

EMPLOYEES

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Employees

People make the difference, which is why the KION Group's success depends above all on the success of its employees. They make the Company strong, and lay the basis for ensuring its Strategy 2020 is a success – through their knowledge, expertise, motivation, willingness, enthusiasm and passion. The KION Group HR strategy is based on this conviction.

MANAGEMENT APPROACH TO EMPLOYEES

The primary objective of all HR measures within the KION Group is to support its Strategy 2020 and ensure its targeted implementation. To this end, it aims to employ a sufficient number of very highly qualified and highly motivated employees at all times in every area of its Company and at every operating level. To secure and retain such employees, the KION Group and its operating units position themselves as attractive employers that offer their employees interesting development opportunities. The KION Group is constantly enhancing its employer brands – something that is repeatedly recognised outside the Company too.

HR challenges

In 2016 the KION Group started a new chapter in its Company's history which was opened mainly through its acquisition of Dematic. As a result, it offers a unique portfolio of material handling and intralogistics products and solutions. The Company is always developing further. With the breadth of its offering and the number of Group companies and brands, both the international make-up and complexity of the Company is increasing. Above all, the transformation of its organisational structure, which on the one hand takes into account the special aspects of its operating units while also promoting Group-internal cooperation on the other, was a major challenge in the area of HR in 2016.

On top of this, the Company faces varying challenges, ranging from demographic change in the individual regions, to the digital transformation – frequently referred to as Industry 4.0. It is therefore essential in an increasingly competitive world to attract and retain qualified new talent with expertise especially in the fields of software development and IT.

As a strong and successful company with a clear positioning, the KION Group is well-equipped for this battle for young talents and can offer them great employment conditions and development opportunities from an international perspective. At the same time, the KION Group is faced with the challenges of demographic change.

Top Employer

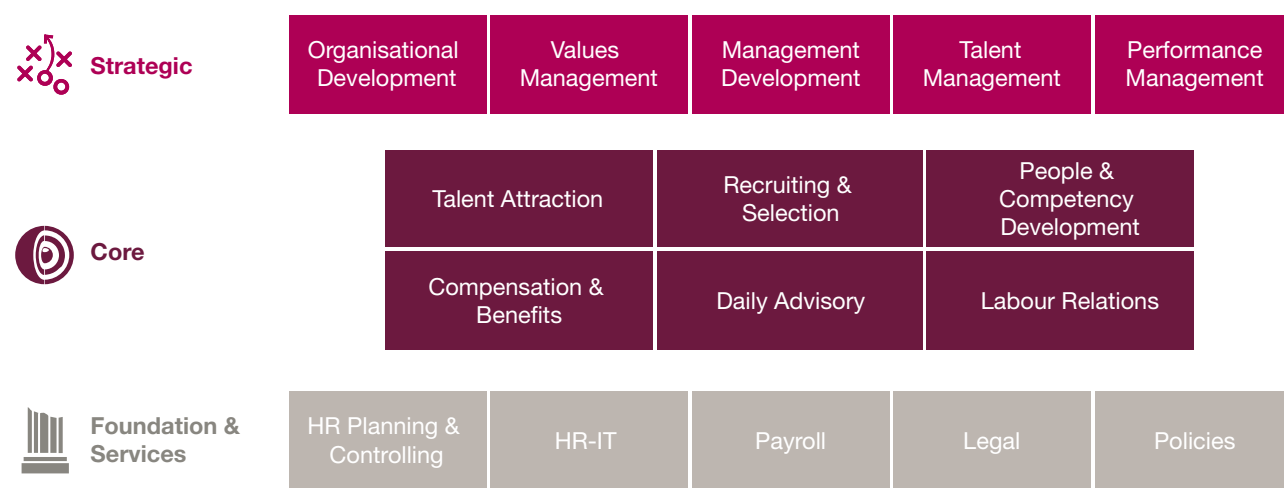
In 2016 STILL was announced 'Top Employer Germany', marking the fifth time in a row it had received one of the world's most renowned awards for its HR strategy and employee focus from the Top Employers Institute certification company. This certification is further boosted by the 'Germany's best employer' employer ranking. Based on over 100,000 employee ratings, the German magazine FOCUS in collaboration with the business network XING and the employer rating portal kununu, determines which are Germany's top 1,000 employers. The critical factors here are recommendation of the company by its own employees as well as other employees' perception of the company within the industry.

