

CORPORATE GOVERNANCE

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Sustainable corporate governance

SUSTAINABILITY STRATEGY

 G4-18, G4-19, G4-20, G4-21

New 'KION 2027' corporate strategy developed

During 2017 the KION Group developed its 'KION 2027' strategy further and already launched its implementation at the turn of 2017/18. 'KION 2027' builds on the success of Strategy 2020, which was produced before the acquisition of Dematic. 'KION 2027' is designed to leverage the full potential of the entire Group and focus more closely on a shared, customer-centric innovation, sales and brand strategy. Within this, our emphasis will be on the overarching development and marketing of integrated, automated supply chain and mobile automation solutions. Overall the KION Group strives to continually expand its share of the global material handling market and to continue to report the highest profitability in its industry. Securing crisis resilience as well as an attractive return on equity round off the Group's objectives.

➤ KION Group Annual Report 2017 – Management Report: Strategy

Sustainability – a guideline for the strategy process

Sustainable and responsible business practices are a core principle of the KION Group's activities. The Group's focus on sustainability is reflected in its environmentally friendly and safe products that help customers save energy, reduce emissions, and meet high occupational health and safety standards. The same applies to the Group's environmentally friendly production processes and its safe, non-discriminatory working environment.

The KION Group and its operating units have always strived to balance environmental, economic and social considerations in their activities. In particular, the Company sees itself as responsible for the health and safety of its employees, suppliers, customers and neighbours as well as for the protection of the environment. This attitude was incorporated into the strategy process as a strategic guideline during the development of the 'KION 2027' strategy. The values of the KION Group, which were redefined in the reporting year 2017, also have a clear relationship to

sustainability. For example, the value of 'Integrity' calls upon everyone in the Company to 'align their actions with ethical as well as sustainability and compliance standards'. ➤ See the section Employees

Key milestones achieved

In 2017, the KION Group achieved further key milestones on its way to achieving greater sustainability. In autumn 2017, the first Group-wide sustainability report was published covering the previous fiscal year 2016. This marked the first time the Company had reported on its sustainability performance at Group level. It is a path the KION Group continues to follow with this report – transparently, comprehensively and based on concrete facts. For this purpose, in the current reporting year the Group defined sustainability KPIs and established the required data management system. On the basis of this, a Group sustainability management system was established that encompasses all operating units. At the same time, the structure and business frameworks of Dematic have already been taken into account.

The first meeting of all the operating units' sustainability coordinators was held in November 2017 and the newly established Sustainability steering committee also met for its inaugural meeting. This saw the preparation and adoption of the Group's sustainability programme, marking the achievement of another key milestone for the KION Group. This has led already to the creation of the first specific programmes at operating unit level, some of which are already being rolled out.

Sustainability strategy as core foundation for all activities

The KION sustainability strategy forms the basis for all these activities (➤ Figure 1). It sets out the Company's clear aspiration to take responsibility and thus promote its sustainable development. With ambitious objectives, efficient structures and processes, and an effective reporting system the Company intends to attain a leading position in its industry in terms of corporate responsibility. Sustainability is to be an integral element in the way each and every employee goes about their work, combined with the aspiration to continuously improve. This is why in 2018 activities will focus on the internal communication of sustainability and raising

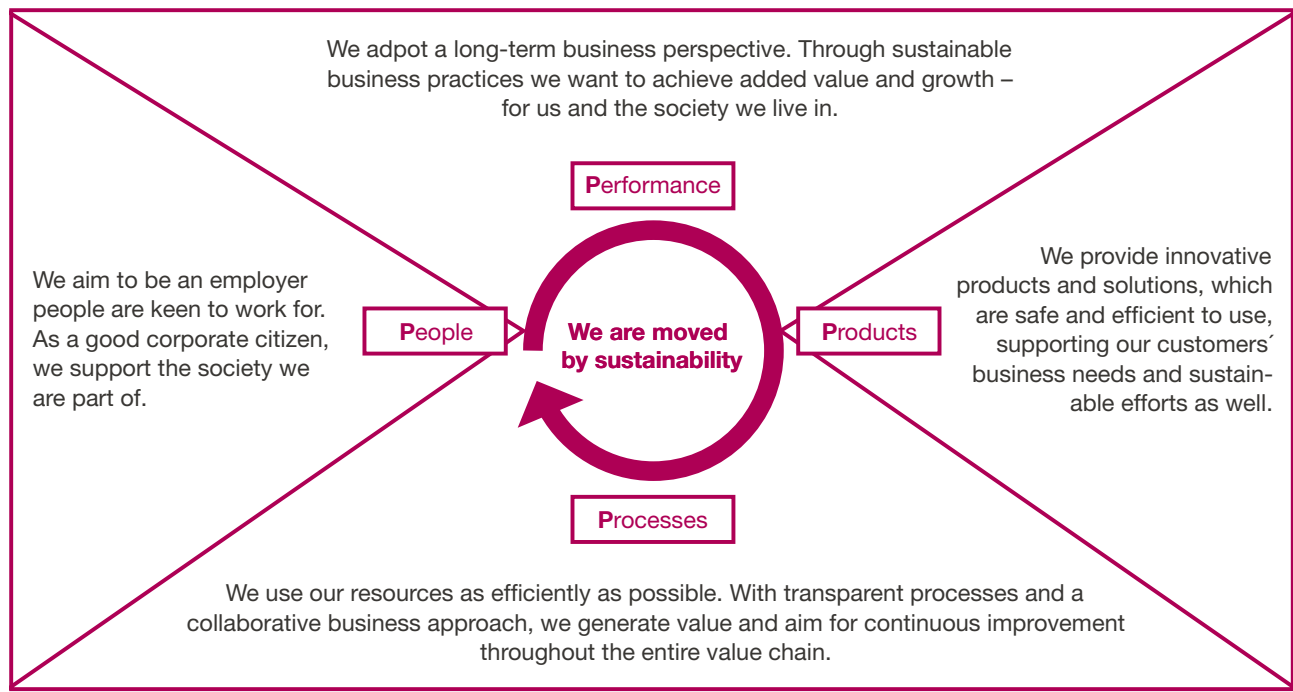
employees' awareness of this range of topics. They are to be enabled and encouraged more strongly than ever before to act sustainably. Further, the KION Group intends to promote sustainability along its entire value chain, in close collaboration with its suppliers and customers. The Company will therefore take an even more active approach to integrating environmental and social considerations into its business processes – and contribute lasting value to the Group and its shareholders, customers and society in the process.

