dormakaba

Sustainability Report

Financial Year

2017/18

dormakaba

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About dormakaba

To become the industry leader and strengthen trust in our business activities, we offer innovative and sustainable products, solutions and services.

dormakaba Group ("dormakaba") is one of the top three companies in the global market for access and security solutions. With strong brands in our portfolio, dormakaba is a single source for products, solutions, and services for smart and secure access to buildings and rooms. dormakaba is present globally in over 130 countries by own activities and numerous partners.
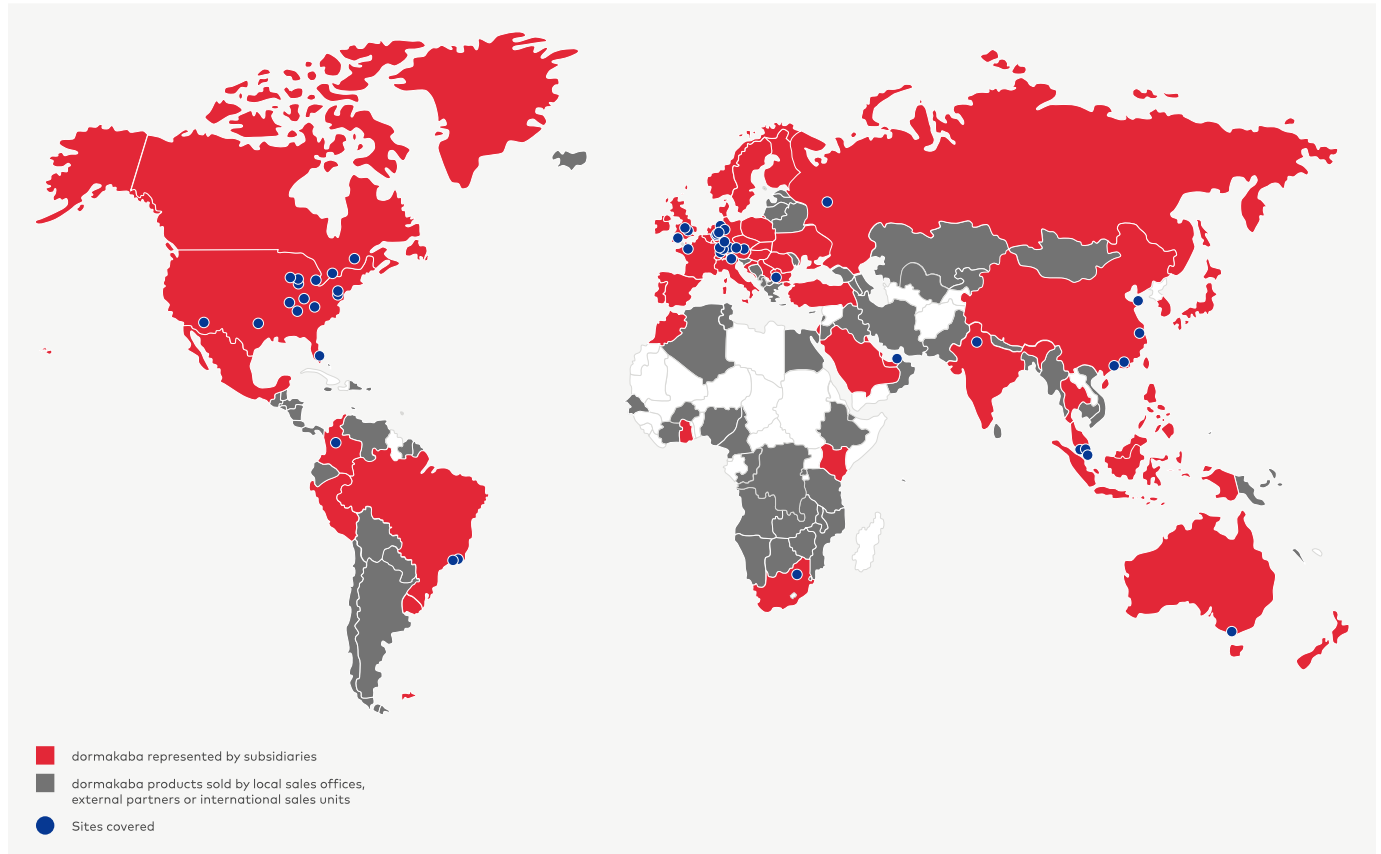
About this report

dormakaba's Sustainability Report 2017/18 highlights our sustainability commitment, strategic approach and progress and is geared to all our stakeholders, i.e. our employees, investors, customers, suppliers and municipalities where we do business (Disclosure 102-40). This sustainability report is the first to be published in accordance with the Global Reporting Initiative Standards (core option).

This is the third sustainability report for dormakaba. Previous reports were published according to GRI G4 Guidelines (core option). The first report for dormakaba was published after the merger of Dorma and Kaba for the 2015/16 financial year.

In the transition to the GRI Standards, dormakaba has invested resources in a new materiality assessment, which will be valid until 2021. The report outlines detailed Management Approaches in line with GRI 103. In coming financial years, this comprehensive and detailed reporting will serve as a reference, with updates only as necessary.

Unless indicated otherwise, the reporting boundary comprises the entire dormakaba Group as stated in the scope of consolidation for all indicators and is based on the 2017/18 financial year from 1 July 2017 to 30 June 2018. For further information, refer to our Annual Report 2017/18. The underlying data, in particular for the key figures relating to employees and the environment, do not reflect all locations. Data stems from 48 sites and covers around 70% of our employees.

Sites covered

■ dormakaba represented by subsidiaries

■ dormakaba products sold by local sales offices,
external partners or international sales units

● Sites covered

Data source: dormakaba operates all over the world and employs around 16,000 people worldwide. The sustainability report is based on the data of 48 sites and covers around 70% of its employees.

Americas

Bogota, Colombia
Detroit, USA
Deerfield Beach, USA*
Dyersville, USA
Huntsville, USA
Indianapolis, USA*
Lake Bluff, USA
Leola, USA
Lexington, USA
Mesquite, USA*
Montreal, Canada
Phoenix, USA*
Reamstown, USA
Rio de Janeiro, Brazil
Rocky Mount, USA
Sao Paulo, Brazil*
Steeleville, USA
Waukegan, USA
Whitby, Canada
Winston-Salem, USA

* newly reporting in 2017/18 (Disclosure 102-49)

Europe, Middle East and Africa

Bad Salzuflen, Germany
Bühl, Germany
Dreieich, Germany
Dubai, United Arab Emirates
Eggenburg, Austria
Ennepetal, Germany
Fougères, France
Heiligenhaus, Germany
Herzogenburg, Austria
Hitchin, England
Johannesburg, South Africa
Moscow, Russia
Nuneaton, England
Ocholt, Germany
Sofia, Bulgaria
Tiverton, England
Velbert, Germany
Villingen-Schwenningen, Germany
Vittorio Veneto, Italy
Wetzikon, Switzerland
Wuppertal, Germany

Asia Pacific

Hallam, Australia
Melaka, Malaysia
New Delhi, India
Senai, Malaysia
Shenzhen, China
Singapore
Suzhou, China
Taishan, China
Yantai, China

Materiality

At dormakaba, we make access in life smart and secure. We also want to be smart about the choices we make as a company – including how we manage and live sustainability.
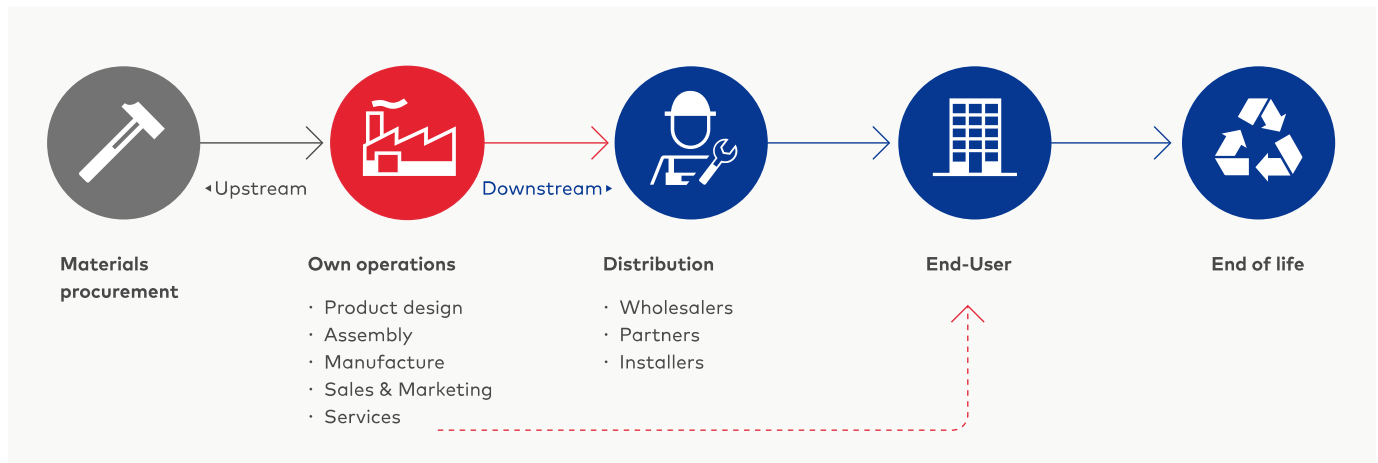
That is why, in the 2017/18 financial year, dormakaba invested in a comprehensive materiality reassessment to be aligned to the GRI Standards. The latter have clarified the inside-out nature of the term "impacts" in their latest materiality definition.

Impact assessment

As part of the materiality process, we focused our efforts on a study-based impact assessment of sustainability topics along our value chain. The aim was to focus efforts where dormakaba can have the most impact on sustainable development. The analysis included dormakaba data from procurement, sales, production and human resources. This was overlaid with over 50 risk indicators from social hotspot databases, the World Bank and the Organisation for Economic Co-operation and Development (OECD).

The approach provided a structured qualitative analysis of environmental, social and economic indicators for the countries and industries dormakaba is involved in throughout the value chain (Disclosure 102-46).

dormakaba value chain

Materials procurement	Own operations	Distribution	End-User	End of life
	· Product design · Assembly · Manufacture · Sales & Marketing · Services	· Wholesalers · Partners · Installers		

For ease of modelling, the company's value chain was simplified into four steps in the sustainability impact assessment: 1.) Raw materials & sourced goods; 2.) Transportation; 3.) Own activities; and 4.) Distribution, use and end-of-life.

The basis for the long-list of 26 topics taken up into the assessment were:

- the material aspects as defined in the 2015/16 and 2016/17 financial years,
- topics based on the sustainability context of the industries in our value chain, and
- ongoing sustainability initiatives in the company.

Overall, the assessment process has not only helped to identify hotspots along the value chain, it has generated internal momentum and sharpened understanding of such impacts. This will serve as a basis for informed decision-making as the company manages its sustainability efforts going forward.

Stakeholder dialogue

The second dimension in the materiality reassessment was focused on the relevance of the sustainability topics for our stakeholders, both internal and external. The stakeholder dialogue which had taken place in the 2015/16 financial year was thorough and validated in a robust, multi-stage process. This included an online survey of around 100 employees including the Executive Committee, the Senior Management and employees who regularly deal with sustainability matters in their day-to-day work. Additionally, bilateral discussions with external representatives such as investors, customers, suppliers, partners, and local government were conducted. The results were therefore taken as a basis for this dimension in the current materiality reassessment. For further details, refer to the 2016/17 Sustainability Report (page 8) (Disclosure 102-42, 102-43).

Threshold-setting and validation

The results of the impact assessment and stakeholder dialogue were quantified in the dormakaba materiality matrix. The threshold for material topics was defined in a workshop with the international dormakaba Sustainability Working Group, including representatives from a range of global and segmental functions within the Supply Chain, Procurement, Human Resources, Compliance, Operations, Quality Control, Material Compliance and Communications departments. After intensive discussion on a third and final dimension – i.e., importance of the individual topics to the company strategy and values, as well as possible risks and opportunities – the materiality threshold was agreed.

All topics where dormakaba was shown to have a medium to high impact on sustainable development were taken up as material. These were topics where dormakaba either makes a positive contribution to sustainable development - for example through job creation or training – or topics whereby our own operations or those of business partners and suppliers could have a negative impact, for example, energy consumption and greenhouse gas emissions resulting from the manufacturing process. Areas of highest interest to stakeholders were also considered. Most topics with a medium to high relevance to our stakeholders were defined as material.

In a final step, the proposed material topics were discussed with the Executive Committee, which then approved them. In addition, the Executive Committee defined the topics of Customer Health and Safety and Customer Privacy as material, highlighting our company value "Customer First".

Changes in material topics

Many topics which had been previously defined as material were reconfirmed through the reassessment process, which indicated that the company was on track in its sustainability management. In addition, six topics have been newly added as material, as seen in the below table. Some topics which had been previously defined as material were shown to be of less relevance to stakeholders or of less potential impact on sustainable development for the company. While these topics are less material in the sustainability strategy, our commitment to the principles related to forced labor and non-discrimination continues as a member of the UN Global Compact (Disclosure 102-49).

Reporting Frameworks
This report has been prepared in accordance with the GRI Standards: Core option. It has successfully completed the GRI Materiality Disclosures Service.

dormakaba also reports to the Carbon Disclosure Project annually. Last year, dormakaba achieved a C score for its report.

dormakaba is a member of the UN Global Compact and publishes its annual "Communication on Progress" on the UN Global Compact website.

**WE SUPPORT**

UN GLOBAL COMPACT

New material topics

• Materials

• Freedom of Association and Collective Bargaining

• Customer Privacy

• Customer Health and Safety

• Supplier Environmental Assessment

• Supplier Social Assessment

Previously defined as material

• Socioeconomic Compliance

• Forced Labor

• Diversity and Equal Opportunity

• Economic Performance

• Product and Service Labelling

dormakaba interactive Materiality Matrix 2017 - 2021

The dormakaba Materiality Matrix below shows our 17 material topics until 2021. By clicking on a topic of interest, an informational box will appear which shows the topic definition and the degree of potential impact along our value chain. The topic boundaries are set based on the value chain steps outside of own operations with high potential impact per topic. The topic boundaries are extended to include own operations for all material topics, even if potential impact is low to medium. Prioritization is set according to the degree of potential impact (Disclosure 102-46, 102-47).
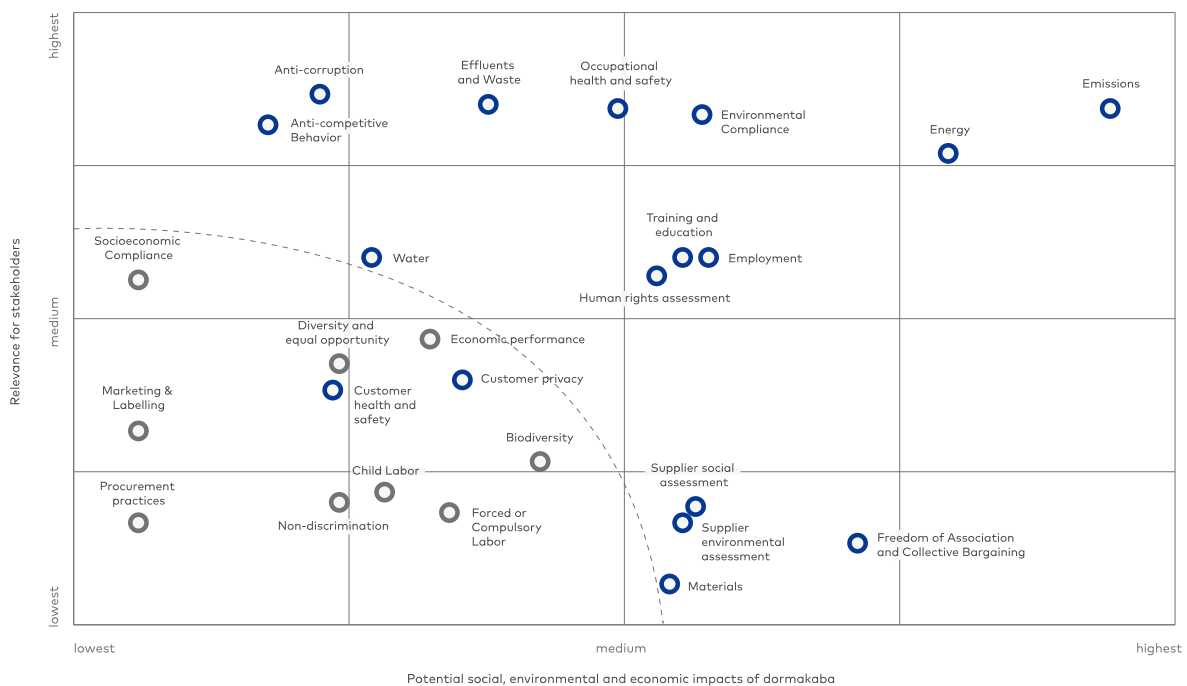
Anti-competitive Behavior

Definition: Prevention of any form of anti-competitive behavior, extortion, collusion, conflicts of interest, price fixing. Anti-trust and monopoly practices, whistleblowing procedures.

Potential Impact per Value Chain Step

high			
medium			
low			

| Raw materials & sourced goods | Transportation | Own activities | Distribution use & EoL |
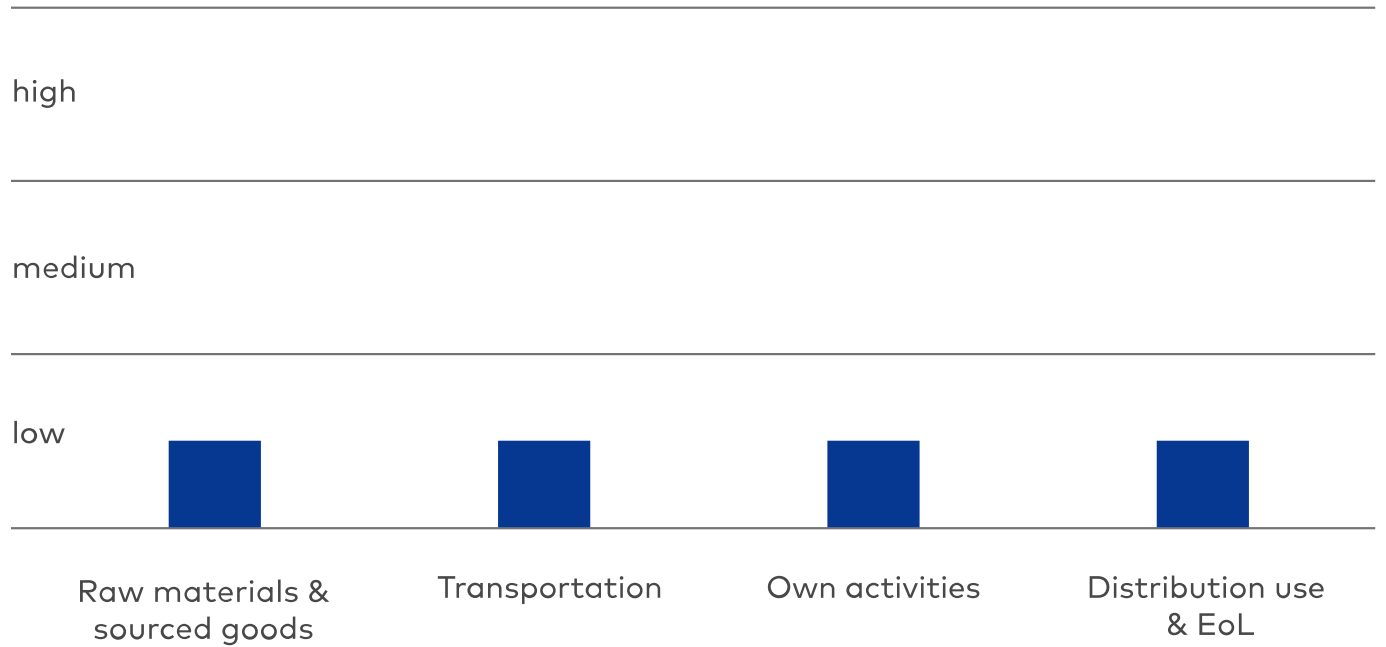
Anti-corruption

Definition: Prevention of any form of corruption and bribery in the supply chain, logistics and operations. Policy regarding payments to authorities and whistleblowing procedures.
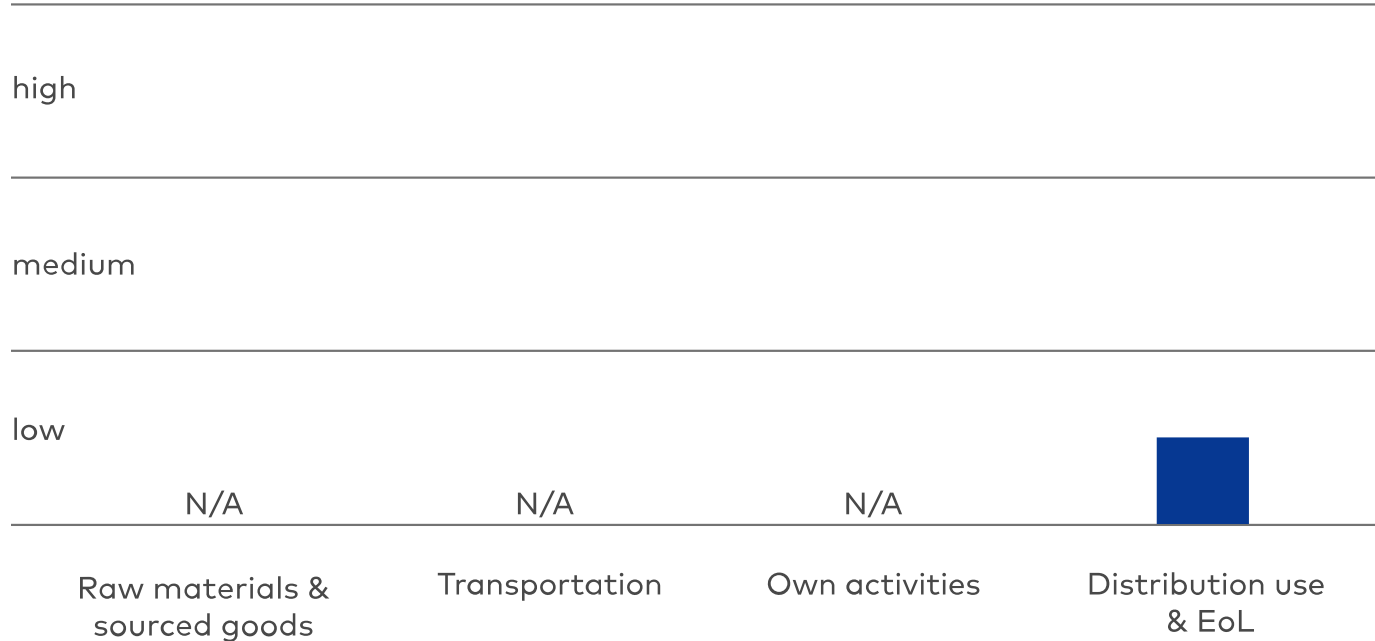
Potential Impact per Value Chain Step

high			
medium			
low			

| Raw materials & sourced goods | Transportation | Own activities | Distribution use & EoL |
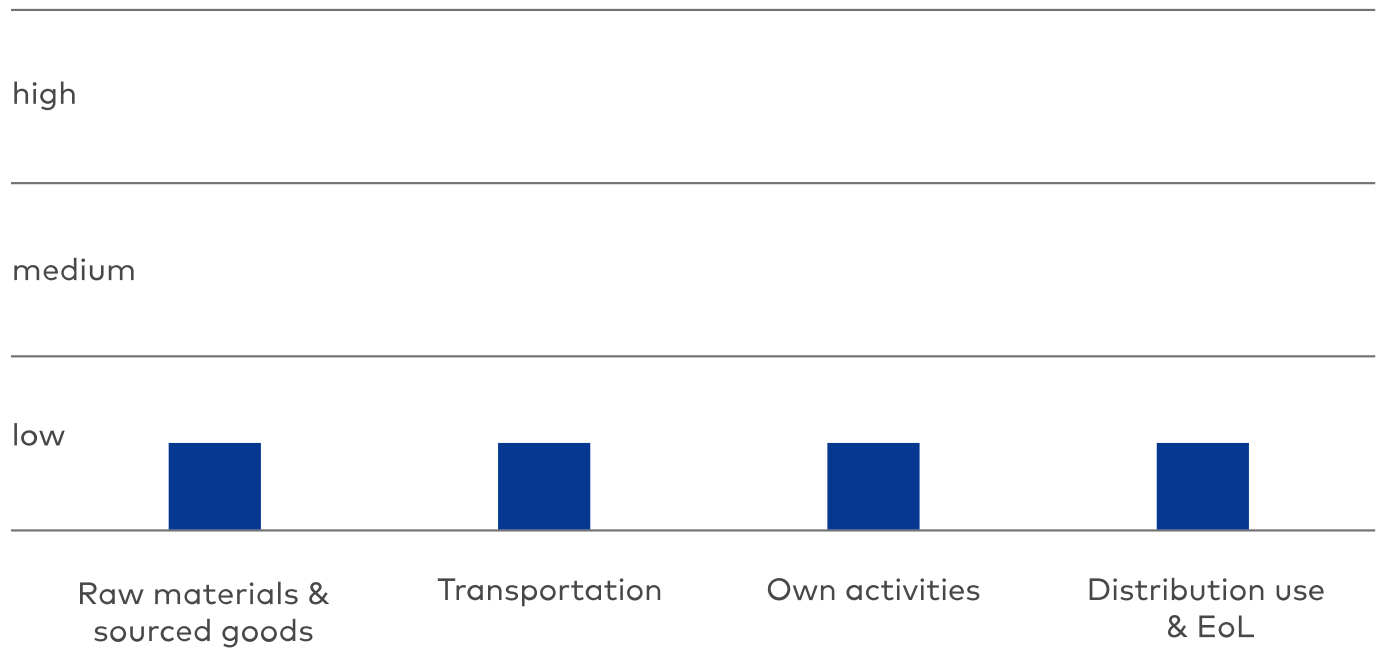
Customer health and safety

Definition: Assurance of the health and safety of customers, consumers and other users.

Potential Impact per Value Chain Step

high			
medium			
low			
N/A	N/A	N/A	▮
Raw materials & sourced goods	Transportation	Own activities	Distribution use & EoL

Customer privacy

Definition: Safeguarding of customer's rights of data protection and privacy; e.g. obtaining data by lawful and fair means, protection of personal data of customers by adequate information security safeguards, responsible use of customer data in sales, proliferation of new technologies and security risks / liabilities, cyber security.

Potential Impact per Value Chain Step

high			
medium			▮
low			
N/A	N/A	N/A	
Raw materials & sourced goods	Transportation	Own activities	Distribution use & EoL
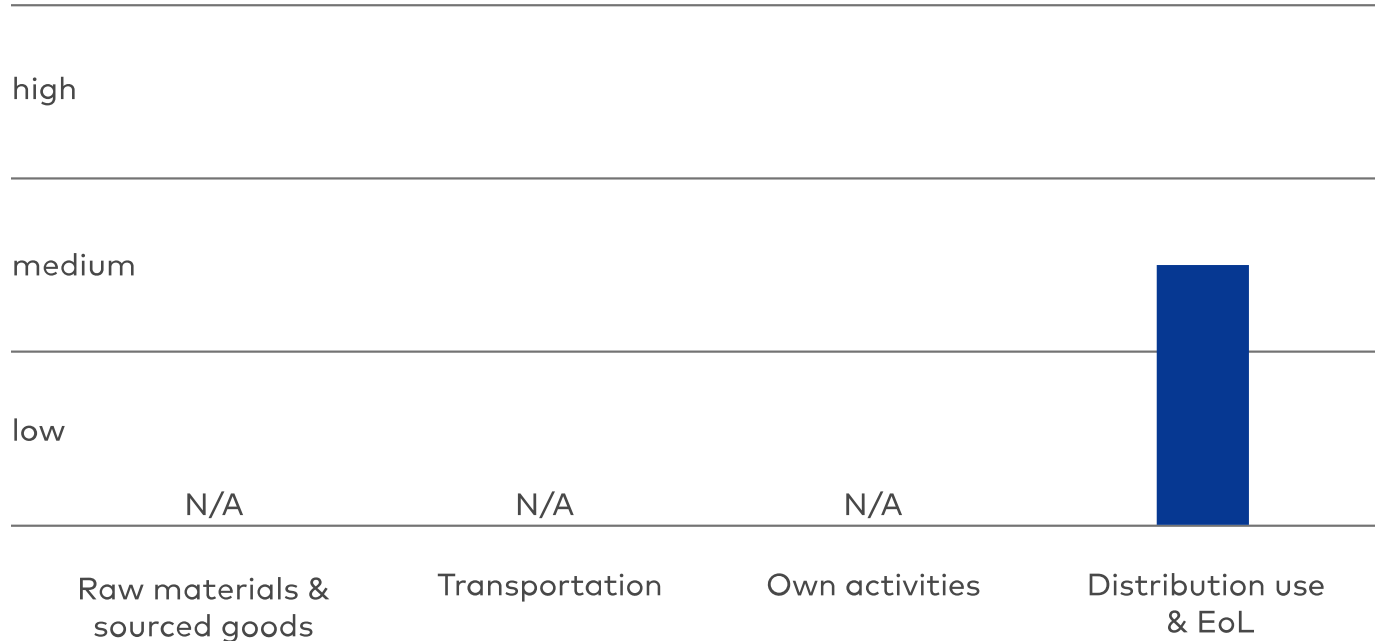
Effluents and Waste

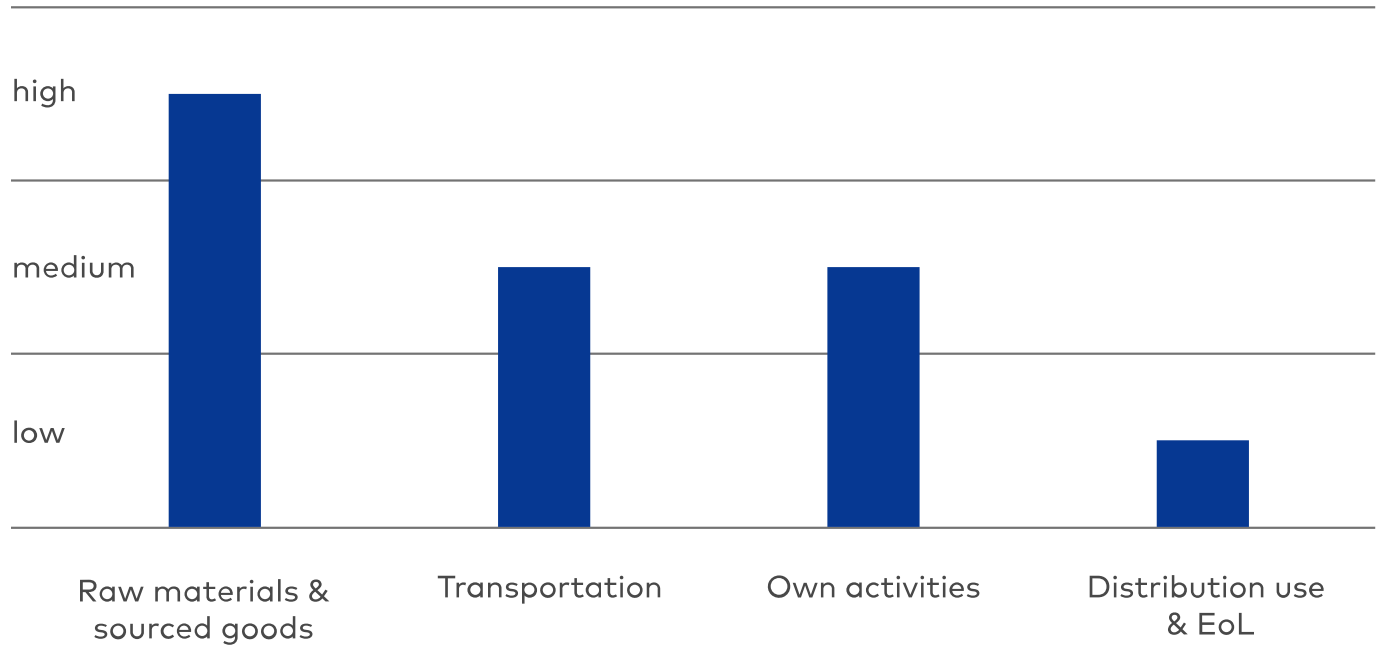Definition: Pollution in the supply chain, logistics and operations; e.g. emissions of toxic or hazardous substances from manufacturing to soil or water, responsible use, storage and disposal of potential pollutants, preventing chemical spills, wastewater treatment; waste generation, recycling of generated waste.

