KION GROUP

# SUSTAINABILITY REPORT 2017

## RESPONSE & RESPONSIBILITY

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# Selected sustainability-relevant key figures[1]

| Key figures | 2017 | 2016 |
|---|---|---|
| **Company profile** | | |
| Revenue | €7,653.6 million | €5,587.2 million |
| Net income | €426.4 million | €246.1 million |
| **Products and solutions** | | |
| Research and development expenditure | €212.3 million | €147.1 million |
| Patent applications and patents granted | 2,808 | 2,689 |
| of which new applications in the reporting year | 101 | 93 |
| Number of orders for electric industrial trucks[3] | 155,134 | 147,120 |
| Number of used industrial trucks sold | 46,618 | 49,152 |
| **Environment** | | |
| Level of ISO 14001 certification (plants as well as sales and service locations) | 38% | 40%* |
| Total energy consumption | 2,377,535 GJ | 2,015,112 GJ* |
| Greenhouse gas emissions (Scope 1, 2, 3) | 231,417 t $CO_{2e}$ | 206,683 t $CO_{2e}$* |
| Total water consumption | 653,220 $m^3$ | 455,385 $m^3$* |
| Total waste produced | 69,372 t | 51,134 t* |
| **Employees** | | |
| Employees[2] | 31,608 | 30,544 |
| Personnel expenses | €1,989.7 million | €1,520.3 million |
| Percentage of female employees | 16.0% | 16.3% |
| Number of apprentices | 579 | 580 |
| Level of OHSAS 18001 certification (plants as well as sales and service sites) | 37% | 31%* |
| Health rate | 96.7% | 96.2%* |
| Lost time injury frequency rate (occupational accidents per million hours worked) | 10.0 | 14.8* |

* excluding Dematic (acquisition in November 2016)
1 Inter alia under GRI and the German implementation of the EU Directive on non-financial reporting requirements
2 Number of employees (full-time equivalents) as at balance sheet date 31/12/
3 updated on 08/04/2019

# About this report

G4-17, G4-18, G4-22, G4-28, G4-30, G4-32, G4-33

## REPORT CONTENT

In its second sustainability report ('SR') the KION Group describes the progress it has made in the reporting period regarding sustainable business practices. Through this report the KION Group also fulfils its obligation to submit a separate Group non-financial declaration as required by §§ 315b, 315c in conjunction with 289c to 289e HGB (German Commercial Code). The SR additionally contains further information on the KION Group's sustainability activities that goes beyond statutory reporting requirements.

In producing this SR the KION Group orientated itself towards the G4 guidelines of the Global Reporting Initiative (GRI). This report has been prepared in accordance with the G4 guidelines 'core' option.

The Company commissioned an auditing firm with an external limited-assurance audit of the contents of the Group non-financial declaration pursuant to § 315b HGB for the 2017 fiscal year. The Supervisory Board has included the auditor's assessment in its independent review of the Group non-financial declaration and respective final assessment.

Complementing this, a limited-assurance audit of this report was carried out in accordance with the GRI guidelines 'core' option. The audit mandate and audit result are available in the Assurance Statement.

### Materiality analysis

To identify the material sustainability topics for reporting, the KION Group reflected on the results of the materiality analysis carried out in 2015 by Linde Material Handling and transferred these to the Group in 2016 (see Key challenges for the KION Group).

To identify the most material topics for the Group with regard to the German implementation of the EU Directive on non-financial reporting (CSR-RUG), in 2017 the newly appointed KION Group Sustainability Committee checked the materiality analysis and carried out a complementary review of the risks and negative implications for the environment and society. The result can be summarised into the following six key material topics: location-specific GHG emissions (aspect 'environmental matters', see Climate protection); product-related GHG emissions (aspect 'environmental matters', see Energy- and resource-efficient products); extraordinary environment-related events (aspect 'environmental matters', see Environmental protection); employee health and safety (aspect 'employee matters', see Health and safety); prevention of corruption and bribery (aspect 'anti-corruption and bribery matters', see Compliance – Preventing corruption and bribery); product safety (further aspects, see Product responsibility). No material topics for the KION Group regarding the CSR-RUG aspects of 'social matters' and 'respect for human rights' were identified in this process, as no related statements were assessed by the KION Group Sustainability Committee as necessary for an understanding of the performance or results of the business, the situation of the KION Group, or impacts of KION's business activities

on social matters or respect for human rights. As at the end of the 2017 reporting year a Group-wide supplier assessment system with regard to social standards and human rights had not yet been fully implemented; implementation will be completed in 2018 (see Outlook for assessment of strategic suppliers by EcoVadis – Sustainability in Supplier Management).

In 2018 the Company plans to revise the materiality analysis at the level of the KION Group and its operating units.

Non-financial risks to the KION Group's business activity are addressed by the KION Group's risk management, which is explained in detail in the Risk Report of the KION Group Annual Report. Furthermore, no material risks were identified with a very high probability of serious negative impacts regarding the aspects set out in the CSR-RUG that are related to the KION Group's own business activity, business relationships, products and services.

References to, and additional explanations of, specific financial positions in the Financial Statement are not required to understand the Group non-financial declaration.

## SCOPE AND REPORTING PERIOD

The contents of the report relate to the KION Group and all its consolidated subsidiaries. A list of these reporting entities is provided in Table 126 of the KION Group Annual Report 2017.

The KPIs were essentially produced based on data from 125 reporting entities. Within this, data for 33 production and administration locations (referred to as 'plants') were gathered individually, while 92 disclosure points for sales and service companies in some cases comprise aggregated data from several locations. Varying degrees of data-gathering aggregation are indicated in the corresponding places, where in exceptional cases these do not cover all KION Group employees or companies. The report therefore covers all consolidated KION Group companies based in 33 countries and at approximately 400 locations. The figures for 2016 include the contributions from Dematic in November and December (if not stated differently), the period in which it was consolidated for the first time. The comparability between the full-year figures for 2016 and 2017 is therefore limited.

The Sustainability Report 2017 relates to the fiscal year 2017 covering the period 1 January to 31 December 2017.

## GATHERING AND COMPARABILITY OF DATA AND INFORMATION

The gathering of data which provides the main basis for the KPIs presented in this report is supported across the Company by WeSustain software. Data on around 800 sustainability indicators are currently gathered Group-wide.

Certain figures in this Sustainability Report have been rounded up or down to maximize legibility. This may result in differences between the sum of the individual amounts given in the tables and the overall totals stated, as well as between the figures stated in the tables and their analysis in the main text of the Sustainability Report. All percentage changes and KPIs were calculated based on the underlying data. Possible deviations from data provided in previous reports may be the result of subsequent improvements in the underlying data or a modification in the calculation method applied. There are no significant changes in the overall totals, i.e. >15 per cent.

## FORWARD-LOOKING STATEMENTS

This Sustainability Report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of the KION Group. The management of the KION Group cannot guarantee that these forward-looking statements will prove to be correct. The future development of the KION Group and its subsidiaries, and the results that are actually achieved, are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements.

## ADDITIONAL REMARKS

In the interests of legibility, the KION Group avoids the use of double-gender pronouns. No significance is implied, and any mentioning of personal pronouns is to be understood as gender-independent. The Sustainability Report 2017 is available in German and English in both online and PDF editions. For further and more detailed information, see the corporate website www.kiongroup.com and the Annual Report.

The Company will publish its next sustainability report for the fiscal year 2018 in early 2019.

# INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON SUSTAINABILITY INFORMATION*

## To KION GROUP AG, Wiesbaden

We have been engaged to perform a limited review on the disclosures in the KION Sustainability Report 2017 (hereinafter: "Sustainability Report") of KION GROUP AG, for the period from January 1 to December 31, 2017.

### Management's Responsibility

The Company's Executive Board is responsible for the accurate preparation of the Sustainability Report in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter: "GRICriteria") and for the selection of the disclosures to be evaluated.

This responsibility includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the Company's Executive Board is responsible for such internal control, as it has considered necessary to enable the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.

### Practitioner's Declaration Relating to Independence and Quality

We are independent of the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with the relevant provisions within these requirements. Deloitte GmbH Wirtschaftsprüfungsgesellschaft applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws regulating the rights and duties of "Wirtschaftsprüfer" and "vereidigte Buchprüfer" in the exercise of their profession (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandards: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], that are consistent with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

* We have performed a limited assurance engagement on the German version of the KION Sustainability Report 2017 and issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

## Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures in the Sustainability Report, based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that no matters have come to our attention that cause us to believe that the information disclosed in the KION Sustainability Report for the period from January 1 to December 31, 2017 has not been prepared, in all material respects, in accordance with the relevant GRI-Criteria. In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.

Within the scope of our limited assurance engagement, which was – with intermittent delays – performed from December 2017 to April 2018, we have performed, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Conducting an on-site visit to the subsidiaries STILL GmbH and Linde Material Handling GmbH as part of an investigation into the processes for collecting, analyzing and aggregating selected data
- Interviews with legal representatives and employees involved in the preparation of the Sustainability Report regarding the preparation process, the related internal control system and selected disclosures in the Sustainability Report at the Munich site
- Identification of the likely risks of material misstatement within the sustain under consideration of the GRICriteria
- Analytical evaluation of selected disclosures within the Sustainability Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements
- Evaluation of the presentation of the selected disclosures regarding sustainability performance.

## Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures of KION Sustainability Report 2017 of KION GROUP AG for the period from January 1 to December 31, 2017 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

## Purpose of the Assurance Statement

We issue this report on the basis of the engagement agreed with KION GROUP AG. The assurance engagement has been performed for purposes of KION GROUP AG and the report is solely intended to inform KION GROUP AG as to the results of the assurance engagement.

## Limitation of Liability

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward KION GROUP AG and is limited based on the "Special engagement terms of Deloitte GmbH Wirtschaftsprüfungsgesellschaft" as well as on the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften of the IDW" from January 1, 2017, which were agreed with KION GROUP AG. We do not assume any responsibility towards third parties.

Frankfurt, April 23, 2018

**Deloitte GmbH**
Wirtschaftsprüfungsgesellschaft

Signed: (Kirsten Gräbner-Vogel)
Certified Public Accountant

Signed: (ppa. Vinzenz Fundel)

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# Foreword

G4-1

**GORDON RISKE**
Chief Executive Officer KION GROUP AG

## Dear Ladies and Gentlemen,

credibility, reliability and trust – in times of constant change and ever-closer collaboration across company and national boundaries, these factors are more important than ever. Like anything of value, however, these success factors do not create themselves; this takes hard work. Taking a sustainable approach that focuses on our stakeholders' questions and requirements provides the main basis for this.

How are our products made? Can they be used safely and efficiently? How do we deal with the resources available to us? Do our global working conditions meet the same high standards? As a company, how are we contributing to society in many locations around the world where we strive to be not just an employer, but also a 'good neighbour'? And how do we ensure that our suppliers also meet the same high standards that we set ourselves?

The KION Group Sustainability Report describes our answer to this and many other questions regarding the sustainability of the KION Group. Having laid the foundation last year for Group-wide reporting, this second report documents the progress we have made in recent months. It proves that we are not paying mere lip service to our pursuit of greater sustainability; rather, that it is a fundamental principle that we embrace within our Company. We see ourselves as well prepared for the future opportunities and challenges posed by intralogistics.

We are in an excellent starting position. Our Company is financially strong, and our market prospects are promising. We also offer our customers a wide range of products and services that are unparalleled in our industry – from hand pallet trucks to highly complex, automated material handling solutions.

We would not be satisfied with anything less, as we aim to be the best in everything we do. This aspiration is not only a quantitative, but also a qualitative promise. After all, it is not just

about what you do – above all it is also about how you do it. In other words, we not only create added value for our customers through the comprehensive scope of our offering, but also through the quality of our solutions that are focused on our customers' requirements and which we supply efficiently, safely and reliably.

This is also how we are approaching our sustainability activities based on our sustainability strategy that aims to balance economic, environmental and social aspects. Embedding this strategy and the associated Group-level sustainability programme was one of our key sustainability initiatives in 2017 – another milestone in our Company's history that we have achieved successfully. Through this we have laid the cornerstones of our commitment. And it goes beyond this: with specific objectives and measures in 14 action fields we ensure that the sustainable approach we are taking as the material basis of our business success shapes the actions of our executives and employees around the world.

Now it is time to put these principles into action. We want to make the KION Group the industry benchmark along the entire value chain. Together with our suppliers and business partners, we want to try to get just that bit better every day.

We do so because we believe that taking a sustainable approach is the basis for our business success. And even if we have not achieved our goal yet, we have set out on this path and we fully intend to achieve what we set out to do. To this end, we work in our customers' interests each and every day.

I am delighted that you are accompanying us on this journey, and I hope you find this report both informative and interesting!

**Gordon Riske**
Chief Executive Officer
KION GROUP AG

# COMPANY PROFILE

13 Business model and organisation

# Company profile

G4-3, G4-4, G4-9

## WE KEEP THE WORLD MOVING.

The KION Group is a leading global provider of integrated supply chain solutions. The Company's range of services includes forklifts, warehouse technology, and supply chain solutions, including related services. Across over 100 countries the KION Group designs, builds and supports logistics solutions that optimise materials handling processes and the flow of information within factories, warehouses and distribution centres. With over 31,000 employees the Company is the largest manufacturer of industrial trucks in Europe, the second-largest producer of forklifts globally and the leading provider of warehouse automation technology. With a global installed base of more than 1.3 million industrial trucks and over 6,000 installed systems, KION Group's customer base includes companies in all industries and of all sizes on six continents.

## WE ARE MOVED BY SUSTAINABILITY.

The KION Group aspires to understand the needs of its customers like no other company anywhere in the world, and to impress them with customised material handling solutions. Sustainable business practices are the logical consequence of this aspiration. By aligning its actions with environmental, social and economic aspects the KION Group also supports its customers in implementing their sustainability programmes, thereby meeting a key prerequisite for their own success.

This makes sustainability a task for all employees. Everyone in the Company is encouraged to contribute through innovations, ideas and consistent action to ensure the KION Group also fulfils its claim to be a sustainability leader. With a clear sustainability strategy, ambitious objectives and straightforward measures, the KION Group is on the right track. This report sets out its approach.

## BUSINESS MODEL AND ORGANISATION

G4-4, G4-7, G4-8, G4-13, G4-EC1

The KION Group's business model is geared towards being a single source of solutions, offering customers of all sizes and industries the complete spectrum of material handling products and services. To enable it to do this, the Company has a unique product, technology and service portfolio ranging from industrial trucks and warehouse technology systems, through fleet and warehouse management solutions, to fully automated material handling and logistics systems. This makes the KION Group a full-service provider for customers of various industries and sizes, from major key accounts with a global reach through to small and medium-sized businesses. The Company is also the intralogistics partner of choice in the area of Industry 4.0.

The KION Group comprises KION GROUP AG, a company incorporated under German law as the parent company, and its subsidiaries. Through the KION GROUP AG as the strategic management holding company, the KION Group is listed on the Frankfurt Stock Exchange and is also included in the MDax, the STOXX Europe 600 and the FTSE Euro Mid Cap indices.

The KION Group is organised into five operating units: Linde Material Handling (LMH) EMEA, STILL EMEA, KION Asia Pacific, KION Americas, and Dematic. While the operating units bear full operational and economic responsibility, as the strategic management holding KION GROUP AG is responsible for the Group-wide strategy and central business standards. The two operating segments Industrial Trucks & Services and Supply Chain Solutions take care of the internal management of the Company. The Corporate Services segment comprises the other activities and holding functions of the KION Group.

Strong brands, which in some cases have business traditions stretching back over 100 years, underpin the KION Group's global success. These brands are among the best in the industry worldwide. The Industrial Trucks & Services segment comprises the services of the international brands Linde, STILL and Baoli, the local brands Fenwick, OM STILL and OM Voltas, as well as

the financial services business. Dematic represents the global business with supply chain solutions.

For a detailed illustration of the KION Group's organisational structure, its business model and its key markets see the Annual Report 2017 and the Investor Relations section of the corporate website.

## Successful 2017

In 2017 the KION Group generated consolidated revenues of €7,653.6 million, despite significant currency effects. As at the end of 2017 the Group-wide order book stood at approximately €2.6 billion and was thus 9.1 per cent above the previous year's benchmark. The KION Group generated a total net profit of €426.4 million (previous year: €246.1 million).

For a detailed picture of the KION Group's financial performance and position, see the Annual Report. Regular quarterly reporting complements and updates this picture.