The sustainability strategy is guided by the principle of 'We are moved by sustainability', brings together the core strategies, and sets out its approach in each of its four focus areas: Performance, Products, Processes, and People. The strategy was formulated based on interviews with Group Executive Committee (GEC) members, the heads of the Group functions in question, and the operating units' sustainability coordinators.

KION Group sustainability strategy

FIGURE 1

We take responsibility – to foster sustainable development of our company, our industry and the society we live in.



Four guiding principles drive implementation

To implement its sustainability strategy, the KION Group has established four guiding principles that set out the guidelines for its sustainable approach:

1. We embody sustainability – it is an integral part of our activities, and we strive to make further improvements every day.
2. We champion cost-effective sustainability along the entire value chain – together with business partners and suppliers, we offer customers efficient solutions which also assist them in their sustainability activities.
3. We pursue clear sustainability objectives – and achieve them through effective structures, efficient processes and transparent reporting.
4. We enable our employees to drive innovation, which increases our Company's sustainability performance.

In the reporting year these guiding principles were communicated throughout the Company as part of the redesign of the intranet section on sustainability, with sustainability added as a separate topic on the KION intranet. In terms of internal communication, which means informing employees and involving them in the Company's sustainability activities, KION intends to embed its sustainability activities on a broad basis within the Group.

In the coming years too, the focus will remain on internal and external communication. The objective is to inform internal and external target groups about the KION Group's sustainability performance as part of the Company's long-term communication strategy, and in doing so reach a wider audience beyond the mere communication of facts and figures.

The basis of this is the Company's regular sustainability report, which meets the requirements of current statutory regulations. The objective is also to position the KION Group appropriately in the relevant sustainability ratings and rankings. The Annual Report 2017 also carries the motto '**RESPONSE** & Responsibility', focusing on key aspects of the KION Group's commitment to sustainability. This is intended to highlight and make tangible how the KION Group derives responses from its corporate responsibility towards stakeholders and society as a whole.

➤ KION Group Annual Report 2017

Key challenges for the KION Group

Materiality as the basis for strategy development

The materiality assessment performed by Linde Material Handling EMEA at the start of 2015 formed the basis for developing the KION sustainability strategy (> **Figure 2**). The management team's assumptions at the time, together with the stakeholders' expectations, were reviewed with regard to the KION Group and very largely adopted. This also gave rise to a systematic approach at Group level, which addresses and prioritises the material challenges facing the Group. The units with the highest overall relevance are also the focus of the KION Group's sustainability management activities. > **Table 2**

The Company plans to update and expand on its materiality assessment in 2018 to include its operating units. In doing so, it plans to take into account both its acquisition of Dematic as well as the stronger regional focus of its sustainability programme within its operating units. Furthermore, the analysis is to place greater focus on stakeholder dialogue by means of a targeted survey.

> **Table 1** shows which aspects of the Global Reporting Initiative Guidelines (GRI G4) the KION Group is addressing as part of its material challenges. The aspects can be material both internally (i) and externally (e) to the organisation. The analysis of aspect boundaries is important to determine the control mechanisms for the particular aspects within the KION Group.

Materiality analysis findings

FIGURE 2



It analysed twelve global sustainability challenges according to their relevance in the opinion of its stakeholders as well as the KION Group.

Material challenges and associated GRI aspects

TABLE 1

Challenges	Aspects	[i]	[e]
Climate Change	Emissions	x	x
	Energy	x	x
	Products and Services (environmental impact)	x	x
	Supplier Environmental Assessment		x
Human Rights	Supplier Assessment for Labor Practices		x
	Supplier Human Rights Assessment		x
	Assessment	x	x
	Forced or Compulsory Labor	x	x
	Child Labor	x	x
	Investment	x	x
	Freedom of Association and Collective Bargaining	x	x
Resource Scarcity	Diversity and Equal Opportunity	x	
	Effluents and Waste	x	x
	Water	x	x
	Materials	x	x
	Products and Services (environmental impact)	x	x
	Supplier Environmental Assessment		x
Demographic Change	Compliance	x	x
	Diversity and Equal Opportunity	x	
	Occupational Health and Safety	x	
	Training and Education	x	
Health	Employment	x	
	Occupational Health and Safety	x	
	Customer Health and Safety	x	x
Diversity and Equal Opportunity	Compliance	x	x
	Training and Education	x	
	Diversity and Equal Opportunity	x	
Urbanisation	Employment	x	
	Emissions	x	x
	Energy	x	x
	Products and Services (environmental impact)	x	x
	Supplier Environmental Assessment		x