Potential Impact per Value Chain Step

high

medium

low

Raw materials & sourced goods   Transportation   Own activities   Distribution use & EoL

Emissions

Definition: Greenhouse gas (GHG) emissions and air pollutants in the supply chain, logistics and operations; e.g. CO_2, NO_x, SO_x, volatile organic compounds (VOCs), fine dust emissions, ozone-depleting substances, reduction of the risks of related human health impacts.

Potential Impact per Value Chain Step

high

medium

low

Raw materials & sourced goods   Transportation   Own activities   Distribution use & EoL
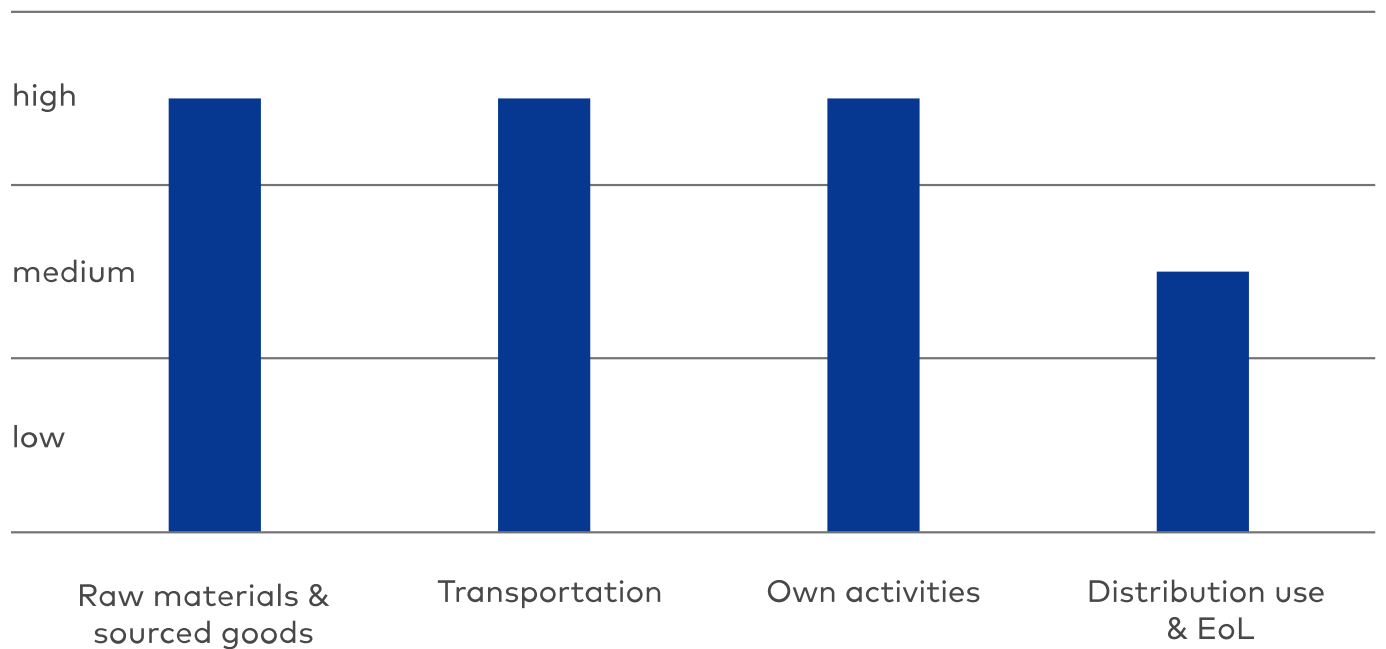
Employment

Definition: Employment and job creation by the organization and along the value chain; e.g. employment practices, wages, working conditions, hiring and retention of employees, social dialogue, employee-management relations.

Potential Impact per Value Chain Step
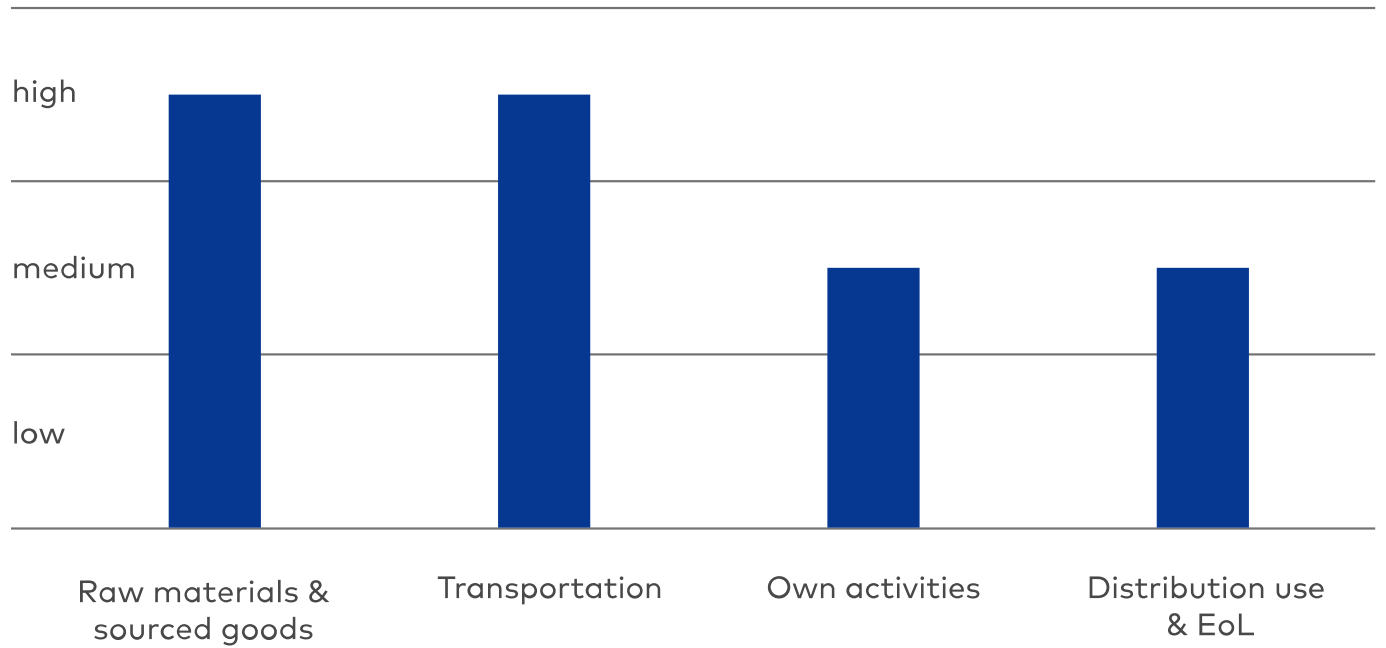
	high	medium	low
Raw materials & sourced goods	high		
Transportation	high		
Own activities		medium	
Distribution use & EoL		medium	

Energy

Definition: Energy consumption and use of renewable energy in the supply chain, logistics, operations and products, e.g. energy efficiency, use of local and renewable energy, energy efficiency of products.

Potential Impact per Value Chain Step

	high	medium	low
Raw materials & sourced goods	high		
Transportation	high		
Own activities	high		
Distribution use & EoL		medium	
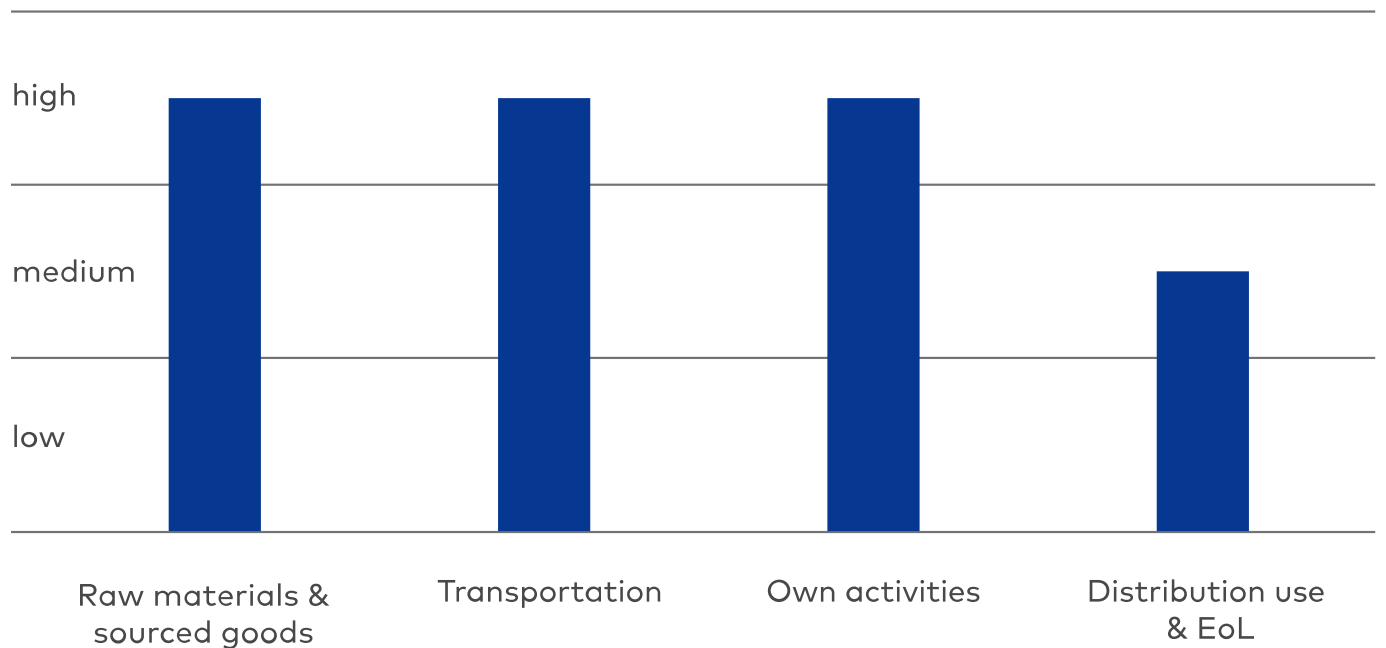
Environmental Compliance

Definition: Compliance with environmental laws and regulations along the value chain (e.g. reduction of financial risks through fines and negative impacts on reputation, avoidance of clean-up obligations or other costly environmental liabilities).

Potential Impact per Value Chain Step
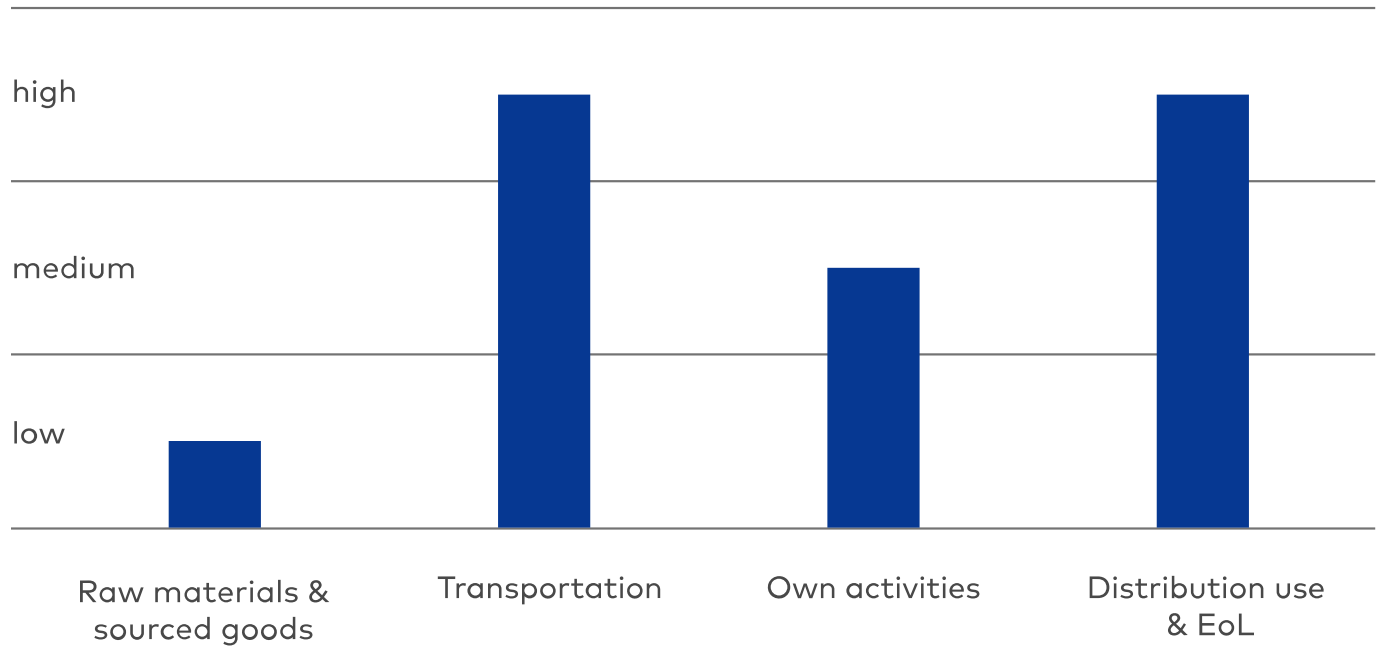
high			
medium			
low			
Raw materials & sourced goods	Transportation	Own activities	Distribution use & EoL

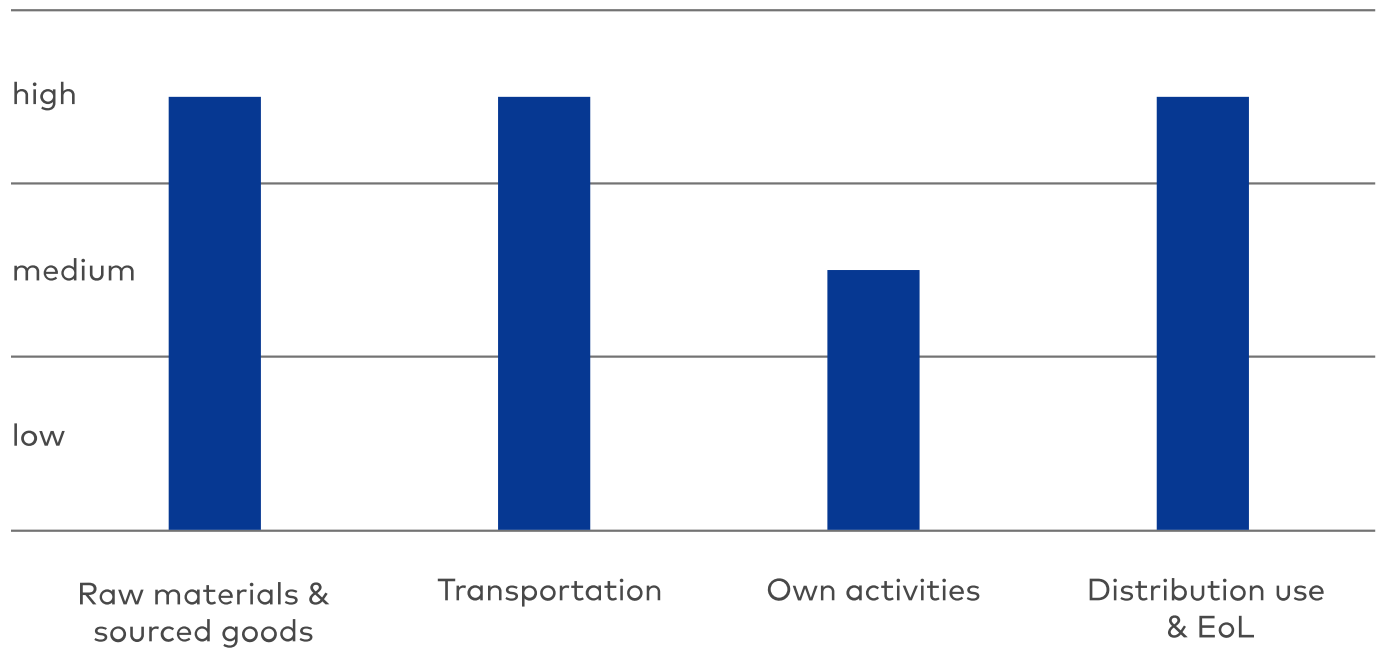## Freedom of Association and Collective Bargaining

Definition: Risk and non-compliance with the freedom of association and collective bargaining in the supply chain, logistics and operations.

Potential Impact per Value Chain Step

high			
medium			
low			
Raw materials & sourced goods	Transportation	Own activities	Distribution use & EoL

Human rights assessment

Definition: Respecting human rights along the value chain; e.g. obligation and training of employees and business partners to adhere to human rights, provision of grievance mechanisms, human rights due diligence. Human rights include e.g. freedom of religion, right to life, protection from discrimination, freedom from slavery and forced labor.

Potential Impact per Value Chain Step
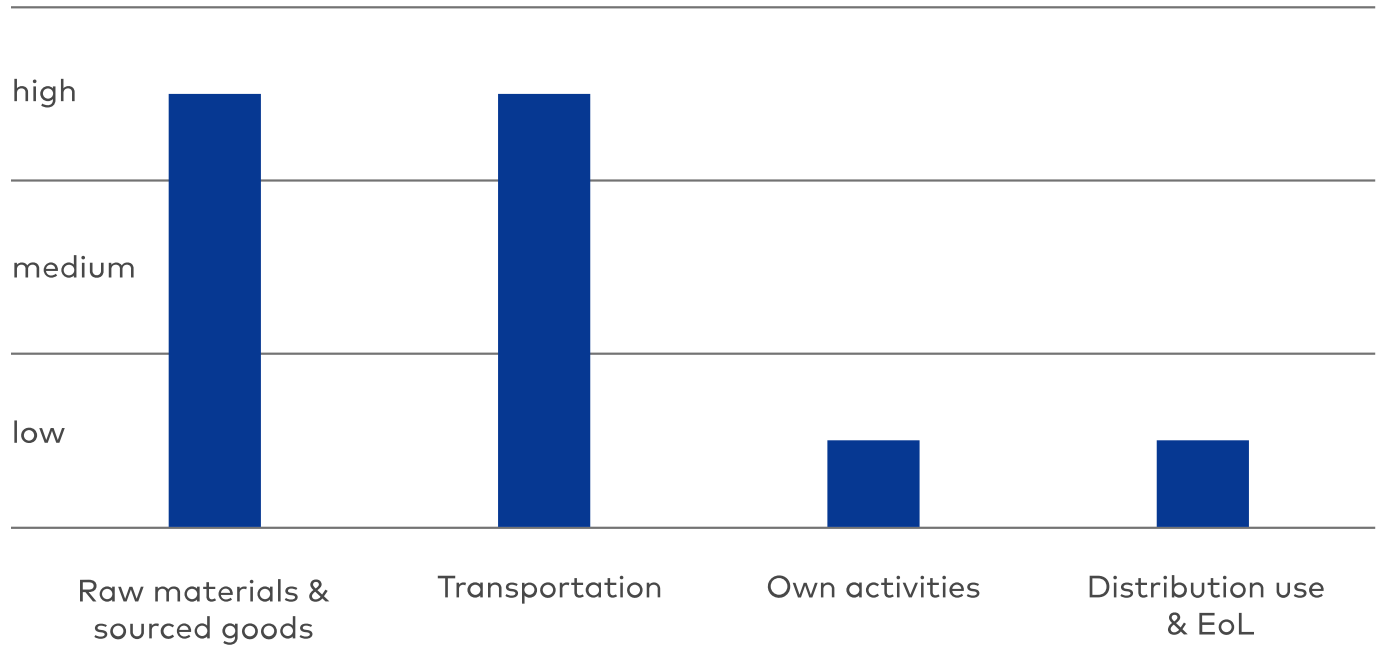
Materials

Definition: Efficient use of materials in production and in the supply chain, e.g. optimization of the production process, responsible sourcing of conflict minerals and wood, ensuring material traceability, responsible use, recycling and reuse of materials and product recovery, responsible use of scarce materials.

Potential Impact per Value Chain Step
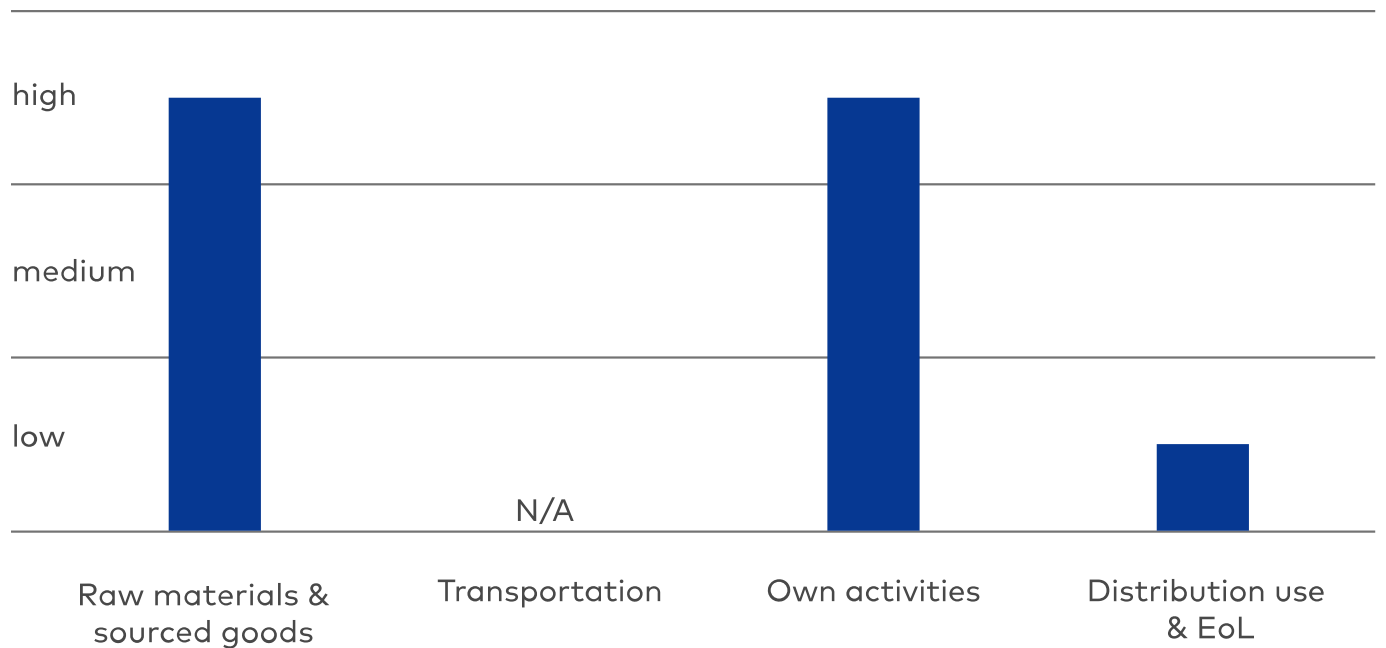
Occupational health and safety

Definition: Accidents, injuries and wellbeing of people involved in activities along the value chain; e.g. workers' exposure to risks and hazardous substances, (personal) protective equipment, health and safety training, health checks, case management, ergonomic work areas.

Potential Impact per Value Chain Step

high

medium

low

| Raw materials & sourced goods | Transportation | Own activities | Distribution use & EoL |
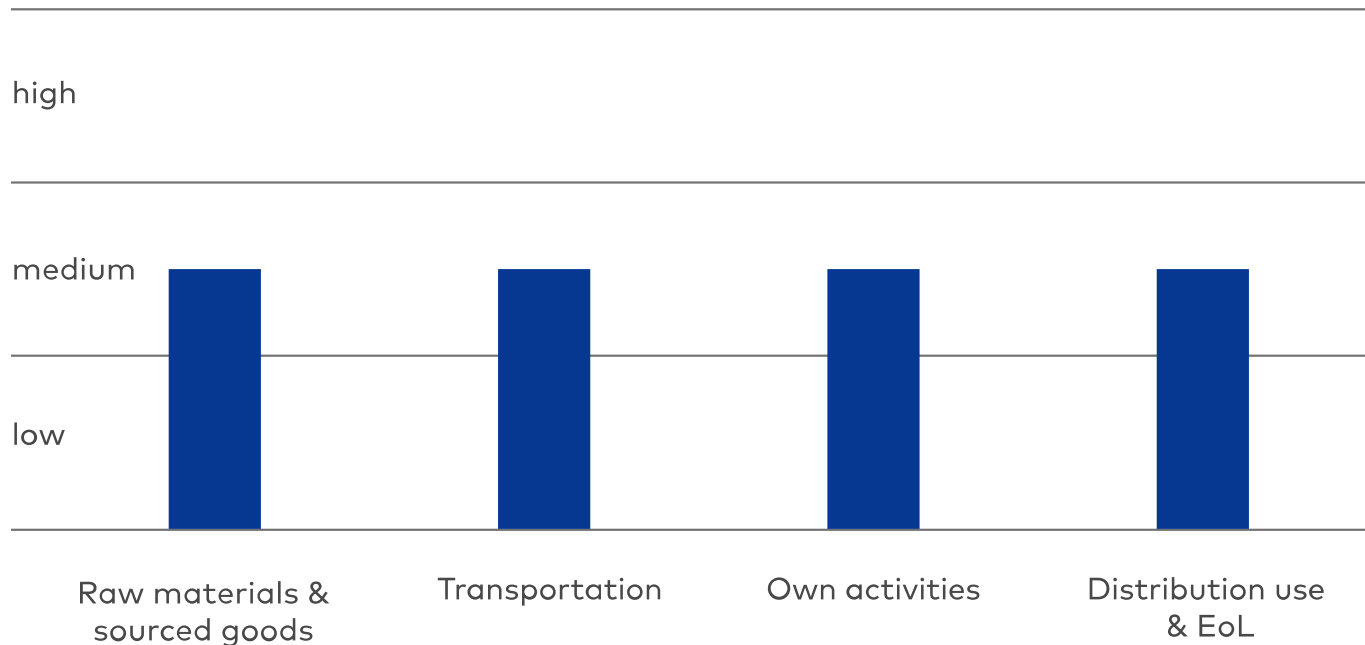
Supplier environmental assessment

Definition: Reduction of negative environmental impacts in the supply chain and of business partners, i.e. supplier screening, due diligence processes, prevention, mitigation and remediation of negative impacts. Sustainable sourcing of raw materials, e.g. impacts of extraction (including conflict minerals), procurement from politically unstable regions.

Potential Impact per Value Chain Step

high

medium

low

N/A   N/A

| Raw materials & sourced goods | Transportation | Own activities | Distribution use & EoL |
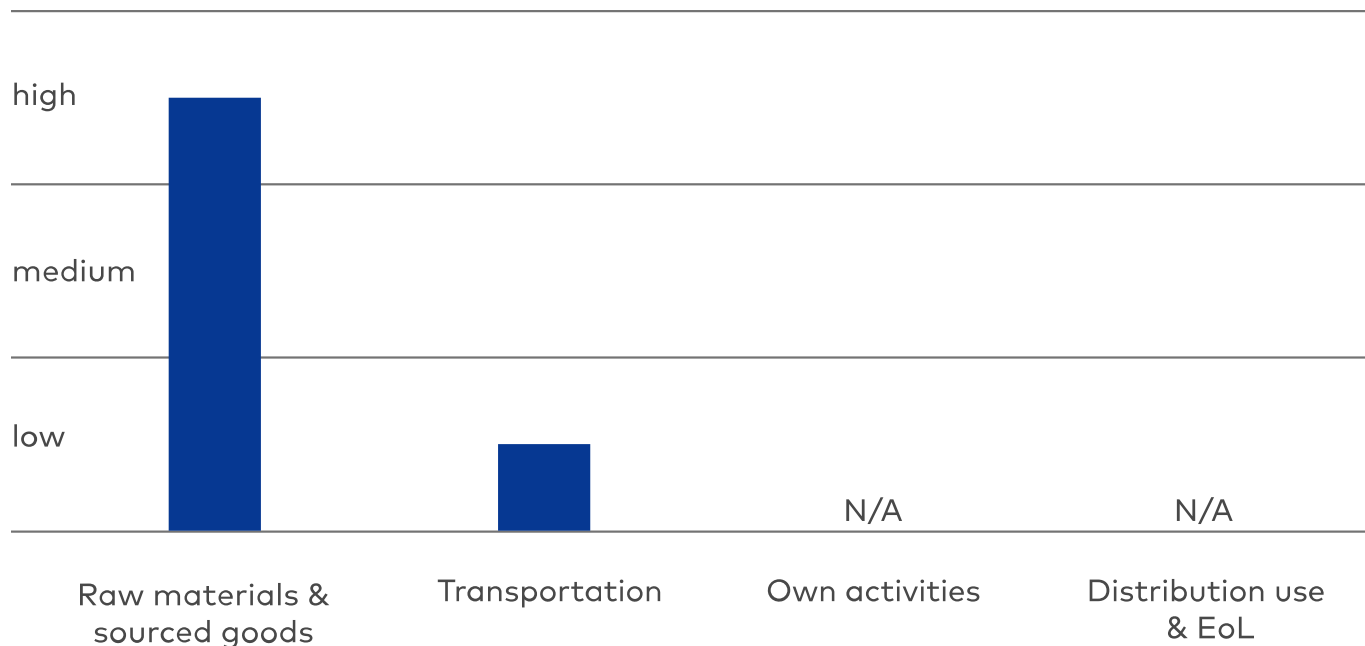
Supplier social assessment

Definition: Requirement of social standards for suppliers and business partners, i.e. code of conduct, certifications, audits in the supply chain. Sustainable sourcing of raw materials, e.g. impacts of extraction (including conflict minerals), procurement from politically unstable regions.