# 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.

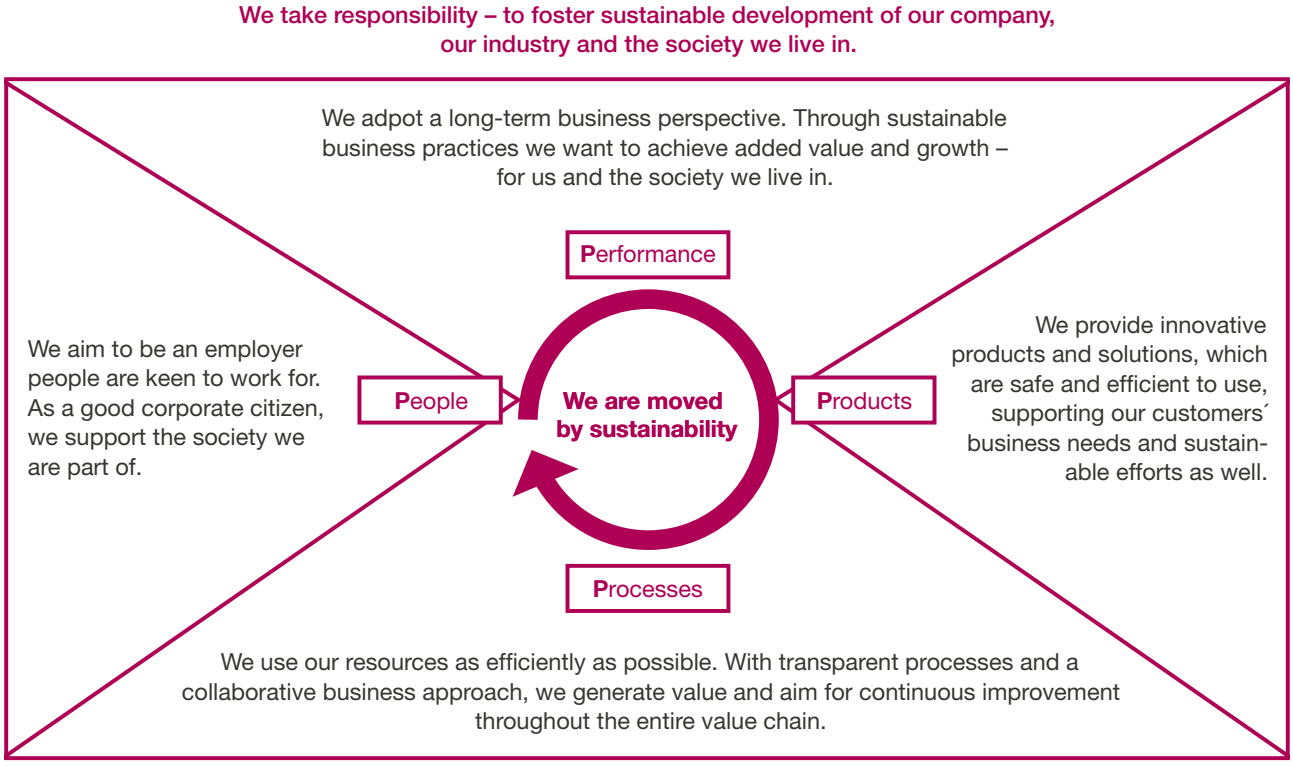
### Sustainability strategy as core foundation for all activities

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



### 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

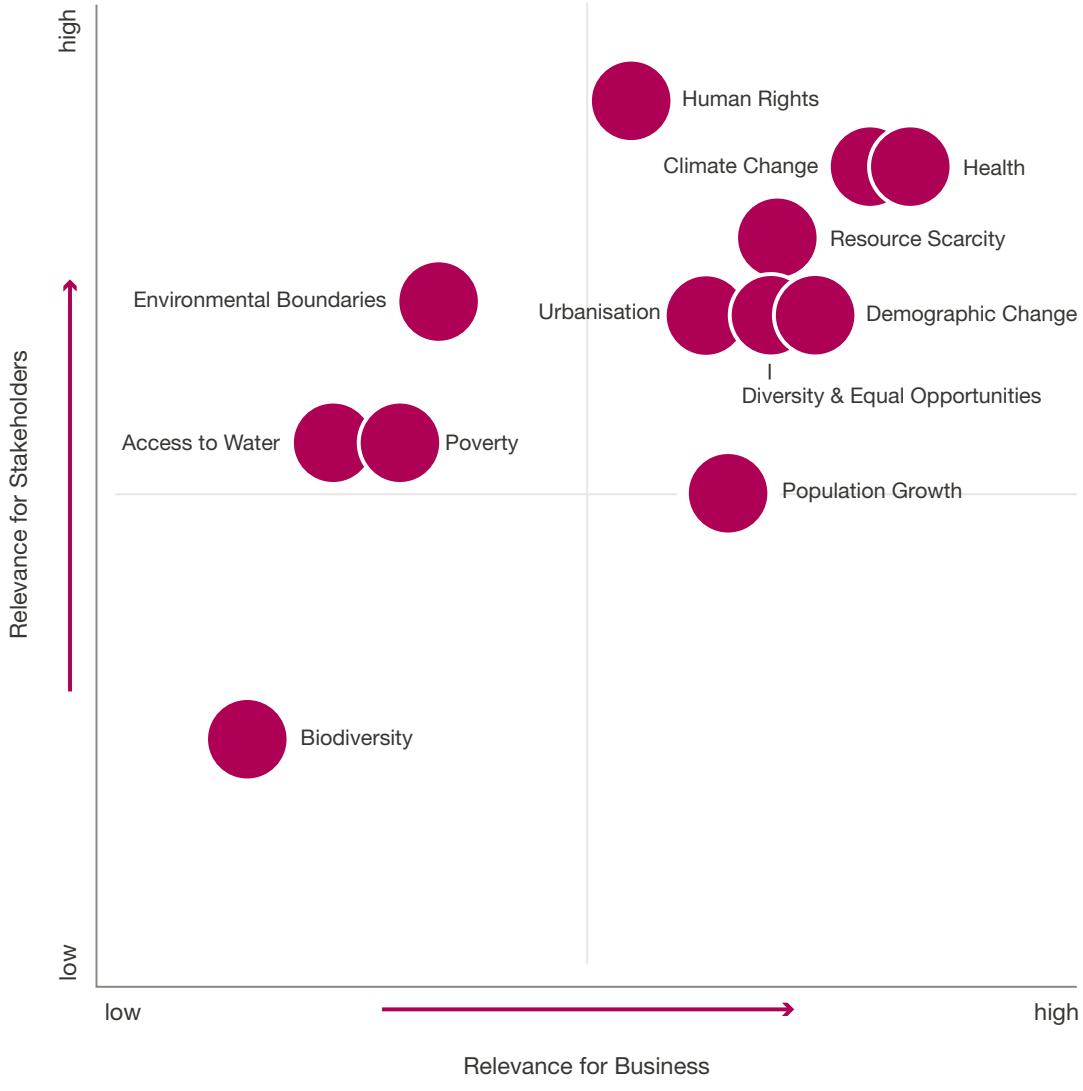
### Materiality as the basis for strategy development

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 |
| | Diversity and Equal Opportunity | x | |
| Resource Scarcity | Effluents and Waste | x | x |
| | Water | x | x |
| | Materials | x | x |
| | Products and Services (environmental impact) | x | x |
| | Supplier Environmental Assessment | | x |
| | Compliance | x | x |
| Demographic Change | Diversity and Equal Opportunity | x | |
| | Occupational Health and Safety | x | |
| | Training and Education | x | |
| | Employment | x | |
| Health | Occupational Health and Safety | x | |
| | Customer Health and Safety | x | x |
| | Compliance | x | x |
| Diversity and Equal Opportunity | Training and Education | x | |
| | Diversity and Equal Opportunity | x | |
| | Employment | x | |
| Urbanisation | Emissions | x | x |
| | Energy | x | x |
| | Products and Services (environmental impact) | x | x |
| | Supplier Environmental Assessment | | x |

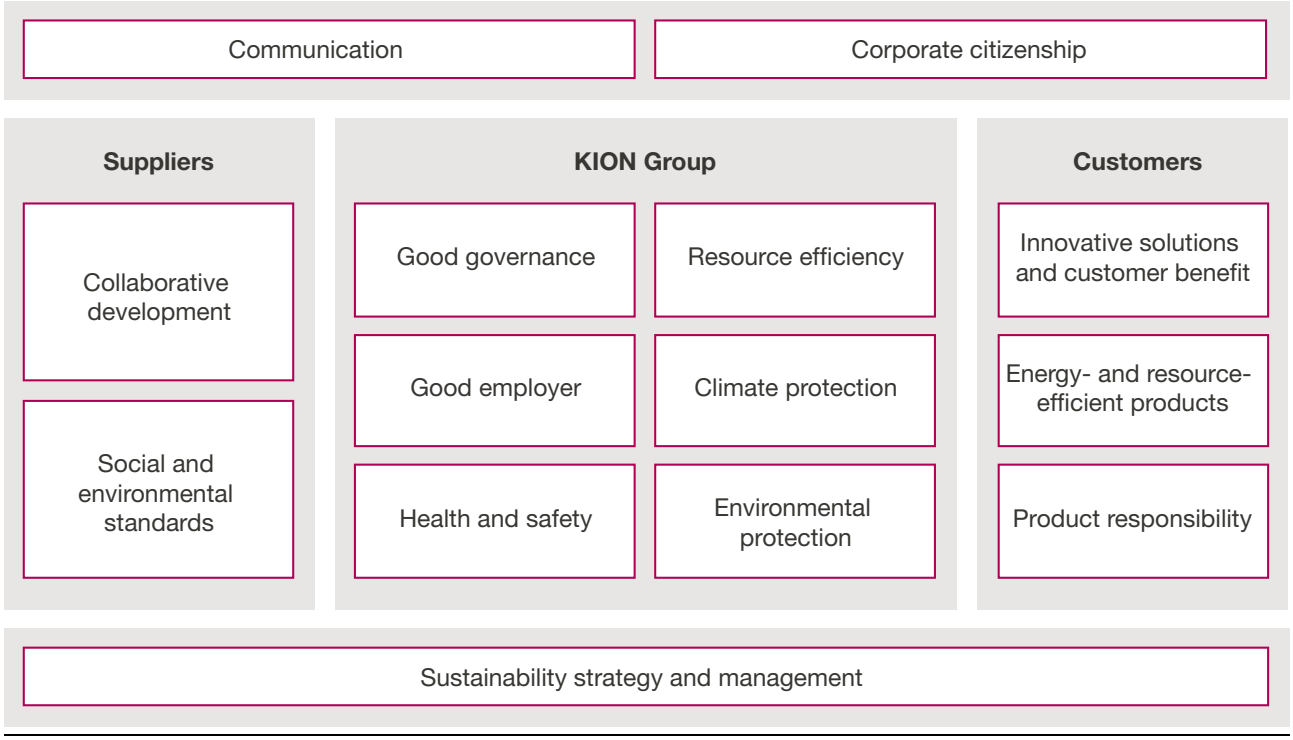
i = material within the organisation / e = material outside the organisation

## 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<br>— 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<br>— External certification of environmental protection management systems according to international standards (e.g. ISO 14001) at all units<br>— Ban on hazardous and critical substances in production<br>— 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<br>— Introduction of an ISO 50001-compliant energy management system for the 25 reporting entities with the greatest energy use | 2018<br>2019 |
| — Resource efficiency | Definition and establishment of a comprehensive resource-consumption reduction programme | 2020 |
| — Good employer | — Further development of the Group's diversity strategy<br>— Full implementation of the Group's HR strategy | 2018<br>2019 |
| — Health and safety | — Implementation of the Group-wide minimum HSE standards in all units<br>— Reduction in the accident frequency rate as measured by the Lost Time Injury Frequency Rate (LTIFR) to < 10<br>— Stabilisation of the health rate at 96.7 per cent<br>— External certification of occupational health, safety and environment management systems according to international standards (e.g. OHSAS 18001) at all units | 2019<br>2020<br>2020<br>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 German 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

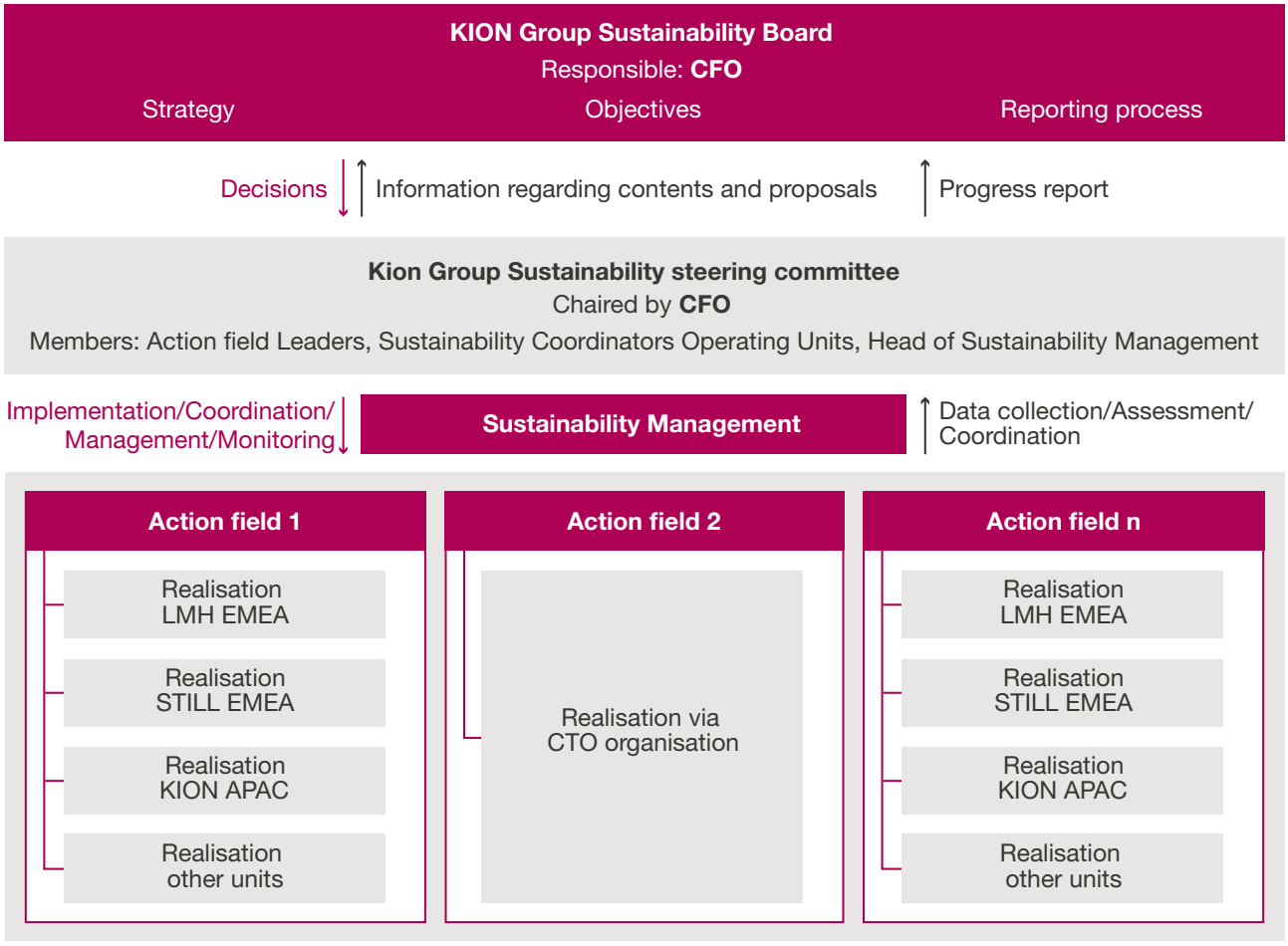
## Sustainability organisation

### 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 operating 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<br>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 |

# PRODUCTS AND SOLUTIONS


| | |
|---|---|
| 34 | Management approach to products and solutions |
| 37 | Energy- and resource-efficient products |
| 40 | Product responsibility |
| 42 | Innovative solutions and customer benefit |
| 43 | Sustainable procurement |

# Products and solutions

**The KION Group's products are renowned worldwide for their safety, reliability and efficiency. The promise to deliver these benefits is interpreted by each of the Group's brands to best address their customers, helping them to increase their efficiency and sustainability performance. The result is a perfectly coordinated portfolio for each customer and market, which benefits the Company, customers and environment in equal measure.**

## MANAGEMENT APPROACH TO PRODUCTS AND SOLUTIONS

To enable the Company to fully cater to the needs of its global customer base, the KION Group's business model covers all areas of intralogistics through its high-performance products and tailored services. These range from product development and manufacturing, through sales and logistics, after-sales, the rental and used model business, fleet management, to system and software solutions as well as financial services. This enables KION to offer its customers solutions that are always an outstanding match for their specific intralogistic requirements. For further information on the KION Group's range of offerings, see the Annual Report.

Within the scope of the KION sustainability programme, three action fields address the Company's product-related sustainability aspects. One action field is devoted to the energy and resource-efficiency of products. This is to give additional impetus particularly to the development of alternative drives and technologies based on Li-ion batteries or fuel cells in order to reduce greenhouse gases. Today, over 80 per cent of the industrial trucks in the KION product mix are already powered purely by electricity. Another of the core topics of the KION Group's product development activities concerns reducing the fuel consumption of forklifts powered by internal combustion engines. Around 11 per cent of the product development budget in the Industrial Trucks & Services (ITS) segment is reserved to enable a rapid response to changes in emissions regulations in order to comply with regional legislation. The key challenges here are the ever-decreasing permissible emissions limits, and as a consequence the increasing procurement and production costs.

Besides the safe use of products, the product responsibility action field also focuses on compliance with legal provisions and standards as well as requirements surrounding servicing and (dis)assembly. Traditionally, KION products are a byword for the highest safety and ergonomic comfort in operation. The industrial trucks in the ITS segment excel with safety features that go far beyond legal requirements and reduce human body vibrations to a minimum. Further optimising these aspects is a constant challenge. In the Supply Chain Solutions (SCS) segment, it is important to ensure workflows are highly efficient while providing workplaces that are as ergonomic as possible. Work is also ongoing to reduce the noise level of systems as well as to ensure safe and convenient maintenance access.

Last but not least, the innovative solutions and customer benefit action field is aimed at the customer-focused further development of the KION product portfolio, in which sustainability aspects play an increasingly important role. In close discussion with customers and other stakeholders, including universities and research institutes, KION aims to produce innovative solutions tailored to each target group's requirements. At the same time, it focuses on process optimisation as well as new or additional services, such as in the area of fleet management. The objective is to continually improve efficiency, safety and resource conservation, which benefits customers and the environment in equal measure. › See section Corporate governance, Sustainability programme

### Product strategy – platform programmes deliver efficiency

The further development of the KION Group's multi-brand strategy goes hand-in-hand with the comprehensive management of the Company's product portfolio based on a global platform and modular strategy in the Industrial Trucks & Services segment. To this end, the technical functions of R&D, procurement, quality assurance and the production system have been brought together in a central KION organisation headed by the Chief Technology

Officer (CTO). Dematic was also included in this organisation in the reporting year.