i = material within the organisation / e = material outside the organisation

Group-wide sustainability programme with 14 action fields

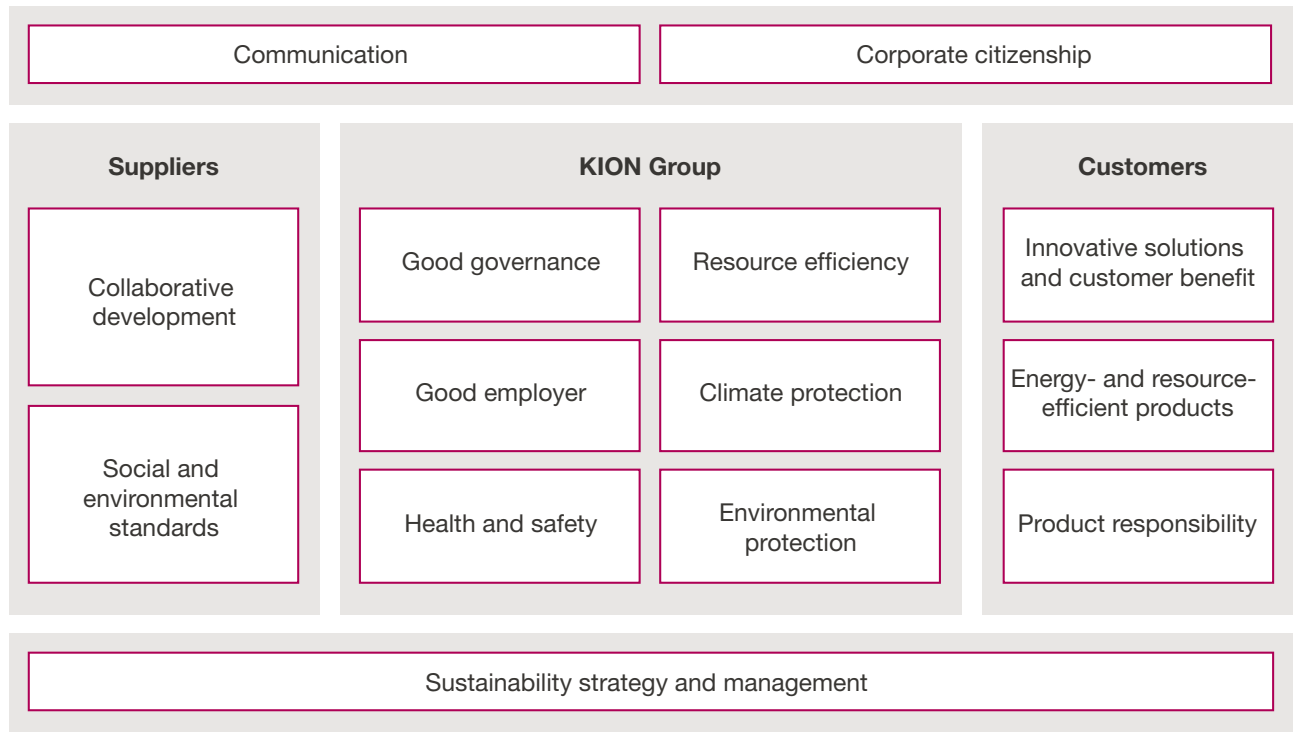
Based on the findings of the materiality assessment, 14 action fields form the structure of the KION Group's sustainability programme (> **Figure 3**). To manage sustainability within the Company, in the reporting year KPIs were set for each individual action field. Underpinning each action field is a specific programme with aims and measures to develop the Group's sustainability activities on an ongoing basis (> **Table 2**). Aside from the 'Collaborative

development of suppliers' action field, which only comes into focus after successful implementation of social and environmental standards, all action fields are pursued with the same priority.

Responsibility for implementing these measures lies with the assigned executives, who are also accountable for integrating sustainability aspects into the processes. The sustainability objectives set out a minimum standard which is binding on the entire KION Group. Individual units may achieve higher standards in their sustainability activities or supplement them as required.

KION sustainability strategy action fields

FIGURE 3



Action field scope and objectives

TABLE 2

Action field	Objective	Planned implementation
— Sustainability strategy and management	Implementation and further development of the KION sustainability management system including further development of internal and external reporting structures as well as updating and expansion of the materiality assessment	2018
— Good governance	Ongoing further development of the compliance programme, including further raising of awareness internally and the performing of a compliance risk assessment	2019
— Product responsibility — Energy- and resource-efficient products	Review of sustainability requirements with regard to incorporation into the product development process	2018
— Innovative solutions and customer benefit	No Group targets are currently envisaged for this action field. The operative business units set and pursue their own respective targets.	
— Social and environmental standards	Expansion of sustainability activities in the purchasing organisation, including the roll-out of a supplier evaluation system	2018
— Collaborative development	No Group targets are currently envisaged for this action field. These will be addressed when the targeted social and environmental standards have been established.	
— Environmental protection	— Establishment of Group-wide minimum environmental standards — External certification of environmental protection management systems according to international standards (e.g. ISO 14001) at all units — Ban on hazardous and critical substances in production — Definition and establishment of a comprehensive waste management programme	2019
— Climate protection	— Development of a programme to reduce greenhouse gas emissions in line with the 2°C target — Introduction of an ISO 50001-compliant energy management system for the 25 reporting entities with the greatest energy use	2018 2019
— Resource efficiency	Definition and establishment of a comprehensive resource-consumption reduction programme	2020
— Good employer	— Further development of the Group's diversity strategy — Full implementation of the Group's HR strategy	2018 2019
— Health and safety	— Implementation of the Group-wide minimum HSE standards in all units — Reduction in the accident frequency rate as measured by the Lost Time Injury Frequency Rate (LTIFR) to < 10 — Stabilisation of the health rate at 96.7 per cent — External certification of occupational health, safety and environment management systems according to international standards (e.g. OHSAS 18001) at all units	2019 2020 2020 2019
— Corporate citizenship	Donations made from within the Group are comprehensively governed by a specific and appropriate policy. No further Group targets are currently envisaged for this action field.	