Potential Impact per Value Chain Step

high				
medium				
low			N/A	N/A
	Raw materials & sourced goods	Transportation	Own activities	Distribution use & EoL
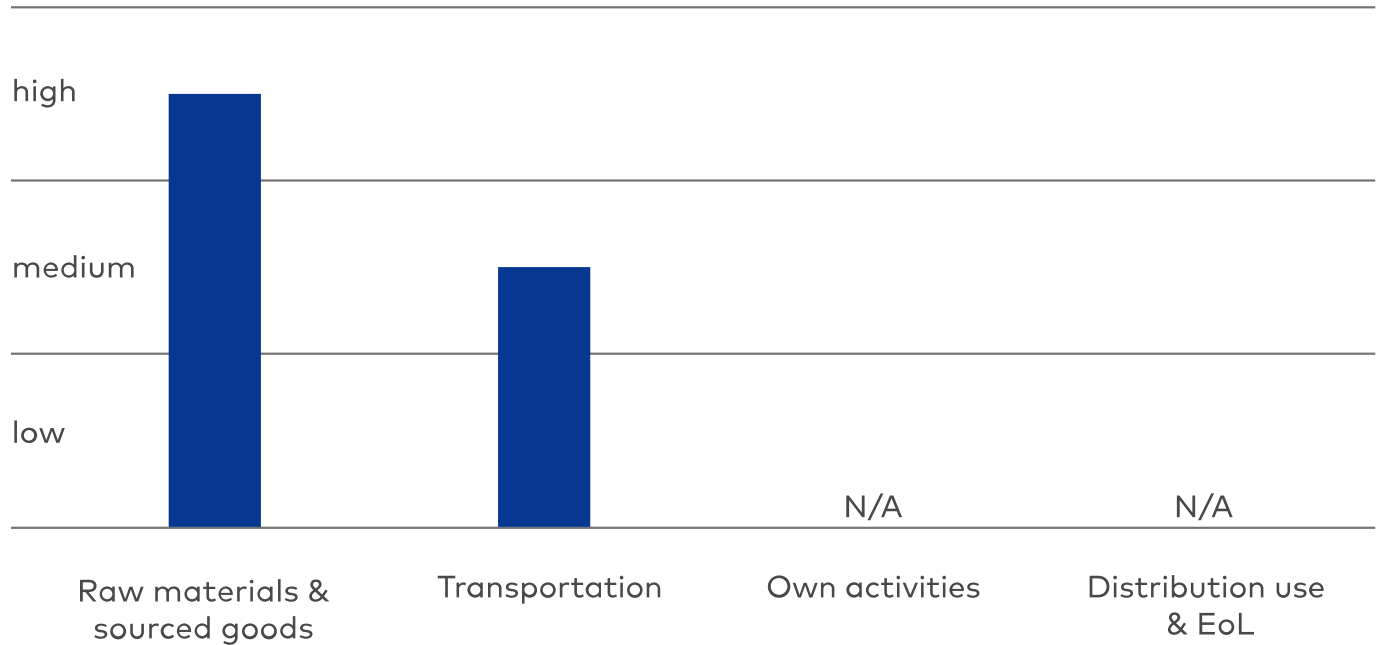
Training and education

Definition: Enhancement of employee and talent development along the value chain; e.g. vocational training, development planning, performance evaluation, promotion of skills, employee training and education, promotion of lifelong learning opportunities, facilitation of continued employability.

Potential Impact per Value Chain Step

high				
medium				
low				
	Raw materials & sourced goods	Transportation	Own activities	Distribution use & EoL
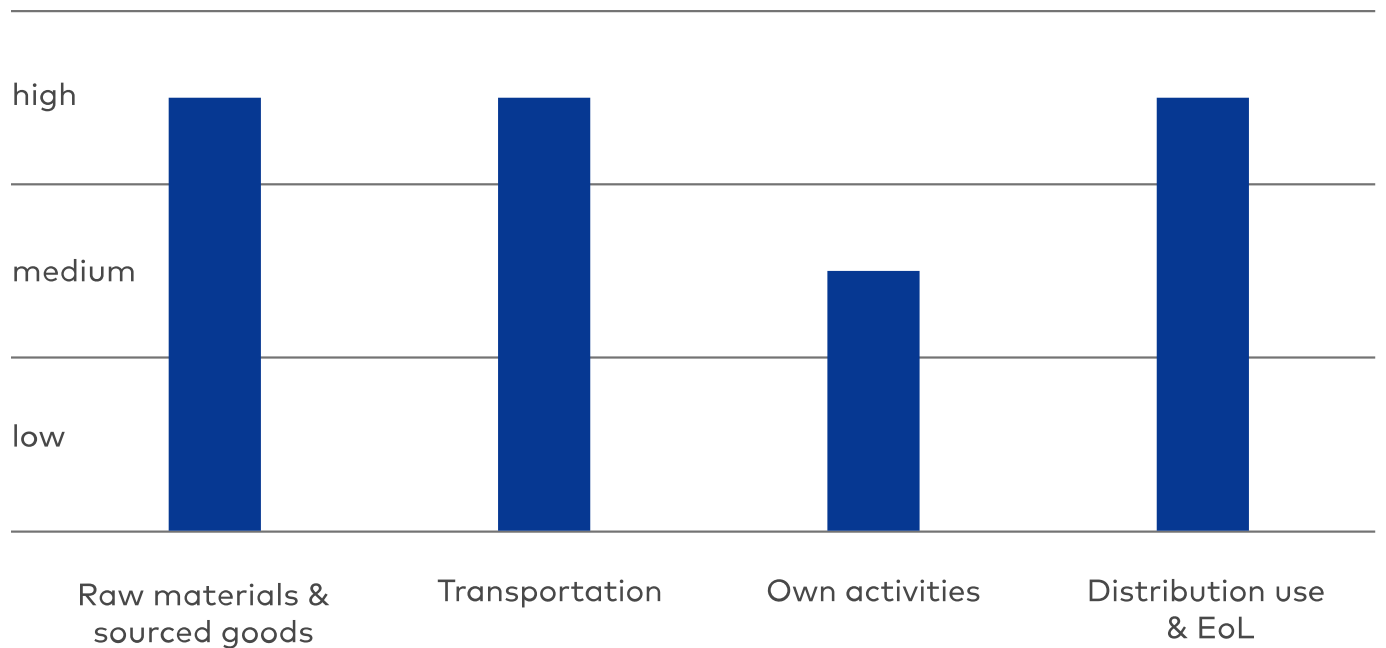
Water

Definition: Water consumption in the supply chain, logistics and operations and impact on water availability and pollution; e.g. water withdrawal and affected sources; measures to ensure availability and sustainable management of water and sanitation; adaptation to water scarcity, water saving measures.

Potential Impact per Value Chain Step

high

medium

low

Raw materials &
sourced goods

Transportation

Own activities

Distribution use
& EoL
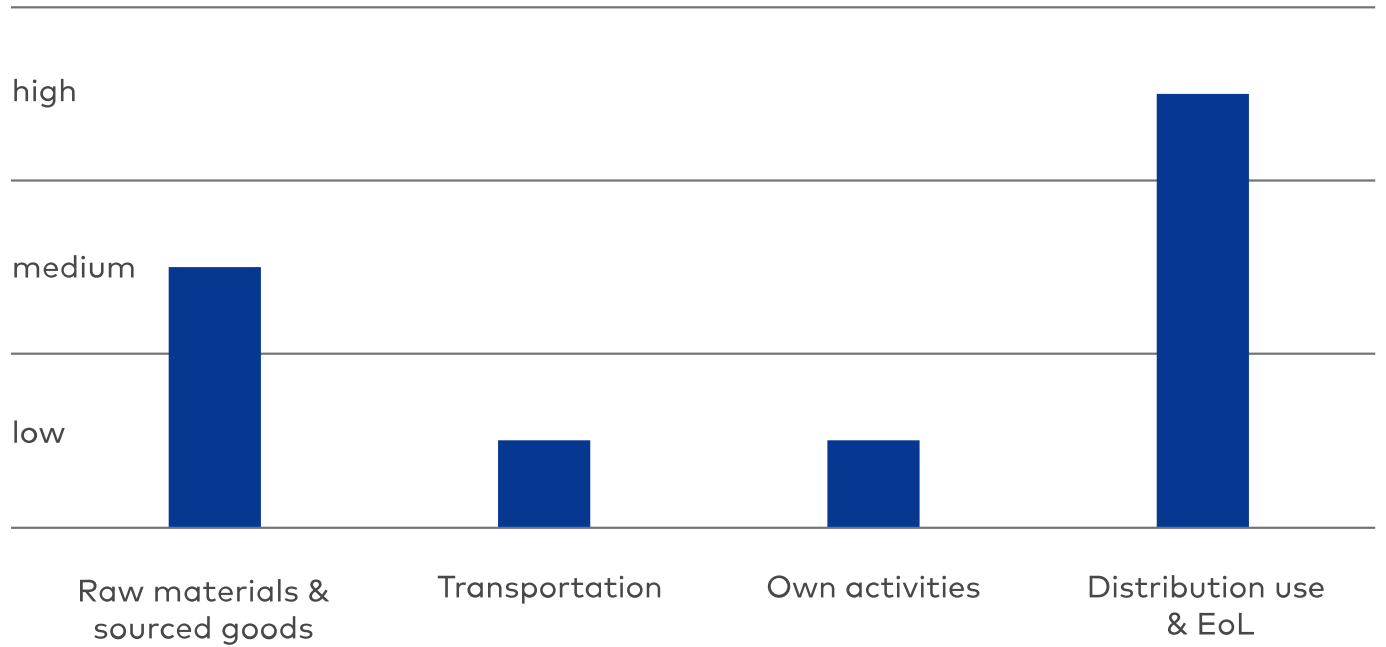
Strategy and Approach

dormakaba defines sustainability as one of the key success factors to becoming recognized as a trusted industry leader. That is why sustainability has been anchored as one of the foundations of the company's six strategic pillars.

dormakaba strives to promote sustainable development along the value chain in view of our economic, environmental and social responsibility toward current and future generations. The company further commits to an open and transparent dialogue with stakeholders to define strategies and actions based on clear goals and continuous improvements.

The results of the sustainability materiality assessment strengthen our drive to continue developing efficient, environmentally favorable and socially responsible products, as well as to extending our sustainability efforts to upstream value creation processes.

The material topics for the years 2017-2021 have been aligned to dormakaba's four focus areas of our strategic approach to sustainability, namely Transparency, Process & Production, People and Products.

Increasingly, customers, partners and end-users in the building industry are demanding environmentally-friendly products, giving rise to new market opportunities. At the same time, responsible business practices are demanded by legislators and investors.

Our focus areas

Transparency – We are committed to be a socially responsible corporate citizen and to upholding the principles of international conventions, laws and internal rules and regulations. We also expect our suppliers and business partners to adhere to similar standards and rules.

Process & Production – We seek to reduce the environmental impact of production and adhere to environmental laws and regulations. We strive to ensure a healthy and safe workplace and to safeguard our customers' right to privacy and security.

People – We offer fair working conditions in which our employees can leverage their strengths and build their skills. We foster an engaged workforce where we have the right people in the right roles.

Products – We are dedicated to producing high-quality, reliable products and solutions, also integrating our customers' health and safety. We aim to reduce our customers' environmental burdens by designing materially- and energy-efficient products.

Process & Production

· Energy & Emissions
· Water
· Effluents & Waste
· Customer Privacy
· Occupational Health
  & Safety
· Environmental
  Compliance

· Anti-competitive
  Behavior
· Anti-corruption
· Supplier Environmental
  Assessment
· Supplier Social
  Assessment
· Human Rights
  Assessment

Transparency

Sustainability Strategy

· Energy (use-phase)
· Emissions (use-phase)
· Materials
· Effluents & Waste
· Customer Health
  & Safety

Products

· Employment
· Training & Education
· Freedom of Association/
  Collective Bargaining

People

Strategic targets

In line with this strategic approach, dormakaba has committed to achieving three overarching sustainability goals in our corporate strategy by end of the year 2021 as follows:

- Increase the revenue share of products with environmental and/or health product declarations to > 30%
- Increase the share of ISO 14001 certified production sites to > 50%
- Operationalize a supplier audit system based on sustainability criteria (e.g., ISO certification, material compliance)
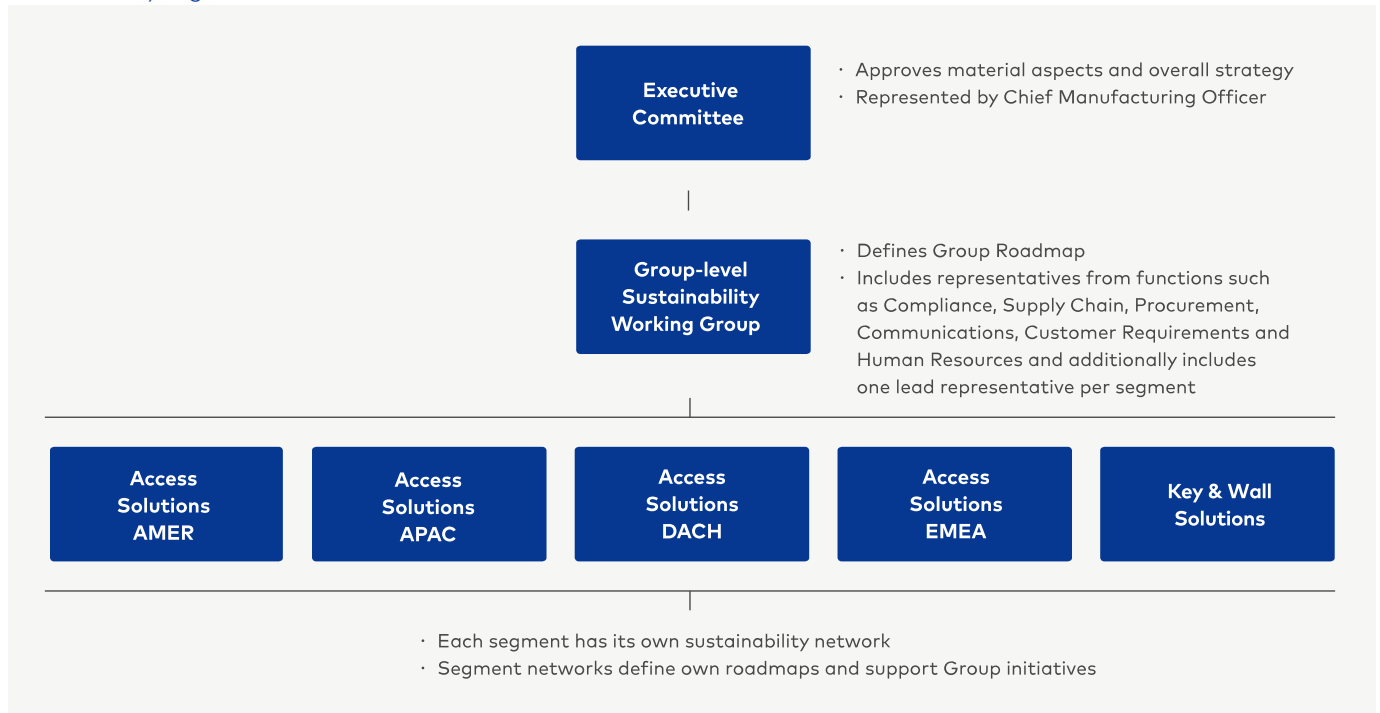
In the 2017/18 financial year, we have approximately 12% of revenue share of products with environmental and/or health product declarations. We also have 29% of production sites certified according to ISO 14001. Further, we have begun to operationalize a supplier social and environment assessment system as detailed here.

Sustainability governance

Further achievements in embedding sustainability in the organization include the development and implementation of concrete action plans at a segment-level, particularly in segments AS EMEA and Key & Wall Solutions. For the latter, both business units (Key Systems, Movable Walls) have individual sustainability networks and action plans.

In addition, new segment-level sustainability networks have been established for segments AS AMER and AS APAC. The company's commitment to setting up segment-level sustainability networks will continue in the 2018/19 financial year.

Sustainability organization

Executive Committee
· Approves material aspects and overall strategy
· Represented by Chief Manufacturing Officer

Group-level Sustainability Working Group
· Defines Group Roadmap
· Includes representatives from functions such as Compliance, Supply Chain, Procurement, Communications, Customer Requirements and Human Resources and additionally includes one lead representative per segment

Access Solutions AMER   **Access Solutions APAC**   **Access Solutions DACH**   **Access Solutions EMEA**   **Key & Wall Solutions**

· Each segment has its own sustainability network
· Segment networks define own roadmaps and support Group initiatives

The Bigger Picture

Mapping material topics to the UN Sustainable Development Goals

In the year 2015, the 193 countries of the United Nations General Assembly adopted the so-called Agenda 2030, with 17 Sustainable Development Goals (SDGs) and 169 targets at its heart. These are ambitious targets for people, planet and prosperity which require partnerships between government, NGOs, businesses and institutions of higher learning to be able to achieve. If we are to achieve them, everyone should have knowledge of them.

Because less than half of the global population have even heard of them (OECD, 2017), dormakaba aims to increase stakeholders' awareness of the SDGs, especially within our workforce. As a first step, dormakaba has mapped our newly defined material topics to the targets of the SDGs. We see a link between eight SDGs and our material topics. We also see the SDGs as a guide to new business opportunities.

3 GOOD HEALTH AND WELL-BEING

Goal 3 - Good health and well-being

3 GOOD HEALTH AND WELL-BEING

Goal 3. Ensure healthy lives and promote well-being for all at all ages
By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination (Target 3.9)

Material Topic: Customer Health & Safety

4 QUALITY EDUCATION

Goal 4 – Quality Education

4 QUALITY EDUCATION

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (Target 4.3)

By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development (Target 4.7)

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship (Target 4.4)

Material Topic: Training & Education

6 CLEAN WATER AND SANITATION

Goal 6 – Clean Water and Sanitation

6 CLEAN WATER AND SANITATION

Goal 6. Ensure availability and sustainable management of water and sanitation for all

By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally (Target 6.3)

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity (Target 6.4)

Material Topic: Water

7 AFFORDABLE AND CLEAN ENERGY

Goal 7 – Affordable and Clean Energy
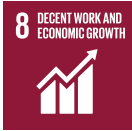
7 AFFORDABLE AND CLEAN ENERGY

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

By 2030, increase substantially the share of renewable energy in the global energy mix (Target 7.2)

By 2030, double the global rate of improvement in energy efficiency (Target 7.3)

Material Topic: Energy

8 DECENT WORK AND ECONOMIC GROWTH

Goal 8 – Decent work and economic growth

8 DECENT WORK AND ECONOMIC GROWTH

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment (Target 8.8)

Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor (Target 8.7)

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (Target 8.5)

Material Topics: Employment; Human Rights Assessment; Occupational Health & Safety; Freedom of Association & Collective Bargaining

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 9 – Industry, Innovation and Infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities, and specifically, reduce the CO_2 emission per unit of value added (Target 9.4)

Material Topics: Emissions; Materials

Goal 12 – Responsible Consumption and Production

Goal 12. Ensure sustainable consumption and production patterns

By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment (Target 12.4)

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse (Target 12.5)

By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature (Target 12.8)

Material Topic: Effluents & Waste

Goal 13 – Climate Action

Goal 13. Take urgent action to combat climate change and its impacts

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries (Target 13.1)

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning (Target 13.3)

Material Topic: Emissions

Anti-corruption

As a global business, dormakaba is committed to acting as a socially responsible corporate citizen and to upholding the principles of and adherence to international conventions, laws and internal rules and regulations.

As a member of the UN Global Compact, dormakaba has committed itself to not only avoid bribery, extortion and other forms of corruption but also to develop related policies and concrete programs internally and within its supply chain.

As for any company with global operations, the relevance of a sound management approach on the topic is clear. The so-called Corruption Perceptions Index (CPI), an index developed by Transparency International that ranks the perceived level of public sector corruption, is high in some countries where dormakaba is active.

Through our management approach, dormakaba ensures compliance with the law and with our Code of Conduct by raising awareness through employee trainings and offering legal support and guidance. Enabling employees to comply with legal requirements will help avoid negative financial impact on the company and safeguard our reputation.

Focus Area: Transparency
• Anti-corruption

• Anti-competitive Behavior

• Human Rights Assessment

• Supplier Social and Environmental Assessment

Policy

dormakaba sets a clear tone from the top regarding anti-corruption and ethical business dealings through our Code of Conduct (CoC). The CoC is binding for all dormakaba employees. Even if a national law would allow a practice forbidden by the dormakaba Code of Conduct, employees must comply with the CoC.

Anti-corruption is included in chapters 1 (Compliance with Laws and Regulations), 5 (Conflict of Interests), 9 (Protection against Corruption and Bribery) and 10 (Donating and Sponsoring) of the CoC. A more detailed Anti-Corruption Directive will be developed in the 2018/19 financial year.

No kind of corruption is tolerated. All illegal benefits to third parties directly or indirectly, whether public authorities or in the private business sector, are forbidden. The same applies regarding receiving such benefits. Facilitation payments are forbidden.

dormakaba's Group Compliance releases new Directives and further respective internal communication. This includes personal email-distribution targeted to the employees who might be affected by the Directive. In the case of the Group Directive Anti-corruption, a communication to all employees is planned. Guidance on how to use the Group Directive including additional supporting documents, e-learning, webinars of face-to-face training is offered.

A word on our Code of Conduct

The company's values are included in the dormakaba Code of Conduct (CoC), which sets standards for ethical business behavior covering human rights, forced, compulsory and child labor, and environmental responsibility. The CoC also governs other areas such as equal opportunities and non-discrimination, and how to report misconduct.

The CoC is available to employees in various languages, both in electronic form and as printed document. All new employees receive the CoC with their employment contract. In addition, a user-friendly interactive PDF version of the CoC with additional information is available in various languages on the company's intranet.

Management

To raise awareness of the topic, Group Compliance, part of the Group Legal organization, develops the related training concept and provides the training material. Segments may amend as necessary after consultation. Group Compliance is supported by over 50 so-called Compliance Ambassadors throughout the whole organization.

Incidences of suspected corruption are reported to Group Compliance. Then, Group Compliance, in collaboration with Group Internal Audit, reviews the facts and circumstances. Based on the results of the review, Group Compliance derives countermeasures in collaboration with management and defines an action plan. Group Compliance then tracks the progress. The General Counsel regularly reports to the Board of Directors regarding corruption proceedings.

Besides this bottom-up approach, the Audit Committee makes use of a top-down approach by mandating audits (either by Group Internal Audit or through third-party support) with a focus on bribery or corruption matters. Triggers include hints from the organization itself, their impressions during on-site visits, whistleblowers, (bad) news from competitors, or regional risk factors.

In addition, Group Internal Audit integrates the CPI as one criterion for developing their internal audit plan. Procurement and sales functions and processes are regularly audited. In each audit engagement, Group Internal Audit verifies whether the principle of segregation of duties is maintained.

Corruption risks are also addressed in dormakaba's risk model as part of the company's global risk management process, conducted every six months.

Beyond the four-eyes principle

At dormakaba there are clear and structured processes which ensure transparency and minimize the likelihood of corruption. The company follows the four-eyes principle in decision making processes, meaning important decisions or critical activities are not made by one person alone. For example, besides adhering to the company-wide four-eyes principle, the purchasing department must obtain at least three offers for larger bids.

Possible conflicts of interest must be reported to the supervisor, Human Resources or Group Compliance. The situation must be resolved in the best interest of the organization based on a consultation between the employee, the supervisor, and Human Resources. The consultation must be documented and related summary minutes provided to Group Compliance.

Further, employees are made aware of the approval process for granting or receiving benefits during the Code of Conduct training. From a certain threshold onwards, the employee must ask his or her direct manager for approval. If benefits exceed a higher threshold, Group Compliance must give approval. Group Compliance processes, documents, and files such requests. These are reported to the Audit Committee on an aggregated basis.

In addition, donations and sponsoring totaling more than CHF 1,000 per recipient per fiscal year must be reported to Group Compliance. Group Compliance evaluates the data received and follows up on any conspicuous activities. These and other activities are reported to the Audit Committee, CEO, and CFO in the annual Corporate Compliance Report.

Key activities

dormakaba ensures key activities on the topic through three working streams: (1) increasing awareness through training activities, (2) advisory services and (3) audits.

As mentioned, Group Compliance develops training concepts and activities. However, the responsibility for carrying out the training lies within the Segments through Compliance Ambassadors and in collaboration with Human Resources. This cross-functional and cross-departmental method further fosters the exchange of information on anti-corruption.

As part of the CoC training in the reported fiscal year, over 80% of all dormakaba employees were taught about the general anti-corruption processes including how to deal with conflicts of interest, how to seek approval for benefits, etc. Training for the remaining employees will take place in the financial year 2018/19.

An awareness-raising video on the topic was also released in the financial year 2017/18. To ensure that all employees understand the context and to minimize reservations on the topic, Group Compliance created a 5-minute animated film to explain anti-corruption. The film was published on the intranet and is used by all CoC trainers.

In-depth anti-corruption/fraud training is offered upon request. The systematic roll-out of further anti-corruption training is planned after concluding current training initiatives on the CoC and anti-competitive behavior, at the end of the financial year 2018/19. Refresher courses and special topic courses are planned subsequently.

Group Compliance together with Group Legal offers direct anti-corruption consultancy whenever due diligence processes reveal related issues. External legal expertise can be retained if necessary. Consultancy is offered on strategic projects but also occurs ad hoc. Duration of the actions depends on the related project or request. Actions are prioritized depending on the impact on dormakaba and urgency.

Group Internal Audit has performed two audits with a focus on anti-corruption and anti-bribery in the financial year 2017/18. The audits did not reveal any misconduct.

Grievance mechanism

The CoC outlines the standard procedure for reporting grievances and/or breaches of the law. In a first step, the employee may contact their respective manager. Subsequently the matter may be escalated to the local human resources or legal team, Group Legal or Group Compliance.

Reporting channels
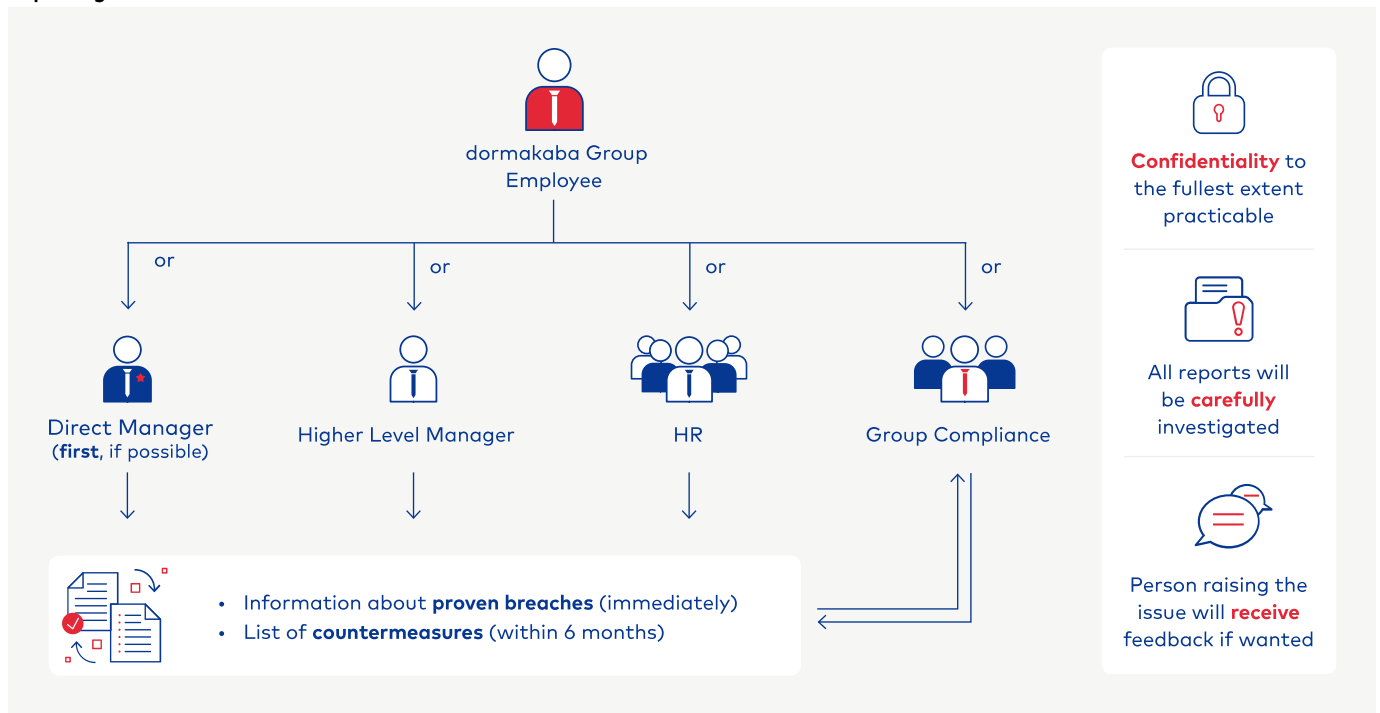
On topics related to our Transparency focus area, the most likely path would be for the respective manager to contact Group Compliance directly. dormakaba strives to create a culture where employees speak up and are encouraged to address concerns as outlined in the above-mentioned process.

Group Compliance will carefully consider all notifications received and, depending on the matter, will create an action plan or set up a project to solve any issue. This might include but is not limited to direct legal advice, involving external experts, investigations, or developing workshops or tailored trainings. Depending on the assumed effect of the actions planned, Group Legal and Group Compliance will involve the CEO and/or relevant members of the Executive Committee.

Evaluation of the management approach

Evaluation of the effectiveness of the management approach takes place, for example, when Segment management gives feedback or states concerns in case they think the anti-corruption training strategy or content needs adjustments based on the local setting, or challenge proposed budget allocations.

Further, within the company's risk-evaluation process, the Segments can address risks, including any perceived gaps within internal organization and processes. In addition, Segment management can address related issues to Group Internal Audit within the regular audit planning and on an ad hoc basis.

Finally, the progress and the maturity grade of the Compliance Management System (CMS) are reported to the Audit Committee. The Audit Committee (including the CEO) provide feedback to the dormakaba CMS as necessary, taking into consideration their knowledge of related actions by other Swiss stock-listed companies.

There have been no major adjustments to the management approach in the financial year 2017/18.

Anti-competitive Behavior

During the merger of Dorma and Kaba in the financial year 2015/16, which was subject to scrutiny by governmental anti-trust agencies, the need and importance of a management approach to (anti-)competitive behavior became tangible.

Through its management approach, dormakaba aims to ensure compliance with the law by raising awareness through employee training and offering legal support and guidance. Enabling employees to comply with legal requirements will help avoid negative financial impact to the company and safeguard our reputation.

Focus Area: Transparency
• Anti-corruption

• Anti-competitive Behavior

• Human Rights Assessment

• Supplier Social and Environmental Assessment

Policy

The company has a strong commitment regarding compliance with anti-trust regulations and ethical business dealings as stated in our Code of Conduct (CoC). The CoC, which is binding for all dormakaba employees, includes anti-competitive behavior in chapters 1 (Compliance with Laws and Regulations) and 10 (Fair competition and anti-trust law). The current policy is the C23 Competition Compliance Directive, effective since 26 September 2011. The Group Directive Anti-trust, approved by the General Counsel will come into effect in the financial year 2018/19 after final CEO approval and replace the aforementioned Directive. Group Compliance releases new Directives and further respective internal communication.

> "If we lose business because we strictly adhere to our Code of Conduct, this is done for a good reason" Riet Cadonau, CEO dormakaba

Management

It is each employee's responsibility to comply with laws and internal regulations as per the CoC. It is the responsibility of the respective manager to ensure that employees know the respective regulations and understand expectations. Segment management offers the resources necessary to ensure appropriate compliance. Group Compliance develops the related training concept and provide the training material, which Segments may amend as necessary together with Group Compliance.

Internal and/or external lawyers provide advisory services on anti-trust and fair competition matters. In case of dawn raids or anti-trust proceedings, Segments give Group Legal immediate notice and then the issue is managed together. Group Legal regularly reports to the Board of Directors regarding anti-trust proceedings in such cases.

Key activities

Group Compliance and Group Legal ensure key activities on the topic through two working streams: increasing awareness through training activities and offering advisory services.

As mentioned, Group Compliance develops training concepts and activities. However, the responsibility for carrying out the trainings lies within the Segments. This cross-functional and cross-departmental method further fosters the exchange of information on fair competition topics.

As part of the CoC trainings in the reported fiscal year, the basic rules of fair competition law were taught to over 80% of all dormakaba employees. Training for the remaining employees will take place in the financial year 2018/19.