HR strategy further developed

To counter these challenges, at the start of 2016 the KION Group developed an HR strategy which addresses the key aspects of HR work in 16 topic areas (> **Figure 16**). It launched initiatives for the continued development of HR tools for the topic areas. While it succeeded in implementing some of the initiatives in early 2017, it is still working on others.

The KION HR strategy

FIGURE 16



The core indicator for developing the KION Group organisation further is the Organisational Health Index (OHI). It is repeatedly calculated and serves as the indicator for the organisation's performance while also showing areas of action for possible improvement. A characteristic of this method is the benchmarking of its results against other companies. The KION Group performed its first measurements in the summer of 2015, in which it surveyed 1,800 executives and shared the results widely across the Company. At 88 percent, the participation rate was well above the average for the comparison group – and with around 1,350 comments and suggestions to open questions, it proves that the respondents supported the process enthusiastically. Compared to the global benchmark, KION GROUP AG achieved a mid-level ranking (3rd quartile). One of the key survey findings was that there was a need for improvement in terms of clear responsibilities and overarching processes.

Accompanied by its 'Lift up' change initiative, it then defined and implemented a package of measures based on the survey results to firmly embed the new Company organisation and establish greater clarity. In addition, a large number of team workshops helped to further improve collaboration within the Company.

In 2016 the KION Group established clear organisational principles and defined responsibilities with its new Group-wide governance model. Examples of this step include its new Group segmentation based on operating units as well as the launch of its Group-wide CTO organisation. Furthermore, it worked hard on integrating Dematic quickly and comprehensively into the Group.

For a Group that is still as young as the KION Group, with its different and, to some degree, very traditional brands, the definition and embedding of core values shared by all employees is a critical success factor. Consequently, in 2016 a moderated discussion with workshops was prepared within the Company which will result in establishing binding values at Group level in 2017. Every KION Group executive is involved in the process, and workshops will also be held at employee level. In parallel to the value process, it will continue developing the corresponding management guidelines and uniform core competencies for the KION Group.

BALANCED WORKFORCE STRUCTURE

G4-9, G4-10, G4-EC1, G4-LA1

In 2016 the KION Group's average headcount stood at 24,957 (previous year 23,129; in each case including apprentices). As at

the end of 2016 its full-time headcount stood at 30,544¹ across the KION Group (> **Table 15**), an increase of 7,038¹ over the previous year. This is due mainly to the acquisition of Dematic on 1 November 2016.

Employees per region G4-10

TABLE 15

Employees (full-time equivalents)¹

	Industrial Trucks & Services	Supply Chain Solutions	Corporate Services	Total
31/12/2016				
Western Europe	16,005	1,931	670	18,606
Eastern Europe	2,103	52	0	2,155
Middle East and Africa	241	0	0	241
North America	187	2,910	0	3,097
Central and South America	442	944	0	1,386
Asia-Pacific	4,086	973	0	5,059
Total	23,064	6,810	670	30,544
31/12/2015				
Western Europe	15,707	262	545	16,515
Eastern Europe	1,921	0	0	1,921
Middle East and Africa	229	0	0	229
North America	154	54	0	208
Central and South America	485	0	0	485
Asia-Pacific	4,141	7	0	4,148
Total	22,637	323	545	23,506

¹ Number of employees (full-time equivalents) as at balance sheet date; allocation according to the contractual relationship 31/12/2016; including Dematic

Personnel expenses

TABLE 16

in € million	2016	2015	Change
Wages and salaries	1,198.3	1,058.1	13.3%
Social security contributions	258.4	237.8	8.7%
Post-employment benefit costs and other benefits	63.6	55.9	13.8%
Total	1,520.3	1,351.7	12.5%

year 2016; including Dematic

Personnel expenses were higher – mainly as a result of the higher average number of employees over the year owing to the acquisition of Dematic (including Dematic for two months) and modifications to collective bargaining agreements – at €1,520.3 million, which is a 12.5 percent increase over the previous year (> Table 16).