ORGANISATION AND MANAGEMENT

G4-15, G4-34, G4-35, G4-36, G4-56, G4-HR4, G4-HR5, G4-HR6, G4-HR9

The Executive Board of KION GROUP AG is responsible for the operational management of the KION Group. As at the end of 2017 it continued to comprise four members. The Group Executive Committee (GEC) advises the Executive Board of KION GROUP AG and contributes stimuli from the operating units. In addition to members of the Executive Board, the committee also includes Presidents of the operating units. The Executive Board maintains a trusting relationship with, and is monitored by, the Company's Supervisory Board. This also advises the Executive Board in its handling of core tasks and major business transactions. The Supervisory Board's size and composition is governed by the German Codetermination Act (MitbestG).

For further information on the duties and composition of the Executive Board and Supervisory Board of KION GROUP AG, see the [Corporate governance report](#) which is available online as part of the Annual Report 2017.

The Executive Board and Supervisory Board of KION GROUP AG believe that a firm commitment, driven by responsibility towards the Company, to the principles of rigorous corporate governance in accordance with corresponding recognized standards is essential to the Company's long-term success. Compliance with these principles also promotes the trust that its investors, employees, business partners and the public have in the management and monitoring of the Company.

The KION Group works according to recognised standards of sound, responsible corporate governance. Besides statutory regulations, the German Corporate Governance Code (DCKG) guides how the KION Group manages and controls the Company. The KION Group fulfils all of the DCGK's recommendations but one (no deductible under a D&O insurance for Supervisory Board members). The annual declaration of compliance which it is required to submit in accordance with section 161 of the Ger-

man Stock Corporate Act (AktG) is accessible on its [corporate website](#). Further information can also be found in the [Corporate governance report](#).

The KION Group's risk management system is documented in a Group risk policy that defines tasks, processes and responsibilities, and sets out the rules for identifying, assessing, reporting and managing risk. [➤ KION Group Annual Report 2017 – Outlook, risk report and opportunity report: Risk report](#)

Sustainability organisation

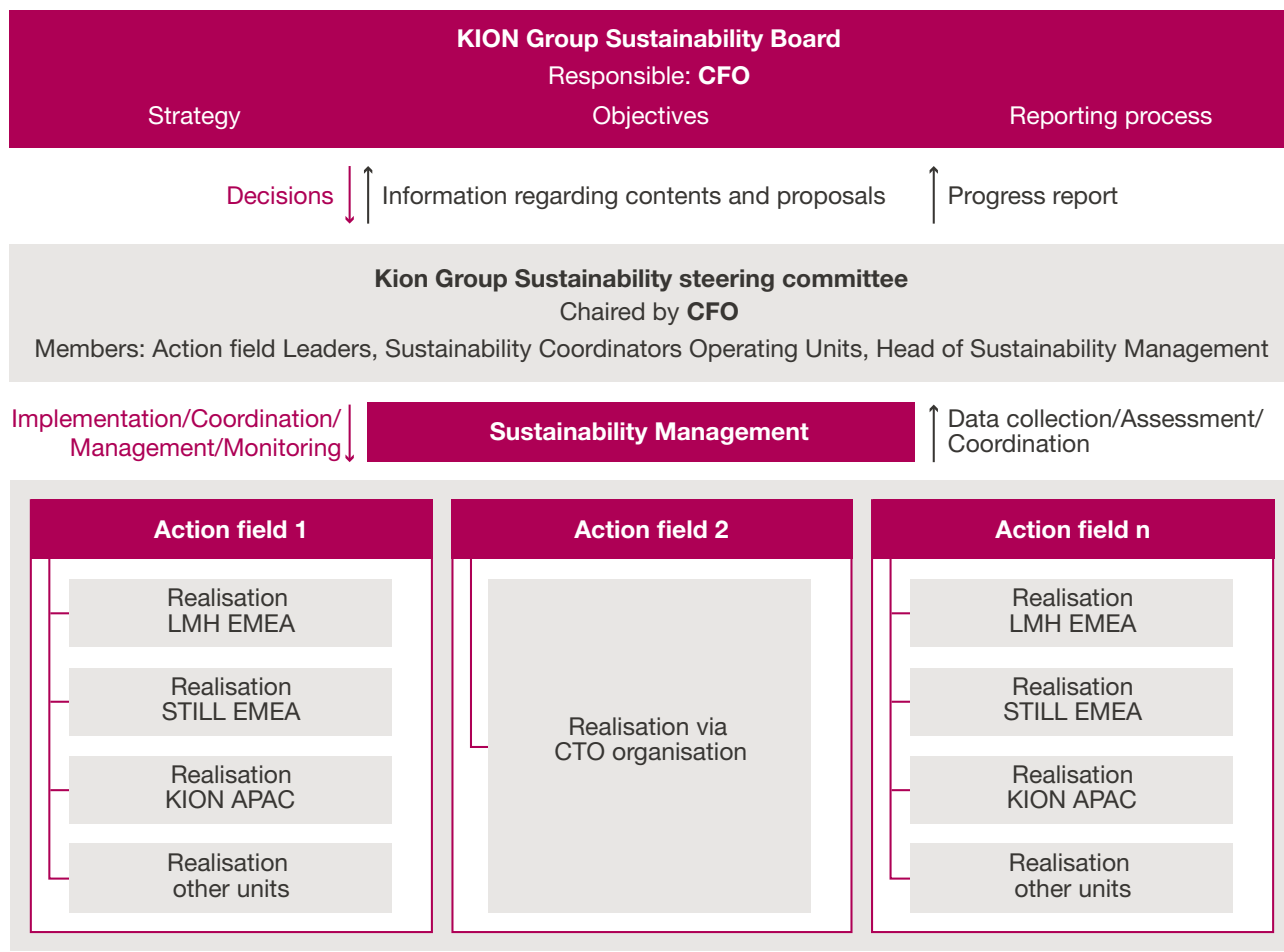
Clear responsibilities for a sustainable approach

Taking a sustainable approach is linked with clear responsibilities at the KION Group. For this purpose, the overall structure of the sustainability management system, as described below, was approved by the KION Group Executive Board in March 2017.