Besides these general training activities, dormakaba developed tailored trainings for segments or critical job functions in which deeper knowledge of anti-trust law is necessary. This includes functions such as purchasing, sales and general management. A new e-learning module was launched in the financial year 2017/18. Group Compliance, Human Resources and direct managers can assign this training on a needs basis.

Group Legal offers direct anti-trust and fair competition consultancy whenever due diligence processes reveal related issues. Consultancy is mainly offered on strategic projects, but also occurs ad hoc. Duration of the actions depends on the related project or request. Particularly in Mergers & Acquisitions, reallocation of distribution or incentive programs, and pricing and market strategies, consultancy might be long-term. Actions are prioritized depending on impact on dormakaba and urgency.

Grievance mechanism

See "Grievance Mechanism" for Anti-corruption.

Evaluation of the management approach

Group Compliance informs Segment management about the training initiatives and about any projects planned within their Segments. They can then give feedback or state concerns in case they think the strategy or training content would need adjustments based on the local setting, or challenge proposed budget allocations. Further, within the company's risk-evaluation process, the Segments can address risks, including any perceived gaps within internal organization and processes. In addition, Segment management can address related issues to Group Internal Audit within the regular audit planning and on an ad hoc basis. The evaluation method has not resulted in any negative results or necessary adjustments.
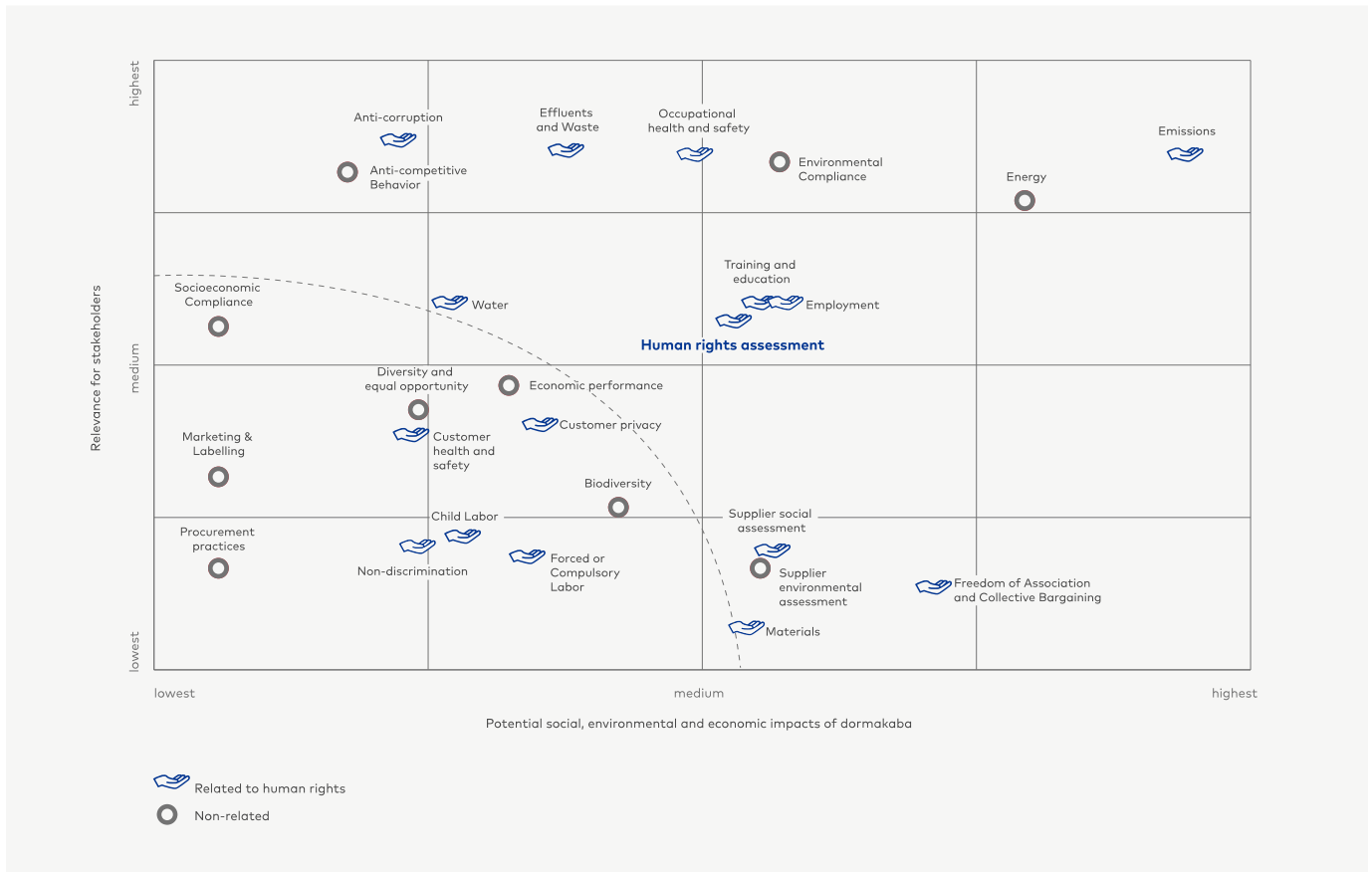
Human Rights Assessment

dormakaba acknowledges our responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights (UNGP), the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the EU Conflict Minerals Regulation and the UK Modern Slavery Act 2015.

The aim of the management approach is to be compliant to these laws and frameworks based on best-practice. The human rights-related sections in both the dormakaba Code of Conduct and Supplier Code of Conduct established the company's current policy position and expectations on the topic. The materiality assessment undertaken in the 2017/18 financial year also underlined it importance. In addition, several sustainability topics can be linked to the issue of human rights, as shown in the below adaptation of the dormakaba materiality matrix.

Focus Area: Transparency
• Anti-corruption

• Anti-competitive Behavior

• Human Rights Assessment

• Supplier Social and Environmental Assessment

dormakaba materiality matrix and human rights related topics

A clear understanding of the links between sustainability topics and human rights is an important step in developing an integrated human rights policy and strategy. Just as the general sustainability impact assessment revealed those sustainability topics where we have the most potential to have an impact on sustainable development, it likewise revealed those human rights which could be seen as the most salient.

Translating human rights to sustainability topics

The table below gives a good overview of the kinds of human rights that could be integrated in any strategy involving the listed sustainability topics. It is a useful tool to understand sustainability topics through the lens of human rights, but is by no means exhaustive.

| Sustainability Topics	Human Rights
Emissions	Right to an adequate standard of living
	Right to health
Occupational Health & Safety	Right to enjoy just and favourable conditions of work
	Right to social security, including social insurance
	Right to health
Customer Health & Safety	Right to health
Customer privacy	Right to privacy
Training & Education	Right to work
	Right to education
Anti-corruption	Right to a fair trial
	Right to participate in public life
Child labor	Rights of protection for the child
	Right to a family life
	Right to education
Non-discrimination	Rights of minorities
	Right to enjoy just and favourable conditions of work
	Right to equality before the law, equal protection of the law, and rights of non- discrimination
Forced labor	Right not to be subjected to slavery, servitude or forced labour
	Right to freedom of movement
Freedom of Association/ Collective bargaining	Right to freedom of association
Water	Right to safe and clean drinking water and sanitation
Waste & effluents	Right to safe and clean drinking water and sanitation
Employment	Right to enjoy just and favourable conditions of work
Materials	Right not to be subjected to slavery, servitude or forced labour
	Rights of protection for the child

Key activities

In the financial year 2016/17, dormakaba committed to the development of a Human Rights Due Diligence (HRDD) process aligned to the UNGP. In the financial year 2017/18, the company worked with external human rights and business experts to outline the practical application of the UNGP within the business. The process framework follows five steps as required by the UNGP:
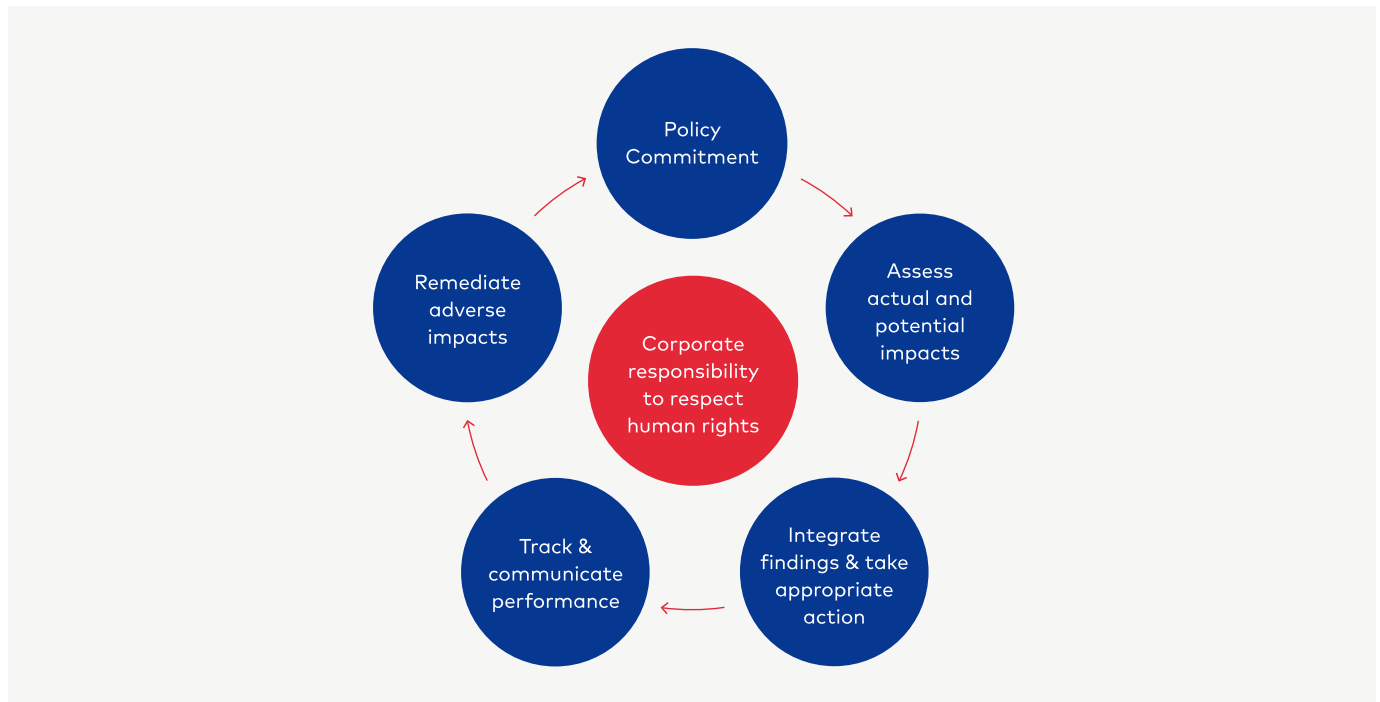
Key activities included:

- Review of key company documents from a human rights perspective, consolidation of known risk and impact areas & identification of potential gaps
- Desk research to fill the gaps identified from a HRDD perspective
- Mapping of relevant internal and external stakeholders
- Development of the HRDD project plan and defined responsibilities

A step-wise HRDD project plan has been developed, focusing firstly on stakeholder consultations and further policy development.
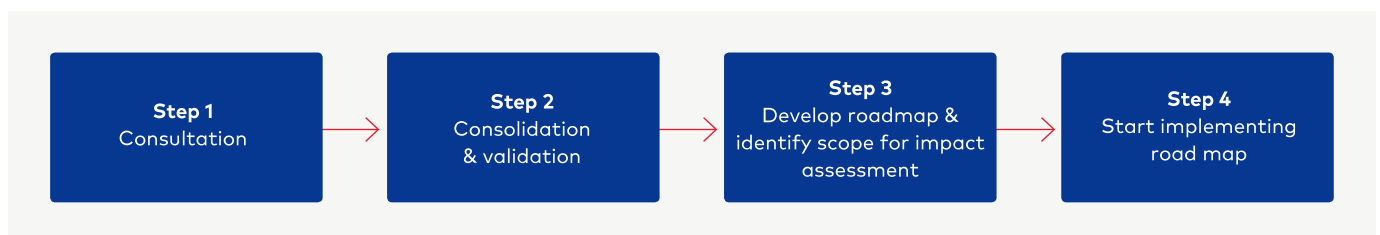
In the coming financial year 2018/19, consultations with key internal and external stakeholders will take place, which will generate a focused list of salient human rights issues for dormakaba and will form the basis for further policy development. A roll-out of the resulting roadmap and a Human Rights Impact Assessment is planned for the financial year 2019/20.

Evaluation of the management approach

The management approach was assessed in the financial year 2017/18 through external stakeholder feedback and through external ratings based on investor rating agencies. Further, the above-mentioned Human Rights Due Diligence gap analysis, conducted based on company documents and processes and referring to internationally recognized frameworks and tools, revealed that current initiatives are mainly reactive. As a result, the stakeholder consultation process in the financial year 2018/19 will have a clear focus on how to improve to more effective and proactive management. As part of the consultation process in the coming financial year, key stakeholders will set goals for achievement for the year 2021.

Supplier Social and Environmental Assessment

We believe sustainable supply chains are ones which ensure the well-being of the people and environments we procure from, while seeking to grow the business through ethical and legal business practices. It is therefore our responsibility to leverage our purchasing power to the benefit of those partners which align most closely to this definition.

Our supply chain

The rise of supply chain transparency legislation points to the increasing mandate that a company must be aware of the economic, environmental and social dimensions of its supply chain, and that it proactively monitors and manages those.

With a global presence, the dormakaba supply chain is large and complex, which can pose a challenge in this regard. Global purchasing volume with external vendors corresponds to approximately 46% of total sales, making the company's procurement policy therefore highly relevant to achieving our financial and sustainability targets. The number of active suppliers is approximately 22,000. dormakaba's direct material spend for our top 100 suppliers are focused in Europe (54%), North America (25%), and Asia (21%).

Supplier Code of Conduct

dormakaba has already taken important steps in embedding sustainability in the supply chain, namely by setting expectations to our suppliers. The dormakaba Supplier Code of Conduct (SCoC) came into effect in the 2016/17 financial year and outlines minimal requirements with regards to human rights, fair working conditions, environmental responsibility and business ethics, among others. The dormakaba SCoC is integrated in the company's online bidding system. It is further included as part of new standard supplier contracts.

Supplier self-assessment

As a further important step in assessing the sustainability performance of its suppliers, dormakaba has developed a sustainability self-assessment questionnaire. The survey covers nearly 40 questions related to human rights, labor conditions, environmental management systems and packaging, for example.

It addresses the most relevant compliance topics such as the UK Modern Slavery Act, anti-corruption and various reporting obligations under the Carbon Disclosure Project and the UN Global Compact. This is the second time the company issues the self-assessment to our suppliers. In the 2016/17 financial year, 10% of suppliers based on procurement spend were in scope. In the 2017/18 financial year, the company focused on systematically defining a broader target group for self-assessment and on inviting suppliers with the highest risk indices to participate (Disclosure 102-43).

Focus Area: Transparency
• Anti-corruption

• Anti-competitive Behavior

• Human Rights Assessment

• Supplier Social and Environmental Assessment

Defining the target group for self-assessment

In the 2017/18 financial year, dormakaba categorized the supply chain based on sustainability risk factors on a country-level, procurement spend, and material content of the goods purchased. The latter was focused on material compliance topics including the REACH regulations and RoHS Directive in the European Union.

The sustainability impact assessment and hotspot analysis revealed the following topics of highest potential impact in procurement:

- Energy
- Emissions
- Effluents & Waste
- Occupational Health & Safety
- Materials
- Training & Education
- Freedom of Association
- Human Rights
- Supplier Social & Environmental Assessment

For these high-impact categories, any country listed as high-risk according to various indicators was included in the target group. The underlying indictors for the categorization are as follows:

- Energy intensity per country (GDP per energy use)
- Greenhouse gas emissions per capita per country
- Risk a country is not enforcing freedom of association rights
- Risk a country is not enforcing collective bargaining rights
- Access to advanced education per country
- Risk of child labor per country
- Fatal injury rate per industry and country
- Noise exposure risk by industry and country
- Life loss risk due to airborne particles by industry and country
- Waste collection coverage per country
- Risk of pollution per country
- Risk of forced labor by industry and country
- Risk of human rights violation per country

Results of supplier sustainability self-assessment 2017/18

Of the suppliers who were asked to participate, 76% filled out the self-assessment survey. Over twice as many suppliers submitted responses compared to the 2016/17 financial year in absolute terms. This represents 10% of procurement spend of the sustainability target group defined above. Combined with the previous reporting year's results, dormakaba has now assessed 28% of the target group based on procurement spend.

Overall, 26% of participating suppliers were evaluated as either "Excellent" (4%) or "Good" (22%), based on an initial rating method. These suppliers are now being recognized with a Certificate of Appreciation based on their level, to acknowledge their efforts towards sustainability.

The remaining suppliers have been rated as either "Average" (28%), "Below Average" (29%) and "Unsatisfactory" (16%). These suppliers will be targeted in future in the Supplier Evaluation and Supplier Development processes and in the development of escalation and non-conformance processes.

The following graphic highlights some of the baseline results from the participating suppliers. The results showed, for example, that the vast majority acknowledge our Supplier Code of Conduct and ensure labor conditions where staff can openly voice grievances or collectively bargain. In addition, there is good commitment to energy efficiency activities. On the other hand, few suppliers are engaging with their own supply chain in terms of sustainability. Less than half have sustainability related policies and only one in three have a related management system in place. These results improve when analyzing suppliers with over 250 employees, as larger organizations tend to manage these topics more strategically. Supporting suppliers in developing and improving these aspects will be a focus in future.

Participants

76% of the contacted suppliers responded to the survey

37% with > 250 employees

10% of procurement spend from sustainability target group
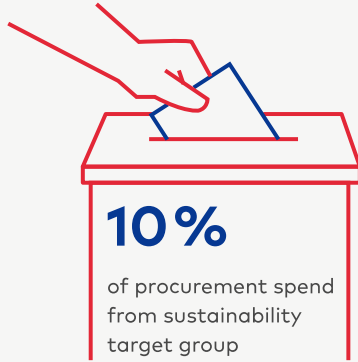
of these....

Compliance

27% with own Supplier Code of Conduct for their suppliers
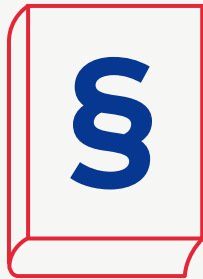
40% with an anti-corruption policy

89% acknowledging the dormakaba Supplier Code of Conduct

Management

31% with a health and safety management system
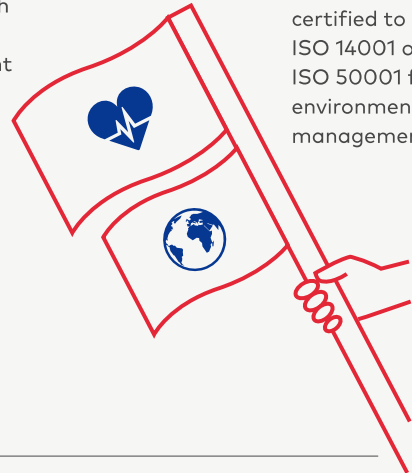
35% certified to ISO 14001 or ISO 50001 for environmental management

46% with a sustainability policy

Environment

32% setting goals and targets to reduce water consumption

73% setting goals and targets on energy efficiency

59% purchasing renewable energy
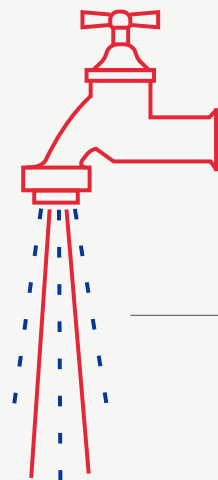
Labor Conditions

77% allow workers to join or form trade unions/workers' organizations and collectively bargain
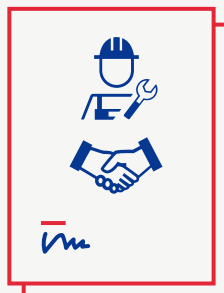
72% with effective and anonymous grievance mechanisms

97% have systems in place to track working hours in a transparent way

Auditing suppliers

The process to approve suppliers is in accordance to DIN and ISO requirements, as are the supplier evaluation and assessment processes. Audits are performed on demand, for example, for new suppliers or covering quality issues. The auditing method for Asia is currently being amended to include sustainability topics. In addition, an escalation process for suppliers not accepting the SCoC or showing low ratings in the supplier self-assessment will be developed in the 2018/19 financial year.

Evaluation of the management approach

The management approach has been evaluated based on investor feedback from various rating agencies. These revealed, for example, an expectation to name and include more international frameworks in the SCoC, such as a clear mention of the International Labor Organization's Minimum Age Convention. As a result, the SCoC is currently under revision, with a new version expected in the 2018/19 financial year (Disclosure 102-44).

Environmental Management

dormakaba seeks to reduce the environmental impact of production and to adhere to environmental laws and regulations.

dormakaba specifically focuses on improving management of environmentally-related processes and the implementation of measures in the following areas: environmental compliance, energy consumption and the reduction thereof, monitoring and reduction of carbon emissions, water consumption, and effluents and waste disposal.

Systems & Compliance

Environmental management is embedded both at Group level as well as in local processes at the various locations. Several locations work with environmental officers, in others, environmental management is part of quality assurance processes.

National, regional and local laws and regulations must be adhered to at all sites as stipulated in the dormakaba Code of Conduct, and the Group Manufacturing Directive. Legal registers are maintained as part of the ISO 14001 management systems where applicable.

The Group Manufacturing Directive also includes expectations on achieving international standards for environmental management (ISO 14001), and energy management (ISO 50001). All manufacturing sites with more than 100 employees and having negligible hazardous materials in use are expected to maintain a management system based on ISO 14001 by the year 2021. Further, all manufacturing sites are expected to maintain a management system according to ISO 50001 by the year 2021.

Based on a further overview of dormakaba's supply chain sites including plants, regional logistic centers, local assembly and distribution centers and service hubs, the Directive also gives a framework for expanding the coverage of sites certifying such management systems. Certifications are required for some sites based on a priority listing depending on size, energy consumption and environmental risks.

dormakaba products are manufactured around the world using different processes. Raw materials such as steel, brass, aluminum, zinc and glass are converted into door closers, cylinders, key blanks, hotel locks, sliding and revolving door systems and glass fittings, among other products. The potentially greatest environmental risks lie in the processes used for (1) electroplating and surface finishing, (2) painting, (3) melting, and (4) zinc and aluminum die casting. These processes are used at 25 of the 48 locations covered in this report. Therefore, dormakaba's environmental management places emphasis on these four processes.

Already 29% of the production sites covered in this report benefit from the rigorous environmental standards set forth by ISO 14001 certification (financial year 2016/17: 33%). The slight decrease in percentage is linked to an increased scope in the reporting, with more sites covered in the 2017/18 financial year. We aim to increase this total to over 50% by 2021. In addition, three sites are certified to ISO 50001.

Focus Area: Process & Production
• Environmental Compliance

• Energy & Emissions

• Water

• Effluents & Waste

• Occupational Health & Safety

• Customer Privacy

Segment	ISO 14001 Certificate	ISO 50001 Certificate	Maintain Environmental Management System	OHSAS 18001 Certificate or similarly certified	Maintain H&S Management System
AS AMER	4		8		9
AS APAC	1		1		2
AS DACH	6	3	6	4	8
AS EMEA	5		5	2	7
KWS	2		2	1	2
Group	**14**	**3**	**22**	**7**	**28**
% locations covered in reporting scope	29%	6%	46%	15%	58%
% employees covered (versus Group-wide FTEs)	38%	12%	45%	21%	49%

Segment-wide EHS Management in the Americas

Segment Access Solutions AMER (AS AMER) has developed a centrally managed approach to environment, health and safety (EHS) topics in the 2017/18 financial year. A segment-wide EHS policy and management system has been approved and covers 21 production facilities. The key performance indicators for the coming financial year will include water, energy and waste figures. Each facility will be tasked to improve over the baseline by a determined percentage and implement at least one water, energy and waste reduction project. Performance and results will be monitored and communicated monthly through the EHS Performance Review reporting. Nearly two million Swiss francs in capital expenditure has been allocated for related projects until the 2020/21 financial year.

In addition, the facility in Indianapolis goes beyond regulatory requirements in many aspects. A water-savings target of 5% year-on-year is in place. In the financial year 2017/18, a 14% decrease was achieved by investment in replacing old faucets with touchless valves, a new computer system for the cooling tower, and chillers to close loop water cooling systems. The facility has an industrial discharge permit that contains limits on metals that cannot be in the water at the time of discharge. The treated process water is tested before discharge to ensure compliance, and management is proactively informed if the testing shows are within 70% of the limit.

An energy reduction target of 5% (year-on-year) for heating and electricity is also in place.

Energy & Emissions

The World Economic Forum's Global Risk Landscape Report (2018) showed two of the three top risks as being climate change related. dormakaba's Materiality Assessment 2017-2021 showed that carbon emissions and energy were the sustainability topics where the company's potential impact on sustainable development is the highest. As a tech-oriented company, dormakaba also believes in using the latest in scientific knowledge to guide a sound management approach. It has therefore signed a commitment letter to the Science-based Targets Initiative to set a science-based, Group-wide carbon emissions reduction target by the year 2020. In a first step this will involve reporting our Scope 3 emissions more fully as well as expanding the coverage of our Scope 1 and Scope 2 emissions to locations representing over 90% of employees. As a further commitment, dormakaba has set an interim carbon emissions reduction target of -5% tCO_2e by 2021 for the reporting scope and baseline year in this report.

To meet the commitment to the Paris Agreement, every business, government and individual has a role to play. A key element in reducing carbon emissions is to reduce energy consumption and source renewable energy. At dormakaba, energy-intensive processes include melting, and aluminum and zinc die casting. These are used in the production of hotel and high-security locks, door closers, fittings and door handles, among other products. dormakaba strives to continuously improve the energy efficiency for these processes.

Water, Effluents & Waste

Early in the 2017/18 financial year, dormakaba analyzed the water stress levels for its main production sites. This found that one in three sites have a potential for high to extreme water stress, defined as a water demand to supply ratio of 40% or greater for the respective municipality. The data stems from a geographical analysis of water stress at catchment level by the year 2020 for dormakaba main production sites based on the Aqueduct Water Risk Atlas (World Resources Institute) and AQUASTAT (Food and Agriculture Organization). Appropriate action plans for the sites having high or extreme water stress is under development.

Water Stress Level by Sites

Water stress level	Number of sites
low	21
medium	10
high	7
extreme	7

■ Number of sites
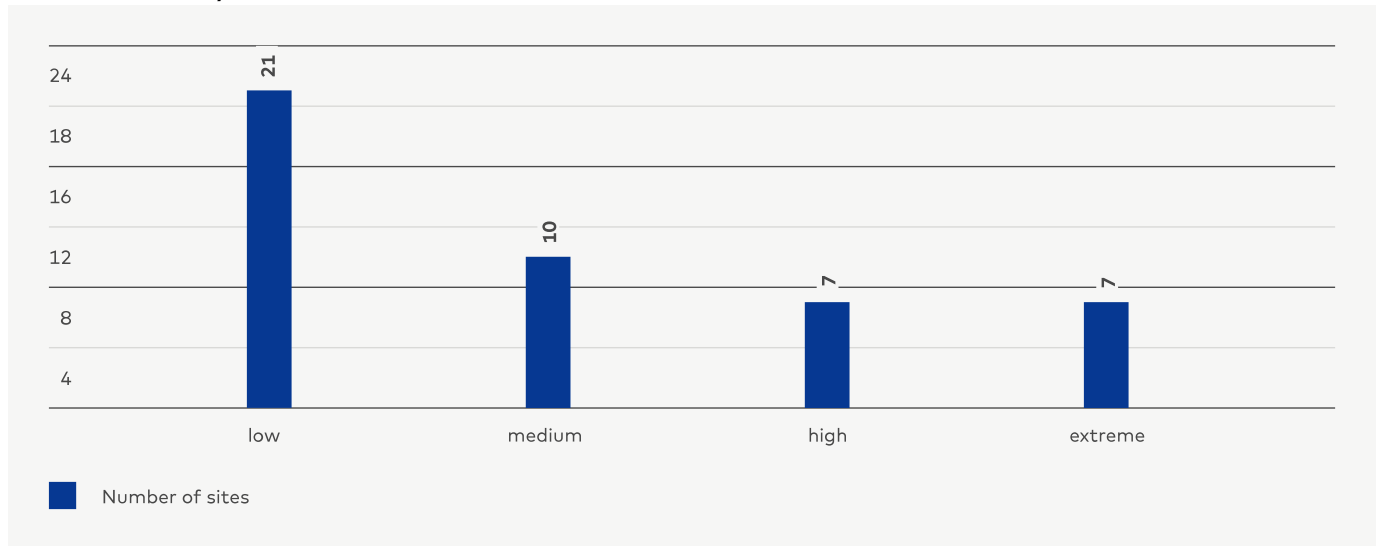
Water consumption as well as effluents and waste management are of key importance during the electroplating, surface finishing, as well as painting processes. Filter systems ensure that potentially hazardous substances are not released externally.

Toxic waste arising from painting and electroplating are disposed of as special waste. In addition, scraps from turning and milling or punching are recycled, and are, for example, returned to the suppliers of the raw materials.

For the disposal of industrial waste, chemicals and the recycling of materials, certified disposal companies are commissioned.
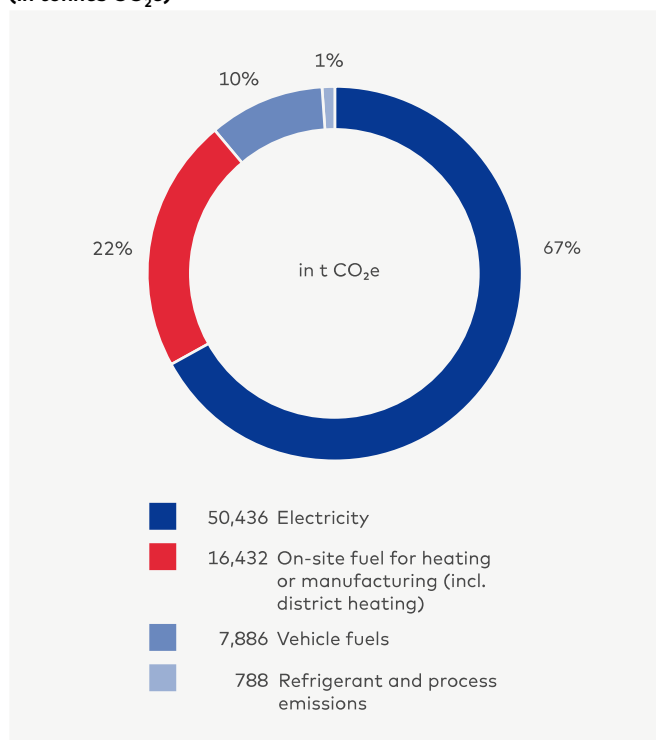
Facts and Figures

Greenhouse gas emissions

In the 2017/18 financial year, our total greenhouse gas emissions (GHG) amounted to over 75,000 tons of CO_2 equivalent (tCO_2e). More than two thirds were emitted as a consequence of electricity consumption, followed by heating and vehicle fuel consumption, and volatile as well as process gas emissions.

Climate-related initiatives implemented during the reporting year resulted in total annual savings of approximately 12,500 tCO_2e (nearly 17% of our total footprint).

