

Rümlang/Switzerland, 15 November 2019

UN Global Compact – Communication on Progress (COP) Financial Year 2018/19

This Communication on Progress (COP) is the fourth such report for dormakaba, the first having been published after the merger of the former Kaba Group and the former Dorma Group for the financial year 2015/16. The former Kaba Group joined as a participant in the UN Global Compact in 2013.

CEO Statement

To our Stakeholders:

Today, shareholders, customers, employees and regulatory bodies alike expect responsible business behavior from all companies, and we are no exception. Our ambition is to become the trusted leader in our industry. And trust inherently entails conducting our business responsibly. That is why sustainability is one of the two foundations of our business strategy.

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 actively report on our progress, through for example an annual Sustainability Report aligned to the Global Reporting Initiative Standards and through this Communication on Progress.

One key global challenge is the mitigation of, and adaptation to, climate change. This is where dormakaba can have a positive influence, not just within our own operations but also in the upstream and downstream value chain. This is why we have signed a commitment letter to the Science Based Targets initiative (SBTi) to set a science-based Group-wide carbon emissions reduction target in the year 2020. In the financial year 2018/19, we focused on improving our reporting coverage of carbon emissions from our operations, as well as on developing carbon inventories for our products.

We also take note of the increasing political discussions and regulations related to human rights. Since committing to developing a human rights due diligence process two years ago, we have made significant progress in the financial year 2018/19 by formalizing our commitment through our [Statement of Commitment on Human Rights](#) and in defining salient issues for our company.

In alignment with our efforts in sustainable development, we are pleased to reconfirm our commitment and support of the Ten Principles of the United Nations Global Compact. In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Riet Cadonau,
Chairman and Chief Executive Officer, dormakaba Group

Human Rights Principles		
Principles	Disclosures	Source
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> dormakaba acknowledges our responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights (UNGP) and the UK Modern Slavery Act 2015. Acting in alignment with the local laws and regulations remains the unquestioned basis of dormakaba's day-to-day business. As of 1 July 2016, a consolidated dormakaba Code of Conduct (CoC) was newly implemented and applies to the entire Group. The CoC contains standards and rules on human rights, bribery and corruption, equal employment opportunities, workplace harassment, conflicts of interest, antitrust and competition law and procedures for reporting misconduct. dormakaba has also set forward our Supplier Code of Conduct (SCoC) 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 dormakaba SCoC is integrated in the company's online bidding system. It is further included as part of new standard contracts. In the financial year 2018/19, we implemented a stepwise Human Rights Due Diligence project plan, focusing on stakeholder consultations, policy development, and human rights risk assessment. This included consultations with 20 key internal and external stakeholders including human rights experts, customers and suppliers, which generated a focused list of salient human rights issues for dormakaba and formed the basis for the company's Statement of Commitment on Human Rights and human rights roadmap. 	<p>→ Modern Slavery Statement 2018/19</p> <p>→ Code of Conduct</p> <p>→ Supplier Code of Conduct</p> <p>→ SR 2018/19 Human Rights</p> <p>→ Statement of Commitment on Human Rights</p>
Principle 2: make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none"> Senior managers and the general managers of local companies are responsible for implementation and enforcement of the Code of Conduct (CoC) and are trained in dealing with the CoC. The Compliance Officer within the Legal Department monitors these processes and, alongside line managers, is one of the defined contacts for reporting infringements of the CoC. In the 2017/18 financial year, dormakaba categorized the supply chain based on sustainability risk factors on a country-level, procurement spend, and material content of the goods purchased. High-risk suppliers have been asked to participate in the dormakaba Supplier Sustainability Self-Assessment. The survey covers nearly 40 questions related to human rights, labor conditions, environmental management systems, anti-corruption and packaging, for example. For the financial year 2018/19, we invited 123 suppliers to participate in the self-assessment, of which 70 suppliers complied (60% participation rate, representing 5% of total procurement spend). In the area of Human Rights Due Diligence, dormakaba focused on the following areas in the financial year 2018/19: <ul style="list-style-type: none"> Developing our policy commitment Assessing actual and potential impacts Integrating findings and committing to appropriate action Tracking and communicating performance Supporting remediation of adverse impacts by providing access to grievance, including a whistleblower tool 	<p>→ Code of Conduct</p> <p>→ SR 2018/19 Supplier Social and Environmental Assessment</p> <p>→ SR 2018/19 Human Rights</p>
Labor Principles		
Principle 3: Businesses should uphold the freedom of association and the effective	<ul style="list-style-type: none"> dormakaba respects the rights of all our employees in respect of freedom of association and collective bargaining. Collective bargaining agreements are managed in accordance with the respective local regulations and differ within the various dormakaba units. Approximately 64% of the employees in the scope of the sustainability reporting were unionized or covered by collective bargaining agreements. This is based on data collected for the 2018/19 financial year from 73 sites, representing 79% (12,523) of Group employees. 	<p>→ SR 2018/19, Freedom of Association and Collective Bargaining</p> <p>→ SR 2018/19, Employment</p>

