Meeting. In addition, the Remuneration Report for the preceding period is subject to a consultative vote, refer also to [→ Determination of remuneration](#).

3. Determination of remuneration

3.1. Nomination and Compensation Committee

As determined in the Articles of Incorporation and in the Organisational Regulations of Geberit AG, the Nomination & Compensation Committee (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
- 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 Board of Directors and for the Group Executive Board		proposes	reviews	binding vote
Individual remuneration of members of the Board of Directors		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 Group Executive Board	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 Nomination & Compensation Committee consists exclusively of independent and non-executive members of the Board of Directors, who are elected annually by the General Meeting. For the period under review, the NCC consisted of Robert F. Spoerry as Chairman and Jørgen Tang-Jensen and Hartmut Reuter as members.

The Nomination and Compensation Committee meets at least three times per year. In 2015, it held four meetings including, among others, the following pre-defined recurring agenda items:

	Beginning of year (Feb/March)	Spring (April/May)	Summer (August)	End of year (December)
Remuneration policy		- Review of remuneration policy and programs		
Group Executive Board (GEB) matters	<ul style="list-style-type: none"> - Individual performance appraisal previous year - STI payout previous year - Vesting of equity awards previous years 	- Benchmarking of GEB remuneration	<ul style="list-style-type: none"> - Succession planning for GEB positions - Talent management session 	<ul style="list-style-type: none"> - Target remuneration following year - Target setting for STI following year - Option valuation and definition of performance criteria LTI for next grant
Board of Director (BoD) remuneration		- Benchmarking of 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	<ul style="list-style-type: none"> - 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 Nomination and Compensation Committee. The Chairman of the Nomination & Compensation Committee 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 being discussed. At the end of each meeting, a closed session takes place among the members of the Nomination and Compensation Committee only.

After each meeting, the Chairman of the Nomination & Compensation Committee reports to the Board of Directors on its activities and recommendations. The minutes of the Nomination & Compensation Committee's meetings are available to the full Board of Directors.

3.2. Process of determination of remuneration

Benchmarks and external consultants

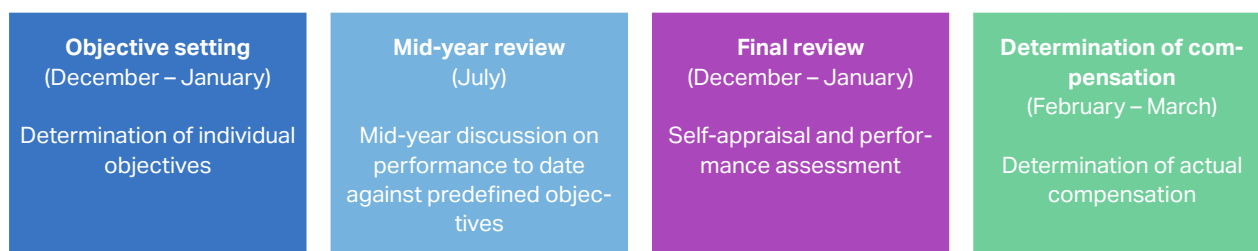
Geberit regularly reviews the remuneration of its executives, including that of the members of the Group Executive Board. This includes regular participation, e.g. every two to three years, in benchmark studies on comparable functions in other industrial companies. In 2015, a detailed analysis of the 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, Kaba, 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 con-

sidered 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 Nomination & Compensation Committee. Such a review took place again in 2015 with a benchmarking analysis provided by Towers Watson 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