Therein, we worked diligently to source renewable electricity wherever feasible, leading to an emissions avoidance of approximately 11,400 tCO_2e. Nearly 35% of the electricity that dormakaba consumed came from renewable sources. In our AS EMEA and AS DACH segments, this share already reached over 71% and over 50%, respectively.

Due to the implementation of energy saving initiatives outlined in the following section, we expect an annual reduction of GHG emissions of approximately 1,100 tCO_2e.

Greenhouse gas emissions by source
(in tonnes CO_2e)

1%
10%
22%
67%
in t CO_2e

	50,436	Electricity
	16,432	On-site fuel for heating or manufacturing (incl. district heating)
	7,886	Vehicle fuels
	788	Refrigerant and process emissions

Scope 1 and Scope 2 emissions
(in tonnes CO_2e)[1,5]

754
15,678
7,886
768
20
50,436
75,541 tCO_2e

Direct greenhouse gas emissions (Scope 1)[2]

- Heating fuels (incl. diesel for back-up generators)
- Vehicle fuels
- Volatile emissions (e.g. refrigerants)
- Process emissions (e.g. welding processes)

Indirect greenhouse gas emissions (Scope 2)[3]

- Electricity[4]
- District heating
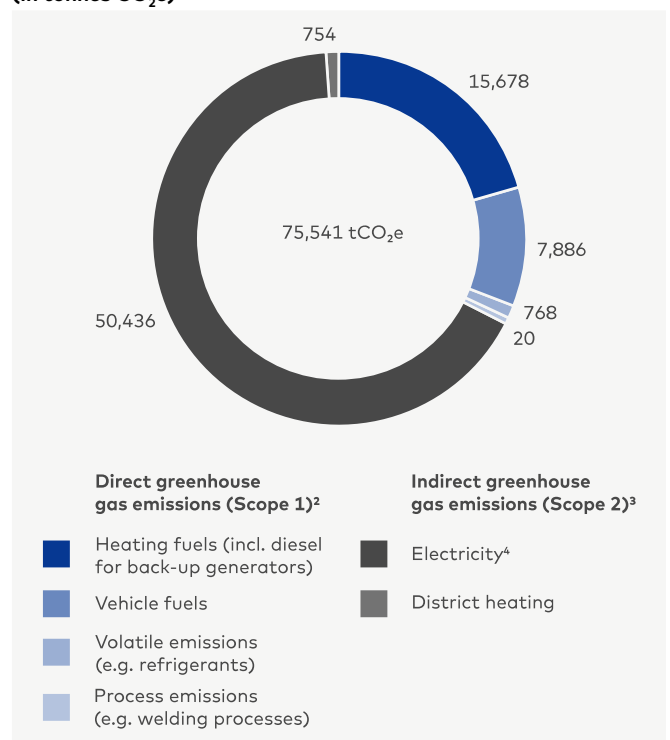
Greenhouse gas emissions by segment (in tonnes CO_2e)

Segment	Emissions
AS AMER	19,158
AS APAC	15,659
AS DACH	19,041
AS EMEA	6,538
KWS	15,145
Group	75,541
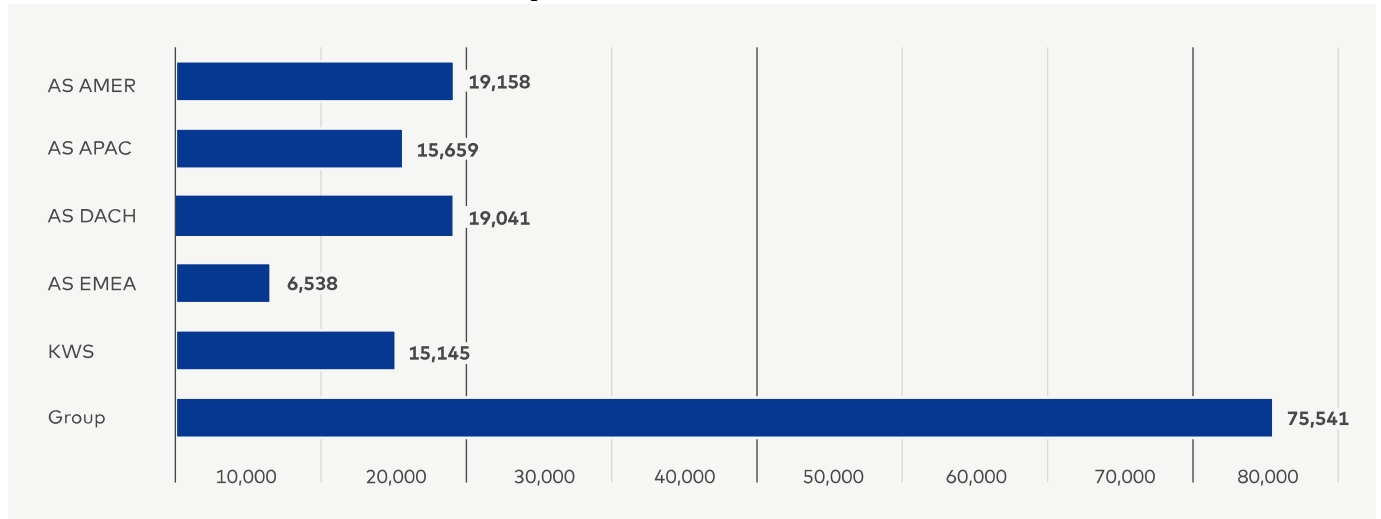
1) Greenhouse gas inventory calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol. Emission factor sources: UK Defra (2015), US EPA eGRID (2017), Frischknecht (2017).

2) Scope 1: direct greenhouse gas emissions from sources owned or controlled by dormakaba

3) Scope 2: indirect greenhouse gas emissions from sources owned or controlled by another entity, as a consequence of dormakaba's activities

4) The greenhouse gas emissions associated with electricity consumption are reported according to the "market-based approach," as defined in the Greenhouse Gas Protocol Scope 2 Guidance. When reported according to the "location-based approach," the emissions totaled 63,831 tCO_2e.

5) Scope 3 emissions are additionally reported in dormakaba's submission to the Carbon Disclosure Project (CDP).

Energy consumption

The total energy consumption was over 229,000 MWh in the 2017/18 financial year. Electricity and fuels for heating or manufacturing both play a crucial role in dormakaba's production processes, constituting nearly 87% of total energy consumption. The remainder is associated with the fuel consumption of our vehicle fleet.
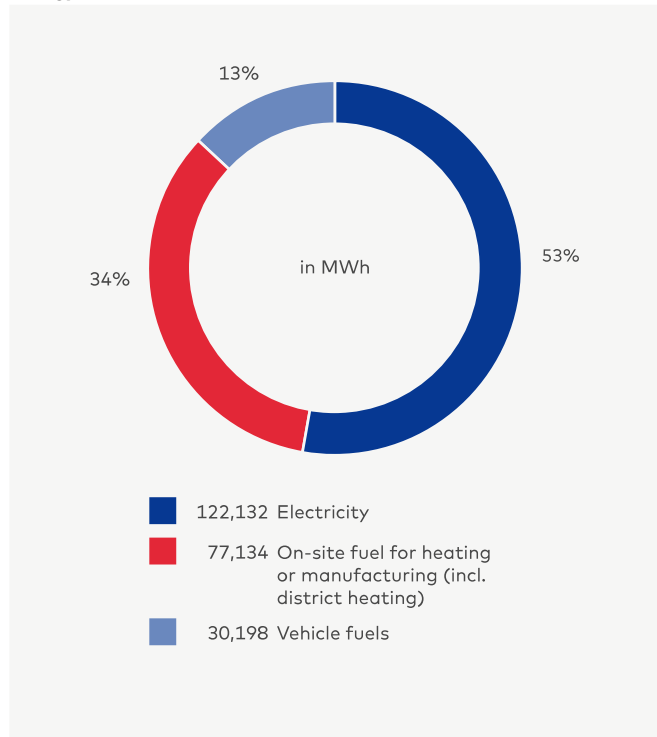
Many components used to create dormakaba's products are manufactured in-house, and purchased parts require further processing, both of which impacts on total energy demand. This is also where we focus our energy saving initiatives on.

In the reporting period, such initiatives were implemented or approved at more than a third of the production sites in scope and included retrofitting facilities to LED lighting systems, upgrading equipment such as industrial burners, as well as milling and molding machines, the optimization of heating and cooling systems, and the procurement of renewable electricity.

As a result of these activities, we realized a total quantifiable annual energy savings in the amount of approximately 4,300 MWh for the sites covered in the scope of this report. In addition, over 29,000 MWh of green electricity was purchased in the reporting year.

in MWh	2017/18
Energy consumption	229,464
Electricity	**122'132**
District heating	**3'370**
Heating fuels total	**73'763**
Heating oil, kerosene and diesel for backup generators	8'420
Natural gas	63'395
LPG/propane	1'948
Vehicle fuels total	**30'198**
Diesel	22'575
Gasoline	5'101
LPG/propane	1'558
Other vehicle fuels	964

Energy use (in MWh)

- 122,132 Electricity
- 77,134 On-site fuel for heating or manufacturing (incl. district heating)
- 30,198 Vehicle fuels

Purchased electricity by source (in %)

- 41.2 Fossil (e.g. coal, natural gas, oil)
- 33.3 Hydro
- 19.6 Other non-renewable (non verifiable or sources unknown)
- 4.4 Nuclear
- 0.8 Wind
- 0.3 Solar
- 0.2 Biomass
- 0.1 Waste incineration
- 0.01 Geothermal
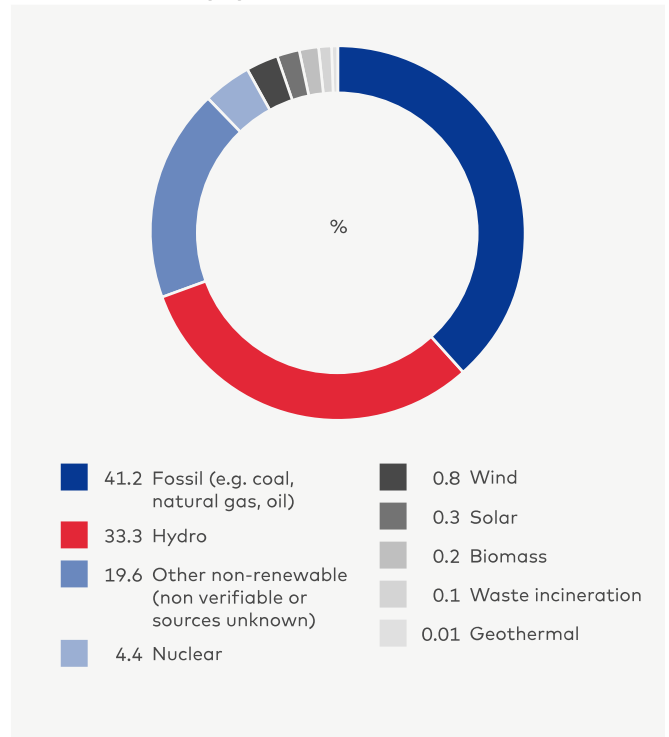
Energy use by segment (in MWh)

	Renewable	Non-renewable
AS AMER	5,993	50,813
AS APAC	3,395	23,949
AS DACH	18,047	49,572
AS EMEA	6,718	22,626
KWS	8,107	40,243
Group	42,260	187,204
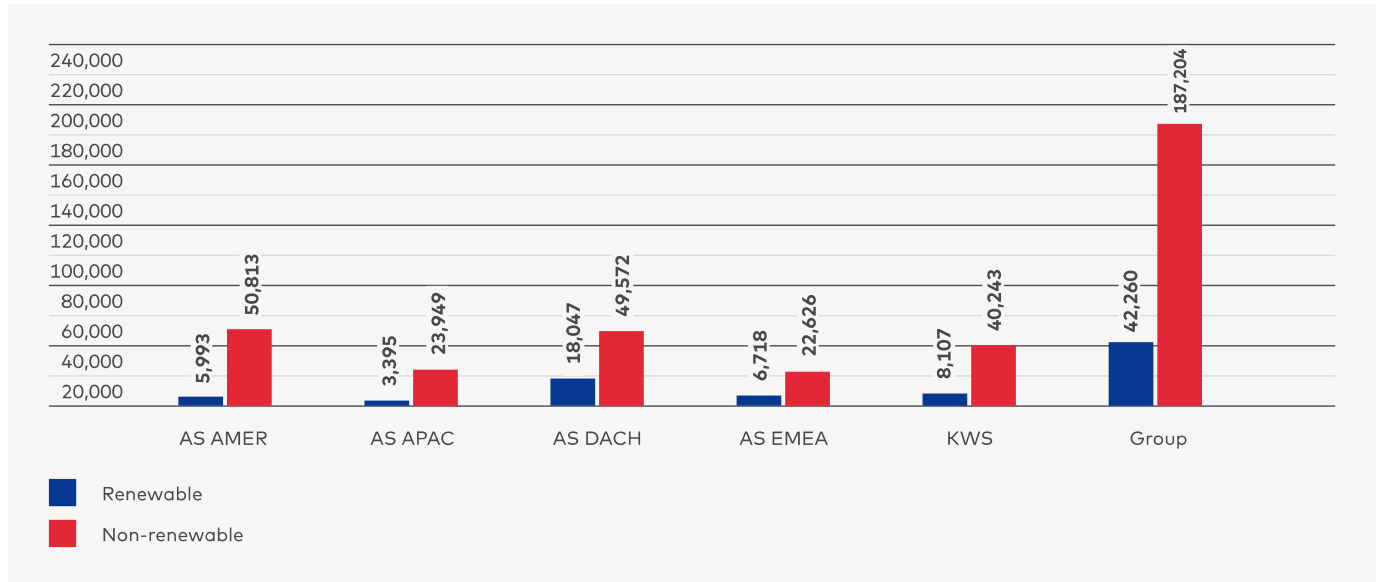
Purchased electricity by segment (in MWh)

	Renewable	Non-renewable
AS AMER	5,993	20,533
AS APAC	3,395	13,936
AS DACH	18,047	17,891
AS EMEA	6,718	2,701
KWS	8,049	24,869
Group	42,202	79,930
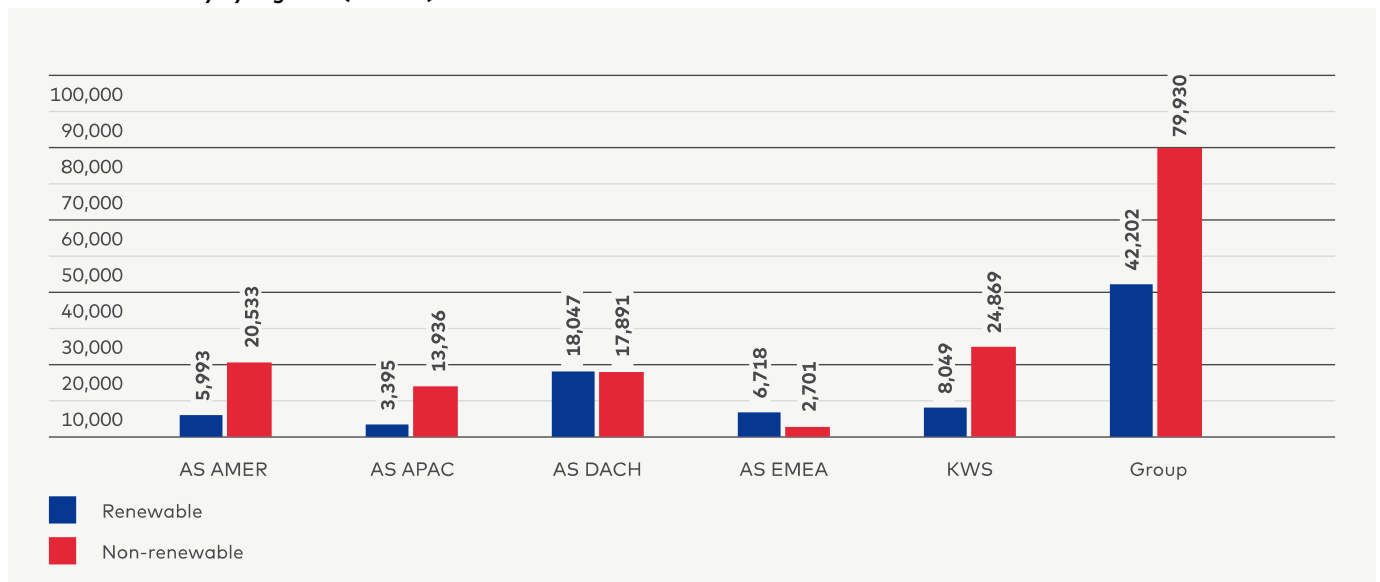
Percentage of purchased electricity from renewable sources by segment (in %)

Segment	%
AS AMER	23
AS APAC	20
AS DACH	50
AS EMEA	71
KWS	24
Group	35
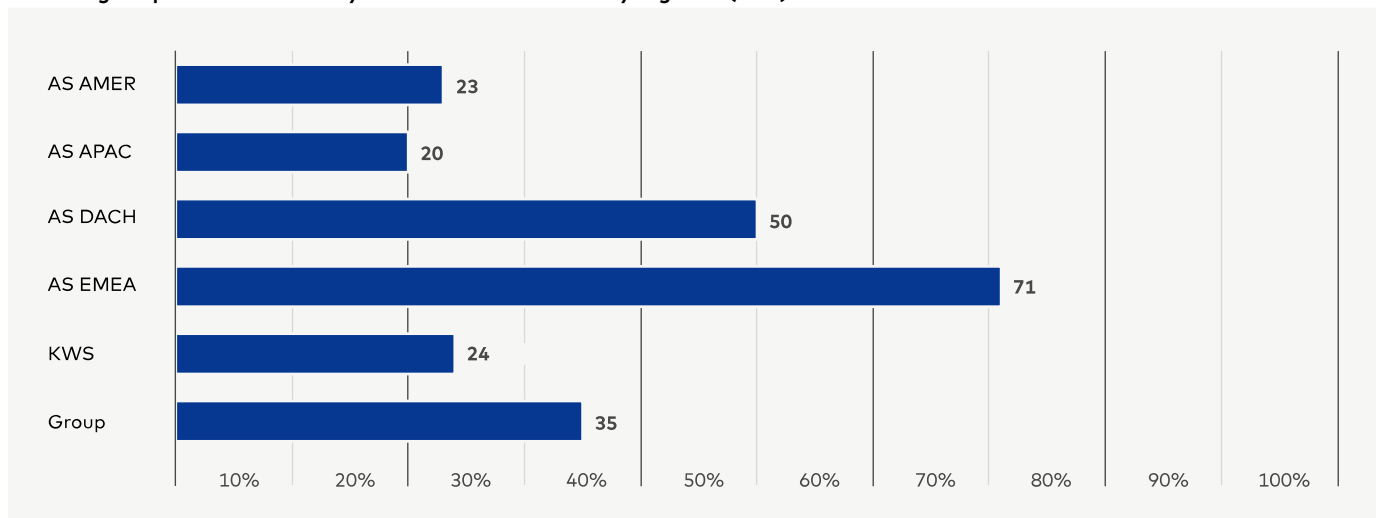
Water

For the sites covered in the scope of this report, the majority of dormakaba's total water consumption is municipal water used for cooling, manufacturing processes, and sanitation purposes. Wastewater is mainly discharged via the local municipal sewerage system in compliance with local requirements, and is treated by third-party companies where necessary.

Water consumption

741,076 m³

- 669,117 Municipal water supplies (tap water)
- 71,559 Ground water (drawn directly from well)
- 400 Surface water (drawn directly from rivers, lakes, wetlands, etc.)

Wastewater discharge

480,512 m³

- 213,315 Municipial sewerage system
- 140,290 Disposal to water bodies
- 126,907 Treated by third party
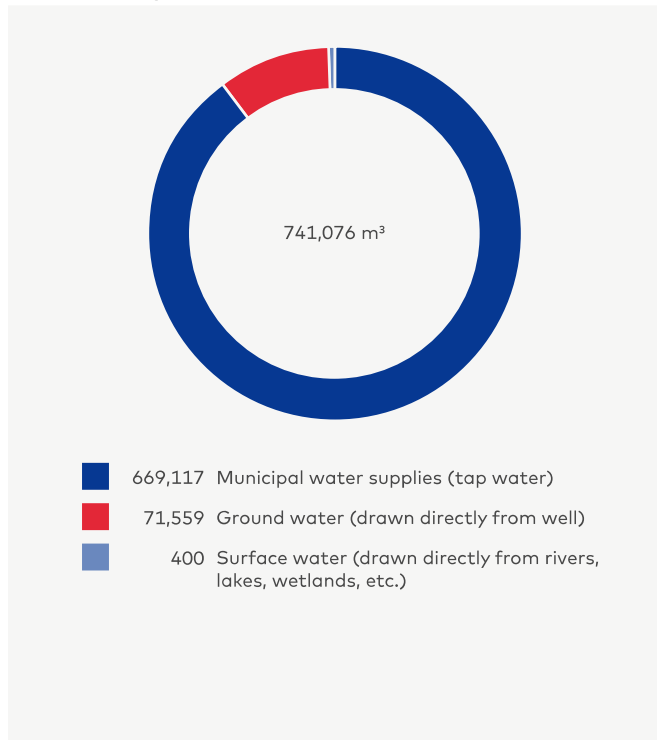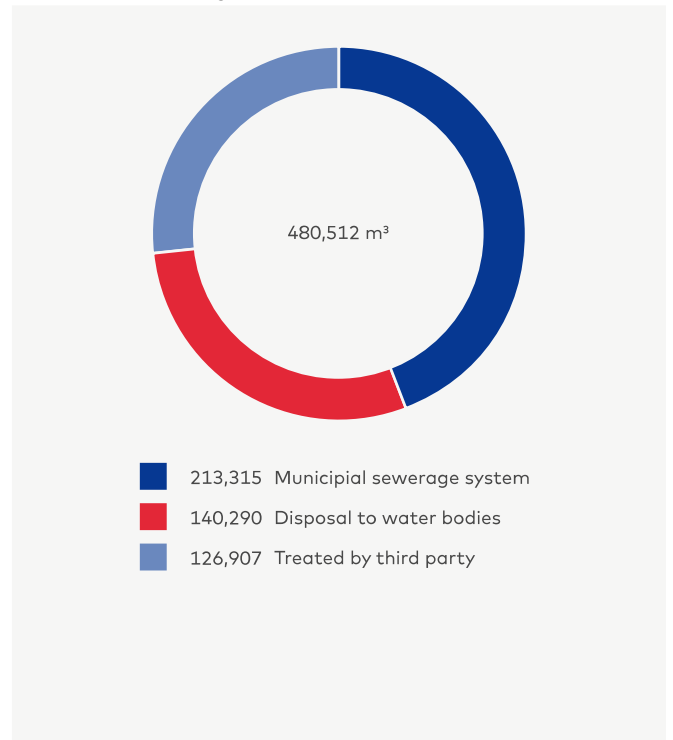
Waste

The generation of different waste streams is an inevitable consequence of dormakaba's operations. We monitor our waste by treatment method and by waste type. Approximately 73% of the waste stream was recycled, reused or recovered (including raw materials and energy recovery) in financial year 2017/18. At about 70% by weight, the largest proportion of waste is scrap metal.

Non-hazardous Waste by Type
(in metric tons)

27,456 metric tons

■	20,317	Scrap Metal
■	4,411	Other commercial and industrial (mixed) waste
■	1,325	Wood
■	1,262	Paper & cardboard
■	95	Plastics
■	45	Glass

Hazardous Waste by Type
(in metric tons)

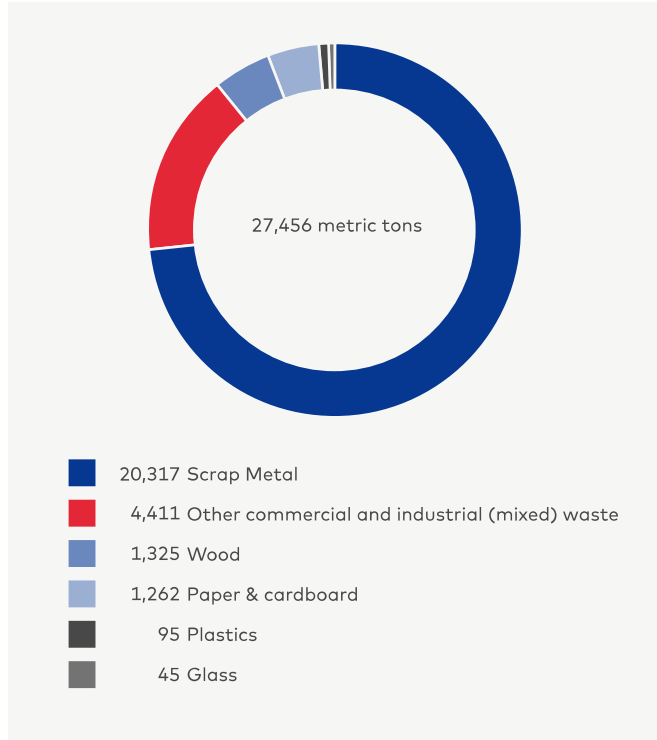1,524 metric tons

■	1,414	Chemicals and other
■	92	Electronic Scrap
■	19	Batteries

Waste by treatment path

in metric tons

Non-hazardous waste by treatment path

■	19,430	Recycling
■	3,367	Landfill
■	2,712	On-site storage
■	977	Recovery, incl. energy recovery
■	537	Incineration
■	435	Reuse

Hazardous waste by treatment path

■	797	Incineration
■	427	Recycling
■	257	On-site storage
■	44	Landfill

Materials Use

We use a variety of materials in our manufacturing processes and operations. The most utilized non-renewable raw material types include steel, brass, aluminum, nickel silver, zinc, gypsum board, glass and plastics. Wood, paper and cardboard are made from renewable resources, and also play an important role for our production and operations.

Steel, brass, aluminum, zinc and glass are converted into door closers, cylinders, key blanks, hotel locks, among other products. Glass, wood and gypsum board are primarily utilized in sliding and revolving door systems, movable walls and glass fittings, for example.

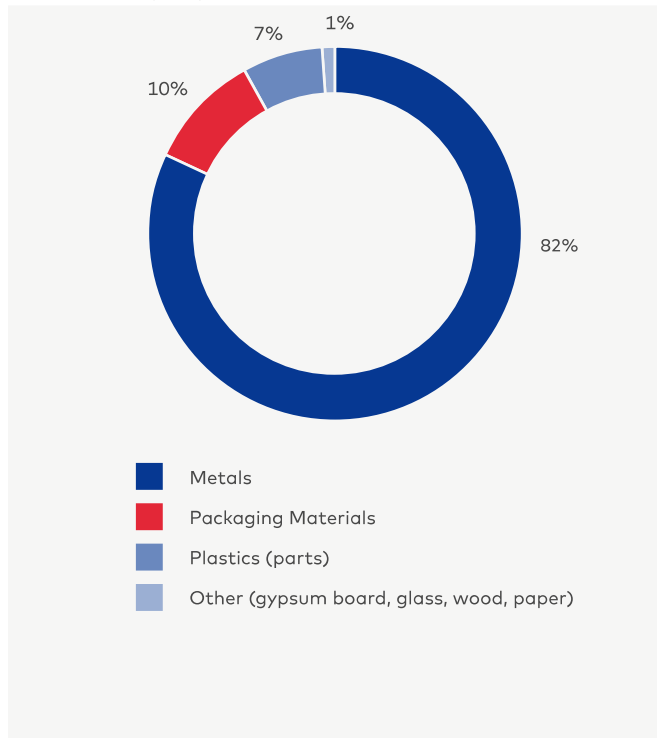Since the primary extraction of metals from ore and the subsequent refining processes are resource intensive, dormakaba uses metals with recycled content wherever possible. In addition, scrap metal is generally sent to recycling.

in metric tons [1]	2017/18
Non-renewable resources	**75,210**
Steel (incl. stainless steel)	39,289
Brass	11,727
Aluminium	11,271
Nickel silver	3,443
Zinc	3,095
Copper	9
Gypsum Board	3,190
Glass	2,219
Plastics (parts and packaging material)	967
Renewable resources	**9,152**
Wood (incl. packaging material)	5,412
Paper and cardboard (incl. packaging material)	3,740

[1] Not included are materials and volumes which can only be accounted for in pieces or monetary terms.

Materials use (in %)

- Metals — 82%
- Packaging Materials — 10%
- Plastics (parts) — 7%
- Other (gypsum board, glass, wood, paper) — 1%

Raw material use (in %)

- Steel (incl. stainless steel) — 53%
- Brass — 16%
- Aluminium — 15%
- Nickel silver — 5%
- Zinc — 4%
- Gypsum Board — 4%
- Glass — 3%
- Wood — 0%
- Copper — 0%
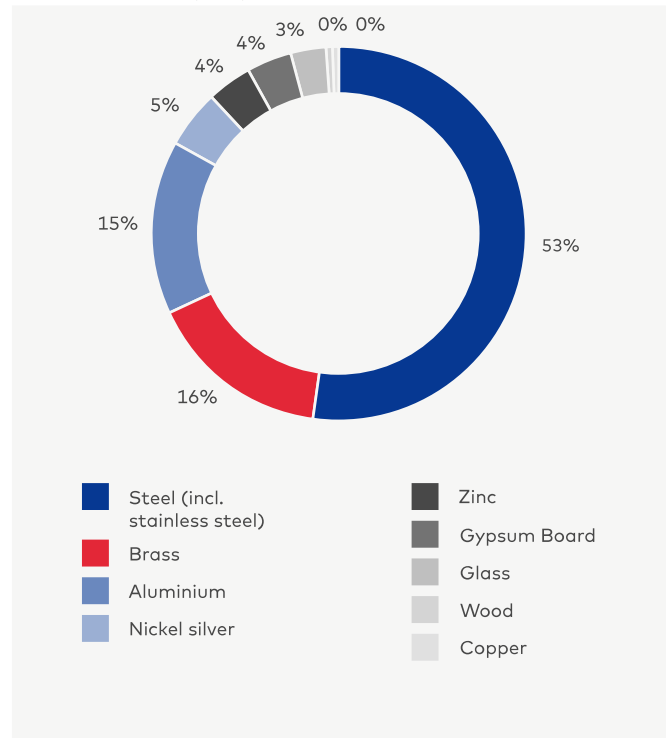
Access Solutions Segments

Integrated management system in Germany

Environment, energy, health and safety in the companies' facilities in Germany is part of an integrated management system which includes quality standards. With regards to environment, the plant in Ennepetal and the logistics center in Wuppertal are both certified to ISO 14001 and ISO 50001 standards. Energy audits have been carried out for the plants in Bad Salzuflen, Bühl, and Zusmarshausen.

For Wuppertal and Ennepetal, tracking performance and setting year-on-year targets is carried out. The following shows the trend in carbon emissions reductions based on operating output per year for Ennepetal and based on worked hours per year for the logistics center in Wuppertal.

Location	Indicator	FY 2015/16	FY 2016/17	FY 2017/18
Wuppertal	tonnes CO2 per working hours x 1000	7.09	6.61	5.17
Ennepetal	tonnes CO2 per million Euro	5.32	5.05	4.75

Green building certifications for our buildings

Green Building schemes and certifications play an ever-increasing role in the construction industry and to customers. dormakaba has certified several of our own buildings to such standards, in order to best understand our customers' needs and requirements.

As reported in the 2016/17 financial year, three buildings have attained or are undergoing certification in Germany, Switzerland and Singapore. In addition, a logistics center in Chennai (India) has been awarded the India Green Building Council certification in March 2018.

Investing to reduce carbon emissions in Switzerland

The production facility in Wetzikon (Switzerland) is launching a three-year initiative to refurbish its heating & ventilation systems, refrigeration plant, and process cooling systems (HVAC) to increase energy efficiency, reduce carbon emissions and minimize risk of business interruption. The initiative entails an investment of CHF 4.7 million until the year 2021.