Overall, the KION Group employee structure is balanced and stable. On average they are 41.3 years old and have been employed at the Company for over 10.1 years.

Age structure G4-10

TABLE 17

Employees per age group	100%
<20 years	1.4%
20-29	17.4%
30-39	28.9%
40-49	25.3%
50-59	22.5%
60 years and over	4.5%
Age group not available	0.1%

31/12/2016; 90 consolidated reporting entities; based on headcount; excluding Dematic

Contract type full time/part time G4-10

TABLE 18

Contract type full time/part time	100%
Full time	96.7%
Part time	3.3%

31/12/2016; 90 consolidated reporting entities; based on full time equivalents; excluding Dematic

Contract type indefinite/fixed term G4-10**TABLE 19**

Contract type indefinite/fixed term	100%
Indefinite	97.4%
Fixed term	2.6%

31/12/2016; 90 consolidated reporting entities; based on full time equivalents; excluding Dematic

Length of service G4-10**TABLE 20**

Employees per length of service	100%
<5 years	37.5%
5-9	21.1%
10-19	23.1%
20-29	12.3%
30-39	5.1%
40 years and more	0.9%
Length of service not available	0.0%

31/12/2016; 90 consolidated reporting entities; based on headcount; excluding Dematic

In the reporting year, 2,984 employees (> **Table 21**) joined the KION Group*. 2,671 employees (> **Tables 22 & 23**) exited the Company* in 2016.

New employees per region G4-LA1**TABLE 21**

New employees	100%
Western Europe	55.6%
Eastern Europe	17.0%
Middle East and Africa	5.0%
North America	3.7%
Central and South America	2.0%
Asia-Pacific	16.7%

31/12/2016; 90 consolidated reporting entities; based on headcount; excluding Dematic

* 2016; 90 consolidated reporting entities; excluding Dematic

Employee exits by type G4-LA1

TABLE 22

Employee exits	100%
Termination by employer	15.8%
Resignation of employee	41.8%
Mutual agreement	10.2%
Expired contract	18.2%
Retirement	8.5%
Other reasons for employee exits	5.4%

31/12/2016; 90 consolidated reporting entities; based on headcount; excluding Dematic

Employee exits per region G4-LA1

TABLE 23

Employee exits	100%
Western Europe	58.8%
Eastern Europe	10.8%
Middle East and Africa	3.4%
North America	2.5%
Central and South America	4.2%
Asia-Pacific	20.3%

31/12/2016; 90 consolidated reporting entities; based on headcount; excluding Dematic

Across the KION Group, minimum employment standards have applied since 2014 based on the fundamental conventions drawn up by the International Labour Organization (ILO). These include freedom of association, the right to collective bargaining, the elimination of child and forced labour, and a ban on discrimination in respect of employment and occupation. Furthermore, the KION Group is committed to ensuring health and safety stan-

dards in the workplace and to paying its employees in line with the industry average in their respective particular country, and at the very least providing them with a living wage. The respective management teams and those responsible in the operating units ensure compliance with statutory standards. Instances of non-compliance can be reported at any time, including anonymously via a compliance hotline.

GOOD EMPLOYER

G4-LA3, G4-LA10, G4-LA11, G4-LA12, G4-HR3

Attractive employment conditions and opportunities for personal and professional development are the key factors for making a company attractive for employees. The Company places particular emphasis on forward-looking human resource development.

