

dormakaba

Sustainability Report



Financial Year

2016/2017

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Sustainability Commitment

We are committed to foster a sustainable development along our entire value chain in line with our economic, environmental and social responsibilities toward current and future generations.

We seek an open, transparent dialogue with all stakeholders to define strategies and actions based on clear targets and continuous improvement, and we actively report on our progress.

To become an industry leader and to create trust in its business activities, dormakaba offers innovative and sustainable products, services and solutions.

For more information please visit www.dormakaba.com

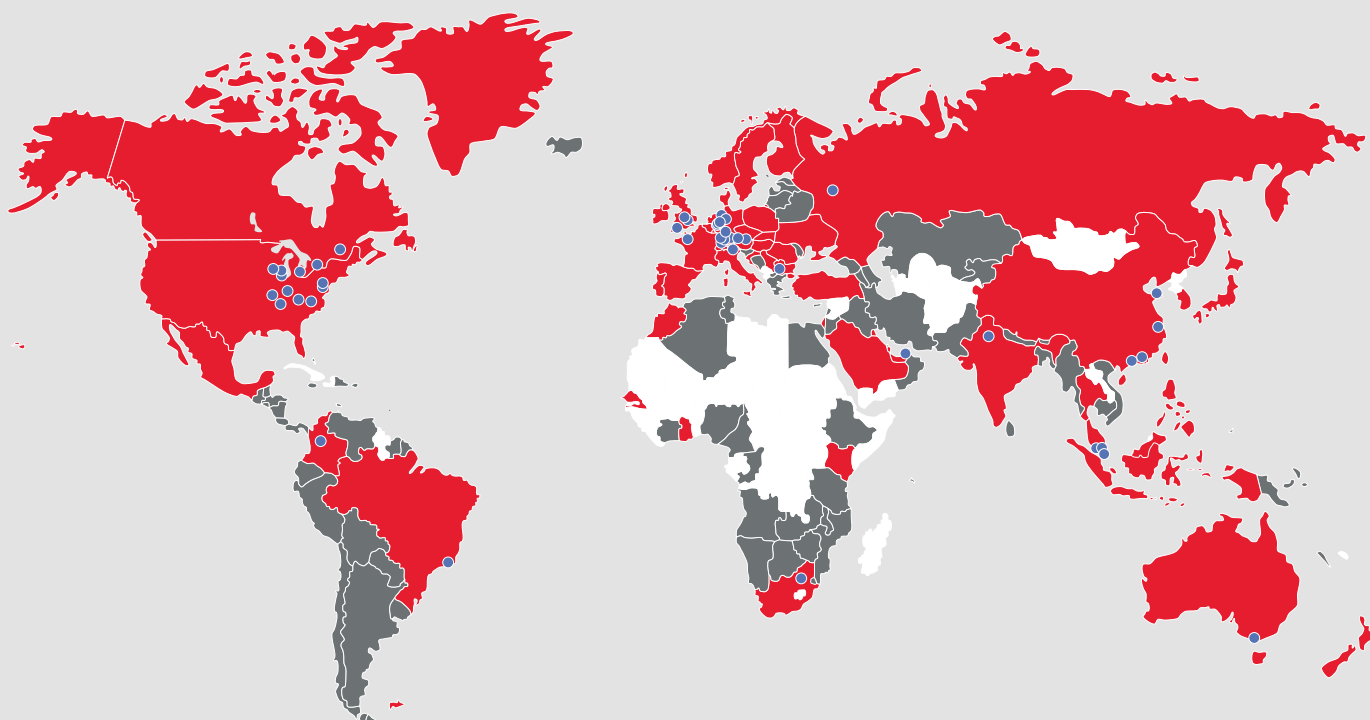
dormakaba Group is one of the top three companies in the global market for access and security solutions. With strong brands in its portfolio, dormakaba is a single source for products, solutions, and services for smart and secure access to buildings and rooms. dormakaba is present globally in over 130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

About this report

dormakaba's Sustainability Report 2016/17 highlights the company's sustainability commitments, strategic approach and progress and is geared to its stakeholders including its employees, investors, customers, suppliers and municipalities where it does business. The annual Sustainability Report is prepared in accordance with the Global Reporting Initiative's guidelines (G4-Core). This is the second Sustainability Report for dormakaba Group, the first being published after the merger of Dorma and Kaba for the 2015/16 financial year.

Unless indicated otherwise, the report boundary comprises the entire dormakaba Group as stated in the scope of consolidation for all indicators and is based on the 2016/17 financial year from 1 July 2016 to 30 June 2017. For further information, please see the dormakaba Annual Report 2016/17 on pages 40–43. The underlying data, in particular for the key figures relating to employees and the environment, does not reflect all locations. Data stems from 46 sites, including its most important production plants. About 68% of all Group employees are covered.

Sites covered



Americas

Bogota, Colombia
 Detroit, USA
 Dyersville, USA*
 Huntsville, USA*
 Lake Bluff, USA
 Leola, USA
 Lexington, USA
 Montreal, Canada
 Reamstown, USA
 Rio de Janeiro, Brazil
 Rocky Mount, USA
 Steeleville, USA
 Waukegan, USA
 Whitby, Canada
 Winston-Salem, USA

Europe, Middle East and Africa

Bad Salzuflen, Germany
 Bühl, Germany
 Dreieich, Germany*
 Dubai, United Arab Emirates*
 Eggenburg, Austria
 Ennepetal, Germany
 Fougère, 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
 Zusmarshausen, Germany

Asia Pacific

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

16,250

Workforce ø

- dormakaba represented by subsidiaries
- 2016/17: dormakaba products sold by local sales offices, external partners or international sales units
- Sites covered

*new reporting sites (G4-17, G4-23)

70,000t CO₂e

CO₂ emissions

Data source: dormakaba operates all over the world and employs around 16,000 people worldwide. The sustainability report is based on the data of 46 sites, including its most important production plants and covers around 68% of Group employees.

Statement from the CEO

Sustainability affirms our values

Dear Stakeholder

The past two post-merger years have been focused on developing dormakaba into an industry leader – building bridges between two strong, innovative players in the access and security market, and building the processes and structures to help us shape the future of our industry.

We know that to see continued success in this, we need the right people in the right roles, building common ground with each other. So, we have invested in developing and establishing a new corporate culture and in building awareness of our new corporate ambition, mission, values, brand and strategy.

One foundation of the corporate strategy has been formally defined as sustainability, reflecting the importance of the topic to our employees, customers and investors as well as to our industry as a whole. We recognize why the World Economic Forum recently named sustainability as one of four megatrends impacting the future of the construction industry.

At dormakaba, the focus for our sustainability efforts in the 2016/17 fiscal year has been on building a strategic foundation thereof, which helps supports our values of performance, curiosity, courage, customer first and trust:

Performance – We have integrated three overarching and measurable sustainability targets in our corporate strategy, namely in the areas of supply chain management, product declarations and environmental management certifications such as ISO 14001.

Curiosity – We are eager to learn more about stakeholders' priorities regarding sustainability and seek out dialogues with them. We encourage innovative thinking and exploration, because it is curiosity that can prompt the creation of more ecological manufacturing processes or product development in the first place.

Courage – We take on sustainability challenges on complex topics, including that of impacts in the global supply chain over which we have varying degrees of leverage and influence. We encourage our employees to speak up when they suspect any unethical behavior. We look beyond minimal requirements and set our own standards, which we follow on the basis of the law.

Customer First – With recent acquisitions of Mesker Openings Group and Stanley Black & Decker's Mechanical Security businesses, we have created promising opportunities for sustainable growth in North America, our industry's most attractive market. Globally, we are committed to understanding the needs of our customers regarding environmental and health product declarations as well as Green Building certifications in order to deliver added value.



Riet Cadonau, CEO

"One foundation of our corporate strategy has been formally defined as sustainability, reflecting the importance of the topic to our employees, customers and investors as well as to the industry as a whole."

Trust – We act as a good corporate citizen, and in accordance with internal rules such as the dormakaba Code of Conduct and external laws and regulations to ensure good corporate governance. We transparently report on our sustainability performance based on recognized frameworks such as the Global Reporting Initiative and Carbon Disclosure Project, and as a member of the United Nations Global Compact Initiative, to satisfy stakeholders' expectations, especially those of investors.

In the 2016/17 financial year, we have made solid progress in embedding sustainability at dormakaba, as seen by the formalization of segment networks, which are responsible for the development of concrete sustainability roadmaps throughout the organization. We commit to building on this approach in the coming years on the way to become a trusted industry leader, and we are grateful to all employees contributing to this aim. Join us on our sustainability journey and read more about what we have achieved.

Sincerely,

Riet Cadonau
Chief Executive Officer dormakaba Group

Employee Voices

I support sustainability because...

We asked various employees contributing to sustainability initiatives why they think the topic is important. Here are their responses:

As the father of three sons, it is my personal motivation to provide my children with an environment where they can live as well as future generations.

Jörg Lichtenberg, Germany

It is more than just a requirement – it has a long-term positive financial implication.

Jeyanthi Chelliah, Singapore

Energy saving measures not only protect the environment. They also result in economic advantages.

Karsten Eck, Germany

As a leading manufacturer, we take the responsibility to drive the development of products that incorporate the latest state of the art in technology to improve overall sustainability.

Magin Guardiola, Switzerland

As an employer, we carry responsibility for about 16,000 employees worldwide. Our sustainable behavior as a company, driven by its individuals, impacts the future of our company, our families and our one planet which we all share.

Mirja Becker, Germany

I want to encourage and grow my colleagues' environmental awareness to help everyone see the big picture and that every contribution counts.

Lena Holmberg, Sweden

Nature is not just a place to visit. It's our home.

Karola Steputat, Germany

Without environmental and social responsibility at my workplace, our quality of life and Earth's ecosystems cannot be maintained long-term.

Melanie Höfer, Switzerland

I want to raise awareness of the benefits of integrating sustainable and environmentally sound working practices into our daily operations. I want to demonstrate that it is possible to align the goals of the organisation in a way that will keep the supply chain profitable and environmentally sustainable whilst benefiting both our shareholders and our stakeholders.

Angelo Dalporto, UK

It should be everyone's responsibility to protect our resources and make a difference in our societies whether at work or in our private lives. And it helps in saving the company's resources.