The site had already committed to reduce its carbon emissions by 19% until 2024 (base-year 2016/17). The refurbishment of the HVAC system will reduce oil consumption by 86,000 liters per year and carbon emissions by 288 tonnes per year upon project completion, equivalent to 60% of the site's current footprint.

Segment Key & Wall Solutions

Key Systems

The Key Systems plant in North Carolina (USA) focuses on closed-loop systems in its material use. For example, the facility purchases brass scrap from recyclers to produce its keys. The plant also recycles all internal scrap, either back into own processes or selling it to a local approved recycler. Scrap material is also sent back to the original producer, who then uses this material to make our products, thus resulting in a closed loop system. Similarly, treated water is reused in the manufacturing processes where possible with minor amounts returned to the municipality as non-potable effluent. The long-term goal is to ensure that treated water is acceptable for process reuse and water reduction and recycling initiatives are continued. In terms of emissions, dust collection systems are employed throughout the facility to collect all metal processed dust and recycle the dust back through the manufacturing process.

Finally, the plant is committed to ISO 50001 certification in the 2019/20 financial year. Related projects include air compressor system upgrades, LED lighting systems, boiler control upgrades and upgrades to the key milling machine.

The plant in India is leading the way on energy self-sufficiency by having installed solar lighting in some areas. In the coming financial year 2018/19, the solar panel initiative will be expanded to the canteen.

In Colombia, the facility has released an environment, health and safety policy in the 2017/18 financial year. Major focus has been laid on wastewater management. This involved identifying and controlling the processes that generate wastewater, establishing the conditions for storage and transport of hazardous materials and defining a contingency plan for the containment, control of spills and leaks of hazardous waste. In addition, the plant has switched from halogen to LED lighting in most areas. There is an initiative to collect rainwater to be used in the production and cleaning processes of the plant to reduce the consumption of potable water.

Energy savings and renewable energy purchase in Italy

The Key Systems facility in Vittorio Veneto (Italy) introduced a mid-term project in the year 2014 to reduce overall energy consumption by refurbishing over 120 lighting systems with the latest generation LED systems. This has led to an energy savings of 60%. The facility is already certified to ISO 14001 but plans a ISO 50001 certification by the 2020/21 financial year.

The plant has also switched to renewable energy in the current financial year 2017/18, making it carbon neutral in terms of electricity consumption.

Movable Walls

The Movable Walls facility in Ocholt (Germany) has undergone an energy audit in compliance of the EU Energy Efficiency Directive according to DIN EN 16247-1 standards. The largest source of energy consumption was found to be lighting (25%) and the venting (22%) systems. Suggested improvements were therefore switching to an LED lighting system (amortization of 3 years) and upgrading the motors for the venting system (amortization of 2 years). These recommendations are currently being implemented. The plant in Malaysia has also invested in energy saving initiatives, namely in LED lighting systems, new air compressors and an air conditioner.

Evaluation of the management approach

Throughout the company, evaluation of the management approach is mainly based on internal and external auditing during ISO 14001 implementation. Results from audits regarding permits are communicated with management. Stakeholder feedback is also used to evaluate the approach. For example, the plant in Wetzikon (Switzerland) has engaged stakeholders and management in a sustainability context analysis to define local materiality of sustainability topics.

Occupational Health & Safety

Throughout dormakaba's business and most especially in our production sites worldwide, the health and safety of our employees is a priority.

Occupational health and safety is therefore aligned with national regulations and standards serving as the minimum requirement. In addition, the Group Manufacturing Directive stipulates that all manufacturing sites maintain a health and safety management system in accordance to international standards by the year 2021.

dormakaba has location-specific systems in place, for example, designated safety personnel, safety committees, regular training, and collaboration with external partners to ensure that health and safety standards are aligned with the prevailing production processes.

Of the sites in the scope of this reporting, 15% have a health and safety management system certified to OSHAS 18001 or equivalent local standard. 58% maintain a health and safety management system. For these sites, health and safety training goes beyond the mandatory requirements to also include emergency and risk prevention. For example, assessments of repetitive movement and heavy load-lifting to prevent work-related illnesses take place in various sites.

Focus Area: Process & Production
- Environmental Compliance
- Energy & Emissions
- Water
- Effluents & Waste
- Occupational Health & Safety
- Customer Privacy

Access Solutions Segments

Segment Access Solutions (AS) DACH steers health and safety by setting reduction targets on accident and illness rates for its largest German sites (Ennepetal and Wuppertal). In the last five financial years, the number of accidents has been reduced by around 30%. Accidents are analyzed with a so-called STOP (Substitution, Technical, Organizational, Personnel) system on a quarterly basis. Potential impact of working with hazardous materials on employees' health is of special focus. Therefore, hazardous material substitution is systematically carried out and reductions tracked.

Hazard Symbol	FY 2015/16	FY 2016/17	FY 2017/18	Reduction vs. FY 2015/16
(T+) Very Toxic	–	–	–	**n/a**
(T) Toxic	5	4	2	**−60%**
(C) Corrosive	24	12	7	**−71%**
(Xn) Harmful	64	40	26	**−59%**
(Xi) Irritant	137	99	59	**−57%**
(E) Explosive	–	–	–	**n/a**
(F+) Extremely flammable	46	21	12	**−74%**
(F) Highly flammable	32	24	15	**−53%**
(O) Oxidizing	4	1	1	**−75%**
(U) Dangerous for the environment	45	30	13	**−71%**
No hazard symbol	262	264	320	**22%**

Segment AS AMER, for example, sets goals for individual facilities in the areas of recordable injuries, total recordable injury rate (TRIR) and days away/restricted time rate (DART). A segment-wide target will be set in the 2018/19 financial year. Employees are trained to report near miss incidents that have a potential of injury or property damage in the effort to be proactive. This program helps the employees to recognize hazards or unsafe acts and correct them immediately or ask for support to correct the issue. Near miss reports are treated the same as injury reports, and the respective supervisor follows up with the near miss to ensure it is corrected.

The facilities in Pennsylvania (USA) are developing a return-to-work program, which offers light duty work for employees who sustain minor injury that would otherwise deter their return to work. Other locations offer ergonomics training. In Brazil, annual medical examinations are carried out that monitor the health of the employee, controlling eventual impacts of repetitive movement during production. Safety signage and railings, personal protective equipment and spill containment procedures are among other initiatives.

As best practice, segment AS EMEA began rolling out a health and safety web portal with e-learning material for all employees in the 2017/18 financial year. The system also acts a centralized database for audit and incident reports.

In segment AS APAC, the Pacific region is working towards a health and safety management system that conforms to AS4801 (Australian Standard) as a minimum.

Segment Key & Wall Solutions

Key Systems

Key Systems aims to empower all personnel to assist in risk identification and mitigation for a safe working environment. The facility in North Carolina (USA) achieves this through a safety committee of 24 employees from across the facility who meet monthly and conduct safety audits. Forty employees have been trained in first aid and CPR in the 2017/18 financial year. The facility tracks all injuries and illnesses against a quantitative goal and target including the type of injuries based on a monthly and annual basis. In the case of accidents, an investigation and corrective action to prevent reoccurrence is implemented. Hazard analysis of personnel exposure to risks and hazardous substances also takes place.

Similarly, the facility in New Delhi (India) undertakes monthly safety audits and targets zero accidents in the production area. A yearly health checkup is offered. The focus in the facility in Bogota (Colombia) is currently on soundproofing machinery. The plant in Vittorio Veneto (Italy) is certified to OHSAS 18001 and launched a safety adequacy program for its machinery in the reporting period. According to HSE Policy (rev. 2018) the major scope of OHSAS Management System is to reduce incidents and professional illness by pursuing improvment goals. The EHS manual and policy have been revised in the 2017/18 financial year.

Movable Walls

The Malaysian facility has an advanced health and safety management, with daily safety briefings, key performance indicators, Kaizens and established safety committee. Annual health checkups are offered, and personal protective equipment procedures are in place.

Similarly, the facilities in Ocholt (Germany) and in Dyersville (USA) track unsafe conditions, near misses, first aid incidents and accidents. These are investigated and findings are used to mitigate risk and change behavior. Data are posted on the bulletin boards throughout the plants and incidents are discussed in daily or weekly meetings. In addition, a protective footwear policy has been released in the reporting period in Dyersville.

Evaluation of the management approach

The management approach throughout dormakaba is evaluated by means of monitoring, measurement and incident investigation procedures. Trends in frequency and severity of accidents are evaluated for root cause and effectiveness of the approach. Safety concerns raised by employees or by internal and external auditors are also documented and investigated. Corrective actions based on feedback or goals and targets are communicated with the appropriate stakeholders.

Customer Privacy

As a technology-oriented company, we place great importance on safeguarding our customers' right to privacy and security.

Customers and business partners place a great deal of trust in dormakaba as a premium partner for access and security solutions. The company is aware of the importance of the protection of data and information, given that abuse and misuse can lead to major tangible and intangible damage, for example, due to relevant information being unavailable, rendered unusable or incorrect, or – in the worst-case scenario – made available or accessible to a malicious third party.

dormakaba therefore has a responsibility to protect sensitive information – our own, and that of our customers, stakeholders and partners – against unauthorized access, loss or falsification. There is a strong focus on:

- customer data
- operating and business data
- IT systems
- financial data
- employee data

Considering all information and data available within dormakaba, we pursue the following security aims:

- **Confidentiality**: Confirmation that access to information is limited to persons entitled to see it.
- **Availability:** Entitled persons can access information during defined periods and from defined locations.
- **Integrity:** Warranty that information is correct and complete.

Information Security Management System at the core

To meet this challenge, senior management introduced an Information Security Management System (ISMS) in line with best practice in the industry. Andreas Häberli, Chief Technology Officer (CTO) of dormakaba, is also the Chief Information Security Officer (CISO) within the ISMS. This management system is based on the international ISO/IEC standard 27001:2013, the most recognized standard in the field. Certification to the standard is planned in the 2018/19 financial year.

As outlined in the Group Directive Information Security, the goal of the ISMS is to achieve and maintain an adequate security level leveraging risk management methods, continuous improvement and best practices, adjusted to dormakaba needs. The risk management included in the ISMS is used to identify, assess and treat risks adequately.

Reporting to the CISO, the Group Information Security Manager is responsible for anticipating and assessing new threats regarding information security risks and implementing the necessary security levels for dormakaba, as defined by the Security Board in accordance to its Charter. In addition, Information Security Coordinators (ISC) are responsible for the implementation of the ISMS within an assigned Segment or Group function, and for supporting during security audits.

The confidentiality of information is classified based on its content and the protection required to maintain integrity or availability, in line with the Group Directive Data and Information Classification. Each piece of information must have a classification with its own security requirements. Employees are made aware of the proper means for destroying and disposing of information, as well as what to do in case of loss and misuse of information.

Focus Area: Process & Production
- Environmental Compliance
- Energy & Emissions
- Water
- Effluents & Waste
- Occupational Health & Safety
- Customer Privacy

In the 2017/18 financial year, focus was placed on aligning internal processes for compliance to the new EU General Data Protection Regulation (GDPR). The GDPR aims primarily to give control to citizens and residents over their personal data, bringing with it a new set of "digital rights" for EU citizens at a time when the digital economy places increasing economic value on personal data. dormakaba maintains records of data processing activities in accordance with the GDPR and has implemented the required procedures, such as amending the privacy policy and declaration, and ensuring proper data processing by 3rd parties (processors).

Grievance mechanism

dormakaba has a security incident management process in place as part of its ISMS to ensure quick and effective handling of any incidents. Possible security issues are tracked and solved with a ticket system. The process is reviewed once per year and the quality is measured by various performance indicators, such as the ratio of resolved security incidents within the target timeframe.

Evaluation of the management approach

The management approach is evaluated according to ISO/IEC 27001. In addition, security reports are provided to the Executive Committee, and management reviews take place regularly to gauge the suitability, adequateness and effectiveness of the management system.

The management reviews are documented and protocolled. Observations, conclusions, and recommendations for further necessary action from the review are recorded. If any corrective action is required, top management follows up to ensure that the action was effectively implemented.

Employment

dormakaba offers fair working conditions in which our employees can leverage on their strengths and build their skills. We foster an engaged workforce where we strive to have the right people in the right roles.

Policy and organisation

dormakaba's Human Resources (HR) management is spread globally – in addition to Group HR, there are HR professionals at the segment level and local HR representatives in the markets. Group HR bundles strategic issues based on our corporate strategy and the needs of local HR representatives and develops best-practice programs accordingly. These can then be customized and implemented in the segments and regions per the requirements and conditions in the local markets. The company has also made technological investments in business applications to more effectively deliver services to our employees, including a Group-wide HR data management system launched in the reporting year 2017/18.

In addition to this, the local HR representatives also develop and implement individual initiatives and programs suited to the needs of their local employees, to react to the different local customers and markets as effectively as possible. With the transition to the GRI Standards, dormakaba is paying special focus to the management approaches on a Segment level in this section.

Our compensation principles

At the beginning of the 2017/18 financial year, a Group Directive Compensation came into effect. Group HR authored the policy, which was approved by the Compensation Committee of the Board of Directors.

The Directive outlines principles of compensation based on: (1) reward for short-term and long-term performance; (2) alignment to shareholders' interest; (3) fairness and transparency; and (4) competitiveness.

As a rule, dormakaba refrains from offering excessively low wages (i.e., wage dumping). To establish fair compensation, determination is based on the job function and relevant local market benchmarks. It is not influenced by personal attributes such as age, nationality or gender. The global grading system ensures that functions are evaluated in a consistent manner across the organization.

Focus Area: People
- Employment
- Training & Education
- Freedom of Association & Collective Bargaining

Creating dialogue through a Group-wide employee survey

High employee engagement has been proven to lead to increased productivity, decreases in workplace accidents and improved customer satisfaction. A key method to support employee engagement is to ensure a culture of open dialogue across the organization.

In the 2017/18 financial year, dormakaba launched its first Group-wide employee survey after the merger. The aim of the survey was to gauge (1) employee engagement and (2) performance enablement. The latter focuses on, for example, whether employees have the required skills, tools and information to do their jobs adequately. The anonymous survey focused on topics such as change management, the work environment, management (including the direct supervisor), strategy and values.

72% of dormakaba employees in 52 countries participated in the survey, which was available in 18 languages. The dormakaba Employee Engagement index was 67% (IBM Global Norm: 71%). The Performance Enablement index was 68% (IBM Global Norm: 74%). The results differ between Segments, between regions, countries and functions. However, the survey revealed strengths as well as room for improvement on a global level.

One key strength is that managers and employees are perceived to act according to dormakaba values. The relationships between managers and employees are in general characterized by our value and brand promise: trust. According to the results, we should jointly work on improving collaboration between departments and on further developing recognition programs.

Based on the overall global results, the Executive Committee has identified the following fields of action and commitments:

- encourage and demand closer collaboration between departments
- continue to work on constructive leadership behavior
- encourage ownership and accountability to improve work processes
- define ways to help people work within the operating model (e.g. through training)

Besides the global actions, team leaders are asked to discuss the results in a dedicated team session to develop actions on leadership behavior, processes and infrastructure as needed (Disclosure 102-43, 102-44)

Facts and Figures

Type of Employment

The data in these facts and figures represents approximately 70% of all dormakaba employees as at 30 June 2018, and which are located at the 48 sites in the reporting coverage. The total workforce in this scope consisted of 11,520 employees. While the majority of dormakaba's personnel work full-time and on the basis of permanent contracts, nearly 7% have part-time engagements. 62% of the employees in scope were unionized or covered by collective bargaining agreements (Disclosure 102-41). In addition, dormakaba developed nearly 400 apprentices, trainees and interns, and employed over 700 contract workers at the sites in scope during the 2017/18 financial year.
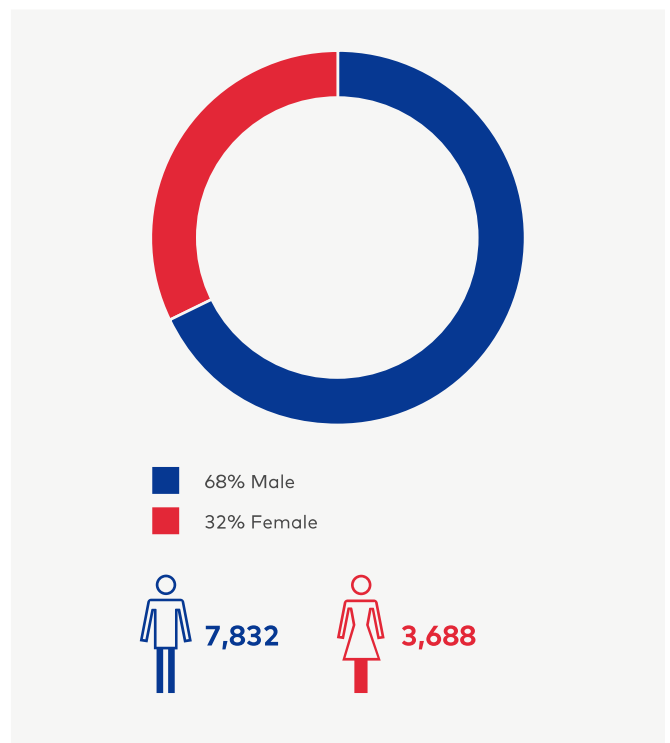
Workforce composition (headcount)[1]

	Total	Male	Female
Employees by region	**11,520**	**7,832**	**3,688**
Switzerland	407	237	170
Germany	3,053	2,336	717
Rest of EMEA	2,116	1,457	659
Americas	2,777	1,833	944
Asia Pacific	3,167	1,969	1,198
Employees by employment contract	**11,520**	**7,832**	**3,688**
Indefinite/permanent	10,485	7,265	3,220
Fixed term/temporary	1,035	567	468
Employees by employment type	**11,520**	**7,832**	**3,688**
Full-time	10,734	7,533	3,201
Part-time	786	299	487

[1] as at 30 June 2018, without apprentices, trainees, interns and contract workers

Data source: This report is based on data collected from 48 key sites, representing 70% (11,520) of Group employees.

Employees

68% Male

32% Female

7,832   3,688

Board of Directors

Age	Count
>50 years	8
30–50 years	2
<30 years	0

70% Male
30% Female

7　　3

Executive Committee

Age	Count
>50 years	8
30–50 years	2
<30 years	0

100% Male
0% Female

10　　0
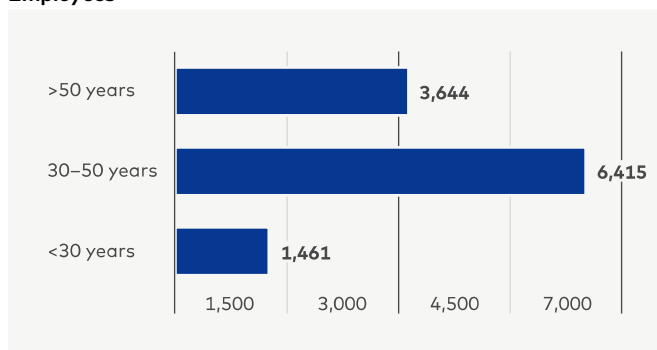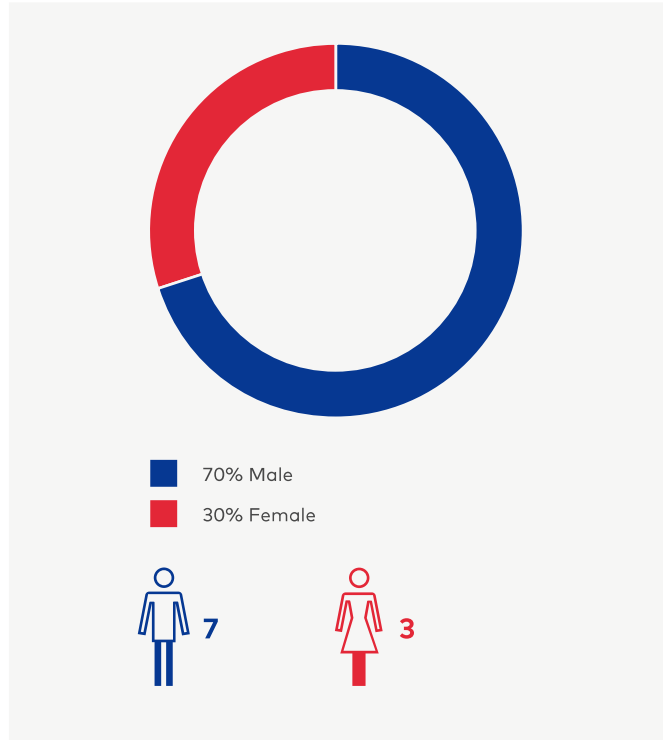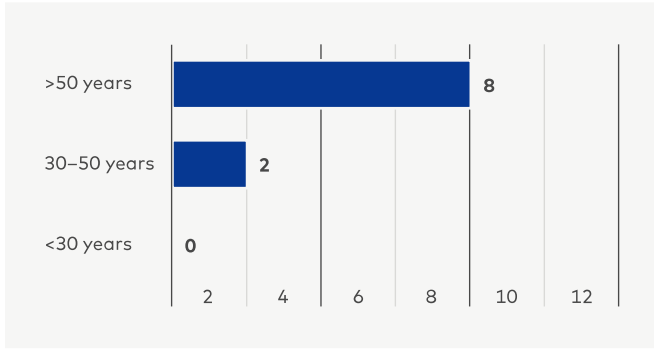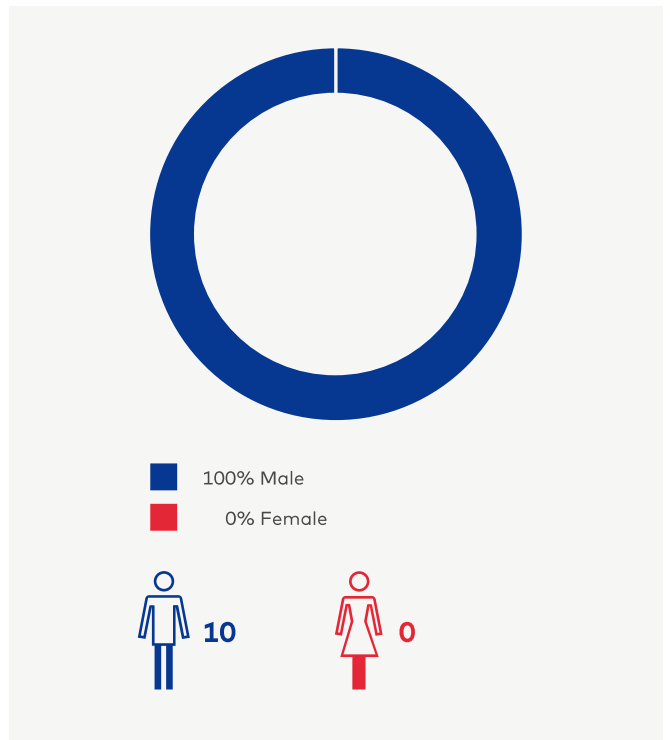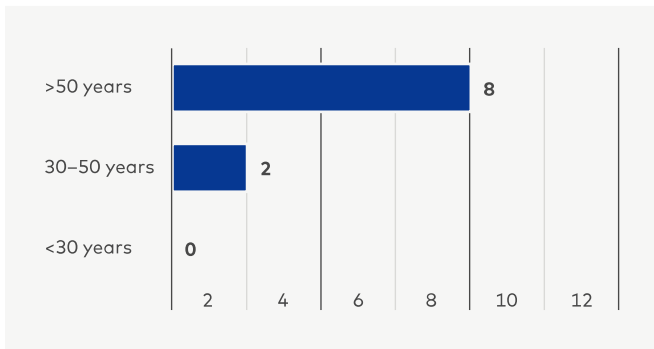
Diversity

dormakaba's global presence and operations in varied markets mirror our commitment to promote a diverse and inclusive workforce. In the 2017/18 financial year, the share of female employees was 32% of the workforce in scope.

At 56%, the majority of employees represented in this report are between 30 and 50 years of age. dormakaba provides our employees with long-term professional development opportunities in order to retain an experienced workforce. This is critical to the company's success.

Fluctuation

In financial year 2017/18, a total of 1,371 employees left the company and 1,306 joined in the reporting scope. This corresponds with rates of 13% and 12%, respectively.
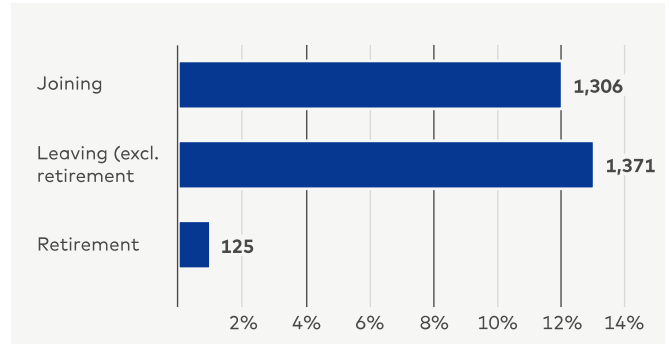
Employee fluctuation in Asia and the Americas was higher than in other regions. This is attributed to restructuring measures, and relocation of manufacturing activities.

Overall fluctuation (in percentage and headcount)

The workforce aged under 30 years shows higher joining and leaving rates compared to the other age groups. This is consistent across all regions, and congruent with findings from a study on general workforce turnover trends periodically conducted by human resources consulting firm Mercer (available here).

Fluctuation is calculated with permanent staff. In China, employees are usually appointed on the basis of fixed-term labor contracts before being eligible for an indefinite contract. This results in a temporal shift of the fluctuation rates for Asia Pacific and to a certain extent overall, since employees with permanent contracts joining and leaving dormakaba are counted only after their contracts have been converted (usually after the completion of two consecutive fixed-term contracts, in accordance with Chinese Labor Contract Law).
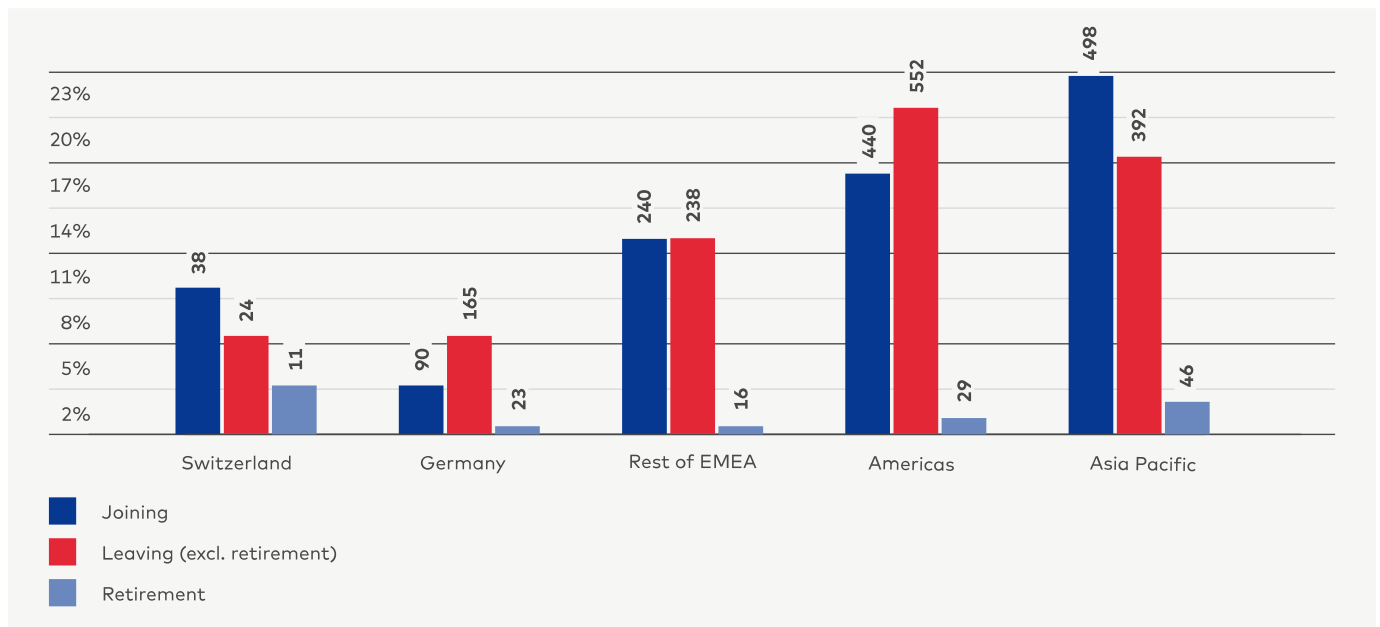
Fluctuation by region (in percentage and headcount)
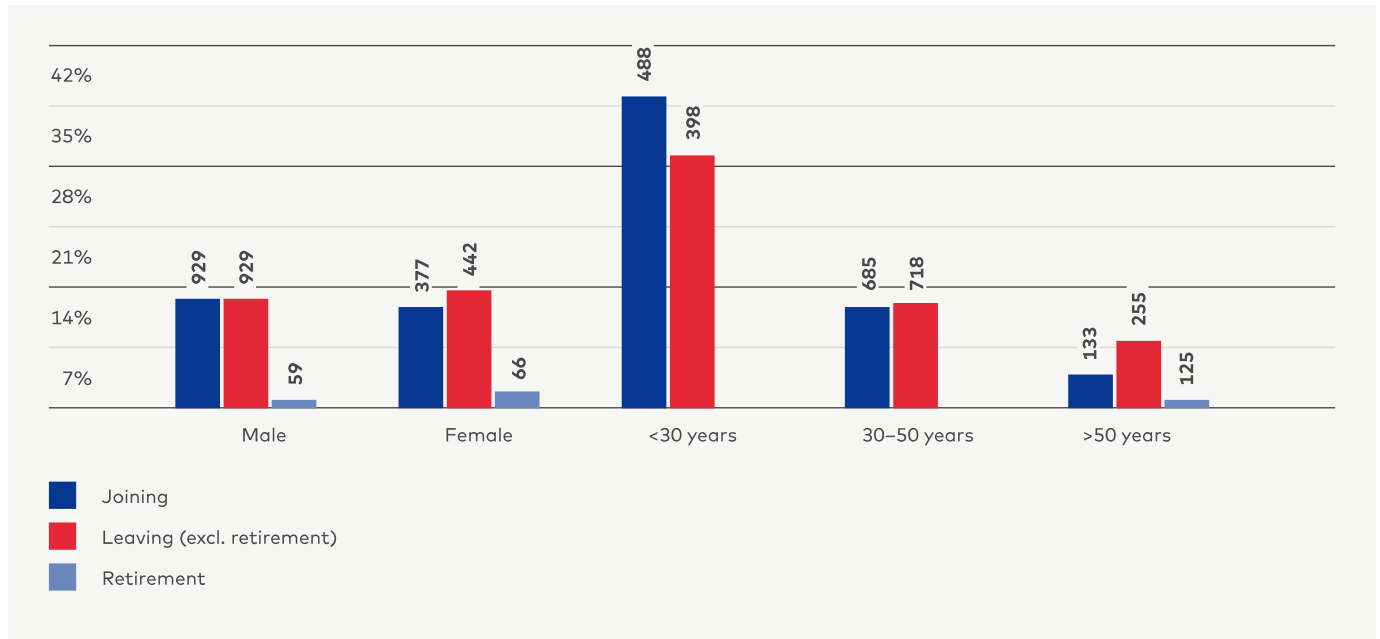
Fluctuation by age and gender (in percentage and headcount)

Segment AS AMER

The purpose of this management approach is to create a productive and equitable work environment with general guidance for the employer/employee relationship that is specific enough to be equitable, but flexible enough to meet the business' and individual employee's needs. AS AMER aims to foster a positive working environment and to be an employer of choice within the market for both current and prospective employees. The approach also ensures we are equitable in the treatment of candidates and employees throughout their professional life cycle with us.