Human resource development

Human resource development is an important anchor point of the KION Group's new HR strategy, which it completed in February 2016. Its core aim is to make even better use of the expertise of all employees, but also to promote high-potential employees in an even more targeted way. In principle, all employees can access human resource development measures. Furthermore, the KION Group attaches great importance to succession planning for key positions. To achieve this aim, in 2016 it also began to develop a process which it plans to implement from October 2017 onwards.

Critical to the KION Group's success is its ability to always fill specialist and management positions with qualified employees. This is why securing and developing new talent remained a major focus of its Group-wide HR work in 2016. In the reporting year, it began to develop a range of Group-wide talent-management measures which it already started to implement in 2017. By the summer of 2017, existing competence models will have been consolidated into a uniform Group-wide competence model. In addition, with its new executive-level leadership programme it will produce a systematic development programme which it will use from the end of 2017 onwards.

In terms of talent management and its training and development programmes, the Group companies work together closely. This enables it to systematically identify and develop employees requiring training, high-potential employees, high-performers, and experts in key functions. The individual operating units and Group companies also offer comprehensive training programmes. For many years now, the STILL Academy has offered subject-specific and interdisciplinary training courses. At Linde Material Handling,

an academy also promotes the targeted development of expertise, particularly in sales and service.

The strategic aim of Dematic's talent-promotion activities – and this also applies to the other operating units – is to increase employee involvement by equipping them with functional knowledge and complementary skills. This is achieved through a clearly communicated, coordinated and integrated approach. Dematic trains its management personnel to lead and to make use of available technologies to offer its global workforce relevant training in a timely manner, to assess potentials, further develop skills and in doing so to prepare these employees for the company's future.

Leadership and promotion

In a company, commitment and motivation are primarily the result of clear leadership based on the company's values. The understanding of leadership in the KION Group is clearly set out both at Group and operating unit level. In 2017 it will communicate how it has consolidated and updated this understanding into a uniform Group-wide management guideline and will accompany it with training courses. Powerful tools such as 360° feedback and targeted projects support executives in performing their duties. In particular, the recently updated talent management system is now closely interlinked with the Company's performance management system, and plays a key role in this respect.

Around a third of the workforce* (65.8 percent; excluding Dematic) receive regular performance and career-development reviews.

* 2016; 90 consolidated reporting entities; excluding Dematic

Training

As at the end of 2016, Group-wide 580 apprentices¹ (end of 2015: 571) were preparing for their professional future at the KION Group. The share of apprentices in Germany has remained virtually unchanged for many years now at over 4.5 percent¹. Depending on respective personnel requirements, a wide range of opportunities are open to apprentices once they complete their training.

Training is organised at a local level to suit local requirements. In Germany alone, the KION Group currently offers apprenticeships in 22 occupations such as production, industrial and construction mechanics, mechatronics engineers or technical model builders or industrial managers. Besides traditional vocational training, it offers programmes combining vocational training with a degree course in partnership with various universities.

Other Group companies at various locations in Europe and beyond also train young people. Among them, over 20 years ago Linde Forklift Truck Corp. Ltd. in Xiamen, China, opened a training and development centre where young people complete a dual vocational training course based on the German model.

¹ incl. Dematic

Remuneration

All KION Group employees are remunerated in a fair, market-driven and performance-based way, irrespective of gender or nationality. Each national company reviews the remuneration of its individual employees annually and, if necessary, it adjusts it to take into account the individual's performance, level of qualification or change in circumstances.

As remuneration models and other benefits are closely aligned with local labour market and statutory – especially tax and social insurance – regulations, they vary across the Company depending on the region. In many countries, particularly in Europe, wage and salary levels for many employee groups are regulated by collective bargaining agreements. At all of the KION Group's

locations worldwide, it complies with statutory or, where applicable, collectively bargained minimum wage requirements. Owing to its employees' often very high level of qualification, remuneration is usually well above the minimum wage level. Depending on local conditions, additional benefits such as an occupational pension, insurance cover and healthcare may supplement employees' compensation.