While the Executive Board's decisions ensure that the Company's sustainability aspirations are underpinned by specific measures, its Sustainability steering committee ensures that the Group's sustainability programme is uniform across the Company and continually developed further ([➤ Figure 4](#)). To do so, it monitors the activities and achievements in each action field, indicating undesirable developments and gaps. The Sustainability Committee convened for the first time in November 2017, and will meet biannually going forward. Key topics at the inaugural meeting included the establishment of the group as well as the appointment of its members and the setting of their areas of responsibility. Those responsible for the action fields as well as the operating unit coordinators also presented their points and programmes. The committee also dealt with aspects of the requirements of the EU Directive on non-financial reporting, and the resulting requirements on the KION Group. The agreed sustainability programme will be presented at the start of 2018 to the KION Group Sustainability Board, which comprises members of the GEC (see [About this report – Report content](#)).

KION Group Sustainability steering committee as a central element of the sustainability organisation

FIGURE 4



The KION Sustainability Management head office department controls and coordinates the sustainability programme in the Group, defines sustainability KPIs and monitors targets achievement. It also ensures the individual action fields, units and activities within the Group are coordinated, and is available to provide support as the specialist in this area. Those responsible manage the programme relevant to their action field and have full responsibility over their allocated budgets and resources. They are also responsible for implementing the agreed packages of measures, through to their expansion to cover the operating units and subsidiaries. In doing so, they coordinate their activities with the op-

erating unit coordinators. At an operational level, each unit establishes its own sustainability programmes that correspond to the KION Group action field model, which are in turn broken down to a local level. When the Sustainability steering committee convenes, both those responsible for the action fields as well as the operating unit coordinators report back on the progress achieved to date, and develop the programme further.

Principles and guidelines

Comprehensive sustainability regulations

The KION Group sustainability strategy and the corresponding objectives are based on existing Group-wide standards and codes of conduct that ensure compliance with rules and regulations (> **Table 3**). These include the KION Group Code of Compliance (KGCC), which sets out the guidelines for ethical, value-based and lawful business activities. The KGCC is available in 23 languages and is binding on all of the Group's employees around the world. It sets out clear rules that include guidance on correct conduct between employees and their colleagues, as well as on how they deal with customers, partners and the public. Work began in the reporting year to update the KGCC, not least to take into account the acquisition of Dematic.

As a German corporation, KION GROUP AG is primarily subject to German law. The Company is also required to uphold national laws at its global locations. Where there are legal conflicts, the KGCC sets out the Company's approach. If local legislation contains more stringent provisions than German legislation, local laws and regulations apply. If local laws around the world are less stringent than German legislation, the KION Group can decide as a company whether a more stringent regulation is generally desired, appropriate or legally necessary. These regulations are then laid down and published in internal policies and instructions. The national companies may also issue more stringent internal guidelines to take into consideration local customs or other considerations in a suitable manner. Group policies apply across the Company, unless they infringe or contradict local laws. In any cases of doubt concerning legal requirements, the Group's Compliance or Legal departments serve as the points of contact. The KION Group **Code of Compliance** is publicly available on the KION Group's corporate website.

Furthermore, the KION Group's Company-wide compliance programme covers further regulations that apply across the Group (> **Table 3**). These include its primarily internally-focused KION policies on a range of specialist topics, the KION Group Principles of Supplier Conduct, and KION Compliance Principles for external business partners.

Among other things, the Group HSE policy requires as a minimum that every company in the KION Group observes all relevant national laws, codes of conduct and industry standards. In addition, they are to ensure safe working conditions and that employees are trained accordingly. Furthermore, negative environmental impacts must be avoided as far as possible (see also the section **Environment**).

Additionally, sustainability aspects are embedded in the KION Group Principles of Supplier Conduct and Purchasing Terms, which its suppliers and service providers are required to observe. Sustainability aspects, particularly in relation to environmental and resource protection as well as occupational safety, also play a major role when the Company develops new or enhances existing products.

At Group level, minimum employment standards apply 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 standards in the workplace and to paying its employees in line with the industry average in their respective country, and at the very least providing them with a living wage. It has devoted the **Employees section** of this report to the KION Group's responsibility as an employer.

The Group currently monitors its units' compliance with the Company's minimum employment standards by means of a self-assessment, as part of annual internal sustainability reporting activities. In the reporting period the KION Group was not made aware of any significant incidents or violations of minimum employment standards. Furthermore, the Company has no evidence that any of its individual units may have infringed human rights, specifically the right to freedom of association or collective bargaining, as well as the ban on child and forced labour.

To ensure that the minimum standards are also complied with by external partners or in joint ventures, contracts typically include a clause based on the KION Group Code of Compliance, which among other things requires the contracting parties to observe human rights.