Based on centrally coordinated and prioritised activities, specialised product-development teams at KION's global development locations produce customer-specific solutions for the individual operating units. To leverage synergy effects and to consolidate knowledge Group-wide, a cross-brand, transregional development approach is increasingly being adopted.

In the reporting year, work continued on the long-term development of a product roadmap underpinned by a variety of review periods. The setting of Group-wide benchmarks and frameworks is intended to enable the improved evaluation of capacity for innovation and the strategic focus of the product portfolio.

Currently, a range of energy-optimisation programmes are running under the umbrella of the CTO organisation. Among them, the KVCO (KION Variant Complexity Optimization) programme aims to optimise the variant landscape – reducing product complexity and diversity, shortening development times and unleashing efficiency potentials.

## Product development – from requirement to finished product

The KION Group's expenditure on R&D in fiscal year 2017 totalled €212.3 million (previous year: €147.1 million). This is equivalent to 2.8 per cent of Group revenues. The increase of expenditure is attributable mainly to the complete inclusion of Dematic from fiscal year 2017 onward.

The KION Group protects its product developments fully and comprehensively against imitation, and follows a rigorous patent strategy. In 2017 the KION Group, including Dematic, registered 101 patent applications for the first time (previous year: 93). At the end of 2017, the KION Group had 2,808 (as at the end of 2016: 2,689) patent applications and patents granted.

As at the end of the reporting year the KION Group employed 1,533 full-time staff in the various R&D (research & development) departments – a year-on-year increase of 3.8 per cent, attributable mainly to the expansion of the Automation and Digitalisation departments (see the section Research and development in the Annual Report 2017).

### Comprehensive Group-wide approach

R&D at the KION Group essentially works on a cross-segment, cross-brand and transregional basis, which ensures that research findings and technological know-how are shared across the Group. The resulting uniform standards and global coordination of its engineering activities will enable the Company to offer more product variants at lower expense and with shorter development processes.

The CTO organisation plays a crucial role in this respect, as it coordinates and brings together the development projects which the operating units' project management teams define based on the requirements in their markets. These requirements are determined based on findings from customer discussions, market research and competitor analyses. The KION Group currently sees significant trends in the areas of digitalisation, automation and network, energy efficiency, and robotics solutions.

In Product Strategy Councils (PSCs), the development programmes are discussed, agreed and submitted to the Group Executive Board for decision, with the KION product strategy providing the necessary guidance from a Group perspective. Three times a year checks are performed to establish whether the development team's proposals correspond to the Group's strategic objectives and budgets. The approved development projects are then further planned and implemented in the CTO organisation. The goal is to achieve Group-wide harmonisation of product development objectives according to their scope and format. Based on comparable information, this produces an agreed requirements profile for a KION Group portfolio that meets the needs of the market and objective.

The sharing of experience and know-how between the various segments and brands is of particular importance in this regard. One example of this is the use of agile development methods. After shaping the development process at Dematic for several years, the processes are also being implemented progressively in the ITS segment. In the area of mobile automation, a topic that interfaces the two segments ITS and SCS, exclusively agile methods are used to develop the subject areas of automation and connectivity.

The overarching objective spanning all activities is to increase customer benefit in all market segments and sales regions.

Specifically, this means being able to offer high quality and superior product performance at a competitive price through the consistent use of module and platform strategies.

## Sustainability in product development

Sustainability aspects are taken into account in various ways in the KION Group's product development activities across all the different objectives and development focus areas. Efforts to achieve the lowest possible TCO (Total Cost of Ownership) for all products in the Industrial Trucks & Services segment are inextricably linked to the development of the most environmentally friendly and efficient drive technologies. KION's Supply Chain Solutions segment also focuses on solutions that are as energy and space-saving as possible, thus maximising cost efficiency and minimising their environmental impact.

The KION Group places the highest requirements on product safety and ergonomic design, which means customers can also offer their employees maximum protection as well as optimise occupational health and safety through ergonomic workflows. This also brings long-term cost and competitive advantages for customers. Last but not least, statutory provisions such as those relating to environmental protection, occupational health and safety as well as ergonomics also mean that sustainability aspects are continually being integrated into the development process.

To pay even greater consideration to sustainability aspects in product development activities going forward, the Group is currently considering whether to make this topic a focus area right at the start of the product development process in the stage-gate process.

## Learning from customers

Close and active involvement of customers in the product development process characterises the way the KION Group and its operating units manage innovation and develop products. After all, tailored and cost-effective products are only made possible through precise knowledge of each sector's and market's requirements. This is why the KION Group and its subsidiaries have for many years taken a wide range of approaches to engaging in dialogue with customers and stakeholders such as universities and scientific research institutes.

To involve customers in an even more targeted way in the product development process, the Group uses tried-and-tested methods such as the Linde TruckClinic. Dematic and STILL also survey their customers on a regular basis to evaluate their specific requirements. STILL EMEA has also been using a comprehensive customer feedback system for many years now, which is based mainly on two instruments: the Customer Satisfaction Index serves as a daily benchmark of customer satisfaction, while the Net Promoter Score, which is calculated globally, shows how likely customers are to recommend STILL. An average of 2,300 customers are surveyed each month on their experiences of using STILL products and services, and the results are evaluated. Newly developed products are also trialled by customers to gain key insights into how well they receive them. Additionally, sector trade fairs and events such as Linde Material Handling EMEA's World of Material Handling customer event that spans several weeks, and STILL EMEA's customer days, also make a very significant contribution to information-sharing.

## Comprehensive training on all products

All operating units offer their customers comprehensive product training and instruction, which in some cases goes well beyond statutory requirements. An example of this is the Linde Safety Scan, which was established in the reporting year. Through this, Linde Material Handling makes its safety experience available even for the design of internal logistics processes, and supports customers in analysing and eliminating safety risks. Specially trained experts – the Linde Safety Consultants – evaluate the internal movement of people and vehicles within a facility, and together with the customer produce specific recommendations for action regarding organisational and technical solutions. They also support customers in implementing these recommendations. Underpinned by LMH's long-standing experience, the Linde Safety Scan helps to increase the safety of the customer's employees and vehicles, while at the same time improving productivity.

## Quality management spans the entire value chain

Quality is a key component of the promise to deliver the benefits offered by all KION Group products. Quality assurance therefore plays an important role right from the very start of the value chain, reducing potential quality risks in service provision.

The quality management systems of the KION Group and its operating units have held ISO 9001 certification for many years. The STILL EMEA production plant in Hamburg has been ISO 9001 certified since 1995, and Linde Material Handling EMEA's production plants in Aschaffenburg have been certified since 1996. The Dematic quality management system has also been ISO 9001 certified since 2008. Around 90 per cent of all production plants are certified, and in 2017 the new plant in Stříbro in the Czech Republic joined them. With the creation of the central CTO organisation, numerous product development structures have also changed; as part of the next ISO 9001 certification process in 2018, the CTO organisation will also therefore undergo certification.

When selecting suppliers, the Company attaches the greatest importance to quality and reliability. The KION Group expects suppliers to have an established, recognised quality management system, and to document and archive proof of their quality performance. New suppliers confirm they have these systems in place as part of the supplier self-assessment at the start of the business relationship, and are audited by KION accordingly. If suppliers fail to maintain their management system, the business relationship with them is usually ended (see the section Sustainable procurement).

The KION Group can confine quality risks to a considerable degree through demanding quality standards in development, rigorous checks across the entire process chain, and close customer and supplier contact. Alongside this, the KION Group aims to achieve the ambitious goal of further improving quality-failure statistics over the long term, minimising truck downtimes, and introducing standardised quality assurance processes around the world. To achieve this, and to minimise the operational failure rate, the KQCO (KION Quality Cost Optimization) initiative was launched in 2017 and its quality objectives were further expanded.

Customers, suppliers and partners are also involved as far as possible in the quality assurance system at Dematic through transparent, robust and verifiable processes. These focus on product safety and product-related environmental protection, whereby all process levels are planned, monitored and documented according to customer and product-specific criteria.

# ENERGY- AND RESOURCE-EFFICIENT PRODUCTS

**G4-EN7, G4-EN27**

The KION Group has always focused on delivering efficient products that conserve resources – and in doing so, on reducing greenhouse gases. This is why the related action fields in the KION sustainability programme are currently being updated and KPIs added. Through each unit and brand, numerous projects are being driven forward across the Group that are aimed at further optimising the energy efficiency of vehicles. Among them, work is ongoing into ultra-robust switched reluctance electric motors that are also tolerant of short-term overload. In addition, expansion of the range of vehicles with Li-ion drives is in the spotlight.

In fiscal year 2017 Linde and STILL expanded Li-ion technology to significantly more vehicles. Linde's customers can now choose from over 30 warehouse technology models, including pallet stackers, double-deck loaders, pickers as well as reach trucks, which are all equipped with Li-ion batteries. This means they can cover virtually any logistics task in the warehouse using this technology.

## Save energy, reduce emissions

With their gearless power transmissions, Linde forklifts require significantly fewer components than conventional forklift trucks, need less-frequent oil changes and stand out from sector competitors thanks to their particularly low fuel consumption. In addition, Linde industrial trucks do not require any brakes thanks to their hydrostatic drive, which eliminates the fine dust generated by brake pads. It has already been 15 years since STILL started

to equip its counterbalance forklift trucks with maintenance-free, wet-running multi-disc brakes, so no fine dust is generated here either.

In the area of diesel forklifts, the EU Euro V emission standard is currently being implemented. This standard will apply from 2019 onward and affects all trucks between 19 and 56 kW. Compared to the current Euro III A standard, which is still permitted, the new standard reduces pollutant limits by 98 per cent in some cases.

Today, Linde and STILL diesel forklifts are already among the lowest-emission trucks on the market in all load-capacity classes. For instance, the particle mass of pollutant emissions of a Linde H25 to H35 EVO diesel forklift are 84 per cent lower than the statutory limit. In terms of hydrocarbons (HC) and nitrogen oxides ($NO_X$) they are 26 per cent lower than the limit, and for carbon monoxide (CO) they are even 99 per cent lower. STILL model series RX70 diesel forklifts achieve similar outstanding results. This means customers and the environment benefit in equal measure, with achievable fuel savings of up to 17 per cent versus the competition according to the work cycle defined in VDI Guideline 2198.

In the area of electric forklifts, Linde products have the industry's highest handling capacity with the lowest consumption figures – as proven in a certified test conducted by the German technical inspection association TÜV Nord to assess the performance of forklift trucks. The procedure is based on defined workflows which are completed three times under the same conditions by different trucks, whereby the actual consumption and the time required are measured.

In the reporting period the Industrial Trucks & Services segment once again achieved key milestones in improving truck efficiency. Linde's Li-ion range has been expanded to include electric forklifts in the 1.8 to 3.5 tonne payload range, as well as reach trucks.

In 2017 Linde Material Handling also developed a Li-ion calculator that provides customers with a very specific recommendation for using Li-ion technology. The calculation includes application profiles and the corresponding simulation as well as specific advice on the profitability and cost-effectiveness of deployment.

In addition to cost-efficiency and environmental aspects, Dematic's intralogistic solutions always focus on exploiting efficiency potentials too. The second generation of the Dematic multishuttle warehouse system for the storage and retrieval of items allows for much higher storage densities and, thanks to a higher utilisation ratio, a resource reduction compared to the preceding generation.

Dematic is also setting energy-efficiency standards once again with its new AutoStore storage and retrieval system. Together, ten of the robots used in the system consume less energy in total than a conventional vacuum cleaner. AutoStore is the perfect addition to Dematic's existing systems. An even higher storage density allows further energy savings to be achieved through reduced space requirements, with correspondingly positive effects on the TCO.

Further achievements in the reporting year included the launch of the 24-volt version of the motor roller for light to medium weight goods. In addition, a Sleep Mode was integrated into the firmware for Dematic multishuttles, which puts the shuttles into standby mode if no operation orders are pending. The geared motors were also converted to the new IE3 energy-efficiency class for the European BK10 and BK25 conveyor technology construction kits.

## Innovative drive technologies

The development of new drive technologies in KION's Industrial Trucks & Services segment centres on Li-ion batteries. Challenges in this area include the development of entry-level products for emerging markets and the general availability of suitable battery cells in the sourcing markets. The sale of Li-ion solutions also brings with it new challenges and tasks such as energy consulting and management, which will play a greater role in future – as will the development of appropriate vehicle-rental models.

Li-ion batteries offer a host of benefits over conventional lead-acid batteries. In addition to significantly faster charging times, as well as a three to four-times longer service life, the energy density of these batteries is considerably higher, with an efficiency of over 90 per cent. This allows customers to achieve savings of around 30 per cent both in terms of their energy consumption and associated greenhouse gas emissions compared

to a conventional battery-charger combination. Set-up and maintenance costs are also reduced, and the faster charging times open up completely new and more flexible operating models. And because there is no outgassing during charging, special charging areas are no longer required.

The KION Group is adopting a systematic approach to developing Li-ion technology. As batteries are designed specifically for the trucks, and the battery and truck communicate with each other via a smart energy-management system, virtually 100 per cent of the available energy can be utilised. At the same time, the truck's battery-status indicator always displays an estimate of how many operating hours remain. At the same time, communication between the vehicle and battery ensures that the driver is warned in good time before switching off the battery and can put the truck into crawl mode. The electronics also prevent overloading and over-discharging.

Linde Material Handling already offers Li-ion models across all forklift truck series with a payload capacity of up to 5 tonnes, with Li-ion technology covering all high-capacity vehicles. The portfolio is currently being expanded to include high-lift, low-lift and double-deck loader models as well as electric forklifts in the 5 to 8 tonne payload range. By the end of 2019, 90 per cent of all of STILL trucks are to be equipped with this new, environmentally friendly technology.

> Linde forklift in operation as part of sustainable agriculture in California – 'RESPONSE & Responsibility' Magazine

At the customer's request, fuel cells can also be integrated into Linde Material Handling EMEA and STILL EMEA's industrial trucks. This technology generates the electrical energy directly on board the truck – virtually emissions-free – required by the electric drives for propulsion, hydraulics and auxiliary units. The proven electric drive systems can therefore be employed, but 1:1 replacement of lead-acid batteries by fuel cells in an existing mass-produced model remains a challenge that only a few manufacturers are rising to meet. Developers are also focusing on the durability and reliability of systems, as well as the required vehicle-refuelling infrastructure. The limited supply of fuel cells with the required power output is hampering progress, as cells that can deliver more than 10kW of power are not currently available.

In 2018 the ITS segment will expand the existing range of fuel-cell trucks to include electric forklifts capable of handling payloads of up to 2.0 tonnes as well as models in the 5-tonne range. The fuel-cell portfolio is also being expanded in the warehouse area too, with products being shaped by customer requirements. KION aims to also offer a full range of fuel-cell trucks alongside its Li-ion technology offering.

Dematic is also one of the pioneers of innovative drive technologies. Dematic storage and retrieval systems have been equipped with energy-recovery systems as standard since as far back as 1995. The new UL1200-1 storage and retrieval systems for instance only consume around 200 watts net for one storage/retrieval cycle, as the drive's braking energy is supplied directly to the lifting motor in the system. Excess energy can be fed back to the power grid and used for other purposes. And thanks to the lightweight construction and energy recovery system, energy savings of up to 30 per cent are achievable compared to systems without these characteristics.

## Life Cycle Assessments – an overview of the entire product lifecycle

Ever since 2014, customers of Linde Material Handling EMEA who want to assess and improve their environmental performance have received robust data, which was updated in 2016. Together with the Fraunhofer Institute for Building Physics (IBP) and certified by TÜV Rheinland, Linde has developed its own methodology to assess the environmental impact of its trucks over their entire lifecycle – from the extraction of raw materials, production of each individual component, use by the customer, through to recycling at the end of the product lifecycle. An updating of the assessment and corresponding recertification are planned for 2018.

The LCA methodology is based on the requirements of ISO 14040 and 14044, which ensure a uniform approach is taken and provide the corresponding transparency in terms of environmental impact. The corresponding Life Cycle Assessments (LCAs) – which are also certified by TÜV Rheinland – are produced based

on the methodology developed for seven product groups covering the main truck range.

A reference model was selected and assessed in detail in each product group. Typically, the model chosen was the best-selling truck in its class in Europe.

It is clear across all product groups that most of environmental impacts are caused while the trucks are being used. This is where the most energy is used, and so greenhouse gas emissions are also highest in this phase. In the case of electric trucks, the battery system also plays a key role. The production and maintenance of industrial trucks is almost as equally important. On the basis of this, in 2017 a product subgroup evaluation tool was created that focuses on the most relevant utilisation phase.

## Truck rental and used-truck schemes: reducing costs, conserving resources

For a number of years now, KION's operating units have offered cost-effective equipment suitable for any application – from diesel, LPG or electric forklifts to warehouse technology, tow tractors, system trucks and heavy trucks – to customers who want to purchase a used industrial truck. In 2017 one in five forklifts sold in the Company's Industrial Trucks & Services segment was an item of used equipment. Typically, these are former fleet trucks which were maintained under a maintenance agreement right from the outset according to the manufacturer's recommendation. These trucks go through a standardised process to check them thoroughly when they are returned and, depending on their condition, made ready for reuse. Damaged truck components are repaired or exchanged, and only original spare parts are fitted – ensuring that even used trucks meet KION's high standards at all times.