Following the KION Group's successful stock market listing in 2013, in 2014 it launched the KION Employee Equity Programme (KEEP). It initially covered Germany, and was expanded in 2015 and 2016 to include further countries. In fiscal year 2016 around 1,100 employees took part in the programme, which is equivalent to around six percent of the eligible workforce. The total participation rate since KEEP was launched is around 17 percent. Over 75 percent of employees had access to the programme as at the end of the reporting year. In 2017 it plans to give employees in other countries the opportunity to participate in the Company's development through this programme.

Diversity and equal opportunities

At the KION Group every employee is valued and treated equally irrespective of their ethnic background, skin colour, gender, beliefs, political opinion, origin or social background. These principles are laid down in the KION Group's minimum employment standards, which apply globally and across all of its locations. In the reporting period it was not notified of discriminatory behaviour nor any other instances of non-compliance with its employment standards.

The KION Group is meeting the challenges of demographic change in a way that satisfies local requirements and organisational possibilities. To encourage a healthy work-life balance, the KION Group offers flexible working time models. Its employees in Germany also have access to its parental leave option. In the reporting year, 435 female employees and 544 male employees globally* (> Table 24) made use of this and similar options.

* 2016; 90 consolidated reporting entities; excluding Dematic

Employees who took parental leave G4-LA3

TABLE 24

Employees in parental leave	100%
Male	55.5%
Female	44.4%
Gender not available	0.1%

31/12/2016; 90 consolidated reporting entities; based on headcount; excluding Dematic

Globally, in 2016 the KION Group* employed 568 people with a disability – over two percent of its workforce. The KION Group's companies also provide these employees with a working environment that offers them suitable employment opportunities.

As is typical for a mechanical engineering company such as the KION Group, the share of women in terms of its overall workforce, particularly in management positions, is still relatively low. The share of female employees in the KION Group remained virtually unchanged in 2016 at 16.3 percent (previous year: 16.1 percent).

In Germany, the law requires the **Executive and Supervisory Boards** of publicly listed companies to set targets for the share of women in the Executive Board as well as in the two management levels below that. For the respective targets and further details, see the **Corporate governance section of the Annual Report 2016**. Furthermore, binding **targets are set for the share of women** in the management levels of Linde Material Handling GmbH and STILL GmbH. In principle, the KION Group aims to increase the share of women in management positions. A challenge arises for the KION Group as a technology company from the fact that it has often failed to hire female engineers owing to the lack of female graduates in technical professions. However, it will address the topic beyond gender-specific issues with its upcoming development of a diversity strategy designed to eliminate potential diversity-specific barriers to career development.

The KION Group sees itself as a global supplier with intercultural expertise. This is proven by the fact that as at the end of 2016, people from 83 different countries were working for the Company. The international nature of the Group is also evident in the appointment of the Executive Board, the management committees and the national companies. The KION Group staffs local management positions predominantly with executives from the

particular local area. It also encourages international collaboration between employees through its KION Expat Programme, which allows employees to change to another country where the KION Group is represented.

HEALTH AND SAFETY

G4-LA6

As an employer, the KION Group is responsible for the health and safety of its employees. A dedicated action field in the KION sustainability strategy underscores the significance of occupational health and safety to the Company. It focuses on preventing accidents and work-related illnesses as far as possible, as well as safeguarding each individual's long-term capacity to work. The activities address practically all of its employees. Over 90 percent of the Group's* employees are represented by health and safety employee committees. Virtually all* (over 98 percent) of KION employees are trained on occupational health and safety topics. And it also involves its business partners, suppliers and guests in its measures.

The KION health, safety and environment (HSE) policy sets out the framework conditions. Based on this Group policy, in the area of health, safety and environment the KION Group commits, among other things, to provide and maintain a safe working environment and safeguard employees from risks and accidents. The Group policy is supplemented by the operating units' and Group companies' additional guidelines. Among them, the Linde Service Guide contains detailed regulations for employees in the sales and service organisation.

* 2016; 90 consolidated reporting entities; excluding Dematic

The Group-wide HSE network of experts ensures knowledge is shared within the KION HSE organisation. Once a year, those responsible for HSE at its plants and sales and service units meet, discuss their projects and share experiences and best practices.