<p>recognition of the right to collective bargaining</p>		
<p>Principle 4: the elimination of all forms of forced and compulsory labor</p>	<ul style="list-style-type: none"> dormakaba's values and our Codes of Conduct condemn all forms of forced and compulsory labor as well as child labor. The full dormakaba Modern Slavery Statement 2018/19 is available on our website. Regarding the minimum employment age, we follow the principles of the UN Global Compact and the conventions of the International Labor Organization (ILO). The topics of forced or compulsory labor and child labor are also included in the dormakaba Supplier Sustainability Self-Assessment and have been identified as salient issues in the company's Human Rights Due Diligence process in the 2018/19 financial year. The potential impact on these issues exists primarily in the upstream value chain and not in dormakaba operations. These topics are therefore included in the frame of the company's human rights roadmap with planned activities to increase value chain transparency. 	<p>→ Modern Slavery Statement 2018/19</p> <p>→ Code of Conduct</p> <p>→ Supplier Code of Conduct</p>
<p>Principle 5: the effective abolition of child labor</p>		
<p>Principle 6: the elimination of discrimination in respect of employment and occupation</p>	<ul style="list-style-type: none"> dormakaba is committed to fostering a diverse and inclusive workforce that reflects the varied markets in which it operates. The Group-wide Code of Conduct (CoC) defines the principles of collaboration, which are binding for all employees. This includes the declared aim of dormakaba to avoid discrimination for reasons of age, gender, race or color of skin, nationality, social or ethnic origin, language, sexual orientation, marital status, religion, state of health or disability or any other legally protected status under local law. In addition, 68% of employees in the scope of the sustainability reporting are covered by an additional, local Equal Opportunity Employment Policy, and 67% are covered by a Non-Harassment/Non-Discrimination Policy. All potential complaints can be addressed with the supervisor, the supervisor's manager, a member of the Executive Committee, Segment HR, Group HR or the Compliance Officer, who investigate them promptly and discreetly. Employees will not suffer adverse consequences as a result of reporting in good faith any act of discrimination or harassment. 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. 65% of employees in the scope of sustainability reporting are covered by a local Equal Pay for Equal Work policy. Further, at the beginning of the 2017/18 financial year, a Group Directive Compensation came into effect. Group HR authored the policy, which was approved by the Compensation Committee of the Board of Directors. To establish fair compensation, determination is based on the job function and relevant local market benchmarks. It is not influenced by personal attributes such as age, nationality or gender. The global grading system ensures that functions are evaluated in a consistent manner across the organization. Examples of activities fostering diversity and equal opportunity in the financial year 2018/19 included, among others: <ul style="list-style-type: none"> Key Systems business unit in Colombia has historically employed a high number of temporary workers from external employment agencies. In order to further equal opportunities, some of this workforce has recently been progressively included into the same working terms and conditions as the direct employees, e.g. participation in a bonus system and entitlement to the same number of holidays. Other employment conditions for temporary workers are substantially aligned with those of regular employees. Grupo Klaus S.A. in Peru was acquired by dormakaba in May 2018 and is still in an integration phase within the Key Systems business unit. Prior to acquisition, the company was a privately-owned family business, based in Villa el-Salvador and located on the margin of one of the poorest areas of Lima. In order to support the inclusion of a diverse workforce, transportation for night shift workers and a welfare program were established. A dedicated room within the business was established for breast-feeding and nursing. 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 	<p>→ Code of Conduct</p> <p>→ SR 2018/19 Employment</p>

	<p>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.</p>	
<p>Environmental Principles</p>		
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p>	<ul style="list-style-type: none"> 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 27 of the 73 locations covered in the SR 2018/19. dormakaba's environmental management places emphasis on these four processes. The Group Manufacturing Directive includes expectations on achieving international standards for environmental management, energy, and health and safety, and specifically for any locations carrying out the above-mentioned processes. Based on an overview of dormakaba's sites including plants, regional logistic centers, local assembly and distribution centers and service hubs, the Directive sets 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, resource consumption and environmental risks. Further, already 32% of the production sites covered in the scope of the sustainability reporting benefit from the rigorous environmental standards set forth by ISO 14001 certification, with the aim to increase this total to over 50% by 2021. 	<p>→ SR 2018/19, Environmental Management</p>
<p>Principle 8: undertake initiatives to promote greater environmental responsibility</p>	<ul style="list-style-type: none"> Electricity and fuel usage play a crucial role in dormakaba's operations due to the processes involved. Many of the components used in our end-products are manufactured in-house, in addition to further processing of bought-in parts. Some of the commodities such as nickel silver are also produced on site, which adds to energy demand. The total energy consumption was over 247,000 MWh in the 2018/19 financial year. Electricity and fuels for heating or manufacturing both play a crucial role in production processes, constituting nearly 80% of total energy consumption. The remainder is associated with the fuel consumption of our vehicle fleet. In the 2018/19 financial year, our total greenhouse gas emissions (GHG) amounted to over 81,000 tons of CO2 equivalent (tCO2e). More than two thirds were emitted as a consequence of electricity consumption, followed by heating and vehicle fuel consumption, and volatile as well as process gas emissions. Scope 3 emissions have been reported in the company's submission to the CDP. Climate-related initiatives implemented during the reporting year resulted in total annual savings of approximately 13,240 tCO2e (16% of our total footprint). Therein, we worked diligently to source renewable electricity wherever feasible, leading to an emissions avoidance of approximately 12,800 tCO2e. 37% of the electricity that dormakaba consumed came from renewable sources. In the financial year 2018/19, energy saving initiatives were being implemented at nearly 40% of the sites in the reporting coverage. This work included retrofitting facilities to LED lighting systems; upgrading equipment such as air compressors, as well as milling and key biting machines; the optimization of heating and cooling systems (installation of rapid doors, heat recovery, renewal of circulation pumps, radiators and valves); and the procurement as well as on-site production of renewable electricity. As a result of these activities, we realized a total quantifiable annual energy savings in the amount of approximately 4,300 MWh for the sites covered in the scope of the Sustainability Report 2018/19 (compared to 4,300 MWh achieved in 2017/18). In addition, over 47,000 MWh of green electricity was purchased (compared to 29,000 MWh in 2017/18). Most of the water consumed by dormakaba's operations is drawn from municipal water supplies and is primarily used for cooling, manufacturing processes (e.g. electroplating) and sanitation. Waste water is discharged in compliance with the local requirements and is treated by specialized third party companies where necessary. An inherent aspect of dormakaba's production processes is the generation of different wastes. For each waste type, a specific treatment method is applied. Approximately 76% of the waste stream is recycled, reused or recovered (including raw materials and energy recovery). 	<p>→ SR 2018/19, Environmental Management</p>