After all the work is completed, a warranty is issued for each refurbished truck, which guarantees the high quality and safety standard. Linde's 'Approved Trucks' seal and STILL's used-equipment classification in gold, silver or bronze make it clear that trucks meet this standard. As a result, the buyer purchases a reliable, high-performance truck – and makes a significant contribution to conserving resources by extending the truck's service life. Wherever possible, used components are also used.

› Czech Republic: used forklifts get a new lease of life at the Velké Bílovice remanufacturing center – 'RESPONSE & Responsibility' Magazine

# PRODUCT RESPONSIBILITY

**G4-PR1, G4-PR2, G4-PR9**

### Responsibility as a manufacturer

The KION Group is aware of its responsibility as a manufacturer, and adheres rigorously to product and operational environmental regulations. A key task in this regard, and one which is also a constant challenge, is substituting chemical substances that may be harmful to humans or may have an adverse effect on the environment. In the past, the Company already initiated a range of activities aimed at replacing hazardous substances in the product process and sales products. Among them, in 2016 the KION Group committed itself to eliminating components that are manufactured using chromium VI. The structural conversion of the components, such as the modification of technical drawings and specifications, has since been largely completed. Now comes the process of technical conversion, whereby the occasional shortage of parts availability in the market represents a challenge. At the same time, by the end of 2018 the KION Group aims to increase transparency regarding which substances and mixtures it uses across the Group.

### Safety and ergonomics

The safe, ergonomic operation of all KION Group products has always been a focus of KION's product development activities, especially in the Industrial Trucks & Services segment. Operators are always the focus of these considerations, with all operating elements adapted to suit their requirements – with active and passive safety systems offering maximum safety and helping to prevent accident risks.

In 2017 the product responsibility action field was defined across the Group. Its overarching objective is clear: all products

must comply with the laws and regulations in the respective countries. Work is currently underway to define appropriate KPIs, with Linde Material Handling's activities from previous years serving as the model. As part of the product development process, all KION Group products are tested for their health and safety impacts in accordance with legal requirements.

In the reporting year the Company was not notified of any instances or significant fines owing to non-compliance with laws and regulations concerning the supply and use of products and services, or their impact on health and safety.

## Safety on board

The KION Group's industrial trucks must meet the ISO 3691 standard, which regulates the safety requirements for these vehicles. But the Company goes far beyond these requirements. Numerous tests and trials with KION Group trucks are designed to ensure maximum safety for operators and the environment. Besides procedures such as the simulation of different driving conditions, or load tests in which weights are dropped onto the roof of the truck, KION also employs in-house developed test methods in the product development process. In some cases these go far beyond the requirements set out in the relevant standards.

Another focus of the KION Group's and its operating units' safety activities is providing operator support through the use of assistance systems. In this regard, another milestone was achieved in the reporting year with the further development of the Linde Safety Pilot (LSP) system: this driver assistance system largely prevents the tipping of counterbalanced forklift trucks, thereby reducing human error during operation to the greatest extent possible. Linde launched a similar system at the start of 2017 for its pallet stackers, called Linde Load Management. The developments continue, and Linde Material Handling EMEA plans to roll out additional safety features in 2018.

To supplement its portfolio of safety solutions, Linde Material Handling GmbH acquired the start-up Comnovo in the reporting period. The company specialises in vehicle tracking using ultra-wideband (UWB) wireless technology and holds various patents in this area. It offers a range of systems that actively minimise accident risks when utilising industrial trucks. It also plans to apply this technology to future tracking applications.

› How a Comnovo safety system contributes to improved working safety at Smurfit Kappa – 'RESPONSE & Responsibility' Magazine

At STILL EMEA, active and passive truck safety systems also take top priority. By selecting various safety packages, trucks can be adapted to suit specific customer requirements: the equipment range covers everything from warning lights, panoramic mirrors and additional headlights, to load protection grilles, overhead guard frame grilles and an assistance system for steering-angle dependent speed restriction. The latest example is the STILL SafetyLight 4Plus. Here, a blue LED projects a spot of light onto the ground in front of the vehicle signalling to others in the vicinity that a vehicle is approaching, thereby preventing a collision.

The STILL assistance systems OPTISPEED 4.0 and OPTISAFE assist the driver in certain driving situations. OPTISPEED 4.0 is a navigational aid for close quarters and provides the driver with a precise, semi-automated approach to the desired position. With OPTISAFE, special conditions such as height limits or the need for braking can be individually programmed for each separate aisle.

When developing Dematic's innovative logistics solutions, the specialists also take into account core safety aspects. Whether palletising or storage and retrieval systems, the operators' safety concerns are always in focus. Process optimisations and safety considerations go hand-in-hand, with smart control software not only increasing efficiency but also helping to minimise risks – such as through optimised coordination and control, and therefore through avoiding hazardous situations. And even after installation of the supply chain solution, Dematic supports customers if they have any safety optimisation concerns.

In the reporting year Dematic made further progress in terms of product safety. Among its achievements, the Mini Load and Unit Load storage and retrieval systems were migrated to the new TIA control platform, with the hardware converted to PROFIsafe technology. This guarantees higher safety standards, while customers benefit from increased performance and safety.

## Ergonomic operation – focusing on the person

Anyone who drives an industrial truck the whole day appreciates good ergonomic controls that minimise the stresses and strain of operation on the driver. This is another area where the KION Group sets standards with its products. Trucks, safety equipment, fleet-management software and service solutions – everything is focused on the perfect interaction between operator and machine.

The ergonomic design of industrial trucks, and in particular driver cabs, is a core element of both brands' philosophy, which is underscored by the long tradition of the Linde and STILL brands. Linde developed the hydrostatic drive over 50 years ago. It allows intuitive control of the truck, and among other things offers gentle acceleration and braking. Linde industrial trucks still use this technology, which is also the basis for the brand's distinctive twin drive pedals that offer nimble, responsive and safe control of Linde trucks. The same applies to STILL trucks, in which the driver can adjust the driving behaviour individually depending on the task at hand.

### Human body vibration in the spotlight

A particular emphasis of the operating units in the ITS segment place is on reducing human body vibration – mechanical oscillations and vibrations to which the drivers and operators of forklift trucks and warehouse technology are exposed during the course of their everyday work. Even when some individual vibrations are hardly noticeable, in sum they are a considerable burden on operators.

This is why Linde Material Handling has worked hard for over 20 years now on researching and developing technologies to deliver effective protection against these impacts on operators. And it has done so with great success: Linde products not only fall well within legal limits, Linde trucks also regularly outperform the competition in independent tests. In this area too, the Company made progress in the reporting period, with the design of the operator cockpit platforms of the new Linde T20 SP low lift pallet truck and the P60 tow tractor achieving even lower vibration values, as they decouple the operator from the vehicle. And with additional adjustment options, the vehicles now offer even greater ergonomic comfort. Both products will be launched in 2018.

STILL EMEA developed its own rigorous test methods to put new ergonomic comfort technologies through their paces on special test tracks. The vibration load on the driver can be optimally reduced by means of a floating cab mounted on the truck frame, or longitudinal horizontal damping under the seat.

Dematic intralogistic solutions also help to reduce workflow activities that have a particularly adverse ergonomic impact while making the working day safer and healthier – through process optimisations that reduce the number of steps required to perform a task and therefore reduce the number of manual processes required. The goal is to always relieve as much strain on the order-picker as possible. Systems such as the AMCAP automated mixed case palletising system and the RapidPick XT robotic picking system go further still, requiring no operators at all.

# INNOVATIVE SOLUTIONS AND CUSTOMER BENEFIT

The overarching commitment to deliver efficiency, safety and ergonomic comfort also influences the KION Group and its operating units' approach to innovation management, which targets the customer-orientated further development of the product portfolio. A key focus is on the possibilities and opportunities of increasing digitalisation, frequently referred to as Intralogistics 4.0, which arise for the KION Group, its brands and above all its customers. In the current reporting period numerous examples demonstrated the Company's capacity for innovation – which is also a focus of the new 'KION 2027' strategy. From 2018, product portfolio scenario management will evaluate the product portfolio's capacity for innovation.

## Innovations for greater safety and ergonomic comfort

The Linde Load Management safety system is now available on all forklifts with an electric motor or internal combustion engine. Above a nominal load of above 50 per cent, the Linde Load Assist (LLA) function actively intervenes in the front tilt angle and the lifting speed of the industrial truck as soon as the second mast is

reached. In addition, overload protection and load-dependent speed restriction provide even greater safety during operation.

Linde Speed Assist is now being mass-produced. The system adapts the truck's speed to suit different environments by means of a ceiling or radar sensor. The next generation of the system is currently in development; it is zone-dependent and is to be realised in 2018 with the help of Comnovo's UWB technology.

At Linde Material Handling EMEA, work continued in the reporting year on the next generation of the Linde BlueSpot, where a graphic warning symbol is projected on the ground instead of the current blue spot. The upgrade has already been field-tested and will be available from 2018 for all Linde Material Handling EMEA counterweight and reach trucks.

### Automation and connectivity

Following the acquisition of Dematic, the KION Group now provides the full range of Intralogistics 4.0 solutions. These range from smart industrial trucks to fully integrated, automated intralogistics systems that can integrate autonomous industrial trucks as components. Strengthened by the Dematic R&D teams, the KION Group is in an excellent position to support its customers with tailored turnkey solutions. In terms of sustainability, the new solutions increase safety and support accident-free operator-machine interaction. Big data, which involves the analysis of vast amount of data, and the intelligent handling of the abundance of available information are major challenges.

Numerous product developments in 2017 in both segments served to further improve the automation and connectivity of warehouse and logistics solutions. For customers this will further accelerate processes, allow seamless integration of all production and logistics steps, and offer even greater performance in the same space. › KION Group Annual Report 2017 – Automation and connectivity

In addition, the KION Group and its operating units expanded their range of fleet management solutions. Under the name Truck2Cloud, work is currently underway on a cross-brand solution for fleet management.

› Marathon machines: driverless Egemin industrial trucks in operation at Meffert AG – 'RESPONSE & Responsibility' Magazine

## SUSTAINABLE PROCUREMENT

**G4-12, G4-56, G4-EC9, G4-EN32, G4-LA14, G4-HR4, G4-HR5, G4-HR6, G4-HR10**

The KION Group understands sustainability as covering the entire value chain and including both suppliers and business partners. In 2017 the global purchasing volume of the KION Group and its operating units amounted to €4.3 billion (2016: €3.7 billion). The Company has around 46,000 suppliers in total, and sources parts and components through well in excess of 235,000 part numbers. Over half of the KION Group's purchasing volume is attributable to direct production materials, with just under a quarter accounted for by auxiliary materials and operating supplies. The remaining quarter includes insurance policies, services and expenditure on IT, for instance.

The KION Group's purchasing organisation is global and operates with a cross-brand and transregional material group structure. Centrally managed and controlled, the organisation aims to identify overarching synergies such as by pooling purchasing volumes, know-how or resources. To achieve this, the purchasing organisation is also present at the individual locations, supporting them with ongoing business as well as with developing new projects. Clear principles in the KION purchasing policy, which was redefined in the reporting year, govern the Company's procurement process.

Stable partnerships with suppliers are essential to the KION Group to ensure products are of a high quality and innovative. The KION Group strives for long-term business relationships with strong and competitive suppliers. Suppliers are only changed if the changes bring commercial, technical or quality improvements, or if delivery risks are minimised. The Best Cost Country Sourcing approach is always followed, which states that comparable products must always be sourced from the country with the

most cost-effective bundle of costs, technology, innovation and service. The KION Group therefore strives to support and promote local supplier structures within a partnership-based framework. However, the selection of the technically and commercially best-positioned partner is always decisive in sourcing decisions. In view of the complexity of products this principle cannot always be fulfilled locally or regionally; the purchasing structure of the respective plant therefore depends to a large extent on that particular plant's production and product structure.

Depending on the production location the KION Group sources between 30 and 95 per cent of its material and component requirements locally, from the respective domestic market. The KION Group sources around 80 per cent of its purchasing volume from Europe, around 13 per cent from North America, 5 per cent from Asia and 2 per cent from the world's other regions.

For the KION Group's Purchasing departments, steel sheets and metal components (e.g. cast and forged parts) account for the largest types of material in terms of quantity. Around 80 per cent of the Company's net purchasing volume is sourced from 1,050 key suppliers. The key components of KION forklift truck and warehouse technology equipment in the Industrial Trucks & Services segment is manufactured by the Company itself, specifically the lift masts, axles, counterweights and chassis. This means customers can expect high quality, prompt supply and dependable availability of spare parts. Further components, such as hydraulic and electronic components, rechargeable batteries, engine components and industrial tyres, are purchased through a global procurement system.

In the Supply Chain Solutions segment, the precisely specified system components for each customer project – such as automated guided vehicles, palletisers or storage and picking equipment – are primarily manufactured in-house but also partly by quality-audited third-party suppliers approved by KION.

The challenges for KION Purchasing lie mainly in managing global and increasingly complex supply chains. This requires countering geopolitical or reputational risks and responding flexibly to fluctuations in production or exchange rates. On top of all this, the KION Group has to compete for the most capable and innovative suppliers.

## Sustainability in supplier management

The KION Group's specific specifications and regulations also set out the Company's sustainability requirements on its suppliers. The KION Group's Principles of Supplier Conduct, approved in 2015 by the Executive Board, establishes the framework for this. Focused on the most important procurement markets, it is available in eight languages and sets out clear environmental and ethical guidelines for KION's supplier management activities. It also includes the expectation on all suppliers that they will respect human rights and uphold international social standards. These include the ban on child and forced labour in accordance with International Labour Organization (ILO) conventions, as well as the enforcement of statutory minimum health and safety standards (see the KION Group Principles of Supplier Conduct).

The KION Group was not notified of any significant violations of these principles in the reporting year. Furthermore, the Company has no evidence that its individual suppliers may have infringed human rights, in particular the right to freedom of association or collective bargaining, as well as the ban on child and forced labour. If the KION Group becomes aware of violations of these principles, such as through audits or notifications, this can lead to the barring of the supplier concerned.

The KION Group Code of Compliance contains a section with specific rules of conduct for the area of purchasing and procurement. According to this, purchasing decisions must be strictly aligned with the Company's interests, which exclusively concern objective criteria such as quality, technology, price, production requirements, or logistics. Purchasing employees are explicitly banned from seeking personal benefits in return for preferential treatment, with the acceptance of gifts and invitations also restricted to an absolute minimum.

General Purchasing Terms at Group and brand level supplement these principles and provide detailed guidelines such as on how to meet transparency requirements under the European REACH chemicals regulation as well as the EU Restriction of Hazardous Substances Directive (RoHS). Compliance with the respective regulations and laws is essential to the KION Group and an integral part of supplier framework agreements.

Each Purchasing department is responsible for monitoring compliance with guidelines. Going forward, dedicated Commodi-

ty Managers for each product group will play a key role in helping to integrate sustainability factors even more deeply, and devise specific solutions in the event of deviating standards among suppliers. As a first step, in 2017 Linde Material Handling's purchasing executives were trained on relevant sustainability aspects.

To avoid delivery bottlenecks due to raw-material shortages or economic difficulties with key suppliers, the KION Group ensures it has an adequately diversified pool of suppliers. Currently, suppliers are being categorised across the Group according to their commercial, qualitative, logistical and technical capabilities, with both measurable factors and subjective assessments included in the analysis. This can also provide clarity on how suppliers are meeting their obligations under the KION Group Principles of Supplier Conduct with respect to their work practices, environmental criteria and the upholding of human rights. On the one hand, the objective is to achieve greater transparency concerning suppliers and their performance, also with regard to sustainability aspects, and in doing so to enable Purchasing to improve its market development activities. On the other hand, a supplier portfolio is to be created for each material group to further optimise supplier and sourcing strategies.

Another objective is to evaluate existing risks and take preventative and targeted steps to counter these through a corresponding supplier assessment. Specific measures, particularly in regard to the monitoring of reputational and compliance risks, geopolitical risks, environmental risks and other potential outage-related risks (such as strikes, logistics-hub failures, etc.) along the supply chain are planned for 2018. As a first step, discussions were held with EcoVadis in the reporting period. It operates a collaborative platform that provides CSR ratings on suppliers for global supply chains. With EcoVadis's ratings, the KION Group aims to increase the transparency of individual suppliers' sustainability performance, manage risks and opportunities in a more targeted way with regard to the sustainability of their supply chains, and in doing so generate competitive advantages and added value for the Company. In 2018 the process of rating the strategic suppliers by EcoVadis will be launched. Individual topics, such as the integration of sustainability aspects into the product group strategies are already being expanded upon in working groups. Furthermore, purchasing management is assisting suppliers to improve their production processes and ensure they have efficient and capable structures.

# ENVIRONMENT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# Environment and environmental protection

**As a manufacturing company, the KION Group has a special responsibility when it comes to protecting the environment and using resources responsibly. This aspiration is also reflected in the Company's sustainability strategy. Five of the fourteen action fields have an environmental focus that ranges from environmental protection and climate protection, resource efficiency and social and environmental standards in the supply chain, through to energy- and resource-efficient products. The KION Group sets itself ambitious goals and specific measures to improve its environmental performance. Frequently, in addition to the environmental benefit, economic added value is also created – which means that the environment and Company benefit at the same time.**

## MANAGEMENT APPROACH TO THE ENVIRONMENT

G4-14

Environmental responsibility comprises two aspects for the KION Group and its operating units. On the one hand, the Company intends to help its customers save energy and reduce emissions as well as improve efficiency and performance (see the section Products and solutions). On the other hand, the KION Group aims to reduce its environmental impact within the Company, prevent environmental pollution, and create environmental and economic benefits through the responsible use of resources such as water. In addition, HSE management at the Company also includes the aspiration to ensure that work processes across the KION Group are safe and that they do not have a negative impact on employee health (for further information on occupational health and safety see the section Employees).