Nassab Khalife, UAE

I want to develop sensitivity on health, security and the environment for the future. It is important for me as well as for all the team, our customers and our families.

Philippe Pocher, France

I want to manage an integrated management system, which includes all the aspects of sustainability.

Tibor Kiss, Austria

Sustainability focused of environment, health, and human rights is not just a local or a company matter. It's about taking an integrated view of the whole.

Urs Bächler, Switzerland

I want to shape the future.

Andreas Linden, Germany

This is how we can be in tune with a better world for future generations.

Jan Rodrigues, Brazil

It gives us the opportunity to do our part to conserve the environment which is the need of the hour.

Anita Sequeira, UAE

These initiatives will lead to enhanced personal well-being and engagement – so we can look forward to a better work environment.

Paul-Olivier Raynaud Lacroze, France

shareholders
life **stakeholders**
environment
health contribution organization
protect implication sensitivity
future sustainable development gives
incorporate **requirement** individuals
responsibility demonstrate initiatives technology critical
help successful profitable well-being **integrated**
benefiting management **manufacturing**
systematic engagement **better** ecosystems operations
fulfilling advantages motivation **saving** passionate **world**
community **efficient** practices **opportunity** financial
encourage employees workplace worldwide important
societies **company** behavior maintained **customers**
social benefits **enhanced** personal **trustful**
measures possible economic employer approach positive security
resources focused working **quality** **sustainability**
demands satisfy improve overall live
enables **everyone** partner **children** big picture impacts durable
provide aspects **leading** develop success
generations latest nature conserve **difference**
manage result local **supply chain** work system driven energy
goals build **planet** drive state of the art **colleagues** shape
whole needs human rights align **awareness** carry
daily vital **long-term** share basis visit place
products give must **families** need
grow team
tune home
one lead
jobs **believe**

It gives us an opportunity to give back to the community.
Nicole Claase, UAE

I believe this is the way we can leave a better world for next generations, and we must be the difference we want to see in the world.
Marcio Leal, Brazil

By manufacturing durable and efficient products, we satisfy our customers' needs and protect our environment.
Tobias Vohmann-Dannert, Germany

Mother Earth desperately needs each and every one of us to be responsible. I want to be agent of change in the company and raise awareness of sustainability, especially in Malaysia.
William Lee, Malaysia

We owe the next generation.
David Badger, USA

It enables our colleagues to be passionate and committed in their jobs.
Benedetta Bonafe, Italy

I strongly believe that fulfilling the sustainability demands is the basis for being a trustful partner and a successful company in the future.
Joachim Zerfass, Germany

We owe it to ourselves and the future generations.
Kristian Jones, UK

Building Materiality Reporting process

After Dorma and Kaba joined forces in September 2015 to become dormakaba, the company published its first Sustainability Report according to the GRI G4 Guidelines. A major achievement of the reporting process was a robust and validated multi-stage materiality assessment, which defined the most relevant sustainability topics for the company.

This Sustainability Report has successfully completed the GRI Materiality Service.

dormakaba is proud to be a member of the UN Global Compact and publishes its annual "Communication on Progress" on the UN Global Compact Website.

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

Materiality was defined as all areas to which dormakaba makes a positive contribution to sustainable development, for example through job creation or training, but also areas whereby dormakaba's business activities impact, for example, natural resources such as energy consumption during the manufacturing process. In addition, those areas of highest interest to its stakeholders were also taken into account. To ensure that all relevant topic areas were identified, the materiality analysis focused on dormakaba's value chain.

The materiality aspects identified in the 2015/16 financial year have formed the basis for the sustainability strategy development and are considered valid also for the 2016/17 Sustainability Report. Only one new materiality aspect has been identified for this report, based on the GRI's materiality tests due to the passage of a new regulation with significance to the organization and its stakeholders, namely Forced Labor due to the obligations under the Modern Slavery Act 2015 in the UK. (G4-23)

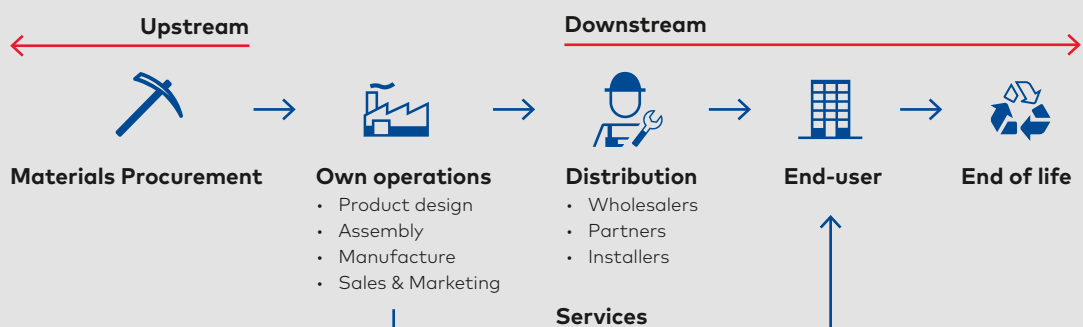
Stakeholder dialogue to define materiality

Employee experiences and assessments were very important to dormakaba during the process of establishing the material aspects in the 2015/16 financial year. Therefore, in a first step, an online survey was conducted of around 100 employees including the Executive Committee, managers and employees who regularly deal with sustainability matters in their day-to-day work.

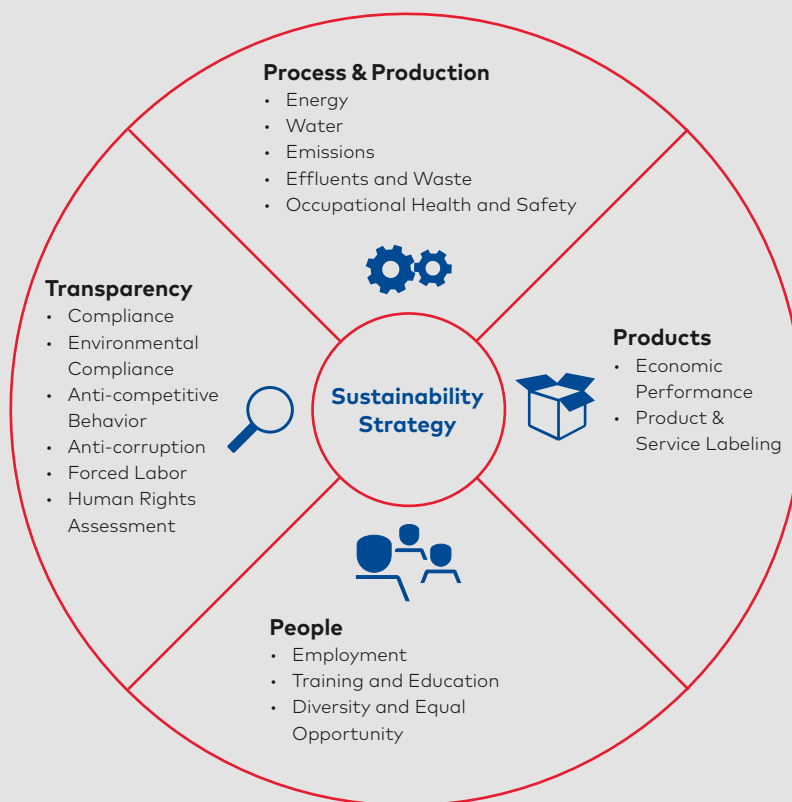
The second step involved capturing the views of external stakeholder groups. During bilateral discussions – with representatives such as investors, customers, suppliers, partners, municipalities in locations where the company conducts business activities – dialogues were held about which sustainability aspects stakeholders consider material, what good sustainability reporting consists of and how to best maintain a strong stakeholder dialogue.

The external stakeholder groups had varying priorities: the customers surveyed were focused on sustainable product development, whereas investors focused on transparent reporting as well as quantifiable objectives. In general, they saw room for improvement in the strategic focus for sustainability, transparency in the supply chain, as well as in the establishment of targets for improvement regarding environmental impacts. This feedback has been taken up in the development of the sustainability strategy in the 2016/17 financial year and improvements have been achieved. (G4-18, G4-24, G4-25, G4-26, G4-27)

dormakaba Value Chain



Material Aspects by Focus Area



The results of the online survey and the exchanges with external stakeholders were discussed intensively to further refine and identify the material aspects at an internal workshop with the Sustainability Working Group, including representatives from a range of global functions within the Supply Chain, Procurement, Human Resources, Compliance, Operations, Quality Control, Material Compliance and Communications departments. In a final step, the identified material aspects were discussed with the Executive Committee, which then approved them.

Material Aspects 2016/17

The material aspects for the 2016/17 financial year have been aligned to dormakaba's four focus areas of its strategic approach to sustainability, namely Process & Production, Products, People, and Transparency.

Transparency – When conducting business activities, compliance to local laws and internal company rules as well as respect of human rights and environmental regulations is of key importance at all locations. This applies both to in-house processes as well as to relationships with other external points of contact such as customers, partners, authorities and suppliers. Further, dormakaba openly reports on the progress in its sustainability journey, talking about its successes and the inherent challenges in embedding sustainability at a multinational business.

Process & Production – dormakaba uses resources in the manufacture of its products, and waste and emissions result. Environmental issues are therefore one of the material sustainability aspects that arise along the entire value chain. In addition, the health and well-being of its employees across all business operations is a top priority.

People – Motivated and competent employees are an important factor for the success of dormakaba's business. In its corporate strategy, dormakaba has committed to ensuring having the right people in the right role, encouraging diversity and providing proper training opportunities to ensure the best skill-sets.

Products – dormakaba stands for high-quality and innovative products. Product quality and declarations are maintained at the highest standards. Because the company knows that satisfied customers are key to remaining financially successful and achieving sustainable growth. (G4-19, G4-20, G4-21)

Building a Sustainability Strategy

As a company, dormakaba has stood for innovation, security and reliability for more than 150 years, and it wants to continue this tradition. Increasingly, responsible business practices and environmentally-friendly products are required by the building industry, customers, partners, legislators and end-users. Sustainability is thus one of the key success factors to becoming recognized as a trusted industry leader.