As at the end of the reporting year* 84 percent of employees had access to a works doctor. Over 91 percent* of employees were able to take advantage of occupational health examinations. Voluntary health measures were available to 77 percent* of employees, with health training courses offered to over 64 percent* of employees. Besides its range of health protection seminars, the KION Group also encourages employees to engage in sporting activities. Currently, 17 reporting entities* offer their employees use of a fitness facility.

As with the topic of environmental protection, internal communication is a critical success factor for embedding the topic of HSE within the Company and in making it part of the corporate culture. This is why it also raises its employees' awareness of occupational health and safety topics via the HSE site on its Group-wide intranet, which gives them practical online tips including on

how to go about their work safely (see also the section [Internal communication and corporate culture as critical success factors](#)).

Minimum HSE standards for all organisational units

In 2016 the development of the KION Group's entire HSE organisation was continued. On the basis of this, it is developing Company-wide minimum HSE standards for all plants and its sales and service organisation – a process it will complete during the course of 2017. Each unit's management systems are to be fully certified in accordance with OHSAS 18001 or an equivalent standard (> [Table 25](#)).

In the reporting year, it performed nine central HSE audits (> [Table 26](#)). This was in addition to 901 local* internal audits and 63 external audits in the field of occupational health and safety. Furthermore, it also started assessing all locations in relation to their potential HSE risks.

Occupational health & safety management system certification status

TABLE 25

	OHSAS 18001*	
	Percentage certified	Percentage of employees covered
Plants	29%	76%
Sales and service locations	34%	31%
Total	33%	49%

June 2017; 299 locations considered; excluding Dematic
* or equivalent standard

* 2016; 90 consolidated reporting entities; excluding Dematic

Results of KION Group occupational health and safety audits 2012-2017

TABLE 26

	Current Audit	Current Audit	Previous Audit
	Basis: 14 plants, and initial audit for 4 plants	Basis: 14 plants	Basis: 14 plants
Average result:			
Level of fulfilment of the defined audit criteria (max. 100 percent)	82%	87%	81%

April 2017

Clear benchmarks defined

The KION Group gathers all occupational health and safety KPIs and measures as part of its monthly reporting activities. As of the end of 2016, it further developed the scope of its reporting. The core benchmarks for measuring the success of its efforts in the area of occupational health and safety are its health rate (as at 2016*: 96.2 percent¹) and its LTIFR (Lost Time Injury Frequency Rate – as at 2016*: 14.8).

In the reporting year, the KION Group* registered 622 Lost Time Injuries, i.e. occupational accidents with a lost time of more than one working day. In addition, it recorded 1,386 minor injuries* and 243 commuting accidents*. It registered no fatal accidents. In the reporting year, 12,913 working days were lost within the KION Group* owing to accidents. It sets clear targets based on these KPIs.

¹ Based on revised definitions, there is a difference to the values presented in the Annual Report 2016.

KION Safety Championship

The KION Safety Championship is a further way in which it encourages continual engagement with HSE topics. Ever since 2014, each year a jury crowns its greatest HSE achievements in this internal competition. The assessment covers the number and frequency of occupational accidents resulting in the loss of over one working day, the health rate and location-specific initiatives to promote health and safety at work. In future, environmental aspects will also be included in this assessment. In the reporting period Linde Material Handling EMEA's Shipping and Logistics department in Aschaffenburg was crowned champion for 2015. Over 40 teams from around the world took part once again in 2016.

With a constant increase in the number of contributions, it is proof that this format is effective. In 2016 alone, 966 HSE improvement measures were reported and implemented as part of the competition. These range from preventative measures such as the occupational health and safety week at KION South America, additional safety measures such as at its plant in Xiamen, through to motivational measures like its '100 days accident-free' at STILL EMEA at Luzzara, Italy.

* 2016; 90 consolidated reporting entities; excluding Dematic