The KION Group Code of Compliance (KGCC) and the HSE policy derived from it provide the frameworks for its activities. This applies in particular to the compliance of national laws and standards to which the KION Group is subject as a global company. Furthermore, it pledges to:

- use energy and raw materials efficiently
- utilise materials, products and procedures which correspond to the best environmental practices in each case
- minimise the amount of waste it produces by improving raw material use and utilising recyclable materials
- establish safe working conditions and ensure they remain so, as well as train its employees accordingly (see the sections Employees/Occupational safety).

The KION Group is committed to the precautionary principle. This is explained in detail by the HSE policy, in which the underlying approach and cornerstone of the Company's health, safety and environment (HSE) activities have been embedded ever since 2013. It was revised in 2017 in parallel to the roll-out of the KION sustainability strategy, and a Group-wide minimum HSE standard is being worked on.

The Company has also set out HSE regulations at an operating unit level as well as at a sales and service company level. While these are based on the Group standard, they set specific strategic priorities based on local considerations such as protection against natural catastrophes.

### Instruments and processes

KION employs a range of processes and tools to help it manage HSE at the KION Group. The KION audit programme, which monitors compliance with laws as well as internal HSE standards, is of central importance in this regard. The results of the regular audits are evaluated systematically and taken into account in the development of the minimum HSE standards as well as in setting the top 20 measures. By focusing on measures that can be implemented very quickly and effectively, the KION Group aims to achieve a measurable impact as speedily as possible through its efforts. Implementation of the selected measures is followed up methodically. In 2017 the HSE Group function conducted nine audits (2016: nine) within the KION Group. On top of this, numerous additional audits were performed at operating unit level.

In the reporting year the central HSE audit programme was expanded to cover the sales and service companies – in addition to the individual operating units' existing audit processes.

**Results of KION Group environmental protection audits 2012-2017** TABLE 6

| | Current audit<br>Basis: 20 plants, initial audit for 4 plants | Current audit<br>Basis: 16 plants | Previous audit<br>Basis: 16 plants |
|---|---|---|---|
| Average result:<br>Level of fulfilment of the defined audit criteria (max. 100 percent) | 80% | 83% | 77% |

Another important tool for HSE management is the central management report, which the operating unit and plant HSE departments produce each year. In it, those responsible report on their activities, describe the current situation as well as their goals, and produce specific action plans with KPIs. The individual measures and KPIs are scrutinised and recorded as part of the audit programme to ensure implementation.

## Internal communication and corporate culture as critical success factors

In the field of HSE in particular, internal communication and employee motivation are crucial to success. The objective is to establish a culture in which sustainable business practices become part of the everyday working practices of each individual employee. Here too, the KION Group has numerous initiatives – ranging from the regular meeting of experts in the HSE network, through to its Group-wide Safety Championship (see also KION Safety Championship), which was expanded in the reporting year to include environmental aspects.

An intranet site, which serves as the central information platform, raises KION employees' awareness of the topic of HSE, encouraging them to use resources responsibly. In the reporting year, the Company updated the site content and made it more user-friendly. Accessible by all employees, it includes the full spectrum of relevant HSE regulations and also serves as a platform to exchange information at a local level as well as to share best practices between individual locations. Regular meetings and conferences involving those responsible for HSE together with routine reporting in internal media round off the package of internal HSE communication measures.

## From measurement to control – KPI management established

The KION Group has operated an internal HSE reporting system ever since the KION Group was established over a decade ago. Since 2016 the data for all sustainability KPIs has been managed centrally using a software solution that is accessible Group-wide. This was done to allow the KPIs to be controlled in a targeted manner and to create a basis for internal and external reporting.

In 2017 the assessment of locations in relation to their potential HSE risks was completed. The individual locations were initially assessed locally with regard to their present range of activities and the type of plant. This view was supplemented by the status of the existing management system. In addition, the risk situation was assessed from the Group's perspective; this provided a picture that captures the individual factors while also offering a complete overview at Group level.

The results confirmed the KION Group's previous risk assessment: the Company has an average cross-sector HSE risk rating. Environmental risks are posed by a variety of factors including foundries and paint shops. In addition, the topic of environmental protection is also of relevance when working on customers' sites owing to the very different areas of deployment. To meet these demands, Linde Material Handling EMEA, for instance, has a comprehensive policy that governs service-related activities ranging from maintenance to waste disposal.

Based on the risk assessment, measures are currently underway to further minimise the identified risks. Furthermore, the relevant locations will undergo a targeted audit.

## Group-wide certification is the objective

Certified management systems establish clear, verifiable processes and require the documentation of achieved standards; in doing so they lay the basis for systematic further development in central action fields. The KION Group aims to gradually establish a certified HSE system – and where practical, also an energy management system at all of its locations. To achieve this objective it certified additional locations in 2017, with the Stříbro production plant in the Czech Republic, among others, receiving ISO 14001 (environmental management) certification.

Since 2016 the KION Group has employed the ISO certification system at all of its production plants, as well as at sales and service support points globally. **> Table 7** shows the current level of certification. By 2019 all production plants as well as sales and service locations are to be ISO 14001 certified. In the same year, KION also aims to have rolled out an ISO 50001 compliant energy management system at its 25 reporting entities with the greatest energy use. Other equivalent certification systems such as EMAS are also permitted.

In the reporting year, 349 internal and 82 external environmental management audits were performed at the Company's operating entities in addition to its central HSE Group audits.

**Environmental management system certification status** TABLE 7

| | ISO 14001* |
|---|---|
| | Percentage certified |
| Plants & Administration | 50% |
| Sales & Services | 36% |
| **Total** | **38%** |

360 locations considered
* or equivalent standard

## Focus areas and challenges

Active environmental and climate protection as well as the responsible use of resources are top priority at the KION Group. The Company takes into consideration environmental and economic aspects, as a constant reduction in the amount of energy it uses improves both its production cost-structure as well as the Group's $CO_2$ footprint. A lower volume of waste, achieved by preventing waste, and a higher recycling rate also have a direct impact on the bottom line. Identifying potentials and achieving savings – especially when using resources and preventing emissions – are core challenges for the Company.

In the area of the environment, the KION Group has identified a host of key objectives, including ensuring that it meets environmental laws around the world – an ongoing task at a company with hundreds of locations in over 30 countries with ever-changing environmental frameworks.

But the KION Group intends to go further still. The heart of its self-commitment is to continuously improve – an aspiration that drives the Company and its employees. When it comes to climate protection, the KION Group goes beyond statutory regulations and is setting itself ambitious targets to reduce its $CO_2$ footprint along the entire value chain. To ensure it uses resources as efficiently as possible, it considers a product's entire lifecycle. In doing so, a clear hierarchy applies, where avoidance takes priority over reduction, reuse and recycling.

## ENVIRONMENTAL PROTECTION

**G4-EN8, G4-EN22, G4-EN23, G4-EN24, G4-EN29**

In the environmental protection action field, the KION Group aims to minimise the environmental impacts of its activities through active management. Key areas of this include the environmentally friendly handling of waste and use of water. As one of the top 20 environmental protection measures, the KION Group's minimum standards that are currently in planning will also be expanded to cover distributors. To achieve this, an implementation plan is in development.

The Group's activities focus on the aspiration to avoid environmental pollution and extraordinary environmental events. For example, adverse effects on the environment and on society can be caused by leakages or liquids escaping as a result of exceptional events. The KION Group environmental management system takes these circumstances into account through preventative (such as preventative maintenance and testing) and risk-prevention measures. The minimum HSE standards that are planned Group-wide also counter the aforementioned risks.

The structured approach serves to ensure the set objectives are implemented and the necessary standards are met. One proof of the success of this methodology is the fact that there were no significant pollution incidents in the reporting year. Furthermore, no significant fines or penalties for non-compliance with environmental standards were imposed either.

### Hazardous substances in production

Hazardous substances in production pose a constant risk to employees and the environment. This is why the KION Group has set itself the objective of banning hazardous and critical substances from its production processes. To achieve this, it is working on a blacklist that identifies the particular substances. In 2018 it will have completed its work to produce an inventory of critical substances used in production; it will have also planned the phase-out process by then, so that it can give its programme the green light as soon as possible after that.

### Water use and waste water

Using water sparingly comes naturally to the KION Group, not least for cost reasons. As its business activities only have a relatively low impact on water quality, the KION Group does not need to carry out its own pretreatment prior to discharge, except for the use of volatile liquid separators. Neither is the Group bound by law to measure its water consumption. Owing to the negligible environmental impact and primarily local significance of the topic, the KION Group has no Group-wide water-use plan; however, measures are identified and taken at a local level as part of environmental management activities.

In 2017 the KION Group used a total of 653,220 $m^3$ of water Group-wide (**> Table 8**). The majority of this came from communal supplies, and was also returned to the water system via the public sewage system (**> Table 9**). Comparatively water-intensive processes exist such as at foundries (furnace cooling) as well as at forklift washing bays. In the reporting period the Jingjiang plant in China caught the Company's attention because of its high water consumption due to leaks. Measures to remedy these were taken promptly and successfully.

To further reduce its water consumption, 25 of the reporting entities have set themselves specific water-savings targets. In this regard, the measures are just as diverse as the processes in the Company and range from checking for water leaks, through reusing rinse water, to installing water-saving appliances and the continuous monitoring of water consumption. Last but not least, through internal communication measures the Company is raising awareness among its employees of the importance of the sparing use of water.

**Water withdrawal G4-EN8** TABLE 8

| in $m^3$ | 2017 | 2016 |
|---|---|---|
| **Water withdrawal** | **653,220** | **455,385** |
| Municipal water supply | 622,631 | 437,490 |
| Ground water | 24,249 | 17,394 |
| Other sources (surface, rainwater, waste water etc.) | 6,340 | 501 |

2017: All consolidated reporting entities
2016: All consolidated reporting entities; excluding Dematic (acquisition in November 2016)

**Waste water G4-EN22** TABLE 9

| in $m^3$ | 2017 | 2016 |
|---|---|---|
| **Water discharge** | **550,818** | **430,490** |
| Sewage | 548,478 | 429,537 |
| Surface water bodies | 88 | 81 |
| Other destinations | 2,251 | 872 |

2017: All consolidated reporting entities
2016: All consolidated reporting entities; excluding Dematic (acquisition in November 2016)

## Waste and recycling

The KION Group's production plants in particular generate a wide variety of waste (**> Table 10**). In 2017 this amounted to 69,372 tonnes of waste globally across the KON Group (2016: 51,134 tonnes*). The waste is separated locally into its constituent parts, and if it cannot be reused or recycled, is disposed of in accordance with local regulations. Differing national regulations and laws governing waste management are a constant challenge to international companies such as the KION Group.

59,446 tonnes (86 per cent) of the total waste volume was classified as non-hazardous, whereas 9,926 tonnes (14 per cent) was hazardous. At the KION Group, this hazardous waste mainly comprises waste lead-acid batteries, waste paint, solvents, and waste oil.

* Excluding Dematic (acquisition in November 2016)

**Waste G4-EN23** TABLE 10

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| in t | non-hazardous | hazardous | Total | non-hazardous | hazardous | Total |
| **Total amount of waste** | **59,446** | **9,926** | **69,372** | **41,965** | **9,169** | **51,134** |
| **Waste recovered** | **48,103** | **5,549** | **53,652** | **35,997** | **5,872** | **41,869** |
| Recycled | 34,029 | 4,766 | 38,796 | 22,057 | 5,126 | 27,184 |
| Prepared for reuse | 13,839 | 460 | 14,299 | 13,748 | 480 | 14,228 |
| Other recovery method | 235 | 323 | 558 | 192 | 265 | 458 |
| **Waste disposed** | **11,344** | **4,376** | **15,720** | **5,968** | **3,297** | **9,265** |
| Incineration | 972 | 887 | 1,859 | 284 | 461 | 745 |
| Landfill | 6,313 | 263 | 6,576 | 1,690 | 233 | 1,924 |
| Other disposal method | 4,058 | 3,226 | 7,285 | 3,993 | 2,602 | 6,596 |

2017: All consolidated reporting entities
2016: All consolidated reporting entities; excluding Dematic (acquisition in November 2016)

The KION Group's fundamental objective is to continually reduce the amount of waste it generates, to avoid negative environmental impacts and reduce costs at the same time. In this regard, systematic reuse is a key driver in further increasing environmental sustainability in waste management. Across the KION Group 77 per cent of waste is already recycled today, of which materials account for the majority. By 2018 the Company intends to set a specific reuse and recycling rate target in the environmental protection action field. This will then be used as the basis for setting and implementing waste management programmes both at a Group and local level.

In the reporting period the KION Group developed a better understanding of volume flows thanks to its internal sustainability reporting process as well as numerous workshops at its sales and service units. As a result, it was able to identify the factors driving waste generation.

44 reporting entities currently pursue specific targets to reduce their waste volume, of which 14 are plants and 30 are sales and service business units. Measures including the electronic transmission of documents, reuse of packaging materials, improved waste separation, and raising employees' awareness regarding the separation and avoidance of waste are helping the Company to achieve its targets.

› Environmentally aware: Linde employee Chen Meifen has taken waste separation to heart – RESPONSE & Responsibility Magazine

## Further environmental impacts

Wherever the KION Group is active, it works to minimise the impact of activities on the environment and its immediate neighbours. Filter and exhaust-extraction systems such as at welding workshops and paint shops make a major contribution to preserving the quality of air and water. In the reporting year, a post-combustion plant for volatile organic compounds was installed at KION's Xiamen plant in China. By taking this step, the plant now exceeds statutory requirements and contributes to reducing local pollution.

Effective monitoring systems at the KION Group's locations ensure that it responds quickly in an emergency and prevents environmental damage to the greatest extent possible.

Noise emissions, particularly at KION's production plants, are minimised wherever possible through plant specifications and protective measures.

The KION Group also sees itself as responsible for land use and the sealing of surfaces. As at the end of the reporting year

the KION Group's locations covered an area of 3,493,100 $m^2$, of which 2,257,514 $m^2$ were sealed.

Sustainability aspects also played a key role in the construction of KION's new corporate headquarters in Frankfurt am Main, Germany. The new building meets the demanding requirements of the LEED (Leadership in Energy and Environmental Design) system. This global sustainability certification system stipulates a host of standards for environmentally friendly, resource efficient and sustainable construction. Certification was awarded to the KION Group in December 2017.

## CLIMATE PROTECTION

**G4-EN3, G4-EN15, G4-EN16, G4-EN17, G4-EN21, G4-EN30**

The KION Group fully intends to minimise its contribution to global warming and strives to continuously reduce its greenhouse gas (GHG) emissions. This is why the KION Group has committed itself as part of its climate protection action field to setting a greenhouse gas emissions reduction target by 2018, and to establish the programme required to achieve this.

$CO_2$ emissions can trigger adverse environmental and social impacts. Besides production related energy use these are generated predominantly during the products' utilisation phase (see chapter Products and services), by service vehicles as well as by employee business trips. In addition, greenhouse gas emissions are produced in the upstream chain, such as during the production of materials and component products. Logistics and transportation activities also generate greenhouse gas emissions and lead to road-traffic growth.

To counter these effects, in the reporting year KION held targeted climate management workshops. Among other things, they examined the extent to which the KION Group can set itself a science-based climate target in line with the outcomes of the Paris Agreement and which helps limit global warming to below 2°C. A target was formulated as an ambition. Furthermore, the KION Group analysed its corporate carbon footprint in 2017; Scopes 1 and 2 were examined in full, whereas Scope 3 was only examined for relevance to the topic of products.

When identifying suitable measures to reduce greenhouse gases, the KION Group – just like almost every other industrial company – faces the challenge of technical restrictions. Among them, the coke required for the smelting process to produce counterweights cannot simply be reduced.

This is why all measures follow this priority ranking: the Company will constantly strive to achieve a reduction in its $CO_2$ emissions. If it cannot go any further, it will endeavour to substitute fuels with lower-emission fuels. And once this measure does not deliver further reductions either, it will then counter the impact of its $CO_2$ emissions through offsetting measures.

When procuring company vehicles, their $CO_2$ emissions are a criterion. The regular sharing of experiences in the HSE network of experts, as well as measures to raise employee awareness such as the start of the Group-wide Climate Championship in 2018, also help the KION Group make further progress in the area of climate protection.

### Energy use

Reducing the amount of energy it uses is the KION Group's key lever in minimising its impact on climate change – and also one of the key environmental cost factors. The smelting process in the foundries and the use of service vehicles at sales and service units are particularly energy intensive.

In 2017 the KION Group used 2,378 terajoules of energy (**> Table 11**), whereby direct energy consumption accounted for 1,595 terajoules, and 742 terajoules were accounted for by transportation. 783 terajoules of energy were used indirectly Group-wide in 2017, i.e. primarily through purchased electricity.

**Energy use G4-EN3** TABLE 11

| in GJ | 2017 | 2016 |
|---|---|---|
| **Total energy consumption (direct+indirect)** | **2,377,535** | **2,015,112** |
| **Direct** | **1,594,510** | **1,355,965** |
| **Non-transport (buildings, production etc.)** | **852,923** | **669,385** |
| Natural gas | 494,612 | 458,555 |
| Coaking coal | 276,061 | 145,698 |
| Diesel | 42,592 | 27,934 |
| Oil for heating | 21,310 | 21,768 |
| Others (gasoline, ethanol, LPG, coal, woodchips, hydrogen, CNG, LNG) | 18,348 | 15,430 |
| **Transport (fleet etc.)** | **741,587** | **686,579** |
| Diesel | 659,939 | 621,556 |
| Gasoline / petrol | 71,336 | 53,089 |
| Others (ethanol, LPG, hydrogen, CNG, LNG) | 10,312 | 11,934 |
| **Indirect energy consumption** | **783,025** | **659,147** |
| Electricity | 671,668 | 507,257 |
| Heating | 103,949 | 133,873 |
| Steam | 7,409 | 18,017 |

2017: All consolidated reporting entities
2016: All consolidated reporting entities; excluding Dematic (acquisition in November 2016)

A range of measures were also rolled out across the KION Group in 2017 to further reduce its energy consumption. Currently, 49 reporting entities follow specific energy-reduction targets, comprising 19 plants as well as 30 sales and service locations. Besides the use of energy-saving lighting and sensors, the use of photovoltaic systems is also being assessed. An initial system is currently under construction at one production plant and will enter into operation in 2018.

