

Careful management of acquired plants results in performance improvements

OWNERSHIP OVERVIEW

Capital Structure	Single Equity Class
Ownership Classification	Widely Held
Top Shareholders:	
There is no principal shareholder at this firm.	

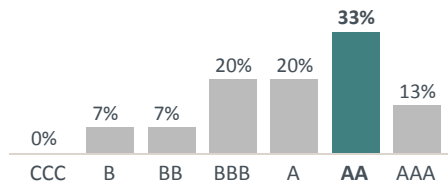
ESG SCORE CARD*

	WEIGHT	SCORE	QUARTILE
Environment	55.0%	6.6	
Carbon Emissions	22.0%	7.8	●●
Toxic Emissions & Waste	22.0%	6.3	●●●
Opportunities in Clean Tech	11.0%	4.9	●●
Social	22.0%	6.3	
Health & Safety	22.0%	6.3	●●
Governance	23.0%	7.6	
Corporate Governance	23.0%	7.6	●●●●
Overall Score			
Weighted-Average Key Issue Score		6.8	
Industry Relative Score		8.0	

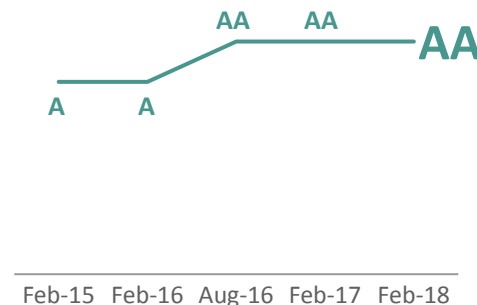
ISSUER COMMUNICATION

Company response last 12 months? **YES**
 Last Communication Date **Apr 11, 2018**

INDUSTRY RATING DISTRIBUTION



ESG RATING HISTORY



RATING COMMENT

RATING DATE: February 09, 2018

Geberit's rating is unchanged at 'AA'.

After integrating its 2015 acquisition, Sanitec, into its performance reporting, and seeing a significant increase in its performance metrics, Geberit appears to be integrating these operations successfully into its own, with reductions in carbon, NOx and dust emissions, as well as its accident frequency rate. Continued vigilance will be required to ensure the company will be able to meet its new emissions and injury reduction targets. The company also has strong corporate governance performance compared to its global peers, both in terms of board effectiveness and alignment of executive pay incentives with shareholder interests.

[View Additional Analyst Commentary →](#)

Analyst: Morgan Ellis

KEY RISKS

No issues with substantially unmanaged material risks or untapped opportunities are identified for this company.

STRENGTHS



Toxic Emissions & Waste - Score 6.3

February 09, 2018

While Geberit faces moderately high exposure to risks of liabilities and compliance costs associated with toxic releases, due to its production of plastic plumbing, ceramic and sanitary products, it appears to be successfully integrating Sanitec's facilities into its group wide environmental management system, with toxic air emissions showing reductions in 2016.



Health & Safety - Score 6.3

February 09, 2018

Although Geberit faces moderately low exposure to risks of workplace accidents, it still has one of the highest injury rates in the industry. Although it has targets to have all of its facilities certified to ISO18001 by 2018 and reduce its injury rate by 50% by 2025, its persistently high injury rate is concerning, especially as Geberit works to integrate Sanitec employees and facilities into its management systems.

MOST RECENT CONTROVERSIES

There are no recent new controversies or updates to ongoing controversies for this company.

* For symbols and terms used in this report, refer to the Glossary section at the end of the report.

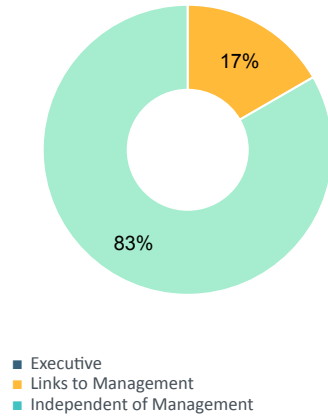
CORPORATE GOVERNANCE HIGHLIGHTS

CEO

Name	Christian Buhl
Tenure	3 Years
Total Realized Pay	USD 1,636,188.81
Total Summary Pay	USD 2,250,021.15

BOARD OF DIRECTORS

BOARD TYPE: Unitary Board



KEY AREAS OF CONCERN

Accounting Risk

- Revenue Recognition
- Expense Recognition
- Asset-Liability Valuation

Deduction (-0.80)

