4. Remuneration architecture

4.1. Board of Directors

The remuneration of members of the Board of Directors is defined in a regulation adopted by the Board of Directors and consists of a fixed retainer and a remuneration for their committee work. The remuneration is paid in the form of restricted shares subject to a four-year blocking period. The restriction on the shares may lapse in case of death. The shares remain blocked in all other instances. In addition, members of the Board of Directors also receive a lump sum to cover their expenses, paid out in cash.

Annual fees	in CHF	Delivery
Vice-Chairman (Lead Director)	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 of the Chairman of the Board of Directors is covered by his reported remuneration as CEO.

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	Performance metrics in 2014
Base salary	Annual base salary	Monthly cash payments	Attract & Retain		
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 performance period - 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 Wohlfahrtsfond	Cover retirement, death and disability risks		
	Perquisites	Company car, expense policy	Attract & Retain		

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

Variable cash remuneration / Short-Term Incentive (STI)
The variable cash remuneration (STI) of the Group Executive Board and some 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 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.

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**.

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 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 (please refer to the section on Long-Term Incentive below).

In the event of termination of employment, the following provisions apply:

- Termination for other reason than death or retirement: restricted shares remain subject to the regular blocking period and vested options can be exercised within a 90-day period. Non-vested options can be repurchased by Geberit or continue to vest normally and are exercisable over a 90-day period after the vesting date.
- Termination in the event of death: restricted shares are unblocked immediately and unvested options are subject to an accelerated vesting. The exercise period for vested options is 90-days.
- In case of retirement, the restricted shares and options are subject to the regular terms and conditions of the plan.

In the event of termination of employment by the employer following a change of control, the restrictions on the shares and the options lapse. This rule applies only in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of the change of control.

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, effective January 1, 2013, with the introduction of a performance-based vesting condition.

Every year, the Board of Directors determines the grant of share options. Based on a benchmark study conducted in 2012, the Board of Directors decided to gradually increase the grant value for members of the Group Executive Board. The market value of options granted amounts to 50% of the target income for the CEO and to 30% of the target income for 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.

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**.

The options 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. 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 a multiple of 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 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, vested options can be exercised within a 90-day period. Non-vested options are forfeited on termination, except in case of death or retirement. In case of death, the unvested options are subject to an accelerated full vesting. In case of retirement, the unvested options continue to follow the regular performance-based vesting schedule and the vested options are subject to the regular exercise period.

In the event of termination of employment by the employer following a change of control, the restrictions on the shares and the options lapse. This rule applies only in the situation of "double-trigger" where the employment contract of the participant is terminated as a result of the change of control.

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 during three years after the payment of the respective variable remuneration.