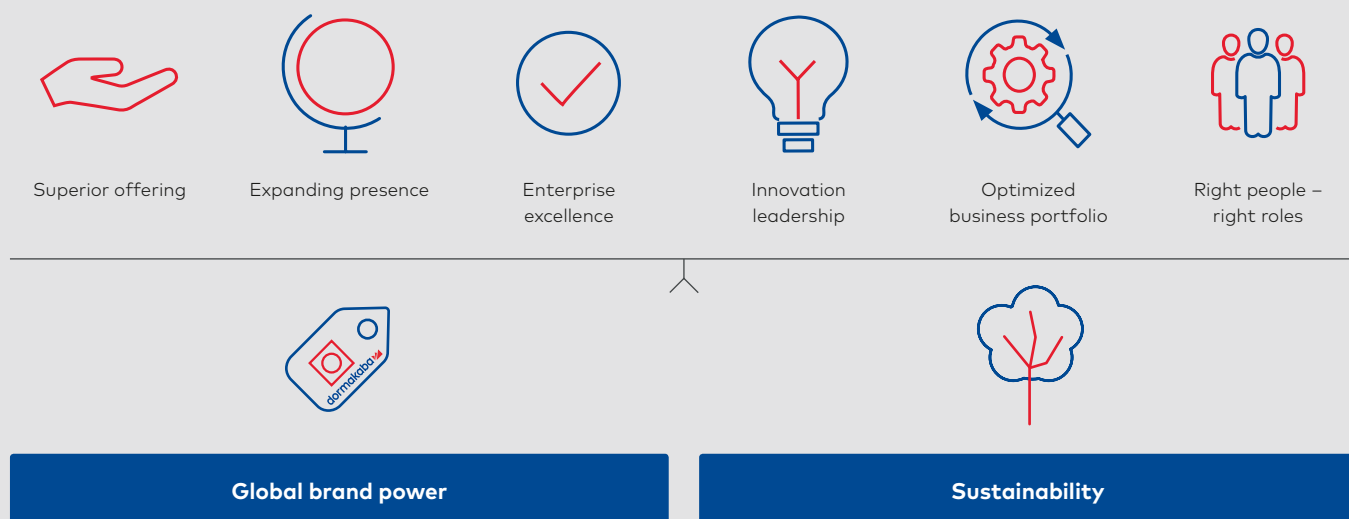
That is why sustainability has been anchored as a cornerstone of the company's corporate strategy. dormakaba acknowledges that a solid sustainability foundation will support its six strategic pillars.

dormakaba strives to promote sustainable development along the value chain in view of its economic, environmental and social responsibility towards current and future generations. An open and transparent dialogue with all stakeholders is essential to define strategies and actions based on clear goals and continuous improvements.

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

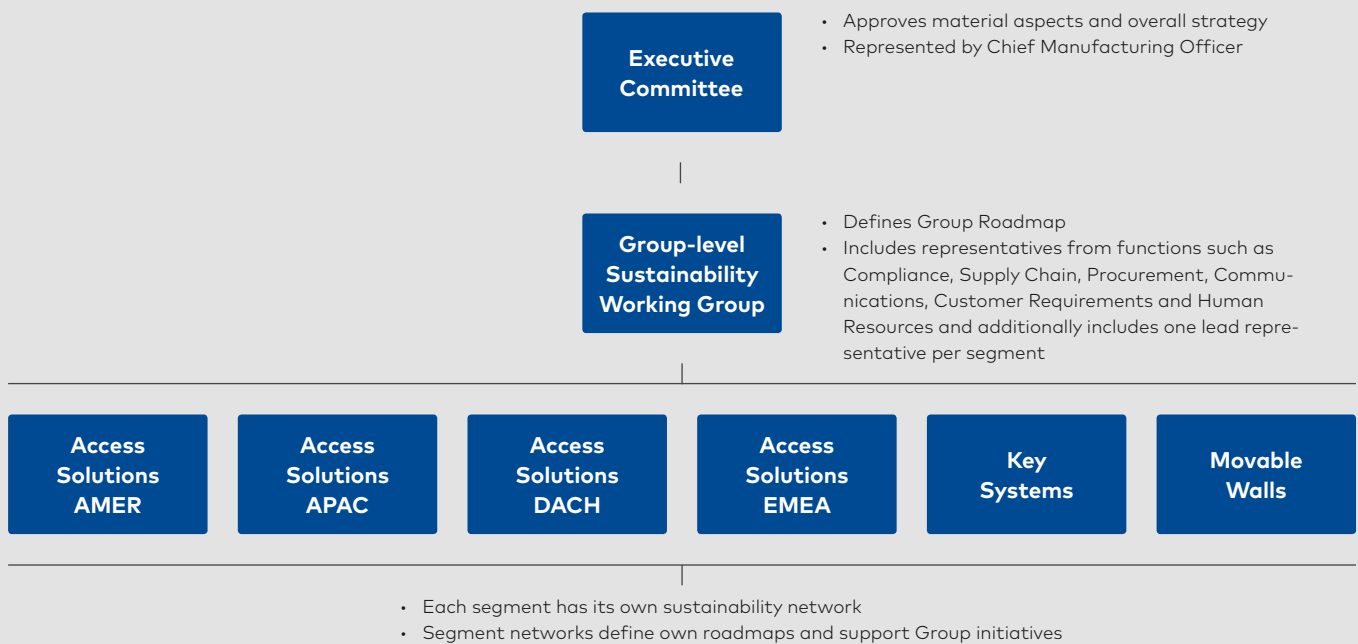
- Increase the revenue share of products with environmental and/or health product declarations to >30%
- Increase the share of ISO 14001 certified production sites to >50%
- Operationalize a supplier audit system based on sustainability criteria (e.g., ISO certification, material compliance)

Sustainability is a foundation of dormakaba's corporate strategy



Sustainability and global brand power support dormakaba's six strategic pillars in its ambition to become the trusted industry leader.

Sustainability Organization



First milestones in embedding a sustainability strategy at dormakaba have already been achieved. A sustainability strategy workshop took place in Ennepetal (Germany) in November 2016 with the "Sustainability Working Group", which included one lead representative per segment (six total), plus representatives from various functions including Supply Chain, Procurement, Human Resources, Compliance, Material Compliance, Customer Requirements and Communications as well as the Chief Manufacturing Officer. As one result of the workshop, the areas of Transparency, Process and Production, Products and People were defined as fields of action for the work on the corresponding sustainability strategy (see Building Materiality, page 8).

The segment lead representatives were tasked with the development and implementation of concrete action plans for their respective segments by hosting similar workshops. Seg-

ment-level sustainability networks are appointed via the Senior Management and are cross-functional. Three segments have already appointed networks, namely Access Solutions (AS) EMEA, Movable Walls and Key Systems. Further, AS EMEA and Movable Walls have already completed first workshops and have developed roadmaps for management approval. The remaining segment workshops will take place in the 2017/18 financial year.

Building Structures

Spotlight on achievements



An interview with
Jörg Lichtenberg,
Chief Manufacturing
Officer

dormakaba has named sustainability as one of the foundations of its strategic pillars. As topic owner in the Executive Committee, can you tell us why the company has placed such importance on the topic of sustainability?

Here, there are two lines of reasoning: on one hand, dormakaba is a company which has a responsibility as a global citizen towards society and future generations. On the other hand, our customers and investors are increasingly demanding that dormakaba embed sustainability in its business processes. This is reflected in an increased demand for sustainable products and in the increasing number of buildings designed according to Green Building Schemes and Certifications. In addition, demands for transparency are steadily increasing by our investors, customers and potential talent. Sustainability means long-term success and sustainable growth, which is why it should be the basis of all our actions.

The 2016/17 financial year has been focused on building a sustainability strategy and creating internal awareness for the topic. What would you say has been the greatest achievement so far?

Internally we have succeeded in putting clear emphasis on sustainability. This has enabled us to build a global cross-functional sustainability network, including a lead sustainability representative for each segment. This "Sustainability Working Group" met at the end of 2016 to work together to create a common sustainability understanding and to derive appropriate measures and ideas for sustainability activities.

These ideas form an important foundation for the individual segment workshops. Separate segment workshops have been held to derive concrete measures for the relevant segment, with the remaining segments aiming to host further workshops in the 2017/18 financial year. More than 100 dedicated employees contribute in an official capacity to dormakaba's sustainability strategy development or reporting processes. With their support, we aim to drive continuous progress in embedding sustainability in the company.

What are the key challenges to developing a sustainability strategy for a company with global reach and thousands of employees, suppliers and partners like dormakaba?

The fundamental challenge is that sustainability is a very complex and demanding topic – and in general people define it for themselves in their own way, often neglecting one of its key pillars, e.g. economy, environment or society. Here, our task is to build awareness of what sustainability means for dormakaba throughout the entire organization. In addition, everyone has different priorities in dealing with the topic. For example, a sales manager would prioritize product development whereas a human resources manager would prioritize training development. This can be a challenge, but also an opportunity, since there is internal know-how to help address even the most diverse sustainability issues. The best way we can develop an aligned dormakaba sustainability strategy is by combining these different perspectives and the respective local regulations, cultures and market trends.

Transparency

Management Approaches



Material aspects:

- Compliance
- Environmental Compliance
- Anti-Competitive Behavior
- Human Rights Assessment
- Forced Labor

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.

The company's values are defined 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 as well as the reporting of misconduct. Environmental compliance is further integrated in production through various legal register services as part of the ISO 14001 certification process.

The CoC is available to employees in various languages, both in electronic form and as a printed document. All new employees receive the CoC with a letter of confirmation 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.

An eLearning tailored to the contents of the CoC will be launched for all employees with computer access in the 2017/18 financial year. In addition, live training courses are offered to all employees, tailored to the needs of the participants and local specificities. To this end, a "train-the-trainer" concept will be implemented, which ensures the large-scale training in a timely manner. The training sessions will be repeated at regular intervals.

Anti-corruption and Anti-competitive behavior

Due to the relevance of corruption and bribery, a directive that governs these issues is planned to be released in the 2017/18 financial year. In addition, Group Internal Audit integrates the Corruption Perceptions Index (CPI) as one criteria for developing their internal audit plan. Corruption risks are also addressed in dormakaba's risk model as part of the company's global risk management process, conducted every six months.

Further, anti-corruption is a focal topic in all CoC trainings, including both the eLearning and live trainings. These trainings, which will be rolled out in the 2017/18 financial year, are mandatory for all employees of dormakaba including senior managers.