Board Leadership

- Leadership Concerns
- Independent Chair
- Chair not Independent & No Independent Lead Director

Deduction (-0.50)

Pay Performance Alignment

- CEO Equity Policy
- Pay Linked to Sustainability

Deduction (-0.40)

LARGEST 10 INDUSTRY PEERS (BUILDING PRODUCTS)

	CARBON EMISSIONS	TOXIC EMISSIONS & WASTE	OPPORTUNITIES IN CLEAN TECH	HEALTH & SAFETY	CORPORATE GOVERNANCE	RATING AND TREND
DAIKIN INDUSTRIES,LTD.	●●●	●●●●	●●	●●●●	●	AAA ↔
JOHNSON CONTROLS INTERNATIONAL PLC	●●●●	●	●●●●	●●●●	●●●●	AAA ↑
COMPAGNIE DE SAINT-GOBAIN S.A.	●●●	●●●	●●	●●●	●●●	AA ↔
ASSA ABLOY AB	●●●●	●●	●	●●	●●●	AA ↔
Geberit AG	●●	●●●	●●	●●	●●●●	AA ↔
MASCO CORPORATION	●●	●●●●	●	●●	●●	A ↔
TOTO LTD.	●	●●●●	●●●●	●●	●	A ↔
FORTUNE BRANDS HOME & SECURITY, INC.	●	●●	●●●●	●	●●●	BBB ↔
Asahi Glass Company, Limited	●	●●	●●●	●●●	●	BBB ↔
A. O. SMITH CORPORATION	●	●●●●	●●●●	●	●	BB ↓

QUARTILE KEY: ● Bottom Quartile ●●●● Top Quartile

RATING TREND KEY: ↔ maintain ↑ upgrade ↑↑ two or more notch upgrade ↓ downgrade ↓↓ two or more notch downgrade

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ADDITIONAL ANALYST COMMENTARY

LAST UPDATED: February 08, 2018

EMISSIONS REDUCTION EFFORTS POST ACQUISITION

Although the integration of the Sanitec operations and performance into Geberit's operations led to a significant increase in both carbon and toxic air emissions, after a year of inclusion the company has shown improvements across nearly all criteria, with SOx emissions showing the only increase. This suggests that Geberit is well equipped to integrate and improve the performance of Sanitec's production facilities.

In terms of carbon management, these efforts include the expansion of its group wide environmental management system and targeting a year on year improvement in carbon emissions of 5% and its long term target of reducing its absolute emissions by 6% over 2015 levels, by 2021. The company has also been expanding its purchase of green electricity to account for almost 38% of its electricity consumption, with the target to increase this to 45% by 2021.

Geberit continues to roll out its group wide integrated environmental management system to the acquired facilities, with 91% of its operations certified to ISO14001. Additionally, Geberit is one of the few in the industry to include environmentally friendly procurement practices and reducing the environmental impact of its logistics chain.

CONTINUING CLEANTECH INNOVATIONS

Geberit continues to take strong steps to capitalize on the opportunities available and has incorporated eco-design principles into its product development processes to ensure new product offerings exceed their predecessors in environmental performance.

With a focus on increasing water efficiency, increasing recycled content and incorporating FSC certified timber in its bathroom furniture. Additionally, the company conducts detailed life cycle assessments for all of its drainage and supply pipes, 'AquaClean, concealed cistern, urinal flush controls and lavatory taps. Geberit products with water efficient, energy efficient, and noise insulation features are compatible with green building specifications. The company aims to develop and produce products that comply with Minergie, DGNB, LEED, and other green building standards.

SAFETY PERFORMANCE IMPROVEMENTS

Geberit has approximately 73% of its production facilities certified to the OHSAS 18001 international safety management systems standard and the company is aiming to certify all of its facilities, including the acquired Sanitec facilities, by the end of 2018. Approximately 85% of employees worldwide are represented by the H&S committees across the manufacturing locations. Since 2011, the company has been conducting EHS (Environment, Health and Safety) audits of suppliers it regards as high risk, with plans to audit all suppliers, and within the next two years is implementing a third-party audit of its suppliers.

Following an increase in its Accident Frequency Rate, due to the Sanitec acquisition, Geberit's integration of these operations in its health and safety system has resulted in a 14% reduction, suggesting the integration process is progressing successfully. However, with its persistently high injury rates we are still concerned that the company may not be well prepared to avoid major disruptions or unanticipated costs resulting from health and safety incidents, especially as it continues to integrate Sanitec's facilities and employees into its operations.

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