	<ul style="list-style-type: none"> In the 2018/19 financial year, dormakaba was not subject to incidents of non-compliance with environmental laws and regulations. 	
<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies</p>	<ul style="list-style-type: none"> dormakaba proactively strives to mitigate environmental impacts of our products, solutions and services. 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 our entire lifecycle are described according to international standards in the form of Environmental Product Declarations (EPD). An EPD for compact readers in the Electronic Access & Data product cluster was published in the 2018/19 financial year. In addition, baseline data collection and calculations to create EPDs for door closers, automatic sliding doors and sensor barriers has begun. This contributes to achieving the dormakaba sustainability target of having EPDs and/or HPDs for products representing 30% of total turnover by 2021. Currently 13% of our products based on sales volumes are covered by EPDs and/or HPDs. In the 2018/19 financial year, the Dorma Hüppe Variflex 100 room partitioning system passed health-related emissions testing for Volatile Organic Compounds (VOCs) with excellent results, showing emissions values far below the allowed levels. VOC levels are often looked at in connection with indoor air quality, also by building certification systems such as the DGNB (German Sustainable Building Council) or LEED (Leadership in Energy and Environmental Design). 	<p>→ SR 2018/19, Product-related Energy, Emissions, Effluents & Waste</p> <p>→ SR 2018/19, Materials</p>
Anti-Corruption Principles		
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<ul style="list-style-type: none"> dormakaba believes in a system of competitive free enterprise. The company is committed to conducting itself in accordance with all applicable anticorruption, antitrust and competition laws, and with the dormakaba specific ethical standards with respect to corruption and bribery [B1, B2]*. In addition, Group Internal Audit integrates the Corruption Perceptions Index (CPI) as one criteria for developing their internal audit plan [B6]. Corruption risks are also addressed in dormakaba's risk model as part of the company's global risk management process, conducted every six months. The dormakaba Supplier Code of Conduct additionally addresses the topic of corruption and bribery and sets expectations of compliance to business partners [B3]. The dormakaba Code of Conduct (CoC) contains standards and rules regarding bribery and corruption. The CoC is fully supported by the Board of Directors and the Executive Committee and forms an integral part of the dormakaba management system [B4]. The CoC is available to all employees of the dormakaba Group in various languages and in electronic and printed form. When employees join the company, they confirm in writing that they have received and acknowledge the documents. In addition, all CoC training options (e-learning and live trainings) have a focus on anti-corruption, including how to deal with conflicts of interest, how to seek approval for benefits, etc. [B5]. In the financial year 2018/19, the CoC training initiative which began in the previous financial year was concluded, with each business segment having at least 92% participation rates. 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 [B6]. dormakaba implemented an integrity line (whistleblowing tool) in the financial year 2018/19, allowing dormakaba employees and third parties (e.g. customers or suppliers) to submit notifications about potential violations of laws and threats to our reputation. The dormakaba whistleblowing tool is available globally 24/7 and is offered in various languages. Due to the relevance of corruption and bribery, a directive that governs these issues is currently being developed [B7]. 	<p>→ Code of Conduct</p> <p>→ SR 2018/19, Fair competition & Anti-corruption</p> <p>→ dormakaba whistleblowing tool</p>

*all Indicators in [] refer to Basic Reporting Elements according to the Reporting Guidance on the 10th Principle. SR = [dormakaba Sustainability Report 2018/19](#). The dormakaba Sustainability Report covers the period from 1 July 2018 to 30 June 2019, in line with the financial year 2018/19.