The CoC further specifies how employees should manage conflicts of interest as well as donations and sponsoring. 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 consultation between the employee and the supervisor as well as Human Resources. The consultation must be documented and related summary minutes provided to Group Compliance. The CoC further sets criteria under which donations and sponsoring activities are prohibited. Further, donations and sponsoring totaling more than CHF 1,000 per recipient per fiscal year must be reported.

Anti-competitive behavior is another key material topic for which various initiatives are underway. In 2016/17, nearly 70 employees have received face-to-face awareness-raising trainings by Group Compliance and, as a first step, certain business processes in key units have been assessed for adherence to anti-trust laws. More face-to-face awareness-raising trainings will follow in 2017/18. An antitrust eLearning will be provided in the 2017/18 financial year to enable training the relevant employees regarding anti-trust laws in critical job functions such as purchasing, sales and management.

Human Rights and Forced Labor

dormakaba acknowledges its responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights and the UK Modern Slavery Act 2015. The topic of forced labor is of higher relevance in business dealings with its suppliers.

Thus, dormakaba set forward its Supplier Code of Conduct in the 2016/17 financial year which includes three main sections of specific bearing, namely human rights, fair labor conditions and the suppliers' own procurement practices. The latter relates to the expectation that suppliers ensure that their own suppliers adhere to the dormakaba Supplier Code of Conduct. For further information on how dormakaba manages its supply chain and is integrating sustainability requirements step-by-step, see the following section.

A new development in 2016/17 has been the production of an annual internal Compliance Report, which is being shared with Management and the Audit Committee detailing the results of actions, meetings and resources that the company has dedicated to various compliance issues.

Supply Chain Management

dormakaba's global purchasing volume corresponds to approximately 55% of total sales, making the company's procurement policy therefore highly relevant to achieving its financial targets. The company uses a global sourcing approach, employing global category leads to bundle quantities and to develop global strategies for each material category. Group Procurement supports the procurement teams in the segments and together carry the responsibility for operationalizing a sourcing system in accordance with the highest international standards.

The procurement strategy is based on a detailed analysis of all expenditures, whereby goods and services are grouped into material categories according to their characteristics. By means of this analysis, all products and quantities as well as the complete supplier portfolio are identified and then classified into either global, regional or local material groups.

The most utilized raw material types include brass, zinc, aluminum, nickel silver, high-alloy special steels and glass. Mechanical and electronic components and goods for resale of all types also constitute the supply chain. Indirect expenditures consist predominantly of capital goods and services.

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.

Category Leads and segment procurement managers work closely together to elaborate the savings that could potentially be made, for example, through pooled activities, combined tender specifications or joint purchasing negotiations. Especially regarding logistics and transport, this pooled approach can lead to substantial reductions in environmental impacts and carbon emissions.

Despite synergies gained through the above pooling approach between the former Dorma and former Kaba supply chain, the number of active suppliers remains at approximately 20,000 due to continued post-merger activities and to new acquisition activities in North America. dormakaba's direct material spend for its top 100 suppliers are focused in Europe (42%), North America (35%), and Asia (23%).

Building Sustainable Chains

Spotlight on supplier engagement



An interview with
Karola Steputat,
Category Lead
Trading Goods,
Group Procurement

As a member of Group Procurement, you have strong insight on dormakaba's supply chain worldwide. Tell us, what do you think defines a sustainable supply chain?

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

This must often raise difficult questions due to the complexity of global supply chains, with so many tiers and over many jurisdictions. How is dormakaba tackling the challenge?

Despite this complexity, dormakaba has already taken important steps in embedding sustainability in its supply chain, namely by setting expectations to its suppliers. The dormakaba Supplier Code of Conduct (SCoC) came into effect in the 2016/17 financial year and outlines 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 contracts. At the same time, dormakaba has developed a user-friendly explanatory document

of the SCoC which will be rolled-out to further raise awareness. The company aims to attain signatures of confirmation and acknowledgment from its top suppliers in the 2017/18 financial year.

Besides setting expectations to its suppliers, how does dormakaba approach the topic of sustainability performance of its own supply chain?

As an important step in assessing the sustainability performance of its suppliers, dormakaba has developed a Sustainability Self-Assessment Questionnaire, which was initially developed during a full-day workshop with seven members of the global procurement team. Further supplemented to address 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, the survey covers nearly 40 questions related to human rights, labor conditions, environmental management systems, anti-corruption and packaging, for example. The survey was presented in a Group-wide procurement conference with 25 participants. In a pilot phase, 52 top suppliers with total procurement spend of more than CHF 121 million were contacted to participate in the survey. The response rate was 81%. A further roll-out of the survey is expected in the 2017/18 financial year based on analysis of pilot results.

Process and Production

Management Approaches



Material aspects:

- Energy
- Water
- Emissions
- Effluents and Waste
- Occupational Health & Safety

As an industrial company, dormakaba takes its environmental responsibilities in its manufacturing processes seriously.

Environmental Management

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

This involves careful management of resources as well as the use of modern infrastructure and efficient processes to continuously take advantage of opportunities for improvement. Environmental management is embedded both at Group level, as well as in local processes at the various locations. National, regional and local laws and regulations must be adhered to at all sites. Several locations work with environmental officers, in others, environmental management is part of quality assurance processes. Local processes will continue to play a key role in the future, because this makes it possible to consider the specific requirements of each location.

Further, dormakaba prioritizes the use of the five key principles underlying lean management to improve efficiencies. Under the second lean management principle "map value stream", harnessing potential means less energy and less material resources are used per unit produced, sold and serviced, which benefit the environment as well as the financial bottom-line. In addition, materials are brought back into the cycle wherever possible. Further, already 33% of the production sites covered in this report benefit from the rigorous environmental standards set forth by ISO 14001 certification, with the aim to increase this total to over 50% in the coming years.

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 electroplating and surface finishing, painting, melting as well as zinc and aluminum die casting. These processes are used at 22 of the 46 locations covered in this report. Therefore, dormakaba's environmental management places emphasis on these four processes.

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. dormakaba strives to continuously improve the energy efficiency for these processes.

Monitoring and reducing 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.

Building a Group Manufacturing Directive

All organizations require some basic agreed rules of cooperation. In the 2016/17 fiscal year, Group Supply Chain Management had a core focus on reviewing the previous manufacturing rules and directives of the former Dorma and former Kaba in order to define a new streamlined Group Manufacturing Directive.

The new Directive also includes expectations on achieving international standards for environmental management, energy, and health and safety. Based on an overview of dormakaba's sites including plants, regional logistic centers, local assembly and distribution centers and service hubs, the Directive gives a framework for expanding the coverage of sites maintaining such management systems. Certifications are required for some sites based on a priority listing depending on size and environmental risks.

Building Green

Green Building schemes and certifications play an ever-increasing role in the construction industry and to customers. dormakaba is currently certifying three of its own buildings to such standards, in order to best understand its customers' needs and requirements in this regard.

The ongoing renovations to the headquarters in Rümlang (Switzerland) are being conducted according to the Swiss standard Minergie, a sustainable building standard recognized globally for its effectiveness in achieving lower energy and resource consumption and a higher level of comfort, regardless of building design or type.

Further, the planned refurbishments to the "Langhaus" Building in Ennepetal (Germany) which will offer workplaces for 200 employees, have been marked as "Gold-level" during the pre-check of the German Sustainable Building Council (DGNB – Deutsche Gesellschaft für Nachhaltiges Bauen e.V.) certification scheme. Among other criteria, at least 80% of all wood and wood products must be sourced from sustainable forestry schemes such as the Forest Stewardship Council.

In addition, plans are underway to attain Gold certification according to the Building and Construction Authority (BCA) Green Mark scheme in Singapore for the construction of a new dormakaba production and storage hall. Green Mark is an internationally recognized green building rating system tailored for the tropical climate. At the start of the project, sustainability features that conserve energy as well as the life cycle of the equipment have been analyzed. Functionality and cost is addressed without sacrificing sustainability benefits and operational targets. At most, the project has less than 0.5% incremental cost with a return of less than 5 years. Certification is expected in late 2018.

Building LED Lighting Solutions

dormakaba's European logistics center located near Wuppertal (Germany) recently revamped the lighting system of the site, replacing a lighting system that was nearly 15 years old over a total area of approx. 7162 sqm, and which was in constant need of repair, resulting in maintenance staff often needing to replace lightbulbs at a height of eight meters.

Three different lighting systems were analyzed in the investment decision. After a cost/benefit analysis, an LED light strip system was selected resulting in energy savings of 54,080 kWh per year. This corresponds to a reduction of 29 tonnes of CO₂ operating at one shift per weekday over the course of the year. In addition, the lower maintenance and energy costs result in a payback period of approx. 1.6 years.

"As the site has been certified to ISO 50001 since October 2010, such measures are integrated into the daily processes. In everything we do, we consider energy savings potentials and the reduction of carbon emissions. The management system is based on the Plan-Do-Check-Act cycle, which is infinite. Each year, the site undergoes an energy audit and measures are then derived from this." – Karsten Eck, Senior Manager Health Safety Environment, AS DACH.

Occupational Health & Safety

Throughout dormakaba's business and most especially in its production sites worldwide, the health and safety of its employees is a top priority. Occupational health and safety is therefore aligned with national regulations and standards serving as the minimum requirement. Further to this, 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.

Various sites have also been certified to OSHAS 18001, such as in segment Key Systems plant in Vittorio Veneto (Italy). Health and safety training goes beyond the mandatory requirements at the site to also include emergency and risk prevention as well as assessments of repetitive movement and heavy load-lifting to prevent work-related illnesses.

Segment Access Solutions (AS) EMEA production facilities in Austria have also achieved OSHAS 18001 certification in the 2016/17 financial year. Further, the plants in the UK are certified to OSHAS 18001 and are further accredited to SAFEcontractor, CHAS, Altius, FORS and constructionline. A health and safety web portal with eLearning material for all members of staff is also in place. The production teams in the Middle East, namely in Dubai, have for example a Personal Protective Equipment (PPE) standard for production and service teams, monthly Tool Box Talks with technicians to share best practice on health & safety topics, and raise awareness of the topic among all staff through booklets and safety guidelines.

Segment AS APAC's India site prepares a monthly safety report that includes "near misses" for review to solidify existing precautionary measures and launch new ones. In China, all visitors are required to view a safety video before entering the production floor, and training is further provided to new employees. This is also the case for the plant in Singapore (segment AS DACH), which further requires a daily health and safety briefing at the start of the shift. All 27 new hires in the 2016/17 financial year have benefitted from the health and safety training there.