24 units currently use renewable forms of energy, and 45 units have implemented green IT measures to reduce their energy consumption. 50 reporting entities are working on specific measures to improve their transportation activities, including the optimisation of route planning and the use of GPS to avoid multiple trips.

The KION Group intends to establish Group-wide minimum energy standards for all units. To achieve this objective it is expanding the scope of its HSE minimum standard in 2018 and also supplementing its HSE manual with corresponding organisational principles, documents and forms. With this in mind, the KION Group intends to roll out an ISO 50001-compliant energy management system at its 25 reporting entities with the greatest energy use. Last but not least, it will give greater importance to climate protection aspects – which also means reducing its energy consumption – within the framework of the KION HSE audit process.

## Emissions

The KION Group generates GHG emissions almost exclusively through its use of energy (**> Table 12**). It has presented these emissions in accordance with the internationally recognised rules of the Greenhouse Gas Protocol. Its consumption data are converted using emissions factors taken from the DEFRA database (Department for Environment, Food and Rural Affairs, UK, as at 2015). Around 51 per cent of the KION Group's GHG emissions are direct, with 49 per cent accounted for by indirect emissions. Volatile organic compounds (VOCs) are released particularly by the Group's paint shops.

## GHG emissions G4-EN15 - 17

TABLE 12

| in kg $CO_{2e}$ | 2017 | 2016 |
|---|---|---|
| **Total greenhouse gas emissions (Scope 1,2,3)** | **231,416,502** | **206,682,687** |
| **Direct (Scope 1)** | **118,071,037** | **96,681,253** |
| Diesel (Scope 1) | 52,221,480 | 48,278,767 |
| Natural gas (Scope 1) | 28,157,167 | 26,104,523 |
| Coaking coal (Scope 1) | 29,682,668 | 15,665,787 |
| Gasoline / petrol (Scope 1) | 5,066,817 | 3,742,010 |
| Oil for heating (Scope 1) | 1,536,366 | 1,569,350 |
| Others Scope 1 (ethanol, LPG, coal, woodchips, hydrogen, CNG, LNG) | 1,406,538 | 1,320,816 |
| **Indirect (Scope 2)*** | **76,063,583** | **76,238,411** |
| Electricity purchased | 69,434,384 | 65,407,973 |
| Heating purchased | 5,080,603 | 7,064,605 |
| Steam purchased | 1,548,596 | 3,765,833 |
| **Other indirect GHG emissions from direct and indirect energy use (Scope 3)** | **37,281,881** | **33,763,023** |
| Scope 3 emissions from direct energy use | 20,719,330 | 17,431,082 |
| Scope 3 emissions from energy purchased | 16,562,551 | 16,331,941 |

* Location-based calculation
2017: All consolidated reporting entities
2016: All consolidated reporting entities; excluding Dematic (acquisition in November 2016)

## Other significant air emissions G4-EN21

TABLE 13

| in kg | 2017 | 2016 |
|---|---|---|
| **Other significant air emissions** | **1,728,691** | **248,868** |
| Carbon monoxide (CO)* | 1,230,492 | – |
| Volatile organic compounds (VOC) | 349,065 | 229,787 |
| Nitrogen oxides ($NO_x$) | 26,393 | 2,724 |
| Particulate matter (PM) | 7,251 | 503 |
| Others ($SO_x$, phosphates etc.) | 115,490 | 15,853 |

* Separate reporting for 2017 due to changes in consolidation structure
2017: All consolidated plants
2016: All consolidated plants; excluding Dematic (acquisition in November 2016)

The KION Group does not participate in emissions trading. Clear targets and comprehensive measures are intended to help further reduce the Group's emissions. 20 of its reporting entities have set specific GHG emissions reduction targets, while 37 aim to make specific process optimisations to reduce energy and GHG emissions, and 23 already use technologies to reduce GHG emissions. Two examples: roofing the foundry's coal / coke bunker at the Weilbach plant lowered consumption of this fuel by around 10 per cent, with a corresponding drop in $CO_2$ emissions. Project Sunshine at the Summerville plant in the US aims to generate

around 80 per cent of the energy required for production processes through solar energy in future.

› USA: Sunshine for the production plant halls – ‘RESPONSE & Responsibility’ Magazine

The Company’s comprehensive awareness-raising programmes on energy consumption and emissions have already reached around 31 per cent of employees, particularly those at its production plants. In the reporting year this included the training of executives on the topic of sustainability, in which over 200 executives took part.

## RESOURCE EFFICIENCY AND USE OF MATERIALS

**G4-EN1**

For a production company such as the KION Group, the efficient use of resources is both a key aspect of taking environmental responsibility and an operational necessity.

As it is still undertaking an accurate assessment, the Company has used information available as part of its Life Cycle Assessment activities to present its material use. Its Life Cycle Assessments, which were produced in 2014 at Linde Material Handling EMEA and updated in 2016, show clearly that reducing energy use in the product utilisation phase is the greatest lever in reducing the Company’s environmental impact. This is why the KION Group and its operating units pay great attention to this aspect, also as part of their product development activities. However, environmental considerations also play a role in terms of material selection, whereby the KION Group also considers the overall environmental impact of the materials and raw materials used, with newly introduced substances subjected to their own check.

As part of the KION Group’s internal sustainability reporting process, 26 reporting entities stated that they have specific material consumption targets, ranging from increasing the recycling rate of waste batteries to reusing waste components – all without affecting quality in any way whatsoever.

### Material-use pilot project

To establish a Group-wide methodology to calculate its material use, a pilot project was run in 2016 at the German plants of Linde Material Handling EMEA. The 2016 results identified a total use of direct materials of 109.57 million tonnes (75 per cent of all materials covered, based on mass). This is broken down as follows into the key materials: iron 57 per cent, steel 33 per cent, plastic 7 per cent and other materials 3 per cent. The pilot project forms the basis for a comprehensive assessment of the Group’s material footprint, which will also enable it to derive corresponding targets and measures. At the same time it will also assess the environmental impacts associated with the use of materials in the supply chain.

These measures form the basis for the Company to set a Group-wide target to improve its resource consumption and launch a corresponding Group-wide programme in 2019, which it will expand in 2020 to include local programmes.

# EMPLOYEES


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# Employees

**Everyone who joins the KION Group as an employee can expect a dynamic and challenging working environment within a global Group. The Company's aspiration to lead also shapes its HR strategy. Knowledge and expertise, motivation and willingness, passion and enthusiasm – these qualities are expected of every single person in the Company. At the same time, the KION Group offers its more than 31,000 employees numerous personal and professional development opportunities and chances to be successful together with the Company.**

## MANAGEMENT APPROACH TO EMPLOYEES

**G4-11, G4-56**

The primary objective of all HR measures within the KION Group is to support the Company's corporate strategy 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 recruit and retain such employees, the KION Group and its operating units position themselves as good employers that offer their employees interesting development opportunities. The KION Group is also constantly enhancing its employer brands – something that is repeatedly recognised outside the Company too.

### HR challenges

KION's Group-wide governance model is based on clear organisational principles and responsibilities. Examples of this include its Group organisation based on operating units as well as the launch of its Group-wide CTO organisation in 2016. The transformation of the organisational structure initiated in the previous year has since been largely implemented.

With the acquisition of Dematic in 2016, the KION Group heralded the start of a new chapter in the Company's history. In 2017 the HR department's activities focused on integrating the new business segment into the Group. As part of this, KION governance was expanded to encompass Dematic by, among other things, including the integration of Dematic's key organisational departments (particularly Development) into the CTO organisation, integrating Dematic IT into the KION Group IT department, and embedding Egemin Automation into the Dematic organisation.

The objective to maintain the uniqueness of the operating units while promoting collaboration within the Group remains one of the key HR challenges. On top of this, the Company faces varying challenges, ranging from demographic change in the individual regions, through to the digital transformation – frequently referred to as Industry 4.0. It is therefore essential in an increasingly competitive world to recruit and retain qualified new talent with the requisite expertise, especially in the fields of software development and IT. To achieve this objective the Group established corresponding projects in 2017.

As a strong, successful and clearly positioned company, the KION Group is well equipped for the battle to recruit young high potential employees and can offer them excellent employment conditions and development opportunities from an international perspective. With the Company's recruitment policy, its own and its products' solid reputation, and its reputation for good working conditions and remuneration terms, the KION Group can also counter the demographic development that is leading to an increasing shortage of new talent in many Western industrialised countries – particularly Germany.

› Award-winning: Why STILL GmbH has been a top employer for years – 'RESPONSE & Responsibility' Magazine

The average age of employees at Linde Material Handling GmbH has remained almost constant for many years at around 41 years old, and at STILL GmbH it is around 42. This shows the success of measures aimed specifically at countering an ageing workforce. In both companies this includes the relatively constant, high number of apprentices that are taken on as well as the targeted

balancing of age-related exits with young, high potential candidates from outside the Company.

## HR strategy implemented systematically

With its Group-wide HR strategy, the KION Group sees itself as well equipped to meet the aforementioned challenges. With its 16 topic areas, the strategy encompasses the essential aspects of HR activities and aims to develop an integrated, Group-wide approach with uniform standards. Additional initiatives to further develop HR tools were established during 2017, and some of these were already rolled out in early 2017.

One example includes the Organization Capability Talent Review (OCTR), a standardised Group-wide process for performance talent and succession-planning management. The review is based not only on the recently defined competence model, but also on the joint values and leadership guidelines adopted at the end of 2017. The development of corporate values is a milestone in the KION Group's history: this was a multi-stage process involving around 1,000 employees from all operating units, countries and hierarchical levels. Every employee around the world was able to apply to participate in the development process. Thanks to the hundreds of applications, it was possible to form a diverse group of participants in terms of cultural, functional and demographic aspects; this ensured that the different perspectives were heard in the eleven workshops held around the world, and that all employees can now identify with the common KION Group values of Integrity, Collaboration, Courage and Excellence.

**Overview of KION Group values** FIGURE 5

| INTEGRITY | COLLABORATION | COURAGE | EXCELLENCE |
|---|---|---|---|
| **We do what is right.** | **We trust each other.** | **We change and innovate.** | **We create outstanding customer value.** |
| › We act according to ethical, sustainability and compliance standards.<br>› We say what we do and 'walk the talk'.<br>› We never walk away from our commitments.<br>› We communicate truthfully, openly and timely. | › We approach our tasks with a strong and collaborative team spirit.<br>› We share ideas openly and strive for full commitment.<br>› We establish strong long-term relationships.<br>› We treat others as we would like to be treated ourselves. | › We encourage new ideas.<br>› We value different opinions and diversity.<br>› We embrace new solutions and take calculated risks.<br>› We take action and contribute to our shared goals. | › We shape the industry through innovation.<br>› We understand our customers' needs and deliver superior solutions and services.<br>› We continuously increase efficiency and simplicity.<br>› We invest in our people and technology to secure future success. |

The core indicator for developing the KION Group organisation further is the Organizational Health Index (OHI). It is recalculated on an ongoing basis and serves as the indicator for the organisation's performance while also highlighting areas of action for pos-

sible improvement. A feature of this method is the benchmarking of the Group's results against other companies. The first measurement at the KION Group was performed in summer 2015, with another measurement performed in the reporting year. This time, the survey covered 3,060 executives from all levels – significantly more than in the first survey. The participation rate was 81 per cent (2015: 88 per cent). It showed improvements in all areas, with the KION Group advancing to the second quartile of all surveyed companies with 68 points (2015: 62 points, 3rd quartile). The next OHI survey is scheduled for 2019.

The survey findings also feed into the 'Lift up' change initiative, the second wave of which started in 2017. While wave one served to embed the new corporate structure and governance among KION employees, wave two aims to create a shared identity. Underpinning this are the corporate values and leadership guidelines developed as part of the OCTR process, which were communicated Company-wide at the end of September 2017.

As in the first wave, 'Lift up' team workshops are currently being held around the globe. The aim is to ensure that employees understand the KION Group's values and leadership guidelines both at a personal and team level, and that they embrace these in their daily work. The workshops follow a cascading approach, and are expected to be completed by the end of February 2018. For the remainder of 2018, further measures are planned to embed the corporate values alongside the communication and cascading of the 'KION 2027' strategy.

## Group-wide minimum employment standards

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 standards in the workplace and to paying its employees in line with the industry average in their 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 to the Group management at any time, including anonymously via a compliance hotline.

## Codetermination

Involving employees in codetermination matters as well as actively shaping industrial relations, comes naturally to the KION Group. Internal consensus and stable social structures are traditionally viewed as a success factor for the Company.
The KION GROUP AG Supervisory Board comprises equal numbers of shareholder and employee representatives in accordance with the German Mitbestimmungsgesetz [Codetermination Act]. Employee representative bodies at a business unit and Group level are formed in accordance with national legislation. For cross-border issues, the employees of the KION Group's European locations are represented by the European Works Council.

The companies reported 21,203 KION Group employees covered by collective bargaining agreements in 2017.

# BALANCED WORKFORCE STRUCTURE

**G4-9, G4-10, G4-EC1, G4-LA1, G4-LA12**

In 2017 the KION Group's average headcount stood at 31,064 (previous year 24,957; in each case including apprentices). At the end of 2017 the full-time headcount stood at 31,608 across the KION Group, an increase of 1,064 over the previous year (30,544). Following the significant increase from the previous year due mainly to the acquisition of Dematic on 1 November 2016, growth has since remained stable and steady.

› KION Group Annual Report 2017 – Table 035

Personnel expenses were higher in the reporting year – mainly as a result of the higher average number of employees over the year owing to the acquisition of Dematic and revisions to collective bargaining agreements – at €1,989.7 million, which is a 30.9 per cent increase over the previous year.

› KION Group Annual Report 2017 – Table 036

Overall, the KION Group employee structure is balanced and stable. On average they are 40.9 years old and have been employed at the Company for 9.5 years.

4,920 employees joined KION Group companies in the reporting year; 3,743 employees left KION Group companies in 2017. Group-internal changes of employer are also included in these key figures.

**Age structure G4-LA12** TABLE 14

| | 2017 | 2016 |
|---|---|---|
| **Employees per age group** | **100%** | **100%** |
| <20 years | 1.1% | 1.4% |
| 20-29 | 17.2% | 17.3% |
| 30-39 | 29.1% | 28.9% |
| 40-49 | 26.0% | 25.3% |
| 50-59 | 21.5% | 22.5% |
| 60 years and over | 5.1% | 4.5% |
| Age group not available | 0.0% | 0.1% |

31/12/2017; All consolidated reporting entities; based on headcount
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

**Contract type full time/part time G4-10** TABLE 15

| | 2017 | 2016 |
|---|---|---|
| **Contract type full time/part time** | **100%** | **100%** |
| Full time | 97.1% | 96.7% |
| Part time | 2.9% | 3.3% |

31/12/2017; All consolidated reporting entities; based on headcount
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

**Contract type indefinite/fixed term G4-10** TABLE 16

| | 2017 | 2016 |
|---|---|---|
| **Contract type indefinite/fixed term** | **100%** | **100%** |
| Indefinite | 96.9% | 97.4% |
| Fixed term | 3.1% | 2.6% |

31/12/2017; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

## Length of service

TABLE 17

| | 2017 | 2016 |
|---|---|---|
| **Employees per length of service** | **100%** | **100%** |
| <5 years | 41.9% | 37.5% |
| 5-9 | 20.0% | 21.1% |
| 10-19 | 22.1% | 23.1% |
| 20-29 | 10.8% | 12.3% |
| 30-39 | 4.3% | 5.1% |
| 40 years and more | 0.9% | 0.9% |
| Length of service not available | 0.0% | 0.0% |

31/12/2017; All consolidated reporting entities; based on headcount
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

## New employees per region G4-LA1

TABLE 18

| | 2017 | 2016 |
|---|---|---|
| **New employees** | **100%** | **100%** |
| Western Europe | 50.2% | 55.6% |
| Eastern Europe | 12.7% | 17.0% |
| Middle East and Africa | 1.9% | 5.0% |
| North America | 16.1% | 3.7% |
| Central and South America | 2.1% | 2.0% |
| Asia-Pacific | 17.0% | 16.7% |

31/12/2017; All consolidated reporting entities; based on headcount
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

## Employee exits by type G4-LA1

TABLE 19

| | 2017 | 2016 |
|---|---|---|
| **Employee exits** | **100%** | **100%** |
| Termination by employer | 17.4% | 15.8% |
| Resignation of employee | 49.1% | 41.8% |
| Mutual agreement | 10.8% | 10.2% |
| Expired contract | 8.1% | 18.2% |
| Retirement | 9.8% | 8.5% |
| Other reasons for employee exits | 4.9% | 5.4% |

31/12/2017; All consolidated reporting entities; based on headcount
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

**Employee exits per region G4-LA1** TABLE 20

| | 2017 | 2016 |
|---|---|---|
| **Employee exits** | **100%** | **100%** |
| Western Europe | 47.4% | 58.8% |
| Eastern Europe | 9.6% | 10.8% |
| Middle East and Africa | 2.5% | 3.4% |
| North America | 17.1% | 2.5% |
| Central and South America | 2.6% | 4.2% |
| Asia-Pacific | 20.9% | 20.3% |

31/12/2017; All consolidated reporting entities; based on headcount
31/12/2016; All consolidated reporting entities; based on headcount; excluding Dematic (acquisition in November 2016)

# GOOD EMPLOYER

**G4-10, 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. Particular emphasis is placed on forward-looking personnel development measures and the recruitment and retention of employees. Since both the skills required and the recruitment of employees are strongly influenced by regional circumstances, recruiting is largely the responsibility of local units.