The topic of employment is managed by line managers in partnership with Human Resources through the USA, Canadian, Brazilian and Mexican entities of AS AMER. Employment is governed first by the dormakaba Code of Conduct, then the country-based labor regulations and the employee handbook, if available. Policies are compliant with local employment law and in some cases, go beyond it.

Each local entity in the USA and Canada has an employee handbook which details employer and employee commitments related to the employee relationship. At the end of the 2017/18 financial year, an updated employee handbook applicable to all AS AMER employees in the USA was released, ensuring country-wide processes and benefits.

The consolidated employee handbook for AS AMER employees in the USA contains the following employer commitments:

• Equal Opportunity Employment
• Non-Harassment / Non-Discrimination
• Drug Free / Alcohol Free Workplace
• Open Door Policy
• Whistleblower Policy

Employee handbooks for employees in Canada contain the following employer commitments:

• Equal Opportunity Employment
• Non-Harassement / Non-Discrimination
• Drug Free / Alcohol Free Workplace
• Open Door Policy
• Training and Professional Development Policy
• Health and Safety Policy
• Performance Management program
• Maternity, paternity and parental leaves
• Statutory Holidays and vacation leave
• Group Insurance Plan
• Pension Plan

Related projects and processes in the USA and Canada include, for example, annual salary reviews, town hall meetings, onboarding, performance management, employees' engagement activities, plant tours, etc. These actions are sometimes systemic (like salary reviews and performance assessment), sometimes ad hoc and tailored to the local situation. In the 2018/19 financial year, AS AMER will be releasing an employee handbook that covers all employees in Latin America.

Further policy & benefits

	Brazil	Canada	Mexico	USA
FTEs	246	566	21	2,262
Flexible workplace measures (telecommuting, flextime, etc.)		x		
Working time reduction measures (part-time; job sharing etc.)		x		x
Dependent care support (on-site childcare, financial support, holiday care, referral services)	x		x	x
Special leave offerings (beyond legal requirements)		X		X
Responsible workforce restructuring measures (internal job placement, job search support, counselling, support for moving costs, etc.)	x	X		X

Grievance mechanism

The mechanism for reporting grievances is included as a part of our employee handbook, and includes escalation points starting with the employee's line managers, then moving to their HR Business Partner, then to the segment HR Lead. This grievance mechanism is intended to cover any alleged offensive behavior between employees of dormakaba or between partners, vendors, contractors, customers or other persons affiliated with dormakaba and its employees. This mechanism also covers any grievances from employees related to employment, compensation, or performance, and formal complaints.

Evaluation of the management approach

The segment maintains an open-door policy to receive feedback from employees on the topic and acst accordingly. There is no formal evaluation of results or for adjusting the approach to this topic.

Segment AS APAC

The aim of the management approach is to treat employees fairly and with respect, and to provide employees with equal opportunity to be considered for training and development based on their strengths and needs for them to reach their full potential. The Segment manages most aspects of employment through HR functions in China North Asia, Southeast Asia (ASEAN), South Asia, Pacific, and Wah Yuet (Taishan, China), reporting to the Segment HR Lead. The regional HR representatives provide oversight and are responsible for all documentation relating to wages, working conditions and hiring. The management approach differs based on the regional setting.

Singapore, for example, follows the Tripartite Guidelines on Fair Employment Practices. Recruitment is merit-based and does not take age, race, gender, religion, marital status and family responsibilities, or disability into account. Recruitment needs are evaluated monthly.

In the South Asia region (predominantly India), key targets related to employment include, for example, 100% achievement of employee productivity targets and a maximal 10% fluctuation rate. In terms of recruitment, candidates go through multiple levels of assessment which may include aptitude tests and psychometric assessment, in addition to personal interviews. Benefits and terms of employment are aligned to local regulations. Compliance with local labor law is tracked via a legal register in India.

Entities in China have formal recruitment and on-boarding policies, as well as an employee handbook (effective since 2014). HR management places special emphasis on providing a safe working environment, offering annual medical exams to staff. A budget is allocated to employee engagement activities such as team building and communication campaigns. The production facility in Taishan has opened a new employee recreation center in the 2017/18 financial year.

The pacific region has recently committed to upgrade their employee management systems to facilitate greater efficiency and reportability across the business. Once implemented, this system will bring into one place all the employee management data and allow reporting beyond regulatory compliance. The new system will also make it possible to offer a wide variety of work schedules with automatic time management and payroll calculations, creating more accurate and cost-effective staff management options.

Further policy & benefits

	ASEAN	China North Asia	Pacific	South Asia	Wah Yuet (Taishan)
FTEs	595	1,040	543	787	1,603
Flexible workplace measures (telecommuting, flextime, etc.)	x*	x		x	
Working time reduction measures (part-time; job sharing etc.)	x*			x	
Dependent care support (on-site childcare, financial support, holiday care, referral services)	x*	x**			x
Special leave offerings (beyond legal requirements)	x*			x	x
Responsible workforce restructuring measures (internal job placement, job search support, counselling, support for moving costs, etc.)	x*			x	

*   Singapore, 401 FTEs

** covering 265 FTEs

Grievance mechanism

The pacific region has developed a draft Employee Counselling and Discipline Policy to provide a framework and process for managing grievances within the organization. This policy will be used in conjunction with the dormakaba CoC to address any concerns that may arise. China North Asia implements grievance mechanisms in conjunction with trade union representatives. In addition, the production facility in Taishan has implemented a business ethics mailbox, hotline and webchat service. If any employee feels he/she is being mistreated, he or she can turn to the ethics system for help. Confidentiality is maintained to the fullest practical extent.

Evaluation of the management approach

The segment maintains an open-door policy to receive feedback from employees on the topic and acts accordingly. In addition, feedback is received through the [dormakaba dialogue](). In South Asia and China North Asia regions, local governmental agencies conduct compliance audits. No cases of non-compliance have been reported. Employees in some locations in China North Asia have the option to provide feedback directly and may also appeal to external bodies to have decisions reviewed. Outcomes are evaluated as a part of management reviews with corrective actions taken as appropriate. There is no further formal evaluation of results or for adjusting the approach to this topic.

Segment AS DACH

The aim of the Segment AS DACH management approach is to create an inspiring and performance oriented environment and foster an atmosphere of trust and respect driven by constant feedback and opportunities to grow. This will help avoid risks such as loss of know-how and minimize personnel shortages. There is a strong commitment to compliance on local labor laws in Europe (Austria, Bulgaria, Switzerland and Germany) as well as for its plants in Asia (China, Malaysia and Singapore). Segment AS DACH human resources management is strongly aligned to the collective bargaining agreements in place in those countries, especially in Austria, Germany and Switzerland.

The segment has an "equal pay for equal work" policy in place, according to national legislation in Germany, Austria, Switzerland and also the European Union. A home office policy to enable more flexible working hours and locations is planned in the midterm. Amendments to general conditions of employment and fringe benefits, such as staff discounts on public transport, are planned in the short and medium term.

Germany and Switzerland offer an Employee Assistance Program to support employees and their relatives in case of psychological, addiction or financial problems. The offering includes a hotline where employees or their relatives can get advice from professional experts.

Further policy & benefits

	Austria	Germany	Switzerland
FTEs	529	3,132	793
Flexible workplace measures (telecommuting, flextime, etc.)	x	x	x
Working time reduction measures (part-time; job sharing etc.)	x	x	x
Dependent care support (on-site childcare, financial support, holiday care, referral services)			
Special leave offerings (beyond legal requirements)		x	x
Responsible workforce restructuring measures (internal job placement, job search support, counselling, support for moving costs, etc.)		x	x

Grievance mechanism

In addition to the reporting channels offered in the dormakaba CoC, Segment DACH has further grievance mechanisms in place as part of collective bargaining agreements in the individual countries as well.

Evaluation of the management approach

ISO 9001 certification is in place in various sites in Austria, Germany and Switzerland, which is used to evaluate the management approach. Related audits and corrective action plans are used to adjust the management approach as necessary. Monthly performance reviews and feedback gathered during exit interviews is also taken into consideration.

Direct feedback from employees is also used in the evaluation of the management approach. One such feedback in Switzerland was the perceived lack of internal career opportunities. This is partly due to a need for improving communication on vacancies internally and also because managers are wary to lose top talent to other departments. Therefore, a project has been launched together with Product Development to increase communication on internal opportunities for specialists and managers in the field of software and hardware engineering. Switzerland and Austria aim to increase filling open positions through internal talent by 10% by 2020.

Further, in Switzerland an annual salary survey is carried out by an independent third party, as is standard practice for all companies with membership to the Swiss association of mechanical and electrical engineering industries, Swissmem. The analysis compares all the salaries of the member companies who use Switzerland's general collective agreement as a basis for employment. Salary differences between the regions, gender and job function (for example, accounting or IT) are analyzed. The results are then integrated into the subsequent salary increase process once a year.

Segment AS EMEA

Segment AS EMEA aims to be fair, transparent and legally compliant in its employment practices, and to be acknowledged as an employer of choice. The segment manages most aspects of employment through regional HR functions in CEERT (Central and Eastern Europe, Russia and Turkey), MEA (Middle East and Africa), South Europe, UK, Ireland and Benelux, and ScanBalt, reporting to the Segment HR Lead.

The focus in CEERT is on fostering long-term employment, recruiting temporary staff only as a last resort. HR processes are described in a consolidated handbook for the region, outlining recruitment, performance reviews, salary reviews and an incentive scheme.

The MEA region, including UAE, Kuwait, Saudi Arabia, Qatar, and South Africa, exceeds minimum statutory entitlements such as annual leave, compassionate and cultural leaves, and healthcare coverage of dependents. Salary review and incentive schemes are highly structured and documented and take international best practice into account. This also includes a recently launched recognition program that rewards outstanding behavior aligned with dormakaba values.

For South Europe (France, Italy, Iberia and Morocco), a consolidated employee handbook was released in the 2017/18 financial year. France has further policies related to performance reviews, salary reviews, incentive schemes, professional fees, disciplinary rules and company cars. A key aim in the 2018/19 financial year is to implement performance review processes in Italy, Iberia and Morocco.

In region UK, Ireland and Benelux, Belgium has a balanced scorecard approach to human resources management. This approach builds human resources strategy based on four pillars: the financial perspective, the customer perspective, the business process perspective, and the learning and growth perspective. One outcome has been to mandate teambuilding activities for all employees. A "person of trust" program has also been introduced, which pairs people with volunteers with whom they can have a personal chat in case of personal problems. On the process side, new digital HR tools (for example, a tool to request leave) have been introduced.

Supporting the local community

Employees in the UK and Ireland have engaged with the local community to raise money for valuable charities. In the reporting year 2017/18, a Charity Committee has been formed as a result of discussions in the Employee Forum, where staff expressed wishes to contribute to their local community and give back to worthy causes. The committee comprises of employees from all over the region.

Employees were able to vote on the kind of charity they wished to support, and the decision was made to support local hospices, in order to make a greater impact in nearby communities so that we could make a difference to our surrounding areas. Seven hospices were then selected, all of which are located near the main offices and branches.

Fundraising activities included bake sales, breakfast celebrations, coffee mornings, Christmas Jumpers Days, Guess the Number of Easter Eggs, Raffles and more recently a Summer Fun Day, World Cup events and Quiz Nights. Thanks to the personal commitment and high engagement of the dormakaba employees, nearly CHF 4 000 have been raised.

Further policy & benefits

	CEERT	MEA	ScanBalt	South Region	UK, Ireland & Benelux
FTEs	457	211	340	524	702
Flexible workplace measures (telecommuting, flextime, etc.)	x	x*	x	x	x
Working time reduction measures (part-time; job sharing etc.)	x				x
Dependent care support (on-site childcare, financial support, holiday care, referral services)					x**
Special leave offerings (beyond legal requirements)		x			
Responsible workforce restructuring measures (internal job placement, job search support, counselling, support for moving costs, etc.)					x***

*   Dubai, approx. 193 FTEs

**   UK & Ireland, approx. 527 FTEs

*** Netherlands, approx. 99 FTEs

Grievance mechanism

There is a grievance procedure in South Africa and another one for the Middle East documented in the respective employee handbooks. In the UK, policies cover disciplinary and appeals processes as well as grievances. The grievance policy is in line with the ACAS code of practice.

Evaluation of the management approach

The results of the dormakaba dialogue are used to evaluate the management approach in general within the segment. Belgium has launched an additional "well at work" survey, and follow-up of action plans occur in every management team meeting. Exit interviews are also conducted.

In CEERT and South Europe, the regional management team receives a 360° feedback on their leadership styles every 18 months, to improve their management capabilities and instill a culture of empowerment and trust in their teams. Such programs are planned in the future in the other EMEA regions (MEA, ScanBalt and UK, Ireland & Benelux).

Segment Key & Wall Solutions

Key & Wall Solutions (KWS), with the business units Key Systems and Movable Walls, has operations in Europe, Asia, and the Americas.

Key Systems

HR management for Key Systems (KS) networks with the local communities in which it works, offering working conditions beyond compliance to local labor law. Standards in industry collective bargaining agreements are generally offered, even in cases where employees are not unionized.

In the USA, for example, the Family and Medical Leave Act provides protected unpaid leave for an employee's serious health condition. The KS North America facility offers company-provided short-term and long-term disability benefits over and above this leave requirement.

Various units in France, Italy, Colombia and the USA offer a local bonus system, linked to improvements in profitability, efficiency and internal quality. In Italy, employees are further offered an annual discretionary stipend which can be used for tuition fees, medical costs, pension, gym memberships or dependent care costs.

Across all of its regions, KS works with local schools, universities and business schools to offer internships, trainees and apprenticeships. Students are occasionally offered permanent employment in the company. Promoting from within the own workforce is preferred. Job posting – directly or through recruitment agencies – provides equal opportunity and information to all potential candidates.

Key performance indicators include ratios of temporary to permanent employees, and rate of transfer of temporary to permanent employees. KS North America offers a referral bonus for successful employee referrals to vacant positions.

Employee engagement is also a priority in all KS regions. In the 2017/18 financial year, the following activities have taken place:

In North America,

- Backpacks with school supplies donation to local children
- Participation in the American Heart Association's Heart Walk (fundraising and promoting healthy nutrition and activity)
- Hosted an employee holiday lunch, funded by the company
- Team participation in the American Cancer Society's Relay for Life (fundraising)
- Collected toys for less fortunate children during the Christmas season
- Showcased career paths at Manufacturing Day, a Chamber of Commerce event for local middle school students
- Annually, each employee, temporary worker and on-site contractor is provided with a turkey or ham for the holidays
- Annual celebration banquet for employees achieving five years of service at the company

In South America,

- Recognition program for employees celebrating their 25th or 40th year with the company
- Managers and foremen training on the adherence to company values and constructive behaviours to ensure a positive working environment
- Free transportation to the workplace
- Guarantee of same employment conditions for external contractors as granted to dormakaba own employees

In EMEA,

- Reward and recognition program for employees celebrating their 25th or 40th year with the company
- Bi-annual townhall meeting with all employees to update on company results and strategy
- Immigrant employees are offered health and safety classes in a known language and English language classes are also offered
- Food gift baskets and celebration event dinners for Christmas
- Coaching and mentorship programs to assist on career development

In India & SEA,

- Monthly recognition program for best results in Lean Management activities
- Rewards program for ideas contributing to occupational health and safety
- Sport program open to all employees, with internal tournament and prizes to promote team building and healthy lifestyle
- Company celebration of major festivals (Diwali, Holi, Republic's Day) and International Women's Day
- Medical check-ups for employees and their families

Further policy & benefits

	Italy	Rest of Europe	North America	South America	India & SEA
FTEs	429	147	440	53	440
Flexible workplace measures (telecommuting, flextime, etc.)		x	x	x	
Working time reduction measures (part-time; job sharing etc.)	x	x	x		
Dependent care support (on-site childcare, financial support, holiday care, referral services)	x		x*		
Special leave offerings (beyond legal requirements)			x	x	
Responsible workforce restructuring measures (internal job placement, job search support, counselling, support for moving costs, etc.)	x	x	x		x

*   referrals

Grievance mechanism

Italy maintains an active employee workers council that oversees norms and contract compliance and assists employees. The employee handbook in KS North America outlines an open-door policy and invites employees to convey any suggestions or concerns to their supervisor, the next level manager, and/or HR.

Evaluation of management approach

In addition to the feedback received through the dormakaba dialogue, exit interviews are conducted to develop action plans and continuously improve as an employer. Senior leaders also meet with a random, cross-functional group of employees monthly in a Lunch-and-Learn setting to get to know each other, provide business updates and respond to employee concerns.

Movable Walls

Movable Walls has most of its employee base in Australia, Canada, Germany, Malaysia and in the USA.

Policies and management approach in the USA and Canada is aligned to that of Segment AS AMER. In addition, active wellness and engagement committees in the USA help to ensure employees are engaged and healthy through activities such as on-site fitness classes, health challenges, picnics, and holiday parties. In Canada, employees benefit from a local bonus system and an employee assistance program, which provides confidential advice on legal, financial, psychological or other personal issues.

In Germany, Movable Walls human resources management is strictly aligned to collective bargaining agreements in the country. Policies are defined as part of the collective bargaining agreement and offer more than the regulatory minimal benefits in general.

In Malaysia, employment is managed according to the Malaysian Employment Act, but offer some conditions beyond legal requirements, especially regarding parental leave or special leave due to family issues.

Further policy & benefits

	APAC	Canada	Europe	USA
FTEs	91	165	242	257
Flexible workplace measures (telecommuting, flextime, etc.)		x	x	
Working time reduction measures (part-time; job sharing etc.)		x	x	x
Dependent care support (on-site childcare, financial support, holiday care, referral services)		x		x
Special leave offerings (beyond legal requirements)	x		x	x
Responsible workforce restructuring measures (internal job placement, job search support, counselling, support for moving costs, etc.)			x	x

Grievance mechanism

In Germany, this is included in the collective bargaining agreement. In the USA and Canada, the AS AMER Open Door policy applies.

Evaluation of the management approach

Movable Walls in Germany evaluates the management approach based on achieving budgetary targets. In the USA, an annual benchmark of benefits based on the local market is taken into account and related adjustments made thereafter. The management approach has not required any adjustment.

Training & Education

Various training and development program offerings are developed at the Group level which can then be specifically tailored to local needs.

These include, for example, a range of vocational training and dual studies, language and project management courses and opportunities for job rotation.

In addition to providing employees worldwide with access to a Learning Management System, which hosts a variety of e-learning modules, dormakaba offers our employees various continuous training and development programs, ranging from product, sales, safety and leadership topics.

The company supports the professional qualification of employees, and at many locations, also contributes to the financing of external training on an individual basis.

Focus Area: People
• Employment

• Training & Education

• Freedom of Association & Collective Bargaining

Segment AS AMER

AS AMER has formulated clear expectations on leadership behavior and has outlined the different tools and learning resources that can be used to meet or exceed the expectations. There are 1.5 dedicated resources to learning and development, demonstrating the commitment the segment has in this area. The segment is also developing a segment-wide strategy that considers individual development needs and mandatory requirements by country (USA, Canada, Mexico and Brazil). In Canada, the company tracks all learning to be compliant with local regulations. Tuition and professional development reimbursement is offered. A focus of the training program is on project & change management, sales product training and leadership training including Leading for Success, Leading at the Speed of Trust, Leading Others Through Change, and Strength Finders.

Evaluation of the management approach

In AS AMER, evaluation of the management approach takes place through employee feedback. One challenge of the management approach has been carrying out annual performance review processes within the company's HR web-based management system for some target groups, and through manual forms for others. However, progress has been made in aligning the various business entities and building awareness of the process. One key adjustment has been to develop a talent management focus group with management to gain further insight on their needs.

Segment AS APAC

The Training & Education management approach in AS APAC enables staff to have the required competencies to safely and efficiently perform their tasks and, where appropriate, to support for career advancement. Further objectives include reduction of employee turnover, ensuring health and safety, and minimizing risk by cross-training through job rotations. Learning new languages is supported to help employees fit-in in a multinational environment.

South Asia has a competence-based framework across four silos in technical training, with two training managers dedicated to supporting implementation. As a part of this competency framework, we offer employees in product specification with sponsored certification programs through the Guild of Architectural Ironmongers (GAI) and by the Door & Hardware Institute, USA. Special emphasis is placed on employees with less than five years in the company, which constitutes about 65% of product specifiers. The average training time per employee per year in the general sales workforce is 5 working days.

In Singapore, direct supervisors are responsible for conducting a Training Needs Analysis with the support of HR. The operations team has several compulsory trainings covering, for example, safety and lean management. New hires undergo two weeks of training. All employees are eligible for a government-funded "SkillFuture" program to learn new skills as part of lifelong learning. 15 training sessions have been offered to staff in the reported financial year.

In China North Asia, new hires are offered a four-week onboarding program. GAI certification is also offered. Generally, most training is on-the-job. An annual training plan is developed for classroom training programs, with a set target of completion of 85%. As the facility in Suzhou (China) is certified to ISO 9001, the training management process, plan, records and evaluation are systemized. Average classroom trainings for shop floor employees are 14 hours per year per employee. Office employees average 16 hours per year.

Similarly, the subsidiary TLHM Co. Ltd. is also certified to ISO 9001. The subsidiary follows the Plan-Do-Check-Act cycle as part of the certification. SWOT analyses, satisfaction questionnaires, quizzes for participants and tracking on subsequent promotion and performance are regularly done. Average training time is 13 hours per employee per year.

The facility in Taishan (China), which hosts the largest dormakaba employee base worldwide, has a talent development training program in place for all employees. In the 2017/18 financial year, focus was placed on training of management basics for workshop managers and supervisors, which included courses on daily management, daily communications, continuous improvements and lean production. 22 frontline managers benefited from this training. Training on the new ERP system was another focus. 55 staff members were trained as part of the roll-out of the system. In total, Taishan employees participated in 73 courses (in class or e-learning), with an average training time per employee of 1.5 hours over the course of the year.

Pacific has a full-time National Training Manager who is responsible for writing and delivering training packages to meet operational requirements. In the service organization, each service location has a nominated training champion. Managers set goals and targets for their teams. Team goals are preferred to foster greater collaboration within the respective team. Goals and targets generally vary in length from 3 to 12 months. Staff can access funding and support for external study programs, and traineeships are offered for service technicians.

Service technicians undergo between 8 and 12 hours of training per year, whereas sales representatives undergo between 4 and 16 hours training per year.

Evaluation of the management approach
The management approach is evaluated based on feedback after trainings. Another evaluation method is the pass/fail ratio of assessments of participants or employee turnover rates. Improved productivity rates, measured quarterly, are also used as a metric to evaluate successful training programs. For the facilities in Suzhou (China) and TLHM Co. Ltd., evaluation occurs as a matter of course through external audits for ISO 9001 certification. In the latter, further evaluation occurs in the education review meeting and is fed into the company-wide mid-term planning.

Segment AS DACH

The Learning and Development department in Germany is responsible for training and development of AS DACH employees in Germany, Austria and Switzerland. The processes are centrally organized and mapped in the Integrated Management System based on ISO 9001 requirements. The online learning platform is the central hub for all employees. It contains the current training programs. In future, the learning platform will also provide documentation and workflows for external and target group-specific trainings. Personality diagnostics and coaching are made available, as well as leadership, team and individual training modules.

In Germany, participants benefited from training on energy management, environment, business management, purchasing, IT, communication, quality management, law, conduct, sales, marketing, production and service. Further, 16 participants benefited from the management development program Leading for Success in the 2017/18 financial year.

Besides also offering the above, Swiss and Austrian sites offer occupational health and safety training in accordance with local labor law. Approximately 2 hours of training per employee per year and 24 hours of training per manager per year are offered. Additionally, Swiss entities offer financial support for external courses. The degree of support varies based on the relevance of the studies to the business.

For information on training and education activities in the AS DACH manufacturing facilities located in Asia, refer to the AS APAC section.

Evaluation of the management approach
Employees are encouraged to fill out a feedback form after participating in a training. An evaluation of the feedback is the basis for the planning and implementation of improvement measures. Based on audits related to ISO 9001 certification, Switzerland will take corrective action by maintaining better records of training hours in future.

Segment AS EMEA

AS EMEA has a segment-wide approach to training and education, with a focus on sales and leadership development under the responsibility of a segment-level Learning and Development manager. The same management-level training courses and initiatives are delivered throughout EMEA, ensuring that a consistent methodology, content and standard of training is delivered throughout the segment. At least one management course is delivered in each region on an annual basis. On average, managers receive 12 hours of training per year. In the 2017/18 financial year, 84 managers participated in classroom trainings on leadership development. Another 32 managers were trained on how to lead virtual teams. In addition, 16 sales employees were trained on consultative selling skills. 22 new joiners in regions CEERT participated in a training on the dormakaba mission, ambition, strategy and brand. Over 125 product training sessions were held across EMEA including numerous online training courses. Further trainings were offered on HR processes, construction industry regulations, health and safety, pricing and ISO certification, for example.

Individual Development Plans (IDPs) are defined annually in the MEA region and in France. CEERT has developed a Key Talent Identification system where 44 people have been identified as Key Talents in different countries. The program includes assessment, development dialogues, and IDPs.

Belgium has committed to provide a minimal of 16 hours of training per employee per year. In 2017/18, the average training time was 17 hours. A large focus has been on onboarding 34 new joiners, as well as in launching a so-called "back-up" program. As part of this, management appointed a back-up colleague for every job function and then organized classroom and on-the-job training to ensure business continuity.

Evaluation of the management approach

Effectiveness of the training programs is assessed by testing participants knowledge after the training. In region CEERT, a sales survey across the sales population was conducted which included questions about sufficiency of existing product trainings and identifications of knowledge gaps. The results are taken in consideration during planning further products training.

Segment Key & Wall Solutions

Senior management in Key & Wall Solutions updates analysis and development plans twice a year for talented potentials, based on performance review results and additional individual assessments. This may include project assignment, exchanges abroad, and dedicated in-class or individual training plans.

Key Systems

In Italy, a training plan is developed on an annual basis as required by ISO 9001 and OSHAS 18001 standards. This includes 'on-the job' and in-class activities, and their completion is tracked. Beginning in 2018, governmental regulations mandate 24 hours of training per employee within three years. The facility goes beyond this and offers at least 24 hours of training for every employee on a two-year average.

Effectiveness of training initiatives is evaluated based on the ISO 9001, ISO 14001 or OSHAS 18001 requirements. It involves an initial skills assessment and a final one, to identify the improvement. Similarly, the effectiveness of training may be measured by tests (in class or following training) and by the enhancement in skills evaluation.

As an ISO 9001 certified entity, Key Systems (KS) North America in Rocky Mount, North Carolina (USA) also develops an annual training plan accordingly. New-hires receive a performance evaluation after 90 days of employment to ensure they are qualified to perform the job for which they are hired. All employees receive an annual performance evaluation from their direct manager. Employees who do not meet performance expectations are provided with a development plan, or may be placed on a performance improvement plan.

KS North America also has an Educational Assistance program for continuing postsecondary education in programs aligned to an employee's current or future career path. This benefit is not required by any legislation, and supports our preference for promotion from within. At least three employees participated in this during the fiscal year.

Besides on-the-job training, KS South America offers trainings on how to create a constructive work culture, including conflict management and adherence to dormakaba values. Training on work safety and ergonomics are also offered. The training concept is currently being integrated in the ongoing development of an ISO 9001 certification.

KS India and South East Asia offers opportunities for vocational training, from basic technical skills to behavioral skills and organization development programs, with an internal training center available for all employees. The annual training plan is elaborated based on needs analysis according to the ISO 9001 management system. The average annual training is 12 - 16 hours per employee (including apprentices and contractors). In addition, vocational classes are offered to the local community as part of its community engagement.

Evaluation of the management approach

Training effectiveness is measured against audits, stakeholder feedback and KPIs. If a negative trend is identified in ISO audits, management meets to review the root cause and determine possible remediation needed, which may include increased communication and/or modifying the training program. Voluntary feedback surveys (directly after the training and 100 days later) also provide input for planning continuous improvement.

Movable Walls

Modernfold, the USA-based entity in Movable Walls, considers an educated workforce an integral part in creating customer satisfaction. Training and education is also seen as critical to driving employee engagement. Managers and employees discuss development informally at least quarterly and on a formal basis at performance reviews. Management maintains a quarterly review of talent management, including succession planning, development, needs and risk assessment. Production supervisors receive approximately 16 hours of training per year. Office and management employees have at least 8 hours of training in class, on-the-job or e-learning.

Besides on-the-job training and onboarding programs, EMEA offers technical training (e.g., on new machines or regulations, etc.). In the 2017/18 financial year, a leadership skills training program has been launched.

APAC (Malaysia) dedicates a yearly budget for training, which is distributed based on a training needs analysis. Besides the mandatory health and safety training, vocational sessions for shop-floor employees are offered.

Evaluation of the management approach
Through employee feedback, one major challenge in the management approach was found. Being a lean organization, at times it can be difficult for employees to find time to take training courses. Therefore, Modernfold is reviewing on-line resources to provide employees access to training and education around the clock, which will improve employee performance.

Freedom of Association and Collective Bargaining

As a member of the UN Global Compact, dormakaba respects the right of all workers to form and join a trade union without fear of intimidation or reprisal, in accordance with national laws.

Further, dormakaba employees are free to collectively bargain, if they so desire.

Related policies include, for example, a harassment and bullying policy in the Pacific region (AS APAC). Subsidiary TLHM Co. Ltd. in China North Asia explicitly forbids, among others:

- threatening, disciplining, punishing, or firing workers because they exercise this right
- refusing to hire a candidate because of their association with trade unions
- blacklisting of union organizers by providing their names and details of their activities to other employers, or to employers' associations.

We work proactively with employee representative bodies to achieve positive outcomes for employees and the organization. Collective bargaining agreements are in effect in various locations including: Australia, Austria, China, Colombia, Italy, New Zealand, Brazil, Mexico, France, Germany, Switzerland, and the US. In Poland an alternative employee representation is in place.

Grievance mechanism

The grievance mechanism for employees covered by a collective bargaining agreement (CBA) are defined by the CBA itself. On the other hand, the grievance process for non-represented employees is defined in our employee handbooks or through the dormakaba Code of Conduct. In addition, the Pacific region (AS APAC) and Movable Walls entities in Canada have an Employee Assistance Program that provide confidential support and counselling for all staff around the clock. Canada, Switzerland and Germany provide the same service for their staff through an external provider.

Evaluation of the management approach

There is no current formal evaluation of the above management approach.

Focus Area: People
- Employment
- Training & Education
- Freedom of Association & Collective Bargaining

Product-related Energy, Emissions, Effluents & Waste

We aim to reduce our customers' environmental burdens by designing materially- and energy-efficient products.

dormakaba is dedicated to producing high-quality reliable products and solutions, also integrating our customers' health and safety and desire for environmentally friendly options. That is why our products are a core focus area in the sustainability strategy, with emphasis on energy in-use, materials use and compliance, customer health and safety, waste and emissions reduction.

The trend towards sustainable design and ecodesign are here to stay. With an average lifespan of forty to fifty years, buildings should clearly be constructed in a way that allows required materials and natural resources to be used efficiently.

Green Building certification schemes such as Leadership in Energy and Environmental Design (LEED) or the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen, DGNB) rate the sustainability of an entire building. The Green Building market is to experience a 13% growth rate through the year 2020. By developing sustainable products and ensuring transparency on sustainability information, dormakaba secures our market position and offers added value to customers seeking Green Building Certifications.