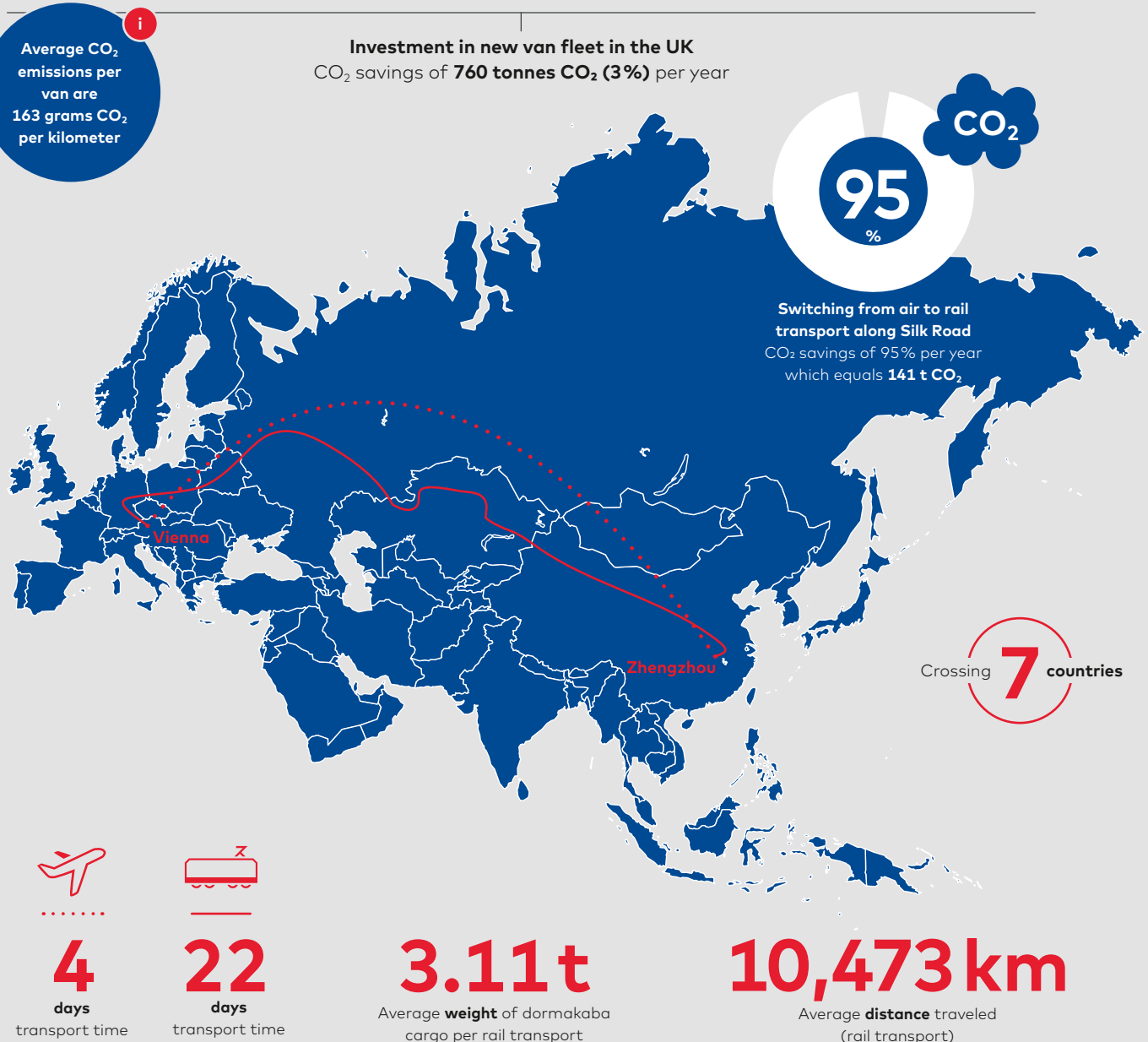
Segment AS Americas' production plant in Madison Heights (USA) keeps records of work-related injuries and sets corrective actions to minimize related risk. And the Keyscan facility in Whitby (Canada) not only has policies in place covering health & safety but also workplace violence and workplace harassment, including contact points for any related grievances. Further, annual routine medical examinations for 147 employees in Brazilian facilities have been carried out that monitor the health of the employee and remedy eventual impacts of their work.

dormakaba reduces carbon footprint through more efficient logistics & transport management

In the 2016/17 financial year, dormakaba's UK operations have invested in a new van fleet that is more fuel efficient. In addition, the company has switched airfreight transport from China to Europe to rail transport along the so-called Chinatrain – the new Silkroad made of steel.



900 t
CO₂ saved per year



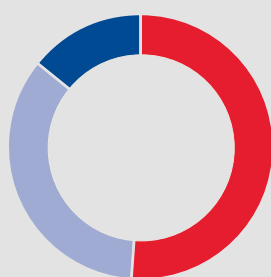
Combined these two initiatives save the same CO₂ emissions as taking **177 cars off the road** each year.



Facts and figures

dormakaba is committed to the continuous improvement of its Group-wide environmental performance

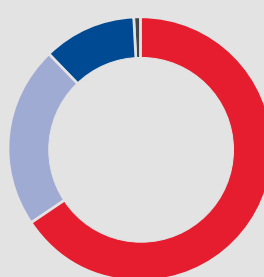
Energy consumption
(in MWh)



- 109,229 Electricity
- 73,380 On-site fuel for heating or manufacturing (incl. district heating)
- 29,950 Vehicle fuels

In the 2016/17 financial year, total energy consumption was over 212,000 MWh. Throughout the year, energy saving initiatives were implemented based on, for example, suggestions received by dormakaba employees. The company focused its efforts on reducing electricity and fuels for heating or manufacturing, which account for more than 84 % of dormakaba's total energy consumption. These measures included retrofitting facilities to LED lighting systems, optimizing "Lean Production" processes, and upgrading equipment such as air compressors. Reducing energy consumption coincides with advancing the efficiency of dormakaba's processes and continuously improving environmental performance. As a means to continuously improve environmental performance, the company currently implements various energy management systems. dormakaba's approach to environmental management is documented in accordance with the internationally-recognized IS 14001 standard at 33% of the facilities in scope.

Greenhouse gas emissions by source
(in tCO₂e)



- 46,178 Electricity
- 15,734 On-site fuel for heating or manufacturing (incl. district heating)
- 7,864 Vehicle fuels
- 536 Refrigerant and process emissions

Total greenhouse gas emissions amounted to approximately 70,000 tons of CO₂ equivalent (tCO₂e) in the 2016/17 financial year. Electricity consumption remains the largest source of greenhouse gas emissions, followed by heating and vehicle fuel consumption. Energy saving initiatives implemented during the financial year resulted in a total savings in the amount of approximately 9,100 tCO₂e in 2016/17. Therein, dormakaba worked diligently to source renewable electricity wherever feasible, leading to a carbon emissions savings of approximately 8,300 tCO₂e (12 % of the total footprint).

Energy consumption and greenhouse gas emissions

More than 51% of total energy consumption is attributed to the electricity and fuels used in dormakaba's operations. 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.

In the 2016/17 financial year, the company realized a total quantifiable energy savings in the amount of 2,200 MWh for the sites covered in the scope of this report. This was mainly attributed to energy saving initiatives that led to an additional reduction of GHG emissions by 780 tCO₂e.

in MWh	2016/2017
Energy consumption	212,559
Electricity	109,229
District heating	3,394
Heating fuels total	69,986
Heating oil (incl. kerosene)	9,772
Natural gas	58,186
LPG/propane	2,028
Vehicle fuels total	29,950
Diesel	21,384
Gasoline	7,666
LPG/propane	900

in tCO ₂ e ^{1),5)}	2016/2017
Greenhouse gas emissions	70,312
Direct greenhouse gas emissions (Scope 1)²⁾	23,380
Heating fuels	14,980
Vehicle fuels	7,864
Volatile emissions (e.g. refrigerants)	442
Process emissions (e.g. welding processes)	94
Indirect greenhouse gas emissions (Scope 2)³⁾	46,932
Electricity ⁴⁾	46,178
District heating	754

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 54,448 tCO₂e.

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

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.

in m ³	2016/2017
Water consumption	716,609
Municipal water supplies (tap water)	639,633
Groundwater (drawn directly from well)	79,391
Surface water (drawn directly from rivers, lakes, wetlands, etc.)	585
Wastewater discharge	730,079
Municipal sewerage system	193,530
Disposal to water bodies	448,161
Treated by third party	88,388

Waste

An inherent component of dormakaba's operations is the generation of different waste streams. Each waste type that is generated undergoes a specific treatment method. Approximately 78% of the waste stream is recycled, reused or recovered (including raw materials and energy recovery).

in metric tons	2016/2017
Waste	24,470
Reuse (e.g. pallets)	2,473
Recycling (e.g. scrap metal, plastics, cardboard)	17,213
Recovery, including energy recovery	163
Landfill	3,320
Incineration	650
On-site storage	19
Other (e.g. non-hazardous process waste)	632
Special waste	3,807
Recycling (e.g. metallic waste, batteries, acid, oils)	2,280
Landfill	114
Incineration	778
On-site storage	29
Other ¹⁾	606

1) Process water residue (e.g. oil-water mixture, lye, concentrate containing metallic salts, sludge) for safe disposal (incl. recovery of raw materials)

People

Management Approaches



Material aspects:

- Employment
- Training & Education
- Diversity & Equal Opportunity

With employees being crucial to dormakaba's success, the company strives to create a working environment in which they can leverage on their strengths and build their skills.

dormakaba therefore emphasizes employment, training and education, and diversity and equal opportunity as key focal topics in the sustainable development of its employees.

Employment

dormakaba's Human Resources management is organized 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 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. 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 efficiently as possible.

An important advancement in the first post-merger year was the development of a succession planning baseline for all Executive Committee members and their direct reports. The succession planning process for this target group is an annual exercise embedded in the performance management system "Perform & Grow". Through these initiatives, the company can now better target its leadership development programs to manage identified succession risks.

General health and well-being of employees are also fostered by human resources management. For example, the health and safety committee in the Keyscan facility (Whitby, Canada) organized a Mental Health Week featuring a week of on-site activities that created awareness around mental health and promoted strategies that focus on well-being. Further, employees at dormakaba Sweden benefit from free, on-site relaxation and fitness training sessions.