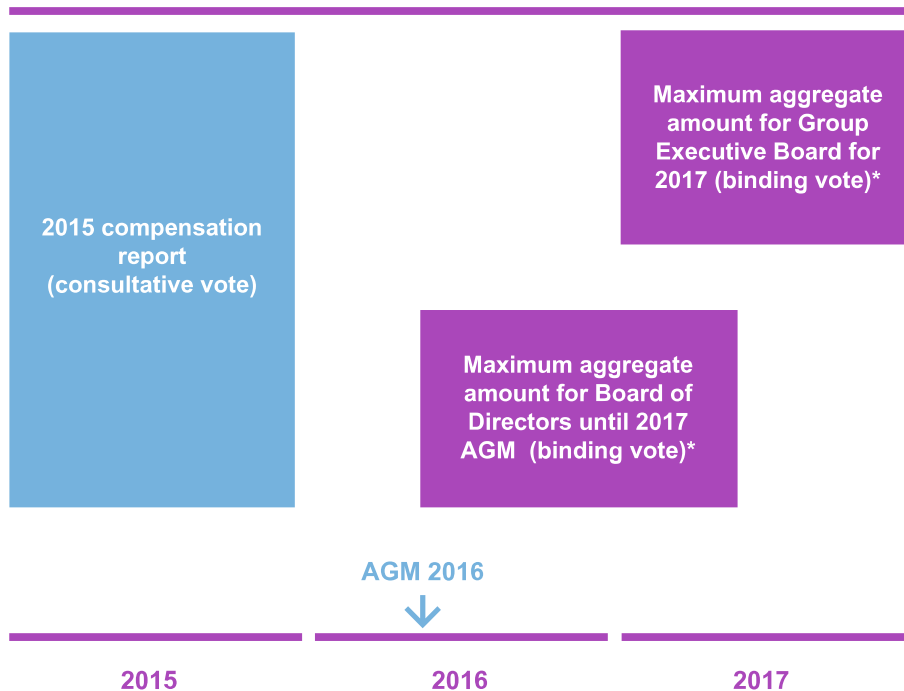
The actual remuneration effectively paid out in a given year to the Group Executive Board members depends on the company and on the individual performance. Individual performance is assessed through the formal annual performance management process: company and individual performance objectives are approved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



3.3. Shareholder involvement

In the last three 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 programs. The positive outcome of the consultative votes on the 2013 and 2014 Remuneration Reports indicates that shareholders welcome the progress made. Geberit foresees to continue to submit the Remuneration 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.

In addition, as required by the Ordinance against Excessive Remuneration in Listed Stock Corporations, shareholders are asked to approve the amount of remuneration of the Board of Directors and of the Group Executive Board in a binding vote at the General Meeting. The provisions of the Articles of Association of Geberit require shareholders to vote on the prospective maximum aggregate remuneration amount for the Board of Directors until the next ordinary General Meeting and for the Group Executive Board for the following business year.



* Detailed information regarding the remuneration amounts submitted to vote is provided in the invitation to the General Meeting.

The maximum aggregate remuneration amount for the Board of Directors includes the cash remuneration, the value of the restricted shares at grant and the social security contributions made by the employer.

The maximum aggregate remuneration amount for the Group Executive Board includes the following:

- Fixed remuneration: base salaries, value of benefits, employer contributions to retirement plans and estimated employer contributions to social security
- Maximum possible payout under the variable cash incentive plan (STI) if the achievement of all performance objectives reach the cap level and assuming a maximum investment into the share participation plan (with maximum possible value of matching options)
- Fair value of the options at grant

Therefore, the maximum aggregate remuneration amount submitted to shareholders' vote is potentially much higher than the amount of remuneration that will be effectively paid out to the members of the Group Executive Board based on the performance achieved. The amount effectively paid out will be disclosed in the remuneration report of the respective business year and will be subject to a consultative shareholders' vote.

We are convinced that the binding prospective vote on the aggregate remuneration amounts, combined with a consultative retrospective vote on the remuneration report, provide our shareholders with a far-reaching "say-on-pay".

Articles of Association

As required by the Ordinance, → **the Articles of Association 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. Performance criteria are determined by the Board of Directors and may include individual and company targets. The Board of Directors determines the terms and conditions of any share-based remuneration, including time of allocation, valuation methodology, blocking and/or vesting and/or exercise periods, maximum award limits and any applicable claw-back mechanism.
- 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 Association have been kept broad in order that the Board of Directors has sufficient flexibility to make amendments to the remuneration programs in the future, if so necessary. The remuneration principles currently in place are more restrictive than the provisions of the Articles of Association 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, refer also to → **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.

Annual fees	in CHF	Delivery
Chairman	985,000	Cash and restricted shares
Vice-Chairman	245,000	Restricted shares
Member of the Board of Directors	170,000	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 2016 General Meeting to the 2017 General Meeting is provided in the invitation to the 2016 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:

- 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

	Program	Instrument	Purpose	Plan-/ performance period (staged)	Performance metrics in 2015
Fixed 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	4-year performance period, 7-year plan period*	ROIC
Benefits	Pension	Gemeinschafts-stiftung Wohlfahrtsfonds	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & retain		

* 2016: 5-year performance period (staged), 10-year plan period

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 150 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 Nomination & Compensation Committee, 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, substantial 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

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.**

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.