Environmental Product Declarations

At dormakaba, quantified disclosures of a product's environmental impact through its entire lifecycle are described in Environmental Product Declarations (EPDs) based on the international standards ISO 14025, 14040, 14044 and the European standard EN 15804.

The Life Cycle Assessment (LCA) is the core element of the EPD and provides a reliable calculation of the environmental performance of a product. This means, in concrete terms, that a systematic assessment of the environmental aspects and effects arising during the extraction of raw material through the production, distribution, and use phases takes place. To calculate an eco-balance, statements must be made on materials, energy consumption, transport routes, emissions, and the lifespan of the products.

The EPDs for the Variflex 88/100 and Varitrans movable walls (Segment Key & Wall Solutions) have been published in the 2017/18 financial year. In addition, baseline data collection and calculations to create EPDs for compact readers, door closers and automatic door systems have begun. We expect to publish 2 new EPDs in the 2018/19 financial year. In addition, 2 further EPDs for the products TS 93 and BTS 80 will be renewed. To further round off our EPD offer, dormakaba has individualized 9 association EPDs published by the European Federation of Associations of Locks & Builders Hardware Manufacturers (Arbeitsgemeinschaft der Verbände der Europäischen Schloss und Beschlagindustrie, ARGE).

This contributes to achieving the dormakaba sustainability target of having EPDs and/or HPDs for products representing 30% of total turnover by 2021. Currently 12% of our products based on sales volumes are covered by EPDs and/or HPDs.

Focus Area: Products

- Energy (use-phase)

- Emissions (use-phase)

- Effluents & Waste

- Materials

- Customer Health & Safety

Partnerships for sustainability
In the 2017/18 financial year, dormakaba joined an initiative by KIC InnoEnergy and the European Institute of Innovation and Technology, which brings together leading higher education institutions, research labs and companies to boost innovation and entrepreneurship. dormakaba has become a partner in the project "Live LCA", which aims to quickly assess life cycle information by increasing the use of live data from production monitoring systems.

dormakaba supports the project with manufacturer-specific data. In addition to the LCA, product-specific live data on topics such as energy and material consumption can also be used to determine potentials in energy savings or waste reduction. This enables full transparency of input and output flows and the corresponding costs.

Product design with a life-cycle approach

In the 2017/18 financial year, the company's sustainability commitment and life-cycle approach was integrated in the Product Design Manual, binding for all new dormakaba branded products in the Access Solution segments:

Materials Selection
- Substitution of rare minerals, metals and scarce resources
- Increasing recycling content
- Avoiding red-listed chemicals
- Referencing healthy materials databases
- Compliance with REACH, RoHS, Conflict Minerals and other regulations

Waste
- Recyclability
- Durability
- Long product lifetimes
- Repairability

Resources

Life Cycle Approach

Production

Distribution

Waste/Recycling

Use

Production
- Lean Manufacturing
- Scrap recovery
- Sourcing renewable energy

Distribution
- Reducing packaging especially plastics and styropore
- Optimizing transport routes and modes

Use
- Energy efficiency
- Energy harvesting & regenerative technologies
- Reducing disposable replacement parts such as batteries
- Toxicology and exposure

Beyond Environmental Product Declarations

In addition to our commitment to expanding our portfolio of Environmental Product Declarations, dormakaba also develops products that are environmentally friendly. The folding door FFT FLEX Green is a sustainable, reliable and energy-efficient door system, which forms the connection of thermal insulation with silent and dynamic driving performance. The FFT FLEX Green has low thermal transmittance values (UD Values) from 1.7 to max. 2.4 (also known as heat transfer coefficient) and, in combination with high-quality insulating glass, is particularly well suited for energy-efficient buildings.

In addition, the ST FLEX Green door system meets the requirements of Germany's energy-efficiency regulation (EnEV 2016), which stipulates a certain UD value for complete door systems. The ST FLEX Green boasts low UD-values from 1.4 to max. 1.8

Finally, dormakaba aims to reduce waste by integrating rechargeable battery packs wherever feasible, as in the ES 200-2D Sliding door operator for emergency exits.

Sustainability platforms for greater transparency

Product information from EPDs and/or HPDs can contribute, for example, within the framework of Building Information Modelling (BIM) models and specifications or help to attain the highest levels of green building certification systems such as Leadership in Energy and Environmental Design (LEED).

dormakaba publishes the product information from EPDs and HPDs on internationally recognized sustainability platforms such as the DGNB Navigator, ÖKOBAUDAT, mindful MATERIALS and PORTICO. These databases provide transparent environmental and health information for users and ensure easy access to specific product data. By providing product information on such databases, dormakaba lowers market entry barriers in the green building industry, making the company's inclusion in related bidding processes possible. In the 2017/18 financial year, processes were developed to ensure regular updates and to maintain a high-quality standard of information.

Evaluation of the management approach

There is no current formal evaluation of the above management approach.

Materials

Material compliance is simply good governance.

The management approach to the topic Materials is two-fold. On the one hand, the company focuses on material compliance, which means compliance with international (environmental) laws and regulations regarding the material composition and origin of materials. On the other hand, dormakaba places emphasis on the possible health impacts of our products, which is closely related to the topic Customer Health & Safety. As part of our commitment to this, dormakaba develops various Health Product Declarations.

Material Compliance

At a Group level, dormakaba is currently focusing on Material Compliance on hazardous materials and conflict minerals. There is emphasis on EU Regulation 1907/2006 (REACH), EU Directive 2011/65/EU (RoHS) and the US Dodd-Frank Act (Conflict Minerals). We believe REACH and RoHS are high standards and thus meet further local requirements.

Management is both ad-hoc and strategic. For example, customer and internal requests and training are addressed ad hoc, whereas liaising with external legal support to review the requirements, and the drafting of a Group Directive Material Compliance are rather strategic.

In the 2018/19 financial year, the impacts of the upcoming EU Regulation 2017/821 (Conflict Minerals) and California Proposition 65 on the business and related processes will be evaluated. A further integration of material compliance requirements in the company's enterprise resource planning (ERP) software is also underway.

Through our Supplier Code of Conduct, dormakaba sets clear expectations that our suppliers should actively support ongoing efforts to manage and demonstrate product compliance with the above regulations.

Health-related Product Declarations

dormakaba offers various health-related product declarations which transparently give account of the materials found in our products. These take the form of Health Product Declarations (HPDs), Building Product Declarations (BPDs) or Declare Labels, depending on the local market requirements.

An HPD gives a detailed list of the materials and contents of a building product and the associated effects on human health. The declaration is a common reporting format in the USA with which the required transparency can be guaranteed.

dormakaba published more than 20 HPDs in the 2017/18 financial year in the latest version of the standard (HPD 2.1). Work is also in progress on HPDs for Modernfold and DORMA Hüppe products (Segment Key & Wall Solutions). Modernfold aims to have an HPD for each of its seven products completed by the end of year 2018.

The Declare label, which is relevant to the USA market, is like a nutrition label for the building industry. It lists the ingredients in products to help customers ensure healthier indoor living environments. It discloses where a product comes from, the materials it is made from, and its end-of-life pathway. Products with a Declare label are featured in a transparency platform and product database from the International Living Future Institute. The platform helps stakeholders in the building industry find products free from hazardous substances.

Focus Area: Products
- Energy (use-phase)
- Emissions (use-phase)
- Effluents & Waste
- Materials
- Customer Health & Safety

Product Transparency Trends in Sweden
In Sweden, providing environmental and health product information on transparency platforms for the building industry is becoming a prerequisite for doing business. This is because these platforms are often searched and accessed by building planners and architects during product selection.

dormakaba offers Building Product Declarations (BPDs) for the Swedish building industry through Byggvarubedömningen (Building Material Assessment, BVB) and Sunda Hus. These assessments focus on transparency related to hazardous materials, but also on several life-cycle environmental criteria.

In the 2017/18 fiscal year, dormakaba worked on offering additional BPDs for our product portfolio. Currently dormakaba lists 70 articles on the BVB platform and an additional 88 on Sunda Hus, making the search for healthy products easier for our customers.

Its "Red List" contains the worst-in-class materials prevalent in the building industry, which pollute the environment, bioaccumulate to toxic levels in the food chain, and/or are harmful to construction and factory workers.

In the 2017/18 financial year, dormakaba published Declare labels for a total of seven products (Product Clusters Door Hardware and Mechanical Key Systems), and each achieved "Red List Free" status, the highest level offered by Declare.

Evaluation of the management approach

Beyond considering the results of benchmarking through investor ratings, there is no current formal evaluation of the above management approach.

Customer Health & Safety

To fulfill the building requirements in the public and private domains, dormakaba products must meet very high standards of security, transparency and quality.

To meet these prerequisites, dormakaba labels our products according to the applicable standards and customer requirements. Product management is responsible for this in close consultation with product development as stipulated in the Group Directive Adaptive Innovation Methodology (AIM) defined by Group Innovation Management. Internal and, if required, also external product quality assurance ensure that products have all the necessary labels. No product can be installed in field or released for production without the appropriate certification in hand. This is a necessary step in the product development life cycle, i.e. product verification phase, based on AIM.

Public buildings must meet high standards in terms of the health and safety of the people using these buildings. dormakaba meets these prerequisites with product certifications according to internationally recognized standards such as EN, ANSI or DIN. Particular attention is placed on the DIN 18040 standards, which applies to barrier-free construction in public buildings.

dormakaba brings added-value to our customers by implementing features which make doors easier to open, benefiting the elderly or mobility impaired, as in the case of the TS 93 and TS 98 door closers.

Focus Area: Products
- Energy (use-phase)
- Emissions (use-phase)
- Effluents & Waste
- Materials
- Customer Health & Safety

Access Solutions Segments

Wherever applicable, products developed in the AS AMER segment are scrutinized for compliance to two major regulatory requirements which includes a third-party certification for safety performed at the Underwriter's Laboratory (UL), Intertek, or self-certified laboratory and third-party certification for compliance to electromagnetic interference and compatibility as per the Federal Communications Commission (FCC) standards in the USA.

dormakaba ensures compliance to 12 various UL standards, which includes fire testing and standards on marking and labeling systems. An example of the UL test (UL 10C: Fire tests of door assemblies) requires the door assembly with the locks to be placed in a frame and subjected to a temperature of 1052ºC for a period of 3 hours. Requirements are met if no flaming occurs on the unexposed surface of a door assembly during the first 30 minutes of the testing period, among other prerequisites. Fire testing according to DIN standards is also conducted.

Furthermore, products are designed to comply with the RoHS (Restriction of Hazardous Substances Directive 2002/95/EC). All components and materials are determined to be RoHS compliant before implementation in products during product development.

dormakaba also designs to ensure compliance to applicable Builders Hardware Manufacturers Association (BHMA) codes depending on the product line. The BHMA is the trade association for North American manufacturers of commercial builders hardware. BHMA is involved in standards, code and life safety regulations and other activities that specifically impact builders hardware. Depending on the product line, whenever applicable, products are designed to meet the Florida Building Code (FL13061).

dormakaba also participates and at times, leads the creation, updates or revisions of existing BHMA standards. BHMA standards are voluntary and thus enables dormakaba to demonstrate leadership towards product quality and safety.

Customer health and safety is addressed similarly within segment AS APAC. Further, the topic is integrated in the ISO 9001 management systems at various locations. The focus for AS EMEA, which develops various Electronic Access and Data (EAD) products, is also on product certification. For example, the Kaba Wireless Gateway 90 42 is certified to EN 55024, which tests for immunity in cases of electrostatic discharges, power surges and interruptions, or radio frequency interference. The product is also certified to IEC 60950, which specifies requirements intended to reduce risks of fire, electric shock or injury for the service person, operator or end user who may come in contact with the product.

In Segment AS DACH, automatic doors are subject to the highest safety demands in accordance with EN 16005. To meet these, self-monitoring sensors are mandatory. Obstacle self-detection and automatic reversing are also included in many products. For example, Talos CSD circular sliding doors and the Talos RDR revolving doors feature a safety sensor system. Emergency exit and escape route doors are equipped with a redundant operator, an additional control unit for safety purposes and a self-monitoring motion detector. The ES 200-2D door operator features emergency opening following a power failure. The FFT FLEX Green is certified to user safety and performance standards based on EN 16361. And revolving doors such as the KTV3 and KTV 4 require a safety risk assessment before installation in accordance with DIN 18650. This is provided by dormakaba at the building site before a sale is made.

Supporting ease of access

The TS 98 XEA door closer features our EASY OPEN technology, which provides barrier-free access based on German Industrial Standards DIN SPEC 1104 and DIN 18040. The heart-shaped cam technology reduces the required effort to a minimum, with 40% less effort. It not only opens easily, but also features delayed closing. This allows sufficient time to pass through the door with luggage, prams, hospital beds and similar.

TS 98 XEA with EASY OPEN: heart-shaped cam

Grievance mechanism

dormakaba has a Group-wide customer complaint process in place based on the principles of ease of access, solution-driven expertise, short response times, positivity and focus on the company value Customer First.

The process follows five steps:

1. **Acknowledge** that the customer has an issue, ideally within 24 hours
2. **Assess** the problem, prioritize and find a solution driver
3. **Resolve** the issue
4. **Respond** in a timely manner, keeping the customer informed on the status
5. **Conclude** with a proper follow-up to assess the customers satisfaction and integrate lessons learned

Regulatory compliance falls at the top of the list of priorities for any development leads and require immediate action plans. An incident response plan is put in place to enable direct access to the required resources as well.

Evaluation of the management approach

The management approach is evaluated based in benchmarking of competitor's product positioning, through internal or external verification in terms of certifications (including ISO 9001) and testing, and through stakeholder feedback.

For the latter, dormakaba analyzes inputs from customers and end-users prior to product launches. In segment AS AMER, all new product launches require the product development team to initiate an alpha (internal) and, in most cases, a beta (external) testing. Beta testing is the process by which the first initial products released from the production lines are installed in a limited customer setting, monitored closely by the sales, product management and engineering team. During the beta testing, any issues can be escalated to the team, to which an investigation is carried out and issues resolved prior to the full launch of the product in the field. This provides an extra layer of verification and validation to most of the product launches and further deployments.

The management team regularly communicates any product shortcomings to ensure that we have an enhanced level of attention to these and ensure that we learned from any potential gaps. Segment AS AMER has dedicated manpower to ensuring that any corrective actions requiring an update in processes are implemented accordingly. This ensures that there is neutral individual who can implement new processes segment-wide that will be common and applicable to everyone.

Further, segment AS APAC conducts customer satisfaction surveys on an annual basis and the segment management conference includes Voice of the Customer sessions to gather additional insights to product performance, health and safety topics. In the spirit of continuous improvement, resources are allocated to ensure that there is no compromise with regards to product safety and regulatory standards. The segment goes beyond by allocating resources to joining committees to help improve and shape future standards and industry requirements. The segment is thus actively helping raise the bar regarding various criteria.

Segment Key & Wall Solutions

Business Unit Key Systems approaches the topic of Customer Health & Safety as an element of its ISO 9001 certifications and ensures compliance with both mandatory (such as the European CE declaration of conformity) and voluntary safety standards. Over 16 product certifications apply. Business Unit Movable Walls has over 10 active certifications, including from Underwriter's Laboratory (UL) and the Canadian Standards Association (CSA). Product certification includes fire testing, smoke testing, ball-throwing tests, and weight bearing tests on suspension track systems, for example. The related legal registers are regularly surveilled and updated.

Each Key Systems product features proper documentation such as owner's manual, declaration of compliance, contact details to the manufacturer, quick guides, tutorials available on the web and even trainings on demand or during product installation to provide the customer with all the information relevant to correct product use and safety features. Regional distributors are periodically trained on the same topics.

Grievance mechanism

Besides the Group-wide dormakaba customer complaint process as described in the Access Solutions Segments section above, the ISO 9001 quality system within Key Systems includes a further grievance mechanism. Each production site implements their ISO 9001 processes locally. Quality assurance managers have the ownership of the grievance mechanism and track any complaint from receipt to its closure, including feedback to the customer. This includes registration of the complaint in the ticketing system, evaluation, problem analysis and corrective actions, verification, lessons learned, and closure. The intended users are all the relevant stakeholders such as customers, technical assistance, procurement, quality control, logistics, manufacturing, product development, and sales teams. Effectiveness of the grievance mechanism is based on number of open, accepted, refused and closed complaints per fiscal year.

Evaluation of the management approach

The management approach is evaluated firstly through external audits by ISO 9001 certification bodies. Product surveillance (e.g., UL, CSA) and customer audits also take place. Further, the customer claims monitoring and database mentioned as part of the grievance mechanism is also considered in defining corrective actions. At least once a year, a management review assessment evaluates related KPIs and performance status. Movable Walls subsidiary Skyfold (Canada) also engages with customers through surveys.

GRI Content Index

GRI 100 Foundation 2016

GRI 102: General Disclosures 2016

Materiality Disclosures Sep 2018 Service

Organizational profile

102–1 Name of the organization	dormakaba Holding AG
102–2 Activities, brands, products, and services	dormakaba is one of the top three companies in the global market for access and security solutions. dormakaba has divided the areas of business in which the company is globally active into five segments. Access Solutions (AS), which comprises four segments, is structured by region: AS AMER (North and South America), AS APAC (Asia-Pacific), AS DACH (Germany, Austria, and Switzerland) and AS EMEA (Europe, Middle East, and Africa). The offering includes the global product clusters Door Hardware, Entrance Systems, Electronic Access & Data, Interior Glass Systems, Lodging Systems, Mechanical Key Systems, Safe Locks and Services, as well as local products. The multifaceted portfolio ranges from door technology solutions, automatic door systems, a wide variety of fittings, door closers and stoppers, and locking systems – from cylinders, keys, and locks all the way up to fully networked electronic access solutions for companies, public facilities, hotels, and many other applications. The range also includes physical access systems, high-security locks, glass fittings, solutions for workforce management, as well as services for all these applications. The other globally focused segment is Key & Wall Solutions, with its two business units of Key Systems – which features a high-performance range of key blanks and mechanical, electronic and (semi-)industrial key-cutting and origination machines - and Movable Walls, specializing in partitioning systems. Alongside the dormakaba brand, the Group's portfolio contains a number of other valuable brands for Access Solutions: e.g. Farpointe Data, Madinoz, Best; for Key Systems: Silca, Ilco, Advanced Diagnostics; for Movable Walls: Modernfold, Skyfold, Dorma Hüppe
102–3 Location of headquarters	Hofwisenstrasse 24 8153 Rümlang Switzerland
102–4 Location of operations	Sites Covered
102–5 Ownership and legal form	Corporate Governance
102–6 Markets served	Sites Covered
102–7 Scale of the organization	Sites Covered
	Key Figures Financial Report
	Facts and Figures - People
	dormakaba offers a comprehensive portfolio of services in the area of secure access to buildings and rooms. The portfolio is structured into eight global product clusters: Door Hardware, Entrance Systems, Electronic Access & Data, Services, Mechanical Key Systems, Lodging Systems, Safe Locks and Interior Glass Systems. Moreover, there are local products for Access Solutions offered in the various regions. In addition to Access Solutions, dormakaba offers a comprehensive portfolio of products in the area of Key Systems (Keys, Key Cutting Machines, Automotive Solutions) and Movable Walls (Acoustical Movable Partitions, Vertical Sliding Walls, Horizontal Sliding Walls).
102–8 Information on employees and other workers	Facts and Figures - People
102–9 Supply chain	Our Supply Chain
102–10 Significant changes to the organization and its supply chain	In the 2017/18 financial year, dormakaba has combined its two smallest segments, Key Systems and Movable Walls, to form the Key & Walls Solutions segment with a joint leadership team. The individual businesses have not been merged operationally and continue to be run under separate brands. Further, we came to an agreement to divide existing shareholding in Dorset Kaba among the joint venture partners as per agreed terms, thus dissolving the joint venture that was initiated by former Kaba Group in 2007. Two divestments took place, one being the sale of our low-performing business Dorma Beschlagtechnik. This was followed in September 2017 by the sale of Chinese company GMT, due to the existing business portfolio and the prospects for profitability. Further adjustments to the business portfolio include two larger acquisitions. We acquired Australian company Kilargo in July 2017 to strengthen our market position in the Pacific region. In the same month, we acquired Skyfold, a Canadian producer of automated vertical partition wall systems that has a strong position in North America. As part of the post-merger integration activities, the relocation of standard door closer production from Ennepetal to Singapore has been accomplished in June 2018.
102–11 Precautionary Principle or approach	dormakaba adheres to the precautionary principle as the foundation of sustainability. Negative effects on the environment and health should be averted in advance to the greatest extent possible by all employees in all business activities. dormakaba sets this out in its Group-wide Code of Conduct.
102–12 External initiatives	United Nations Global Compact, United Nations Guiding Principles on Business and Human Rights, ILO Minimum Age Convention, UN Universal Declaration of Human Rights, OECD Guidelines for Multinational Enterprises, UK Modern Slavery Act 2015

102–13 Membership of associations	dormakaba is a member of various industry associations and organizations. The focus thereby lies on organizations concerned with door hardware, the security industry, building, locks and fittings, as well as metal and glass hardware, with memberships varying across countries and markets. These memberships include but are not limited to: Builders Hardware Manufacturers Association (USA), Swissmem (Switzerland), Association of Swiss Locks and Builders Hardware Manufacturers, European Locksmith Association, Security Industry Association (USA), The American Institute of Architects, United States Green Building Council, Door and Hardware Federation (UK), Singapore Manufacturing Federation, German Sustainable Building Council, Construction Specifiers Institute (USA), Glass association of North America, Canadian Security Association, American Association of Automatic Door Manufacturers, China Construction Metal Structure Association, Hong Kong Fire Protection Association, Japan Lock Manufacturer's Association, Japan Security Systems Association, National Fire & Civil Emergency Preparedness Council (Singapore), Architectural Door Hardware Association (Australia).

Strategy

102–14 Statement from senior decision-maker	CEO Video Statement

Ethics and integrity

102–16 Values, principles, standards, and norms of behavior	Our Code of Conduct outlines our values, principles, standards and norms of behavior.

Governance

102–18 Governance structure	Board of Directors

Stakeholder engagement

102–40 List of stakeholder groups	About this report
102–41 Collective bargaining agreements	Facts and Figures - People (Type of Employment)
102–42 Identifying and selecting stakeholders	Stakeholder Dialogue
102–43 Approach to stakeholder engagement	Stakeholder Dialogue
	Creating dialogue through a Group-wide employee survey
	Supplier Assessment
102–44 Key topics and concerns raised	Supplier Assessment - Evaluation of the management approach
	Creating dialogue through a Group-wide employee survey

Reporting practice

102–45 Entities included in the consolidated financial statements	Legal Structure
102–46 Defining report content and topic Boundaries	Materiality - Impact Assessment; dormakaba interactive Materiality Matrix 2017–2021
102–47 List of material topics	dormakaba interactive Materiality Matrix 2017–2021
102–48 Restatements of information	No such restatements
102–49 Changes in reporting	An additional 4 sites are reporting in the 2017/18 financial year.
	The materiality reassessment has resulted in changes in material topics.
102–50 Reporting period	About this report
102–51 Date of most recent report	01.09.2017
102–52 Reporting cycle	Annual
102–53 Contact point for questions regarding the report	sustainability@dormakaba.com
102–54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102–55 GRI content index	GRI Content Index
102–56 External assurance	An external assurance for the Sustainability Report 2017/18 was not performed. The compensation to the Board of Directors and the Executive Committee as well as the financial statements were audited by an external auditor.

GRI 200 Economic

GRI Standard	Disclosure	
	GRI 103: Management Approach 2016	
Anti-corruption	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Anti-corruption
	103–3 Evaluation of the management approach	Anti-corruption

	GRI 205: Anti-corruption 2016	
	205–3 Confirmed incidents of corruption and actions taken	There were no confirmed incidents of corruption in the 2017/18 financial year, including any related to employees or business partners. There have been no public legal cases regarding corruption brought against the organization or its employees during the reporting period.
Anti-competitive Behavior	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Anti-competitive Behavior
	103–3 Evaluation of the management approach	Anti-competitive Behavior
	GRI 206: Anti-competitive Behavior 2016	
	206–1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There were no legal actions pending or completed for anti-competitive behavior, anti-trust and monopoly practices in the 2017/18 financial year.

GRI 300 Environment

GRI Standard	Disclosure	
Materials	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Materials
	103–3 Evaluation of the management approach	Materials
	GRI 301: Materials 2016	
	301–1 Materials used by weight or volume	Facts and figures - Environment
Energy	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Energy & Emissions
	103–3 Evaluation of the management approach	Environmental Management - Evaluation of Approach
	GRI 302: Energy 2016	
	302–1 Energy consumption within the organization	Facts and figures - Environment
Water	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Water, Effluents and Waste
	103–3 Evaluation of the management approach	Environmental Management - Evaluation of Approach
	GRI 303: Water 2016	
	303–1 Water withdrawal by source	Facts and figures - Environment
Emissions	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Energy & Emissions
	103–3 Evaluation of the management approach	Environmental Management - Evaluation of Approach
	GRI 305: Emissions 2016	
	305–1 Direct (Scope 1) GHG emissions	Facts and figures - Environment
	305–2 Energy indirect (Scope 2) GHG emissions	Facts and figures - Environment

Effluents and Waste	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Water, Effluents and Waste
	103–3 Evaluation of the management approach	Environmental Management - Evaluation of Approach
	GRI 306: Effluents and Waste 2016	
	306–2 Waste by type and disposal method	Facts and figures - Environment
Environmental Compliance	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Environmental Compliance
	103–3 Evaluation of the management approach	Environmental Management - Evaluation of Approach
	GRI 307: Environmental Compliance 2016	
	307–1 Non-compliance with environmental laws and regulations	In the 2017/18 financial year, dormakaba was subject to CHF 6,215 in fines due to non-compliance with environmental laws and regulations pertaining to two locations. In one case this was due to administrative errors on the side of the company. In the other location, fines were imposed due to a wastewater spill after the site was hit by a typhoon. A new waste iron residue capture place was constructed, with a ditch diversion and a catchment for collecting any leaking oil in future. There is anti-seepage treatment on the ground. A further fine was given for operating a painting line without the required environmental impact assessment and environmental protection equipment. Since the incident, the issue has been corrected and the company has received qualified environmental impact assessment reports.
Supplier Environmental Assessment	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Supplier Environmental Assessement
	103–3 Evaluation of the management approach	Supplier Environmental Assessement
	GRI 308: Supplier Environmental Assessment 2016	
	308–2 Negative environmental impacts in the supply chain and actions taken	10% of dormakaba's procurement spend related to the sustainability target group was assessed for environmental impacts in the 2017/18 financial year. 16% were found to be unsatisfactory in their sustainability performance. These suppliers, for example, did not manage energy or water consumption nor maintained Environmental Management Systems. For none of these suppliers identified have there been improvements agreed upon as a result of assessment nor any contractual termination. A supplier development program is currently being developed.

GRI 400 Social

GRI Standard	**Disclosure**	
Employment	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Employment
	103–3 Evaluation of the management approach	Employment
	GRI 401: Employment 2016	

	401–1 New employee hires and employee turnover	Facts and Figures - People

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Occupational Health and Safety
	103–3 Evaluation of the management approach	Occupational Health and Safety

Occupational Health and Safety

GRI 403: Occupational Health and Safety 2016

	403–2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	In financial year 2017/18, 260 occupational injury cases were registered (2.3 per 100 full-time employees), compared to 309 in the previous reporting year. Regionally, occupational injury cases were reported as followed: 13 in Switzerland (3.6), 59 in Germany (2.2), 44 in the rest of EMEA (2.2), 97 (3.6) in the Americas, and 47 (1.4) in Asia-Pacific. No fatalities as a result of work-related injuries in the financial year 2017/18.

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Training and Education
	103–3 Evaluation of the management approach	Training and Education

GRI 404: Training and Education 2016

Training and Education

	404–1 Average hours of training per year per employee	Currently the approximately 11,000 dormakaba employees with computer access are able to participate in the dormakaba elearning platform. This represents 63% of the dormakaba employee base. Of these, 26% (2,807 employees) have completed at least one online module. The average training time of these employees is 1.7 hours. In the future, dormakaba will further promote the use of elearning and also consider access options for blue collar employees, e.g. dedicated rooms or multimedia terminals for online learning. Tracking of classroom training hours has taken place on a local level. For instance, the average training time per employee per year in the general sales workforce is 5 working days in India (AS APAC). In Suzhou, average classroom trainings for shop floor employees are 14 hours per year per employee. Office employees average 16 hours per year. The subsidiary TLHM Co. Ltd. in China North Asia shows training time as 13 hours per employee per year. Taishan employees have an average training time of 1.5 hours per employee per year. In the Pacific region, service technicians undergo between 8 and 12 hours of training per year, whereas sales representatives undergo between 4 and 16 hours training per year. Approximately 2 hours of training per employee per year and 24 hours of training per manager per year are offered in Swiss and Austrian sites. Belgium provided an average training time of 17 hours per employee in the 2017/18 financial year. In Italy, the Key Systems facility offers an average of 12 hours of training for every employee. In India, business unit Key Systems has an average annual training of 12–16 hours per employee (including apprentices and contractors). In the Modernfold facility, production supervisors receive approximately 16 hours of training per year. Office and management employees have at least 8 hours of training in class, on-the-job or e-learning. In the coming years, the coverage of this data will be improved.

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Freedom of Association and Collective Bargaining
	103–3 Evaluation of the management approach	Freedom of Association and Collective Bargaining

Freedom of Association and Collective Bargaining

GRI 407: Freedom of Association and Collective Bargaining 2016

	407–1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	The sustainability impact assessment revealed China, Malaysia, the UAE and the USA as highest risk in the value chain and within operations.

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Human Rights Assessment
Human Rights Assessment	103–3 Evaluation of the management approach	Human Rights Assessment

GRI 412: Human Rights Assessment 2016

	412–1 Operations that have been subject to human rights reviews or impact assessments	An analysis of human rights risk countries, sectors and industries across the whole Group and the value chain was an integral part of the latest materiality assessment.

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Supplier Social Assessment
	103–3 Evaluation of the management approach	Supplier Social Assessment

GRI 414: Supplier Social Assessment 2016

Supplier Social Assessment	414–2 Negative social impacts in the supply chain and actions taken	10% of dormakaba's procurement spend related to the sustainability target group was assessed for environmental impacts in the 2017/18 financial year. 16% were found to be unsatisfactory in their sustainability performance. These suppliers, for example, did not offer anonymous grievance mechanisms to their employees nor respect the right to freedom of association. For none of these suppliers identified have there been improvements agreed upon as a result of assessment nor any contractual termination, as supplier development programs are currently being developed.

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Customer Health and Safety
	103–3 Evaluation of the management approach	Customer Health and Safety

GRI 416: Customer Health and Safety 2016

Customer Health and Safety	416–2 Incidents of non-compliance concerning the health and safety impacts of products and services	There was one incident of non-compliance resulting in a warning letter from the Federal Communications Commission (FCC) in the USA. The product in question was a legacy product from a recent acquisition to dormakaba, which had been certified for Europe but not the USA. Corrective actions were implemented immediately. In addition, all products related to the acquisition were revisited, tested and certified to show compliance to the FCC. There were no further incidents reported.

GRI 103: Management Approach 2016

	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
	103–2 The management approach and its components	Customer Privacy
Customer Privacy	103–3 Evaluation of the management approach	Customer Privacy

GRI 418: Customer Privacy 2016

	418–1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	There have been no reported incidents nor substantiated complaints concerning breached of customer privacy or losses of customer data within the 2017/18 financial year.