Group-wide sustainability principles and guidelines

TABLE 3

Principle/guideline	Scope
Compliance Principles for Independent Partners in KION's sales and service organisation	Commits its sales and service partners to upholding the KION Group's compliance principles
Data protection policy	Policy on the collection and processing of customers', contracting parties' and employees' personal data
Principles of Supplier Conduct	Set out the principles with which the KION Group requires its suppliers to comply
KION Group Code of Compliance	Its Code of Conduct sets out the guidelines for all employees across the KION Group to act lawfully and ethically
Quality policy	Sets out the guidelines for quality assurance in product development and production
HSE policy	Health, safety and environment policy relating to employees, customers and the community at large
Policy on international minimum employment standards	Explanation of the underlying social rights and principles; excludes child and forced labour
Guideline on avoiding conflicts of interest	Describes the principles governing KION's business relationships
Donations Policy	The principles of social involvement set out the focus and requirements for donation and sponsorship activities

In its sustainability communication activities the KION Group strives to meet the requirements of transparent reporting in accordance with the internationally recognised standards of the Global Reporting Initiative (GRI). In 2018 it intends to participate in the CDP (formerly the Carbon Disclosure Project).

At individual subsidiary level, further sustainability reporting elements exist based on customer requirements. The KION Group, for example, draws on the results of the EcoVadis rating, a process in which various units took part in the reporting year. So far KION Latin America (part of KION Americas), STILL EMEA and LMH EMEA have each been awarded a silver rating, with Linde China (part of KION APAC) achieving bronze.

The results for KION North America (part of KION Americas) and Dematic were still pending at the editorial deadline.

By 2020 all operating units as well as the entire KION Group will be rated by EcoVadis. The KION Group intends to use the process primarily for internal control and optimisation. Furthermore, some of the ratings for individual national companies are needed based on specific customer requirements.

► How is sustainability moving the KION Group forward?
Read the interview with KION CEO Gordon Riske and Holger Hoppe, Head of Sustainability Management – 'RESPONSE & Responsibility' Magazine

COMPLIANCE

G4-58, G4-HR2, G4-SO4, G4-SO5

Integrity, one of the KION Group's four core values, also stands for the high regard in which the Company holds compliance with laws, guidelines and voluntary codices. This is why KION GROUP AG and its Group companies worldwide employ a comprehensive compliance management system that centres on the KION Group Code of Compliance.

The compliance guidelines are transparent and available to all employees both at Group level and in the individual operating units. The management of the KION Group constantly ensures that these compliance principles are comprehensively embedded in daily business. In this regard, particular emphasis is placed on communication activities and training to raise awareness of compliance and to keep employees up to date with regulations. In the reporting year the Compliance department's online presence was also refreshed as part of updating the KION intranet and the associated launch of the KION social intranet.

Current focus areas of the KION Group's compliance activities include anti-corruption, anti-money laundering and anti-terrorist financing, board member liability and the responsibility of managers, data protection and IT security, as well as foreign trade and export controls. The KION Group is also increasingly requiring its business partners to comply with its compliance principles. To achieve this, the IT-based Business Partner Check tool was set up in 2017. The tool is already in use within the central compliance organisation, with Group-wide roll-out taking place in 2018. Furthermore, development of the roadmap to combat money laundering was also successfully completed in 2017. In doing so, internal regulations on the prevention of money laundering were reviewed and Group departments were questioned on existing risks. This will see the roll-out of targeted risk-minimisation measures. Specific training on the topic of money laundering is intended as an additional risk-prevention measure.

Compliance organisation

The Executive Board of KION GROUP AG bears overall responsibility for the compliance management system in the Group. The Compliance department reports directly to the CEO of the Group and is headed up by the Chief Compliance Officer. He and his team further develop the compliance management system, provide advice and information on compliance topics, and are responsible for providing appropriate training. The Compliance department supports the operating unit executives in implementing the compliance programme. [► KION Group Annual Report 2017 – Compliance management system](#)

At a local level within the units, local and regional compliance representatives are appointed who ensure that operations within the Group company or region comply with statutory and regulatory requirements. Consequently, they are the first points of contact for questions on or the reporting of possible instances of non-compliance. Together they form the Group-wide compliance team, and their work is managed by the central Compliance department. Principally, each operating unit is to have one full-time Compliance Officer who reports directly to the Chief Compliance Officer. Regular telephone conference calls as well as personal site visits ensure information is shared continuously. These activities are complemented by the annual Compliance Day, which is attended by all employees who deal with compliance within the Group.

Dematic, which was acquired the previous year, has since been fully integrated into the KION compliance organisation with a full-time Compliance Officer. In addition, in 2018 the KION Group Code of Compliance will be expanded to include points from Dematic.

The local compliance representatives report to the Compliance department on a monthly basis and on an ad-hoc basis in serious cases. The Chief Compliance Officer reports significant incidents and developments directly to the CEO of the KION Group as well as to the Audit Committee of the KION GROUP AG Supervisory Board.

As part of its work, the KION Group Compliance department works closely with the Legal, Internal Audit and Human Resources departments. The KION Compliance Committee is also staffed by the heads of these departments. As a cross-functional

committee it deals primarily with addressing compliance concerns, managing investigations, and providing advice on required sanctions on identification of compliance violations.

The KION Group compliance management system is based on the model of the IDW PS 980 auditing standard, which focuses on preventing compliance violations. Within the framework of its regular audits as well as through ad-hoc audits, its Group Audit department checks compliance in the subsidiaries with the KION Group's compliance requirements. If its audits confirm cases of non-compliance, it is the task of the Human Resources or Legal department to remedy the violations and sanction those responsible. In 2018 the KION Group intends to build on the preparations it has already made and start the process of certifying its compliance management system.