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 program, a free share option is provided for each share purchased through the program. 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 vesting based on effective performance at date of termination as determined by the Board of Directors	Regular exercise period	Immediate unblocking
Retirement or disability	Regular vesting schedule	Regular exercise period	Immediate unblocking
Other reasons than death, retirement or disability	Forfeiture	90-day exercise period	Regular blocking period
Change of control*	Accelerated vesting based on effective performance at date of termination as determined by the Board of Directors	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 (one third three years, one third four years and one third five years after grant), effective 1 January 2016.

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

Every year, the Board of Directors determines the grant of share options. In 2015, the market value of options granted amounts to 40% of the target income for the CEO and the other members of the Group Executive Board. For some 60 additional participants of the Group management, the market value amounts to 10% of the target income.

The options granted in 2015 are subject to a vesting period staged over four years as follows: a third of the options can be exercised two years after the grant, a further third can be exercised three years after the grant and the remaining third four years after the grant.

For future grants, the vesting period of the options will be extended to five years according to the following schedule: one-third of the grant will vest three years after the grant, a further third will vest four years after the grant and the last third will vest five years after the grant and will have a term of ten years.

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 have a term of seven years (starting 1 January 2016: ten years) after which they expire. They 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	
	Unvested options	Vested options
Death	Accelerated pro-rata vesting on the basis of the number of full months worked during the vesting period	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 vesting based on effective performance at date of termination as determined by the Board of Directors	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, substantial 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 program, 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 2015

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 2015, members of the Board of Directors received a total remuneration of TCHF 2,293 (previous year TCHF 995). Remuneration for regular board activities and committee assignments amounted to TCHF 2,100 (previous year TCHF 893). The structure and levels of remuneration of the members of the Board of Directors have not changed compared to the previous year. The increase of remuneration between 2014 and 2015 is entirely due to the following factors:

- The remuneration of the Chairman is now included in the remuneration of the Board of Directors, while it was included in the remuneration of the Group Executive Board in 2014.
- The appointment of Thomas M. Hübner as new member of the Board of Directors.

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

	A. Baehny Chairman CHF	R. Spoerry Vice Chairman CHF	F. Ehrat CHF	T. Hübner CHF	H. Reuter CHF	J. Tang- Jensen CHF	Total CHF
2015							
Remuneration of the Board of Directors							
Accrued remuneration ¹	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

	A. Baehny Chairman ² CHF	R. Spoerry Vice Chairman CHF	F. Ehrat CHF	H. Reuter CHF	J. Tang- Jensen CHF	Total CHF
2014						
Remuneration of the Board of Directors						
Remuneration	-	320,000	150,000	222,500	200,000	892,500
Expenses	-	15,000	15,000	15,000	15,000	60,000
Contributions to social insurance	-	15,071	7,431	10,725	9,716	42,942
Total	-	350,071	172,431	248,225	224,716	995,442

Remuneration of former members of the Board of Directors

Accrued remuneration	46,250
Expenses	3,750
Contributions to social insurance	6,069
Total	56,069

¹ Director's fee booked, but not yet paid as at 31 December. Payment will be made in the first quarter of 2016 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 of CHF 349.15 (previous year CHF 281.95) 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.

² In 2014, the remuneration of A. Baehny as Chairman of the Board was compensated with his total CEO remuneration.

For the period from the 2015 General Meeting to the 2016 General Meeting, the remuneration paid to the Board of Directors amounts to CHF 2,299,053. This is within the limit of CHF 2,350,000 approved by the 2015 General Meeting.

As of the end of 2015 and 2014, the members of the Board of Directors held the following shares in the company:

	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 ¹	0	0	0	0	0	63,688 ¹
Percentage voting rights shares	0.12%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%	0.17%

	A. Baehny Chairman	R. Spoerry Vice Chairman	F. Ehrat	H. Reuter	J. Tang- Jensen	Total
2014						
Shareholdings Board of Directors						
Shares	see Group Executive Board	7,606	706	6,336 ¹	1,284	15,932
Percentage voting rights shares		< 0.1%	< 0.1%	< 0.1%	< 0.1%	< 0.1%

¹ A. Baehny options until 2014 as CEO

As of 31 December 2015, 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 2015

This section is audited by the external auditor.

6.1. Performance in 2015

The challenging environment in the construction industry, the integration of the acquired Sanitec business and the strong Swiss franc influenced the Geberit Group's results in the 2015 financial year. Despite this, the company managed to achieve a good overall result, maintain performance on a high level and further consolidate our position as the leading supplier of sanitary products.