In June of each year, Swiss employees benefit from the company's involvement in a country-wide team-based mobility campaign called "Bike to work". The aim for the team is to ride their bikes to work as much as possible over a period of about three weeks, accumulating total kilometers ridden and competing for several prizes. In Austria dormakaba associates participate in a similar campaign called "Radelt zur Arbeit" which runs the entire year. These initiatives are not only good for the health of the participants but also for the environment.

In addition, employees in Switzerland also have the opportunity to register for one of the so-called Community Days. Each employee is given a one-day volunteering allowance in lieu of their regular work duties where they may join other colleagues in various engagement activities.

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. Further to this, personal development is fostered with the help of coaching or management training as needed.

In addition to providing employees worldwide with access to a Learning Management System, which hosts a variety of eLearning modules, dormakaba offers its 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. Segment Key Systems in Vittorio Veneto (Italy), for example, has provided on average 16 training hours per employee on an annual basis covering themes such as new technologies, continuous improvement including lean manufacturing and safety procedures. Segment Access Solutions (AS) DACH has focused on leadership development, training 70 managers on communicating sensitive changes, with a further 30 and 49 managers being trained on communicating change and change project management methods, respectively. In addition, segment AS EMEA has conducted pilot sessions of sales trainings for 48 employees as well as supporting over 125 product training sessions.

The company also strives to leverage the experience and know-how of dormakaba employees in innovative ways. They are a key asset and know a lot about its customers and their businesses that cannot be found in books or university courses. To not only identify this knowledge within the company but also to share it, dormakaba set up so-called "Knowledge Sets", which cover, for example, product design or training methodologies, guidelines and tools. These communities are led by topic owners who provide a platform where employees can find guidelines and templates and connect with other experts. It's a concept that fosters active collaboration and exchange on a global level, and helps to create an agile organization which can learn and adapt to changes. Everyone has something to share - everyone is an expert in his or her area of responsibility and hence can share it to help dormakaba grow.

Building Strength

At the Modernfold offices in segment Movable Walls, the wellness committee organized the Acousti-Challenge to inspire employees to develop healthier lifestyle habits. The Acousti-Challenge was a team-based weight loss challenge running over the course of two months.

Each week a new challenge was presented to the participants, such as the 7-Day Challenge, Water Gymnastics, Calorie Counting, and the 30-day Challenge. These challenges were designed to help educate and prepare employees for making healthier lifestyle choices.

In the last four weeks of the program, a sampling of fitness classes was held at the office for employees to try for free, ranging from Yoga, Zumba and Turbo Kick.

The Wellness committee ran another program for one month to challenge office employees to work out for 20 minutes 20 times. Modernfold donated to an "Angel Tree" program for each successful participant, with each donation going towards the purchase of a Christmas gift for less fortunate children in the community.

Diversity & Equal Opportunity

The diversity of dormakaba's employees is an integral part of its corporate culture and an asset that is worth protecting. The Group-wide Code of Conduct (CoC), binding for all employees, defines the principles of collaboration based on mutual respect and non-discrimination. Compliance to various regulations, such as the obligatory gender pay reporting in Australia and the US Employer Information Report to the Equal Employment Opportunity Commission is ensured at a local level.

Segment AS EMEA is taking up the issue of providing equal opportunities for men and women in collective bargaining agreements for France-based employees. 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 by January of each year. The benchmark provided by the average male salary is taken as a reference for comparison and for new employment.

Segment AS APAC is leading the charge in Singapore by ensuring that the Tripartite Guidelines on Fair Employment Practice are being followed. In addition, the company's production facility in Wah Yuet (China) has a diversity and equal opportunity program which has successfully passed an annual third-party audit. Further, local HR representatives in Pacific-based locations are rolling-out diversity, equal opportunity and non-discrimination training to all staff and have for the first-time appointed women to several key management and service positions.

On a global level, the company clearly communicates to employees where they can get support if there is a suspicion of non-compliance with the CoC's diversity and non-discrimination stipulations.

Building Culture

The post-merger period has been about building new bridges and having the company grow together. This also means defining new ways of working that align with the company's values. To bring dormakaba's new corporate strategy, values, mission, brand and ambition to life, an awareness raising campaign called "Activate dormakaba" was launched. The aim of the Group-wide initiative is to ensure all employees have the same understanding of dormakaba's journey to become the trusted industry leader and are aware of their own contribution to the strategy and ambition.

dormakaba's "Big Picture" is the basis for various communication materials such as brochures, posters, videos, workshop moderation tools and an eLearning. A series of Activate workshops, townhall meetings and online sessions have been executed globally in various languages, with participation exceeding 80% of all employees. In segment AS DACH alone, for example, 310 managers were trained in such workshops.

Building on this first awareness campaign, the next step is to ensure that the related activities are continued in the long term to ensure that employees act according to the company goals and values.

Building Leaders

Spotlight on employee development



An interview with
Mirja Becker,
Senior Vice President
Group Human
Resources

dormakaba aims to be the trusted industry leader. How does dormakaba enable its employees to develop as people leaders?

We have introduced several leadership development programs and courses throughout the 2016/17 financial year, one of them is called "Leading for Success". The course provides essential tools and methods for people management, performance management and employee development. Each of our segments decides if and how they adapt this leadership development concept to their local needs.

As one example, segment Access Solutions (AS) AMER offered the course to 15 people from all over the United States, Canada and Brazil, from all kinds of positions, including: operations, field branch management, IT, engineering and sales. The course was split into two modules. The first module was held in November 2016 and was concentrated on knowing and managing oneself (for you cannot lead others until you first understand yourself). Among the topics discussed was determining the individual dominant learning and management styles.

The second module in January 2017 concentrated on managing others, including such topics as conflict resolution, employee readiness and effective communication with employees and colleagues.

The course was also completed by 68 managers in segment AS EMEA in the UK, Switzerland and United Arab Emirates. Further, 24 people managers from segment AS DACH as well as Group functions have participated thus far.

With the merger, the company has expanded its employee presence to 53 countries. What other leadership development activities do you offer in this context of becoming a truly global company?

Two leadership programs offer development and exchange on a global level, namely the Talent Development Program (TDP) and the Advanced Management Program (AMP). While the TDP was developed for managers new in their roles, the AMP is aimed at more experienced leaders. The programs' first module took place last March 2017 in Munich (Germany). 31 participants from 15 nations had an intense and inspiring week dealing with topics such as leadership, finance, strategy and innovation. The atmosphere among the international group was energizing! The program participants will reunite during the second module in November 2017 which will take place in Singapore. In the meantime, global exchange and dialogue continues as part of the programs' cross-functional team projects. The programs will be continued in subsequent years.

Facts and figures

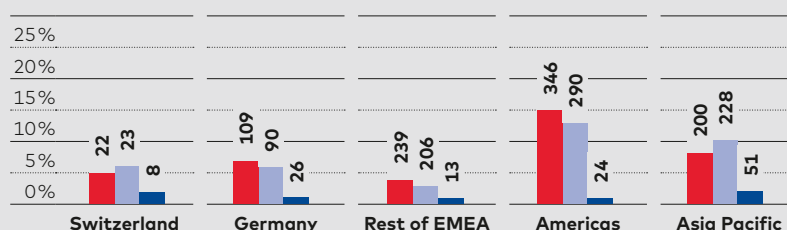
dormakaba supports its employees in their professional development because they are the key to the company's success.

Fluctuation

Of the employees covered in the scope of this report, a total of 837 left the company and 916 joined. This corresponds with rates of approximately 9% each. In the 2016/17 financial year, employee fluctuation was higher in the Americas than in other regions. This is attributed to restructuring measures, relocation of manufacturing activities and turnover rates in acquired companies. Employees aged under 30 years have a higher joining and leaving rate compared to the other age groups. This is consistent across all regions.

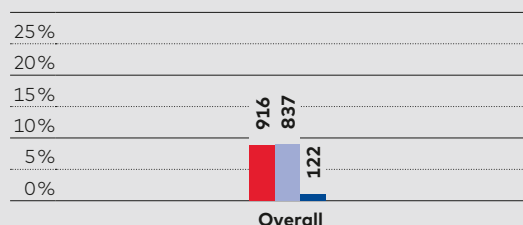
Fluctuation by region

(in percent and headcount)¹⁾



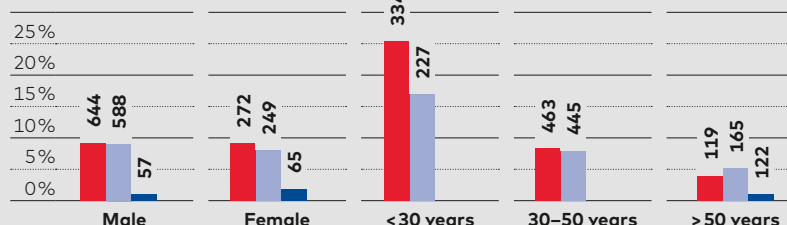
Overall fluctuation

(in percent and headcount)¹⁾



Fluctuation by gender and age group

(in percent and headcount)¹⁾



■ Joining ■ Leaving (excl. retirement) ■ Retirement

1) 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).

Data source: dormakaba employs around 16,000 people in more than 50 countries worldwide. This report is based on data collected from 46 key sites, representing 68% (11,124) of Group employees.

Type of employment

In the 2016/17 financial year, the total workforce for the sites covered in this report consisted of 11,124 employees. The majority of dormakaba's personnel work as full-time employees and on the basis of permanent contracts. Nearly 4% have part-time engagements. Approximately 52% of the employees in scope were unionized or covered by collective bargaining agreements. Additionally, dormakaba employed 274 apprentices, trainees and interns, as well as nearly 600 contract workers at the sites in scope during the 2016/17 financial year.

Diversity

dormakaba is committed to fostering a diverse and inclusive workforce that reflects the varied markets in which it operates. The company is proud to have female employees constitute 33% of the workforce in the scope of the data.

With regards to age distribution, nearly 57% of the employees covered in this report are between the ages of 30 and 50 years old. Retaining an experienced workforce is critical to the company's success. Therefore, dormakaba continuously provides employees with professional development opportunities.