Actual or suspected incidents of non-compliance can be reported by telephone, post, e-mail or fax. In addition, all KION Group employees can use a whistleblowing hotline to report potential compliance violations anonymously if they so wish. Employees can also contact their line manager at any time to raise awareness of possible grievances. Furthermore, the [Compliance department's section on the KION Group's corporate website](#) is being expanded to include contact details in order to increase transparency for external visitors.

In the reporting period the Compliance department received 147 notifications of suspected or actual violations. The notifications concerned attempted cyber attacks via spam mails or attempted CEO fraud, HR and HSE-related complaints, possible conflicts of interest, theft of Company property, and cases of fraud. Every single notification was followed up.

30 per cent of the notifications resulted in corrective measures being taken, such as improvements in internal controls and processes, as well as additional awareness training; however, they also resulted in disciplinary measures being taken such as formal verbal warnings, through formal written warnings, up to contract termination of the employees concerned.

No significant systemic compliance violations were identified.

Preventing corruption and bribery

Integrity underpins the approach taken by all levels of the KION Group. Corruption and bribery are not tolerated in any form by the KION Group. The Company has set itself the objective of preventing corruption and bribery in all forms, and pursues the 'Prevent – Detect – Respond' approach. Within this, training courses and guidelines are intended to prevent potential violations of the law, whereby the Business Partner Check tool plays an important role. Clauses in contracts with distributors, consultants and suppliers also have a preventative effect. And last but not least, measures to eliminate procedural and regulatory weaknesses are derived as part of systematic risk analyses. This also serves to prevent bribery and corruption risks, as does the ongoing training of employees who are exposed to an increased risk of corruption.

Violations that have already occurred are detected through effective control measures such as regular or special audits, and the necessary measures are initiated to prevent these from happening again. All reported suspected cases are followed up rigorously; disciplinary action is taken in any cases of misconduct, and if necessary the compliance management system is modified to counter future violations.

Since 2016 the KION Group has been expanding its assessment of compliance risks across the Group using a standardised system according to which these risks are assessed and recorded in all Group entities. When assessing risks, the particular country's ranking in the Corruption Perception Index, the size and structure of the local purchasing or sales organisation, and contact with public officials play a key role. In fiscal year 2017 the assessment was continued at a country level. The results show that employees around the world are highly aware of both topics. Only individual improvements in the implementation of compliance guidelines and the business partner check are required, and these will be implemented in 2018 together with the roll-out of the Business Partner Check tool.

The KION Group Code of Compliance sets out specific requirements on conduct to prevent corruption. It focuses on the handling of donations from and to business partners, dealing with public officials, and the topics of donations and sponsorship. Detailed rules are also included in the KION Guideline on avoiding

conflicts of interest and the KION Group Donations Policy. These focus in particular on the handling of gifts, entertainment and invitations, as well as the avoidance of possible conflicts of interest. They also set out the requirements on collaboration with business partners in sales. Based on the KION guidelines, local units are also encouraged to establish their own local regulations such as on value limits for gifts and invitations to reflect local laws and customs.

In the reporting year there were no confirmed cases of corruption or bribery at the KION Group.

Data protection regulated at Group level

Data protection and IT security are high-priority topics at the KION Group and are regulated centrally by a Group-wide data protection policy that is accessible to all employees on the intranet. There are also a range of Group-company agreements covering topics such as IT security in the workplace and dealing with IT systems, e-mail and the Internet. Employees also have access to examples and templates for the daily handling of personal information and sensitive business data.

The local operating units are responsible for implementing the central requirements. The Group Data Protection Officer reports directly to the KION Group CFO. Individual Group companies, such as Dematic, have their own Data Protection Officer as well as data protection coordinators who report to the respective Executive Board.

To protect the data and security of IT systems, the KION Group employs a range of organisational and technical measures whose workflow is documented centrally. In 2017 the KION Group took another step forward with the roll-out of a standardised IT workstation to ensure implementation and compliance with the prescribed protective measures.

The KION Group routinely monitors the security situation and takes appropriate countermeasures. Modifications to suit changed legal frameworks are also made continuously.

As a company based in Germany, the KION Group is subject to the European Union's GDPR (General Data Protection Regulation) Directive. In light of this, the Company's data protection management system is currently being modified to fulfil the required control mechanisms.

In addition to the general compliance reporting system, the Company also has a central e-mail inbox (dataprotection@kiongroup.com) for complaints or information regarding potential data-protection infringements. Reports are viewed and actioned promptly. Due to the low number of instances, no statistical evaluation is currently performed.

In the reporting year no incidents according to article 42a of the German Federal Data Protection Act (BDSG) were reported to the KION Group.

Consistent approach to training measures continued

To the KION Group, employee training is the cornerstone of a good compliance management system. Through this, its employees learn which rules apply to their field of work, which stance the Company and its representatives take on certain business practices, and what behaviour is expected of its employees. In particular the Company's culture is communicated very intensively through training measures.

Every new employee at the KION Group is required to complete an e-learning course that covers all aspects of the KION Group Code of Compliance. For employees without a PC, the Company provides face-to-face training. Those employees who are exposed to particular compliance risks owing to their activities, such as in the area of purchasing, receive special face-to-face training. The KION Group aims to train all its employees regularly on the most critical topics (anti-corruption, competition law, anti-money laundering, data protection, IT security and human rights). Besides findings from its compliance management system, changes to legislation or jurisprudence are also incorporated into its face-to-face training courses.