Net sales increased by 24.2% in 2015, to CHF 2,593.7 million. Total growth comprised organic growth in local currencies of +2.7%, a negative foreign currency effect of 9.6% and an increase of 31.1% due to the Sanitec acquisition. Operating margins for the old Geberit business were positively influenced by higher volume, product mix effects, lower raw material prices and diluted by the effect of the 10% currency rebate granted in Switzerland. However, as expected, overall results were impacted by the lower operating margins from the newly acquired Sanitec business. The results comprise various special effects in connection with the Sanitec acquisition. Operating profit (EBIT) adjusted for these special effects increased by 2.4% to CHF 590.9 million and the correspondingly adjusted EBIT margin came to 22.8%. Adjusted net income fell by 1.1% to CHF 493.1 million, with an adjusted return on net sales of 19.0%. Adjusted earnings per share declined by 0.4% to CHF 13.23. Free cashflow rose by 5.1% to CHF 484.0 million. The Return on Invested Capital (ROIC) was 20.1%.

To determine the variable cash remuneration (STI) 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 target is considered. 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.

6.2. Remuneration awarded in 2015

The remuneration of the Group Executive Board amounted to TCHF 6,764 in 2015 (previous year TCHF 7,707). The remuneration of the CEO amounted to TCHF 1,786 in 2015 (previous year TCHF 2,802). The lower total remuneration in 2015 for the Group Executive Board compared to the previous year is the result of various factors.

Reducing impact on remuneration:

- The lower remuneration of the new CEO compared to his predecessor.
- Target achievement in the STI program was lower than in the previous year.

Increasing impact on remuneration:

- Selected higher option grants (LTI) to align compensation to market.
- The Group Executive Board was increased from five to six members.

The base salaries of the existing Group Executive Board members remained unchanged. Contributions to company pension funds decreased due to the lower results in the variable cash compensation (STI), while the other benefits increased with the additional member of the Group Executive Board.

Further information on the remuneration awarded to the Group Executive Board for the business year 2015, compared to the maximum potential amount of remuneration, is provided as well in the invitation to the Ordinary General Meeting 2016.

The following table – reviewed by the external auditor – shows details of remuneration for 2015 and 2014:

	2015		2014	
	C. Buhl CEO CHF	Total CHF	A. Baehny ⁷ CEO CHF	Total CHF
Salary				
- Fixed salary	756,800	2,819,507	946,803	2,793,345
- Variable salary ¹	401,500	1,459,092	869,486	2,540,674
<i>thereof in shares in 2015²</i>			0	1,113,090
Shares/options				
- Call options MSOP 2015/2014 ³	439,927	1,502,281	685,661	1,347,411
- Call options MSPP 2015/2014 ⁴	18,937	144,005	41,813	112,290
Non-cash benefits				
- Private share of company vehicle ⁵	6,648	39,864	9,660	39,984
Expenditure on pensions				
- Pension plans and social insurance	159,607	786,263	246,523	861,830
- Contribution health/accident insurance	2,238	13,388	2,262	11,903
Total⁶	1,785,657	6,764,400	2,802,208	7,707,437

¹ The amounts to be paid respectively the amounts effectively paid 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 349.15 (PY CHF 281.95).

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 Participation Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 349.15 (previous year CHF 281.95); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 34.06 (previous year CHF 23.65) 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 Program (MSPP); 1 option entitles to purchase 1 registered share at an exercise price of CHF 349.15 (previous year CHF 281.95); definitive acquisition of the option ("vesting") dependent on various conditions, 1-4-year blocking period (4 tranches at 25%), market value of CHF 34.06 (previous year CHF 23.65) 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.

⁷ The remuneration of A. Baehny as Chairman of the Board of Directors in 2014 was compensated with his total CEO remuneration.

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 2015 and 2014, 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	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 options¹									
Vesting period:									
Vested	2016–2018	194.50	0	0	0	1,208	0	0	1,208
2016	2017	205.50	525	1,417	1,542	583	1,330	0	5,397
2014–2017	2020	231.20	2,008	4,676	4,844	1,244	5,620	0	18,392
2015–2018	2021	281.95	2,172	10,419	10,559	1,872	9,592	0	34,614
2016–2019	2022	349.15	13,696	10,029	10,474	5,860	9,040	0	49,099
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%