Workforce composition^{2),3)}

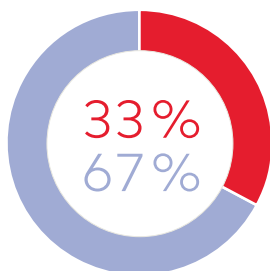
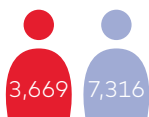
Headcount	Total	Male	Female
Employees by region	11,124	7,405	3,719
Switzerland	404	232	172
Germany	2,780	2,083	697
Rest of EMEA	2,090	1,435	655
Americas	2,318	1,464	854
Asia Pacific	3,532	2,191	1,341
Employees by employment contract	11,124	7,405	3,719
Indefinite/permanent	9,631	6,587	3,044
Fixed term/temporary	1,493	818	675
Employees by employment type	11,124	7,405	3,719
Full-time	10,725	7,350	3,375
Part-time	399	55	344

2) without apprentices, trainees, interns and contract workers

3) Data based on the sites covered in the scope of this report

Employees

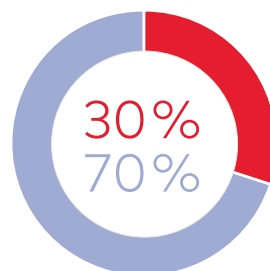
33% female
67% male



>50 years	3,191
30-50 years	6,311
<30 years	1,622

Board of Directors

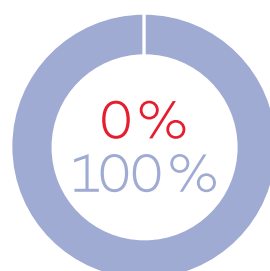
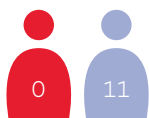
30% female
70% male



>50 years	8
30-50 years	2
<30 years	0

Executive Committee

0% female
100% male



>50 years	10
30-50 years	1
<30 years	0

Products

Management Approaches



Material aspects:

- Economic Performance
- Product and Service Labeling

dormakaba understands that to live up to its value of Customer First, the company must deliver high quality products, building trust with its customers, which then leads to strong economic performance.

The company is thus strengthening its market position by investing in innovation and product development, markets, infrastructure and employees, with the aim to reach investments in research and development amounting to approximately 4–5% of annual sales.

Economic Performance

Robust business performance is the best indicator of dormakaba's sustainable economic development. The continued positive business performance as well as value-creating business portfolio management add to the company's strong foundation to build a new, trusted industry leader. This is made possible by the dedication of its employees, who are highly committed to ensuring continuous and successful collaboration with suppliers and customers.

Focused investments and balanced risk management are of key importance for safeguarding business performance in the future. Risk management is an integral part of dormakaba's daily management activities. Risks are identified and evaluated by means of standardized processes, and the appropriate measures for improvement are then implemented based on this analysis. Responsibility for the risk management process lies with the Board of Directors, which delegates any related decisions to the Executive Committee and line managers. The latter are responsible for recognizing risks early on as well as defining and implementing preventative measures. A track record of sustainable company management that also incorporates environmental and social aspects as well as the basic principles of good corporate governance is becoming increasingly important in this context.

Product and Service Labeling

dormakaba is proud of its comprehensive portfolio of high quality products solutions and services for secure access to buildings and rooms. To create added value for its customers, the company's priorities are functionality, innovation, design, durability and quality. This focus helps to protect the investments its customers have already made – they can be confident that their solutions will keep on working for them for the long term. By providing solutions that last, dormakaba is also helping to protect the environment.

In order to fulfill the 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 its products according to the applicable standards and customer requirements. Product management is responsible for this in close consultation with product development. Internal and, if required, also external product quality assurance ensure that products have all the necessary labels.

Public buildings in particular 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 DIN-18650 or the DIN-18040 standards, which applies to barrier-free construction in public buildings.

DORMA Hüppe in Ocholt (Germany) from the segment Movable Walls has achieved Forest Stewardship Council's (FSC's) certification and thus conforms to its "COC – Chain of Custody" requirements. All wood materials purchased and processed for its partition systems are certified and originate from responsibly managed forests.

Building on Life-cycle Approaches

Sustainability at product level is an important, future-oriented approach in the field of construction. Issues such as product lifecycle and the material selection are increasingly playing an important role. 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. At dormakaba, quantified disclosures of a product's environmental impacts through its entire lifecycle are described according to international standards in the form of Environmental Product Declarations (EPD).

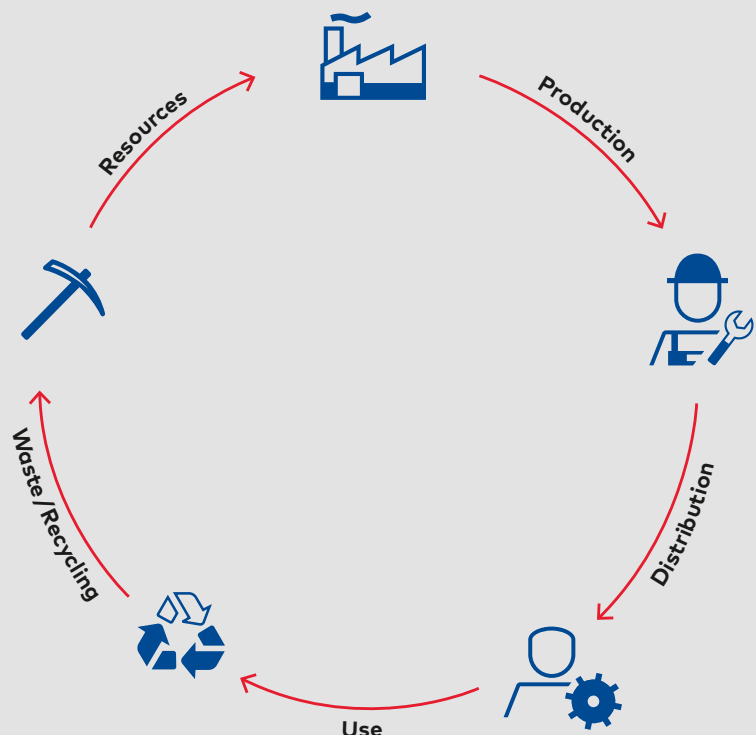
The Life Cycle Assessment (LCA) is the core element of the EPD and provides a reliable calculation of the environmental performance

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. In order to calculate an eco-balance, statements must be made on materials, energy consumption, transport routes, emissions, and the lifespan of the products.

It should be noted, however, that no statements are made as to whether the products are particularly environmentally friendly, but speak only as to its environmental footprint.

To meet customer's needs in this regard, dormakaba' EPD portfolio has been continuously expanded. Seven EPDs were awarded to dormakaba for the international revolving door portfolio in the 2016/17 fiscal year. Further, new EPDs will be developed for the revolving door Talos RDR-E01 and the movable wall Variflex System in the 2017/18 financial year. These developments support the company in achieving its aim of increasing its environmental declarations portfolio to cover products representing 30% of total sales.

The life-cycle of our products



dormakaba's commitment in sustainable product declarations is not limited to environmental impacts, but also to the health of the end-users through so-called Health Product Declaration (HPD). The aim of an HPD is to create transparency about the materials used in a product and the possible impacts to human health in addition to ecotoxicity. The standard was developed by the HPD Collaborative, a non-profit organization made up of major stakeholders in the construction industry.

In the 2017/18 financial year, dormakaba will be updating its HPDs to the standard's latest version (HPD 2.1), which was released in early 2017 and which has been aligned to the requirements set out by the Green Building certification scheme Leadership in Energy and Environmental Design (LEED). A global EPD and HPD strategy will also be developed and implemented with the support of the established sustainability networks. At the same time, new market requirements and applicability of other manufacturer declarations, such as Declare (International Living Future Institute) and Cradle to Cradle (C2C), will be analyzed.

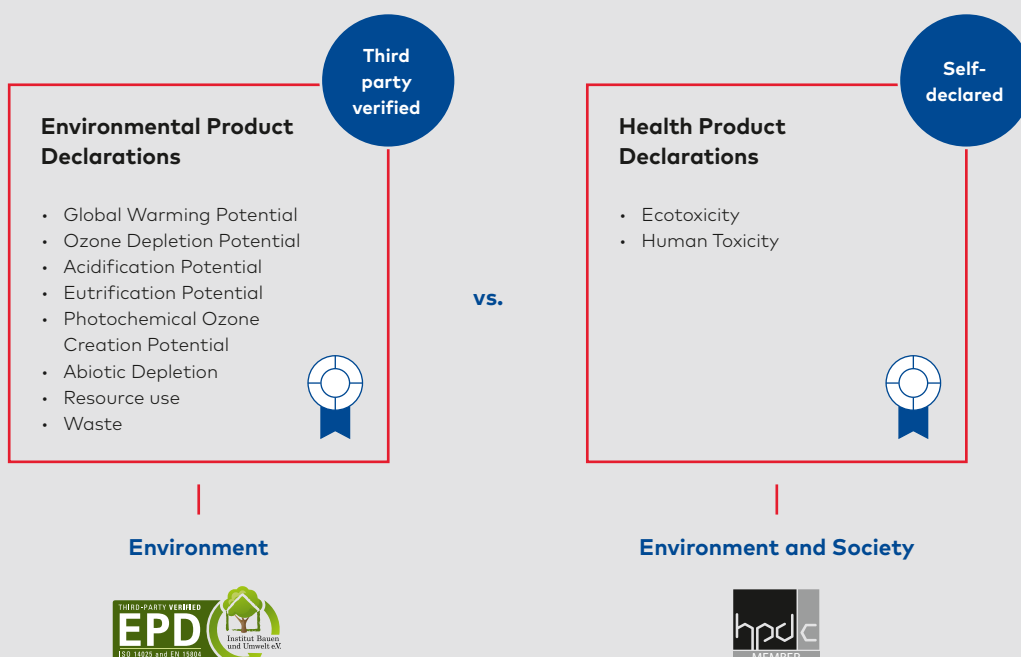
Building Sustainability by Design

dormakaba's high standards for good design have been underlined by several design awards. In terms of sustainability design, the company's FFT FLEX Green has been honored with the Green GOOD DESIGN Award 2016, conferred by the European Centre for Architecture Art Design and Urban Studies and the Chicago Athenaeum: Museum of Architecture and Design.

This special prize is awarded only to sustainable and environmentally-friendly designed products. The assessment is based on the product's contribution to sustainable development such as energy conservation, or the reduction of toxic waste and greenhouse gases.