One particular focus is on the continuous training of local compliance representatives. As the local point of contact, they should always be abreast of the latest developments. The face-to-face training courses within the international compliance organisation that were launched the year before were continued as planned in 2017. In the reporting year 11,458 participants received a total of over 12,000 online and face-to-face training hours on compliance. These were based on local compliance training plans that were created according to the specifications of

the central Compliance department. Human rights topics – an area that is covered for at least 50 per cent of all training participants – are also represented through training on issues such as discrimination and harassment.

In 2017 training measures were also expanded to include authorised distributors, for example as part of the regular Distributor Meetings.

STAKEHOLDER DIALOGUE

G4-16, G4-24, G4-25, G4-26, G4-27

The KION Group is in regular dialogue with a wide range of stakeholder groups, either directly, via surveys, or at events. This enables it to identify their requirements on the Company at an early stage and incorporate them in decisions.

The KION Group's key stakeholders are customers, employees, investors, shareholders and suppliers. In addition, the Company and its operating units are members of numerous industry associations and international institutions. The KION Group is actively involved in sustainability issues, including in the VDMA and the Federation of German Foundry Industry (BDG).

The KION Group is also involved in developing environmental standards such as ISO, CEN or DIN. The Company is also actively involved in the Umweltpakt Bayern (Environmental Pact of Bavaria), Umweltpartnerschaft Hamburg (Environmental Partnership Hamburg) and numerous other public initiatives.

The focus is placed on the following criteria to identify stakeholders relevant to the KION Group's sustainability management activities:

- Significance and contribution to KION's success
- Requirements on KION's sustainability performance

The Sustainability steering committee is continuing the development of this assessment. As part of the planned expansion in 2018 of its materiality assessment, the list will be supplemented by its operating units' specific assessments.

> **Table 4** includes a selection of sustainability-related association activities:

Sustainability-related association activities of the KION Group

TABLE 4

Organisation	Function performed
AFNOR – French Standardisation Association	Chair of the committee UNM85: Chariots de Manutention (industrial trucks)
CEN – European Committee for Standardisation	Chair of assorted committees of the Industrial Trucks – Safety technical committee, including the Sustainability committee
DIN – German Standards Institute	Chair of assorted committees such as Industrial Truck Safety
FEM – European Federation of Material Handling	Executive Board/chairmanship
FGMA – Expert Consortium of German Mechanical Engineering Businesses	Member of the Executive Board
Hertie Foundation	Member of the Executive Board
ISO – International Organization for Standardization	Chair of assorted technical committees, including the Sustainability of Industrial Trucks
VDMA – German Mechanical Engineering Industry Association	Chair of industrial trucks Member of the Blue Competence initiative

The KION Group is in regular dialogue with its stakeholders on a range of topics (> Table 5). The form and frequency of dialogue is adapted to suit particular needs. Findings obtained from stakeholder dialogue are used to develop the Company further. Of particular significance is the dialogue with customers, as understanding their requirements is central to the Company's success. To help in this regard, numerous tools along the supply chain ensure active dialogue, which often provides important stimuli for the Company (see the section **Products and solutions**).

The KION Group Code of Compliance includes clear and stringent regulations on how to deal with political parties and elected officials. Consequently, the KION Group does not maintain any political relationships beyond its association work. To enhance dialogue with stakeholders and to involve non-governmental organisations (NGOs) more closely, since the start of 2017 the KION Group has also supported new, innovative approaches. Among them it is involved in a feasibility study on SUSTAINALOG, a planned platform designed to strengthen contact

between companies and NGOs. It got involved as an increasing number of companies want to integrate NGOs more closely in their stakeholder dialogue activities – in some cases, they are even required to do so by law. However, NGOs do not receive any financial consideration or support in this process, which means further dialogue is often not possible. As a clearing-house between companies and NGOs, the SUSTAINALOG platform aims to ensure neutral financing of these activities, and thus that the respective parties can engage in structured, institutionalised dialogue.

Stakeholder dialogue

TABLE 5

Stakeholders	Format	Topics in 2017
General public	Journal articles, social media, campaign days, the section on Sustainability in the KION Group Annual Report 2017	Sustainability management, social aspects, environmental protection, transparent reporting on sustainability
(Industry) associations	Participation in symposiums and working groups, membership of numerous associations such as ISO, DIN, VDMA, FEM	Energy efficiency, product specifications, product safety, product lifecycle sustainability
Financial market	Section on Sustainability in the KION Group Annual Report 2017 , answering questions in the context of investor discussions	Sustainability management, social aspects, environmental protection, transparent reporting on sustainability
Legislative bodies/policy makers	Dialogue with authorities, association work	Approvals, inspections
Distributors	Distributors' Board, regular plenary sessions (annual kick-off and year-end events)	Zero Accident Philosophy at Linde Material Handling
Customers	Regular customer visits, service helpdesk, complaints management, customer events, trade fairs and in-house exhibitions, consulting, customer magazines, Internet, LMH Product Clinic, brochures and one-pagers for key account customers	Product features, e.g. efficiency and safety, service offering, ergonomic design of vehicles and systems
Suppliers	Supplier negotiations, supplier audits	KION Group Principles of Supplier Conduct
Local communities	Local events such as the ForkliftCup federal state preliminary rounds, Training Day, regular exchange with local authorities at the locations	Social and cultural engagement, products, safety standards, LMH as a good employer
Media	Section on Sustainability in the KION Group Annual Report 2017 , press events	Sustainability management, social aspects, environmental protection, transparent reporting on sustainability, efficient energy systems, safety technology, sustainability activities
Employees	Management survey, KEEP employee participation programme, suggestion scheme, employee magazine, intranet	Company development
Non-governmental organisations	Dialogue forums with NGOs (e.g. Linde China)	Environmental education
Science and research	Collaborations with education institutions, research projects, information days	E.g. alternative drive technologies