¹ Purchase ratio 1 share for 1 option

	Maturity	Average exercise price in CHF	A. Baehny CEO	R. Iff CFO	M. Reinhard	K. Spachmann	Total
2014							
Shareholdings Group Executive Board							
Shares			46,969	31,280	2,000	5,000	85,249
Percentage voting rights shares			0.12%	< 0.1%	< 0.1%	< 0.1%	0.23%
Call options¹							
Vesting period:							
Vested	2015–2017	207.40	0	0	0	1,038	1,038
2015	2016–2018	228.00	1,792	957	1,017	483	4,249
2016	2017	205.50	6,665	1,417	1,542	1,330	10,954
2014–2017	2020	231.20	24,471	7,014	7,016	5,620	44,121
2015–2018	2021	281.95	30,760	10,810	10,559	9,592	61,721
Total options			63,688	20,198	20,134	18,063	122,083
Percentage potential share of voting rights options			0.17%	< 0.1%	< 0.1%	< 0.1%	0.32%

¹ Purchase ratio 1 share for 1 option

As of 31 December 2015, 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 2015

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

In 2015 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. 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 ¹
Employee share purchase plan 2015 (ESPP)	2017	2,077	17,928	192.03
Management share purchase plan 2015 (MSPP)	2018	74	12,616	349.15
Directors program 2015 (DSPP)	2019	5	2,610	349.15
Total			33,154	

¹ ESPP: The issuing price is the average closing price during the subscription period 03.-16.03.2015 with a discount of 45% based on the company's performance in 2015, per plan rules.

MSPP and DSPP: Issuing price corresponds to the average closing price of the share during the 10 trading days before the grant date.

The 33,154 shares required for these plans were taken from the stock of treasury shares.

In 2015 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 2015 (MSPP)	2016–2019	2022	74	12,616	349.15
Option plan 2015 (MSOP) / Group Executive Board	2017–2019	2022	5	44,871	349.15
Option plan 2015 (MSOP) / Other management	2016–2019	2022	62	40,260	349.15
Total				97,747	

The fair value of the options granted in 2015 amounted to CHF 34.06 and CHF 33.48 (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 ¹ CHF	Expected Ø volatility %	Expected Ø dividend yield %	Contractual period Years	Risk free Ø interest rate %
Management share purchase plan 2015 (MSPP)	349.15	15.95	2.65	7	-0.35
Option plan 2015 (MSOP)	349.15	15.95	2.65	7	-0.35

¹ The exercise price corresponds to the average price of Geberit shares for the period from 3.-16.3.2015.

Costs resulting from participation plans amounted to CHF 3.0 million in 2015 (prior year CHF 2.9 million), those for option plans totalled CHF 3.0 million (prior year CHF 2.5 million).

8. Summary of shares and options held by employees and management as of 31 December 2015

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 2015, the Board of Directors, the Group Executive Board and the employees owned a combined total of 357,850 (previous year 340,295) shares, i.e. 0.9% (previous year 0.9%) of the share capital of Geberit AG.

The following table summarises all option plans in place as of 31 December 2015:

End of vesting period	Maturity	Number of options outstanding	Ø exercise price CHF	Number of options in the money	Ø exercise price CHF
Vested	2016–2021	49,223	232.22	49,223	232.22
2016	2017–2022	109,962	254.97	96,743	242.10
2017	2020–2022	91,060	288.83	62,884	261.81
2018	2021–2022	68,663	311.27	40,486	281.95
2019	2022	28,176	349.15	0	0
Total		347,084	279.07	249,336	251.59

The following movements took place in 2015 and 2014:

	MSOP		MSPP		Total 2015		Total 2014	
	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	274,454	248.26	28,460	245.33	302,914	247.98	263,893	213.39
Granted options	85,131	349.15	12,616	349.15	97,747	349.15	140,395	281.95
Forfeited options	1,111	247.29	15	221.23	1,126	246.95	16,784	249.89
Expired options	0	0	0	0	0	0	0	0
Exercised options	46,263	232.60	6,188	217.77	52,451	230.85	84,590	196.08
Outstanding 31 December	312,211	278.09	34,873	287.80	347,084	279.07	302,914	247.98
Exercisable at 31 December	41,440	232.93	7,783	228.46	49,223	232.22	30,847	208.06

The options outstanding at 31 December 2015 had an exercise price between CHF 192.85 and CHF 349.15 and an average remaining contractual life of 4.6 years.

Report of the statutory auditor



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

Report of the statutory auditor to the General Meeting on the remuneration report 2015

We have audited the accompanying → **remuneration report** dated 8 March 2016 of Geberit AG for the year ended 31 December 2015.

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 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'B. Inauen', written in a cursive style.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Knöpfel', written in a cursive style.

Martin Knöpfel
Audit expert

Zurich, March 8, 2016