## Human resource development

Human resource development remains an important anchor point of the KION Group's HR strategy. 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. The recently developed Organization Capability Talent Review (see Management approach) established by the Company in autumn 2017 is an effective process that always enables specialist and executive positions to be filled by qualified employees, if possible from within the Company's own ranks. Talent management is underpinned by the recently created KION competence model that is uniform Group-wide.

All KION Group executives will now also pass through the KION Global Executive Program. Launched in November 2017, it focuses on the topic of leadership – and in doing so it also highlights the consequences for implementing the defined values, core competences and leadership guidelines. These include aspects such as leadership across cultural boundaries, conflict management, and ethics in a globalised world.

The Group companies work together closely in terms of talent management as well as on training and personnel development programmes to systematically identify and develop employees requiring training, high-potential candidates, as well as high-performers and experts in key functions. The individual operating units and Group companies also offer comprehensive training programmes for this purpose. For many years now the STILL Academy has offered subject-specific and interdisciplinary training courses. At Linde Material Handling and Dematic, an internal academy also promotes the targeted development of expertise, particularly in sales and service.

## Leadership and promotion

In a company, commitment and motivation are primarily the result of clear leadership based on the company's values. More than three-quarters of the workforce (78 per cent) receive regular performance and career-development reviews.

The understanding of leadership is set out in the KION Group both at Group and at operating unit level. The uniform, Group-wide leadership guidelines were announced and accompanied by training courses in autumn 2017, coinciding with the launch of the second wave of the 'Lift up' programme. The leadership guidelines also play a key role in the KION Global Executive Program, and are incorporated in various modules. Powerful tools such as 360° feedback and targeted projects also support executives in performing their duties. Talent management and, in particular, the recently established Organization Capability Talent Review (see Management approach) also play a key role. Prior to the start of the new process, executives were trained by local HR representatives on processes, the scope and tools. Furthermore, the central HR department provided global web meetings on the topic of OCTR.

As part of the 'Lift up' team workshops, all employees are familiarised with the new values and leadership guidelines. By the end of February 2018, every KION Group employee will have participated in a team workshop.

## Training

As at the end of 2017, 579 (end of 2016: 580) apprentices Group-wide were preparing for their professional future at the KION Group. In addition, forms of employment also exist – depending on the model typical for the specific country – that include a considerable proportion of training, but which are not formally recognised as being a pure apprenticeship; this also includes apprenticeships at external training institutions that comprise longer periods of practical work experience in KION Group companies. Depending on respective personnel requirements, a wide range of opportunities are open to apprentices once they complete their training. Depending on how well they perform, apprentices are usually taken on by the Company following their training.

Training is organised on a decentralised basis and is geared to local circumstances as well as the individual operating units' demand for skilled workers. In Germany alone, the KION Group currently offers apprenticeships in 19 occupations such as production, industrial and construction mechanics, mechatronics engineering, technical model construction, and industrial management. Besides traditional vocational training, in partnership with various universities KION offers programmes combining vocational training with a degree course. In this regard, STILL offers part-technical, part-commercial courses based on a 50/50 split, while LMH offers four dual-Bachelor programmes in economics and technology.

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

## 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 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 regulations, especially tax and social insurance, 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, the Company 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 has been gradually expanded in recent years to include further countries where at least 500 Group employees are employed. In 2017 the employees of Dematic group companies in countries offering the KEEP Programme were also included. Further details are provided in the Annual Report.

## 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 employment standards, which apply globally and across all of its locations. In the reporting period KION was not notified of discriminatory behaviour, nor of 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 sustainable work-life balance, it offers flexible working-time models. Furthermore its employees in Germany can take parental leave, and Company-specific regulations in Germany, such as semi-retirement, also ease employees' retirement process.

KION Group companies endeavour to offer disabled employees a suitable working environment. Company-specific tools to enable continued employment in the event of physical disability as well as reintegration into the workforce serve to keep severely disabled people in their work environment, to organise support, and to avoid any further barriers or restrictions in the future.

Furthermore, contracts are awarded to production workshops for the disabled to provide them with work; STILL alone places orders worth around €300,000 each year with such workshops.

The share of female employees in the KION Group remained virtually unchanged in 2017 at 16.0 per cent (previous year: 16.3 per cent).

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 KION GROUP AG corporate governance section of the Annual Report 2017. 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. As a technology company the KION Group faces the challenge that it has often failed to hire female engineers, as there is already a lack of female graduates in technical professions. However, it will address the topic beyond gender-specific issues with its diversity project; this was launched in November 2017 and its focus is to eliminate potential diversity-specific barriers to career development.

› Good prospects: How KION India gives technically skilled young women an opportunity – 'RESPONSE & Responsibility' Magazine

The KION Group considers itself a global supplier with intercultural expertise. This is proven by the fact that as at the end of 2017, people from 86 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. Even though local management positions are held predominantly by local executives who have the best-possible understanding of local market conditions and customer interests, the KION Group seeks to fill management positions with international candidates to better meet the Company's further increasing demands. 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 occupational illnesses as far as possible, as well as safeguarding each individual's long-term capacity to work. The activities essentially include all of the Company's employees. Based on the assessments and experience of KION HSE experts, particular emphasis is placed on the areas that pose comparatively higher risks to employees' health and safety. These include the foundry, during assembly and systems installation, as well as during customer deployments where the Company has only limited scope to influence working conditions.

Over 90 per cent of the Group's employees are represented by health and safety employee committees. Virtually all (over 98 per cent) of KION employees are trained on occupational health and safety topics. Across the Company, different forms of training are used to suit requirements – with each employee receiving training at least once per year. The aim is also to ensure that every new employee receives appropriate training on their first day at work.

KION also involves its business partners, suppliers and guests in its measures. In principle, all visitors (who are not Company employees) to a KION location are firstly familiarised with safety instructions. Furthermore, suppliers working on site are audited and instructed. Safety aspects, such as the existence of a management system, are already taken into account in the supplier selection process.

The KION health, safety and environment (HSE) policy sets out the framework. Based on this Group policy, in the field 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.

The Group-wide HSE network of experts ensures knowledge is shared within the KION HSE organisation. Once a year, those responsible for HSE at the Company's plants and sales and service units meet to discuss their projects and share experiences as well as best practices. Regular telephone conference calls further support the information exchange. Plants also have a set date on which to discuss the current accident situation.

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 KION also raises its employees' awareness of occupational health and safety topics via the HSE site on its Group-wide intranet. This gives them practical online tips that include how to go about their work safely (see also the section Internal communication and corporate culture as critical success factors).

### Broad-based approach to occupational health in the Group

As at the end of the reporting year 77 per cent of employees had access to a works doctor. Over 85 per cent of employees were able to benefit from occupational health examinations. Voluntary health measures were available to 71 per cent of employees, with health training courses offered to over 71 per cent of employees. In the reporting year a system was established at the production plant in Hamburg to identify mental strain; this system does an outstanding job of recording the relevant factors. Examples of the activities in the sales and service area include the national company LMH Austria's 'Feel Well – Feel Linde' project, which aims to optimise the health rate. To achieve this, it focuses on measures to promote occupational health, illness prevention and return-to-work talks, among other things.

Besides its range of health protection seminars, the KION Group also encourages employees to engage in sporting activities. Currently, 23 reporting entities offer their employees use of a fitness facility.

Last but not least, various local measures, such as social counselling at the Aschaffenburg and Hamburg locations, support

employees and their families in the event of serious illnesses and family emergencies.

## Minimum HSE standards for all units

In 2017 Group-wide minimum HSE standards were prepared that will be binding on all plants as well as on the sales and service organisation. The implementation phase is to be completed by the end of 2019. The greatest priority will be given to implementation of the top 20 measures, which derive from the scope of the minimum HSE standards. By 2019 the management systems of each relevant unit are to be fully certified in accordance with OHSAS 18001 or equivalent standards. **> Table 21**

In the reporting year, nine central HSE audits (**> Table 22**) were performed within the KION Group. In addition to these there were 1,489 local internal audits and 88 external audits in the field of occupational health and safety. In addition, KION also started assessing sales and service locations with regard to their potential HSE risks (see the section management approach to the environment).

**Occupational health & safety management system certification status** TABLE 21

| | OHSAS 18001* |
|---|---|
| | Percentage certified |
| Plants & Administration | 32% |
| Sales & Services | 38% |
| **Total** | **37%** |

360 locations considered
* or equivalent standard

**Results of KION Group occupational health and safety audits 2012-2017** TABLE 22

| | Current Audit | Current Audit | Previous Audit |
|---|---|---|---|
| | Basis: 19 plants, initial audit for 4 plants | Basis: 15 plants | Basis: 15 plants |
| Average result: Level of fulfilment of the defined audit criteria (max. 100 percent) | 82% | 87% | 82% |

> How safe is safe? Safety audits at Linde China – 'RESPONSE & Responsibility' Magazine

## Clear benchmarks, concrete objectives

The KION Group gathers information on all material occupational health and safety KPIs and measures as part of its monthly reporting activities. The core benchmarks for measuring the success of its efforts in the area of occupational health and safety are its health rate and its LTIFR (Lost Time Injury Frequency Rate). In 2017 the health rate was even improved further from its already high level of 96.2 per cent* in 2016 to 96.7 per cent in the reporting year. The LTIFR improved in 2017, falling to 10.0 (2016: 14.8*).

In the reporting year the KION Group registered 566 Lost Time Injuries, i.e. occupational accidents causing lost time of more than one working day. In addition, it recorded 1,406 minor injuries and 188 commuting accidents. It registered no fatal accidents.

In the reporting year 9,093 working days were lost within the KION Group due to occupational accidents. KION sets clear targets based on these KPIs, with the long-term target of stabilising the health rate at 96.7 per cent. The LTIFR is expected to stabilise at a value lower than 10 after the inclusion of Dematic. In this respect, the Group-wide application of the A3 methodology, HSE certification and systematic audits are to contribute towards achieving this target. Besides Group-wide activities, location-specific measures are also expected to contribute to achieving the respective targets. A regular review of interim objectives for the following three years is scheduled in fiscal year 2018.

## KION Safety Championship expanded to include environmental aspects

Since 2014 the KION Safety Championship has provided a further way to encourage continual engagement with occupational health and safety topics. In 2017 the planned environmental and climate protection aspects were also included in the assessment, and the competition was renamed the 'KION HSE Championship'. A jury recognises the units that have made the greatest progress in terms of HSE, based on an assessment of their performance. This covers the number and frequency of occupational accidents resulting in the loss of over one working day, the health rate, location-specific initiatives to promote health and safety as well as environmental protection at work. In the reporting period Linde China's Tools and Cutting department in Xiamen was voted the winner in 2016. Among other things, the team submitted 28 accident-prevention proposals and also scored points with its LTIFR of zero. This means that over the course of an entire year the department had no occupational accidents resulting in the loss of at least one day – a result achieved by six other teams in the competition.

Through this competition, the KION Group once again underlines the importance of these topics to the Company. As it continues to attract a high number of entrants, it also proves that this format is effective. In 2017 another 45 teams from around the world participated in the championship, and the competition saw the reporting and implementation of 1,124 improvement measures. These range from the development of slogans and campaigns for greater occupational safety, through the safe and ergonomic organisation of the working environment, to energy-saving measures such as the use of LED lighting.

* Excluding Dematic (acquisition in November 2016)

# CORPORATE CITIZENSHIP

70 Management approach to corporate citizenship
70 Worldwide engagement

# Community engagement

**As a good corporate citizen, the KION Group works to contribute to the positive and sustainable development of society. This is why it supports social and humanitarian projects, and promotes education, science and environmental protection. KION engages at all of its locations and wherever the families of its customers and employees live.**

## MANAGEMENT APPROACH TO CORPORATE CITIZENSHIP

A global company such as the KION Group has roots in many locations worldwide. Indeed, the requirements and frameworks relating to the Company's activities differ just as greatly as the KION Group's numerous and varied locations. This is why it pursues a decentralised approach to implementing its activities, as decisions are best taken on specific local projects where they will actually be implemented.

The Company's community engagement activities are focused in their own action field within the KION Group's sustainability strategy. The KION Group Donations Policy provides clear guidelines and, above all, the necessary transparency regarding the Company's various individual measures around the world. This lays the basis for bundling and structuring activities as and when necessary to enable the Company to leverage synergies across a Group-wide network.

The Donations Policy establishes the principles and priorities for its community engagement and sets out the responsibilities and decision-making processes. The policy covers both financial contributions and voluntary donations of time for charitable purposes. This allows it to take quick and pragmatic decisions at a local level on its potential involvement, and provide rapid assistance – such as in the event of natural disasters.

The regulations set out in the KION Group Code of Compliance also provide legal certainty for executives at a local level. The Code makes a clear distinction between donations and sponsorship measures.

Donations are voluntary monetary or in-kind contributions to non-profit organisations that are not affiliated with the KION Group; these donations are made without expecting anything in return. By contrast, sponsorship measures always involve a reciprocal service, such as in the form of advertising or marketing opportunities. They are therefore part of the marketing mix, and not part of its Company's sustainability activities.

In accordance with its Donations Policy and Code of Compliance, the KION Group can make monetary and in-kind contributions as well as donate its time for social and humanitarian purposes, science and education, art and culture, and environmental-protection and resource-conservation projects. It must always be transparent and documented who the recipient of the donation is, and for what purpose it is to be used.

The KION Group does not donate to individuals or profit-driven organisations. Political donations are also barred, as are donations to private accounts and those that could damage its Company's reputation. Furthermore, there must be no conflict between the beneficiary's objectives and the KION Group's corporate principles.

## WORLDWIDE ENGAGEMENT

The KION Group is active around the world in a very wide variety of ways, with its employees often also providing active support – a commitment that the KION Group welcomes wholeheartedly as an employer. Here are some outstanding examples.

### STILL EMEA – active internationally

STILL acts a socially responsible company at all of its locations, nationally and internationally. Among its activities, in the Czech Republic STILL enabled the non-governmental organisation Cesta Dom to purchase a much-needed new ultrasound probe for the treatment of critically ill patients in their own home. At the same time, the company enables children in need in the Czech Republic to attend summer camps that offer a host of leisure and sporting activities as well as comprehensive support.

In Poland, STILL supports the Miasto Dzieci (City of Children) project. It is dedicated to reaching out to children from poorer families to provide them with playful ideas on a possible future ca-

reer choice. And with the STILL Pomaga Dzieciom (STILL Helps Children) project, STILL even became an initiator of child relief in Poland. Launched in 2013, in collaboration with partner organisations the project provides children from needy families with anything ranging from donated clothing, through school supplies and medicine, to Christmas gifts.

## STILL EMEA – socially responsible

Giving young people with a migratory background a chance has been an integral part of STILL's community engagement for some time now. The company supports the NORDCHANCE and NORDCHANCE Plus projects of the German Nordmetall employers' association. These initiatives offer young people in need the chance to gain a vocational entrance qualification and smooth the way for them into vocational training. Of these initiatives, the NORDCHANCE Plus project is aimed specifically at young refugees. A number of young people have already taken up this opportunity, completed internships at STILL and then transitioned smoothly into training. Everyone is a winner: the youngsters have a chance of a promising career, and STILL knows that it has promising young employees with great potential in its ranks.

## Linde Material Handling EMEA – stacking for a good cause

It has already become a firm favourite and quite a tradition. Just as in every previous year, in 2017 the ForkliftCup took place once again at the end of September. Now in its 13th year, forklift truck drivers of all genders showed off their skills over the course of the three-day competition. 200 entrants, including 15 company teams and 19 international teams fought it out against each other for the German, international and company championship titles.

Just as important as this major sporting event are the various charity initiatives held since 2008 by apprentices of Linde Material Handling's PiA (Project-integrated Training) team. They have already raised over €250,000 over the past few years, also with the help of a raffle, for the non-profit organisation StaplerCup hilft e.V. This year around €21,000 was donated to social organisations from the Aschaffenburg region. Among other recipients, the volunteers of the Aschaffenburg Outpatient Child and Youth Hospice Service were delighted to receive over €4,000.

## Linde Material Handling EMEA – committed to research

Research is also a focus of Linde Material Handling's dedication to society as a whole. With an in-kind donation of an E50HL truck, in 2017 Linde Material Handling supported the work of the students at the Institute of Material Handling and Logistics at the University of Stuttgart – one of Germany's oldest material handling institutes. In doing so, Linde Material Handling is helping with the practical training of the next generation of logistics experts, and also ensuring it has access to the latest research findings.

## Linde Fenwick – matter of the heart

Helping socially disadvantaged people is what the French Linde subsidiary's specific commitment. As part of its community engagement, the company is supporting the French initiative 'Restaurants du Coeur' (Restaurants with a Heart), which has been distributing food and essentials to the needy in France since 1985. Every year since 2014 Fenwick has allowed its employees to dedicate half a working day to the initiative to participate in the Volunteers for the Day campaign. As part of this, they talk to supermarket customers outside stores, encouraging them to donate some of the items they have purchased to Restaurants du Coeur. The initiative is very popular with Fenwick employees: in 2017 alone, 288 responded to the call to participate in the initiative.

In addition to its employees' volunteering activities, Fenwick also actively supports Restaurant du Coeur by providing technical equipment to distribute the donated goods. This is an important undertaking given the success of the collection campaign: on the two campaign days in March 2017, 76,000 volunteers collected 7,516 tonnes of food and hygiene products at 6,830 supermarkets.