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 thermally separated profile system FFT FLEX Green produces good heat insulation values and, in combination with high-quality insulating glass, is particularly well suited for energy-efficient buildings.

What is the difference between EPDs and HPDs?



Building on Innovation

Spotlight on sustainable solutions



An interview with
Magin Guardiola,
Global Business Owner
Entrance Systems

What role does sustainability play in product development at dormakaba?

Added value for our customers is at the forefront of all our innovative product developments. We have learned that incorporating sustainability considerations and requirements in product development accelerates innovation, since this often requires thinking along a different, more integrated path which unlocks new opportunities. At dormakaba, sustainability is founded on the cooperation of all employees who contribute in their own way through a variety of roles and functions.

One of the key products that dormakaba offers in Entrance Systems is its line of revolving doors. Is a revolving door a sustainable solution for buildings?

Revolving doors offer a very good way to save energy and therefore carbon emissions, since the thermal barrier ensures that there is no air exchange with the outdoors. A study conducted by the Massachusetts Institute of Technology showed that a revolving door has 8 times less energy loss than a conventional door. To compare, walking through a revolving door rather than a conventional hinged door just one time saves as much energy as needed to power a 60 W light bulb for twenty minutes. Can you imagine what effect this has on a building where 500 people pass through its doors every day?

In addition, revolving doors require less use of harsh chemicals, since they require less cleaning. Further, revolving doors also provide better protection against noise emissions for building users.

Why are Environmental Product Declarations (EPDs) of importance for our line of revolving doors?

EPDs create transparency, as these declarations are purely based on facts. There are no "seals" or "recommendations"; the customer can rely on objective statements and make the best product decisions. Based on the EPDs, we are also able to clearly target further aims in the areas of thermal protection, comfort for the user, and reduced energy consumption. Continuous improvements give us the opportunity to ensure the sustainability of our solutions.

GRI content index



General Standard Disclosures

Content	Publication
Strategy and analysis	
G4-1 CEO statement	SR 4–5
Organizational profile	
G4-3 Name of the organization	SR 37
G4-4 Primary brands, products and services <p>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 six segments. Access Solutions (AS), which comprises four segments, is structured by region: AS AMER (North, Middle 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 two other globally focused segments are 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:</p> <p>Access Solutions: e.g. Best, Farpointe Data, Madinoz, La Gard, Saflok</p> <p>Key Systems: Silca, Ilco, Advanced Diagnostics</p> <p>Movable Walls: Modernfold, Skyfold, Dorma Hüppe</p>	
G4-5 Location of organization's headquarters	SR 37
G4-6 Number of countries where the organization operates <p>dormakaba has subsidiaries in more than 50 countries and is present with local cooperation partners in over 130 countries.</p>	
G4-7 Nature of ownership and legal form	AR 60
G4-8 Markets served	SR 3
G4-9 Scale of the reporting organization <p>dormakaba has 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, Horizontal Sliding Walls).</p>	SR 3, AR 4–5
G4-10 Employment	SR 26–27
G4-11 Coverage collective bargaining agreements	SR 27
G4-12 Organization's supply chain	SR 8, SR 14
G4-13 Significant changes during the reporting period <p>dormakaba completed the acquisition of certain Mechanical Security businesses from Stanley Black & Decker effective 22 February 2017, including its well-known brand BEST.</p> <p>Further, dormakaba completed the acquisition of Mesker Openings Group effective 12th December 2016, which includes a diversified product portfolio for commercial, industrial and institutional uses under four well-recognized brands in the industry (Mesker Door, Hollow Metal Xpress, Design Hardware, Wood Door Xpress).</p>	
G4-14 Precautionary approach or principle <p>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.</p>	
G4-15 External charters, principles, and initiatives	SR 4, SR 13

	Content	Publication
G4-16	<p>Memberships of organizations</p> <p>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).</p>	
	Identified material aspects and boundaries	
G4-17	Entities included	AR 40–43, SR 3
G4-18	Process for defining the report content and aspect boundaries	SR 8
G4-19	Material aspects defined	SR 9
G4-20	Aspect boundary within the organization	SR 9
G4-21	Aspect boundaries outside the organization	SR 9
G4-22	Restatement of information No such restatements	
G4-23	Significant changes An additional nine production sites have been added to the reporting scope of environmental metrics and human resources data. Forced labor has been added as a material aspect.	SR 3, SR 8
	Stakeholder engagement	
G4-24	List of stakeholder groups	SR 8
G4-25	Basis for identification and selection of stakeholders	SR 8
G4-26	Organization's approach to stakeholder engagement	SR 8
G4-27	Key topics	SR 8
	Report profile	
G4-28	Reporting period	SR 2
G4-29	Date of most recent previous report	SR 2
G4-30	Reporting cycle Annual	
G4-31	Contact point	SR 37
G4-32	GRI Content Index The report is in accordance with the GRI G4 guidelines – Core option	SR 32–37
G4-33	Assurance An external assurance for the Sustainability Report 2016/17 was not performed. The compensation to the Board of Directors and the Executive Committee as well as the financial statements and Management Report were audited by an external auditor.	
	Governance	
G4-34	Governance structure of the organization	AR 62–69
	Ethics and integrity	
G4-56	<p>Organization's values, principles, standards and norms of behavior</p> <p>dormakaba's brand promise is trust. The ambition, mission, values, strategy, Code of Conduct as well as a number of directives and guidelines form the foundation for honoring this promise both internally and externally.</p>	SR 4–5 SR 13–15

Specific Standard Disclosures

GRI reference	Content/Reference	Page	Reasons for omission
Economy			
Disclosure on management approach economy		SR 28	
Economic performance			
G4-EC1	Economic value generated and distributed Donations and sponsoring contributions are not reported. Operating costs amount to CHF 1,274.3 million, the total economic value retained is CHF 146.7 million.	AR 4; 7	
Environment			
All disclosures on management approaches environment		SR 16	
Energy			
G4-EN3, G4-EN6	Energy consumption and energy reductions	SR 20–21	
Water			
G4-EN8	Total water withdrawal by source	SR 21	
Emissions			
G4-EN15, G4-EN16	Greenhouse gas emissions (Scope 1 and 2)	SR 21	
Effluents and waste			
G4-EN22	Water discharge by quality and destination	SR 21	
G4-EN23	Waste by type and disposal method	SR 21	
Compliance			
G4-EN29	Monetary and non-monetary fines for non-compliance with environmental laws and regulations There were no significant sanctions or fines in FY 2016/17.		
Labor practices and decent work			
All disclosures on management approaches labor practices and decent work		SR 18, SR 22–24	
Employment			
G4-LA1	Turnover	SR 26	
Occupational health and safety			
G4-LA6	Rate of injury, lost days, occupational diseases, absenteeism, work related fatalities In financial year 2016/17, 309 occupational injury cases were registered (2.8 per 100 full-time employees), 16 in Switzerland (4.3), 72 in Germany (2.9), 24 in the rest of EMEA (1.2), 97 (4.2) in Americas, and 100 (2.6) in Asia-Pacific. There were no work-related fatalities.	SR 26–27	
Training and education			
G4-LA10	Programs for skills management and lifelong learning	SR 22–23	
Diversity and equal opportunity			
G4-LA12	Breakdown of employee categories according to indicators of diversity	SR 27	

GRI reference	Content/reference	Page	Reasons for omission
Human rights			
Disclosure on management approach human rights		SR 13	
Forced or compulsory labor			
G4-HR6	Operations and suppliers with risk for incidents of forced or compulsory labor The pilot launch of the supplier self-assessment survey revealed five suppliers with above average migrant workforce, which as a vulnerable group could be more prone to human rights impacts including forced or compulsory labor.	SR 15	
Human rights assessment			
G4-HR9	Number of operations subject to human rights reviews dormakaba commits to developing a dedicated Human Rights Impact Assessment process in the 2017/18 financial year.		Quantitative data currently unavailable
Society			
All disclosures on management approaches society		SR 13	
Anti-corruption			
G4-SO4	Communication and trainings on anti-corruption All Code of Conduct training options (e-learning and live trainings) have a focus on anti-corruption.	SR 13	
Anti-competitive behavior			
G4-SO7	Number of 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 FY 2016/17.		
Compliance			
G4-SO8	Monetary fines and non-monetary sanctions for non-compliance with laws and regulations There were no reported significant fines or non-monetary sanctions for non-compliance with laws and regulations in FY 2016/17.		

GRI reference	Content/reference	Page	Reasons for omission
Product responsibility			
Disclosure on management approach product responsibility		SR 28	
Product and service labeling			
G4-PR5	<p>Results of customer satisfaction surveys</p> <p>dormakaba focuses on its value of Customer First by providing quality service as evidenced by various ISO 9001 certifications, for example in Switzerland, Japan, China (at four sites) and in the USA (at six sites). Building strong relationships with distribution partners is important to the company as well. After dormakaba introduced the new "dormakaba leadership partner program" in late 2016 in Germany, a successful Partner Congress event was held in 2017, with more than 450 partners in attendance.</p> <p>Customer satisfaction surveys are conducted in various markets. The scope of the surveys includes, for example, product parameters such as reliability, quality, design, ease of installation, maintenance, features, ease of use, price and durability. Timeliness of delivery and post-sales service are also analysed. Further, ratings on sales representatives, project coordinators and certified installers and tech support cover attributes such as whether the representative was accessible, professional, knowledgeable and reliable.</p> <p>During the survey analysis, each comment is reviewed and action is taken immediately, if required. Trends of ratings and comments are analysed to drive strategy, policy or process changes. Various actions, such as hiring additional staff, training, adjusting service prices, inventory levels and processes in some cases are implemented based on the assessments.</p> <p>Specific examples of surveys conducted in the reporting year include that of dormakaba's distributors in China, which garnered a response rate of 87% and an average score of 79.3. In Japan, an online survey showed an 8-point improvement against a previous questionnaire, and revealed significant improvements to lead time. In the USA, a customer satisfaction survey revealed overall customer satisfaction at 84% based on weighted averages. In further surveys, Net Promoter Scores in the USA were at 8.7.</p>		

SR = Sustainability Report 2016/17
AR = Annual Report 2016/17



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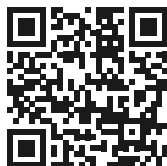
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