## KION North America – committed to equal opportunities

For several years now, KION North America (part of KION Americas) has supported the Dorchester Children's Center in South Carolina as part of its social engagement activities. The children's home, which is situated close to the headquarters of KION North America, primarily looks after children and families suffering physical violence or sexual abuse. Every year, KION provides a large number of backpacks, notebooks and other school supplies so that all students can enjoy a similar start to the beginning of the school year irrespective of their social background. If needed, KION also provides support throughout the school year – and with donations, it even enables the children to have Christmas presents.

## KION North America – in the service of the community

2017 marked the first year in which KION North America (part of KION Americas) took part in the annual Day of Caring, the largest regional community service day. 133 companies with over 5,500 volunteer helpers participated on the day, and together completed 277 projects within 28,249 working hours. Among the tasks, they took care of repairs and dealt with clearing, renovation and gardening tasks. The social project aims to encourage community service. As part of this project, KION employees volunteered their time and effort to a school with over 1,000 grade 6 to 8 students in the specific KION location's neighbourhood.

## OM Voltas – better opportunities for Indian women

It has already been several years since OM Voltas (part of KION APAC) started a forklift production line designed specifically for women. It makes it as easy as possible for them to handle heavy equipment and in doing so makes the logistics industry more appealing to women. The production line has been well received, and the additional opportunities that are already on offer for young women in the Indian logistics industry are a sign of the initiative's success.

## Linde China – art for customers

In 2017 the KION Group sponsored the exhibition 'Germany 8' in Beijing – the most comprehensive show of contemporary German art abroad to date, with 320 works by 55 artists, including Jörg Immendorff and Martin Kippenberger. 750,000 art enthusiasts visited the exhibition, which was organised by the Bonn Foundation for Arts and Culture and the Beijing Central Academy of Fine Arts (CAFA). Selected customers of Linde China (part of KION APAC) were invited to the show's opening, where they gained a comprehensive impression and a good overview of the richly diverse art scene of Linde's homeland on the basis of the artworks on display. Through this involvement, the KION Group is promoting intercultural exchange between Germany and China, and strengthening the shared partnership beyond business interests.

## Dematic – helping others to help

At all of its locations, Dematic focuses its social activities on supporting regional charities. By doing so, the company ensures that the beneficiaries benefit from the money raised through fund-raising collections quickly and directly for the most important social purposes. The company also organises events to foster exchange between employees and local residents to support how it is seen and accepted at the particular location, and to present itself as a good neighbour. In June 2017 Dematic employees supported the Fundraising Midnight Walk in Bodicote (UK); this event alone raised at least £45,000, all of which went to people with life-shortening illnesses.

› Engaged locally: What Dematic employees in Mexico and the USA are doing for their communities – 'RESPONSE & Responsibility' Magazine

## KION Latin America – for the future of children

In 2017 KION Latin America (part of KION Americas) placed a strong emphasis on supporting children's charities as part of its social engagement. In particular, its efforts centred on ABID, a non-profit charity that works with psychosocially disturbed children and adolescents. Other beneficiaries included well-known institutions such as House of Fraternity and Institution Manaem, which was provided with warm winter clothing, among other things, for its social work. KION Latin America's social engagement on behalf of ABID spanned Easter to Christmas, practically the entire year. At Easter, KION Latin America employees donated chocolates to the children, toys were given at a special Children's Day, and at Christmas KION Latin America sponsored the Adopt a Child for Christmas initiative to ensure that children from socially disadvantaged families also got to enjoy gifts at Christmas. In addition, KION was actively involved in Junina's Party to collect monetary donations for ABID.

# GRI Content Index

G4-32

## General Standard Disclosures

| GRI Aspects and Indicators | | Comment | Link |
|---|---|---|---|
| G4-1 | Statement from the most senior decision-maker of the organization | | Foreword (p. 10) |
| **Organisational Profile** | | | |
| G4-3 | Name of the organisation | | Company Profile (p. 13) |
| G4-4 | Primary brands, products, and services | | Company Profile (p. 13)<br>Business Model and Organisation (p. 13)<br>AR 2017: Business model and organisational structure |
| G4-5 | Location of headquarters | Frankfurt am Main, Germany | |
| G4-6 | Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report. | | AR 2017: Business model and organisational structure<br>AR 2017: List of shareholdings |
| G4-7 | Nature of ownership and legal form | | Business Model and Organisation (p. 13)<br>AR 2017: Organisational structure |
| G4-8 | Markets served | | Business Model and Organisation (p. 13)<br>AR 2017: Company profile |
| G4-9 | Scale of the organisation | | Company Profile (p. 13)<br>Balanced workforce structure (p. 60)<br>AR 2017: Business model and organisational structure<br>AR 2017: Consolidated Financial Statements |
| G4-10 | Total number of employees by employment contract and gender | | Balanced workforce structure (p. 60)<br>Diversity and equal opportunities (p. 63)<br>AR 2017: Employees |
| G4-11 | Percentage of total employees covered by collective bargaining agreements | | Codetermination (p. 58) |
| G4-12 | Organization's supply chain | | Sustainable procurement (p. 43) |
| G4-13 | Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | | Business Model and Organisation (p. 13)<br>AR 2017: Business performance<br>AR 2017: Acquisitions |
| G4-14 | Whether and how the precautionary approach or principle is addressed by the organization | | Management approach to the environment (p. 47) |

## General Standard Disclosures

| GRI Aspects and Indicators | | Comment | Link |
|---|---|---|---|
| G4-15 | Externally developed economic, environmental and social charters, principles, or other initiatives | | Principles and guidelines (p. 23) |
| G4-16 | List memberships of associations | | Stakeholder dialogue (p. 30) |
| **Identified Material Aspects and Boundaries** | | | |
| G4-17 | All entities included in the organization's consolidated financial statements or equivalent documents | | Scope and reporting period (p. 4)<br>AR 2017: List of shareholdings |
| G4-18 | Process for defining the report content and the Aspect Boundaries | | Report content (p. 3)<br>Key challenges for the KION Group (p. 16) |
| G4-19 | All the material Aspects identified in the process for defining report content | | Key challenges for the KION Group (p. 16) |
| G4-20 | Material Aspects within the organisation | | Key challenges for the KION Group (p. 16) |
| G4-21 | Material Aspects outside the organisation | | Key challenges for the KION Group (p. 16) |
| G4-22 | Effect of any restatements of information provided in previous reports, and the reasons for such restatements | | Gathering and comparability of data and information (p. 5) |
| G4-23 | Significant changes from previous reporting periods in the Scope and Aspect Boundaries | There were no changes to the scope or Aspect Boundaries compared with the 2016 Sustainability Report. | |
| **Stakeholder Engagement** | | | |
| G4-24 | List of stakeholder groups engaged by the organization | | Stakeholder dialogue (p. 30) |
| G4-25 | Basis for identification and selection of stakeholders with whom to engage | | Stakeholder dialogue (p. 30) |
| G4-26 | The organization's approach to stakeholder engagement | | Stakeholder dialogue (p. 30) |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement | | Stakeholder dialogue (p. 30) |
| **Report Profile** | | | |
| G4-28 | Reporting period | | Scope and reporting period (p. 4) |
| G4-29 | Date of most recent previous report (if any) | The 2016 Sustainability Report was published in November 2017. | |
| G4-30 | Reporting cycle (such as annual, biennial) | | Additional remarks (p. 5) |
| G4-31 | Contact point for questions regarding the report or its contents | | Contact (p. 84) |

## General Standard Disclosures

| GRI Aspects and Indicators | | Comment | Link |
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| G4-32 | GRI Content Index | | Report content (p. 3)<br>GRI Content Index (p. 74) |
| G4-33 | Assurance | | Report content (p. 3) |
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| G4-35 | Process for delegating authority for economic, environmental and social topics | | Sustainability organisation (p. 23) |
| G4-36 | Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics | | Sustainability organisation (p. 23) |
| **Ethics and Integrity** | | | |
| G4-56 | The organization's values, principles, standards and norms of behavior | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43)<br>HR strategy implemented systematically (p. 58) |
| G4-58 | Internal and external mechanisms for reporting concerns about unethical or unlawful behavior | | Compliance organisation (p. 27) |

## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
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| **Aspect: Economic Performance** | | | |
| G4-DMA | Management approach | | Sustainability strategy (p. 16)<br>Business Model and Organisation (p. 13)<br>AR 2017: Strategy of the KION Group |
| G4-EC1 | Direct economic value generated and distributed | | Business Model and Organisation (p. 13)<br>Balanced workforce structure (p. 60)<br>AR 2017: Consolidated income statement<br>AR 2017: Consolidated statement of cash flows<br>AR 2017: Employees |

* Disclosures on Management Approach

## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
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| **Aspect: Procurement Practices** | | | |
| G4-DMA | Management Approach | | Sustainable procurement (p. 43) |
| G4-EC9 | Proportion of spending on local suppliers at significant locations of operation | | Sustainable procurement (p. 43) |
| **Environmental Performance Indicators** | | | |
| **Aspect: Materials** | | | |
| G4-DMA | Management approach | | Management approach to the environment (p. 47)<br>Resource efficiency and use of materials (p. 56) |
| G4-EN1 | Materials used | | Resource efficiency and use of materials (p. 56) |
| **Aspect: Energy** | | | |
| G4-DMA | Management approach | KION Group companies are subject to various statutory requirements regarding energy, for instance:<br>– in Germany (Energieeinsparverordnung (EnEV), Spitzenausgleich-Effizienzsystemverordnung (SpaEfV)),<br>– in France (Code de l'énergie),<br>– and in the Czech Republic (Zákon č. 406/2000 Sb., Vyhláška č. 480/2012 Sb.). | Management approach to the environment (p. 47)<br>Climate protection (p. 53) |
| G4-EN3 | Energy consumption within the organisation | | Energy use (p. 53) |
| G4-EN7 | Reductions in energy requirements of products and services | | Save energy, reduce emissions (p. 37)<br>Innovative drive technologies (p. 37) |
| **Aspect: Water** | | | |
| G4-DMA | Management approach | | Management approach to the environment (p. 47)<br>Environmental protection (p. 50) |
| G4-EN8 | Total water withdrawal by source | | Water use and waste water (p. 50) |

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## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
|---|---|---|---|
| **Aspect: Emissions** | | | |
| G4-DMA | Management approach | KION Group companies are subject to various statutory requirements regarding emissions, for instance:<br>– in Germany (Bundes-Immissionsschutzgesetz (BImSchG), 1. Bundes-Immissionsschutzverordnung (BImSchV)),<br>– in France (Code de l'environnement),<br>– in China (**中华人民共和国大气污染防治法, 大气污染物综合排放标准**),<br>– and in the USA (Conditional Major Operating Permit e.g. based on Pollution Control Act). | Management approach to the environment (p. 47)<br>Climate protection (p. 53) |
| G4-EN15 | Direct greenhouse gas emissions (Scope 1) | | Emissions (p. 53) |
| G4-EN16 | Indirect energy-related greenhouse gas emissions (Scope 2) | | Emissions (p. 53) |
| G4-EN17 | Other indirect energy-related greenhouse gas emissions (Scope 3) | | Emissions (p. 53) |
| G4-EN21 | $NO_x$, $SO_x$ and other significant air emissions | | Emissions (p. 53) |
| **Aspect: Effuents and Waste** | | | |
| G4-DMA | Management approach | | Management approach to the environment (p. 47)<br>Environmental protection (p. 50) |
| G4-EN22 | Total water discharge by quality and destination | | Water use and waste water (p. 50) |
| G4-EN23 | Total weight of waste by type and disposal method | | Waste and recycling (p. 50) |
| G4-EN24 | Total number and volume of significant spills | | Environmental protection (p. 50) |

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## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
|---|---|---|---|
| **Aspect: Products and Services** | | | |
| G4-DMA | Management approach | | Management approach Products and solutions (p. 34)<br>Energy- and resource-efficient products (p. 37)<br>Life Cycle Assessments – an overview of the entire product lifecycle (p. 37) |
| G4-EN27 | Extent of impact mitigation of environmental impacts of products and services | | Energy- and resource-efficient products (p. 37) |
| **Aspect: Compliance** | | | |
| G4-DMA | Management approach | | Management approach to the environment (p. 47)<br>Focus areas and challenges (p. 47)<br>Environmental protection (p. 50) |
| G4-EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | | Environmental protection (p. 50) |
| **Aspect: Transport** | | | |
| G4-DMA | Management approach | | Management approach to the environment (p. 47)<br>Climate protection (p. 53) |
| G4-EN30 | Significant environmental impacts of transporting products | | Energy use (p. 53) |
| **Aspect: Supplier Environmental Assessment** | | | |
| G4-DMA | Management approach | | Sustainable procurement (p. 43) |
| G4-EN32 | Percentage of new suppliers that were screened using environmental criteria | These data were not yet gathered by KION for the 2017 reporting year. To implement a corresponding supplier screening process KION initiated discussions with EcoVadis in the reporting period. In 2018 EcoVadis will begin screening strategic suppliers to the KION Group. | Sustainable procurement (p. 43) |

* Disclosures on Management Approach

## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
|---|---|---|---|
| **Social Performance Indicators** | | | |
| **Labor Practices and Decent Work** | | | |
| **Aspect: Employment** | | | |
| G4-DMA | Management approach | | Management approach to employees (p. 58)<br>Sustainable procurement (p. 43) |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | | Balanced workforce structure (p. 60) |
| **Aspect: Occupational Health and Safety** | | | |
| G4-DMA | Management approach | | Health and safety (p. 66) |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | | Clear benchmarks, concrete objectives (p. 66) |
| **Aspect: Training and Education** | | | |
| G4-DMA | Management approach | | Management approach to employees (p. 58)<br>Good employer (p. 63) |
| G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | | Human resource development (p. 63)<br>Training (p. 63)<br>Diversity and equal opportunities (p. 63) |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | | Leadership and promotion (p. 63) |
| **Aspect: Diversity and Equal Opportunity** | | | |
| G4-DMA | Management approach | | Diversity and equal opportunities (p. 63)<br>AR 2017: Diversity |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | | Diversity and equal opportunities (p. 63)<br>Balanced workforce structure (p. 60)<br>AR 2017: Diversity<br>KION Group Website: Organisational Structure |
| **Aspect: Supplier Assessment for Labor Practices** | | | |
| G4-DMA | Management approach | | Sustainable procurement (p. 43) |
| G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria | These data were not yet gathered by KION for the 2017 reporting year. To imple- | Sustainable procurement (p. 43) |

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## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
|---|---|---|---|
| | | ment a corresponding supplier screening process KION initiated discussions with EcoVadis in the reporting period. In 2018 EcoVadis will begin screening strategic suppliers to the KION Group. | |
| **Human Rights** | | | |
| **Aspect: Investment** | | | |
| G4-DMA | Management approach | | Compliance (p. 27)<br>Principles and guidelines (p. 23) |
| G4-HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | | Consistent approach to training measures continued (p. 27) |
| **Aspect: Non-Discrimination** | | | |
| G4-DMA | Management approach | | Principles and guidelines (p. 23)<br>Group-wide minimum employment standards (p. 58)<br>Diversity and equal opportunities (p. 63) |
| G4-HR3 | Total number of incidents of discrimination and corrective actions taken | | Diversity and equal opportunities (p. 63) |
| **Aspect: Freedom of Association and Collective Bargaining** | | | |
| G4-DMA | Management approach | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43) |
| G4-HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43) |
| **Aspect: Child Labor** | | | |
| G4-DMA | Management approach | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43) |

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## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
|---|---|---|---|
| G4-HR5 | Business locations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43) |
| **Aspect: Forced or Compulsory Labor** | | | |
| G4-DMA | Management approach | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43) |
| G4-HR6 | Business locations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | | Principles and guidelines (p. 23)<br>Sustainable procurement (p. 43) |
| **Aspect: Assessment** | | | |
| G4-DMA | Management approach | | Principles and guidelines (p. 23) |
| G4-HR9 | Total number and percentage of business locations that have been subject to human rights reviews or human rights impact assessments | | Principles and guidelines (p. 23) |
| **Aspect: Supplier Human Rights Assessment** | | | |
| G4-DMA | Management approach | | Sustainable procurement (p. 43) |
| G4-HR10 | Percentage of new suppliers that were screened using human rights criteria | These data were not yet gathered by KION for the 2017 reporting year. To implement a corresponding supplier screening process KION initiated discussions with EcoVadis in the reporting period. In 2018 EcoVadis will begin screening strategic suppliers to the KION Group. | Sustainable procurement (p. 43) |
| **Society** | | | |
| **Aspect: Anti-corruption** | | | |
| G4-DMA | Management approach | | Compliance (p. 27)<br>Preventing corruption and bribery (p. 27) |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | | Preventing corruption and bribery (p. 27)<br>Consistent approach to training measures continued (p. 27) |
| G4-SO5 | Confirmed incidents of corruption and actions taken | | Preventing corruption and bribery (p. 27) |

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## Specific Standard Disclosures

| DMA* and indicators | | Comment | Link |
|---|---|---|---|
| **Product Responsibility** | | | |
| **Aspect: Customer Health and Safety** | | | |
| G4-DMA | Management approach | | Management approach Products and solutions (p. 34)<br>Product responsibility (p. 40)<br>Innovative solutions and customer benefit (p. 42) |
| G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | | Product responsibility (p. 40) |
| G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | | Product responsibility (p. 40) |
| **Aspect: Compliance** | | | |
| G4-DMA | Management approach | | Compliance (p. 27)<br>Product responsibility (p. 40) |
| G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | | Product responsibility (p. 40) |

* Disclosures on Management Approach

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