dormakaba

Sustainability Report

Financial Year

2019/20

dormakaba

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Introduction

A vital element for dormakaba to achieve the ambition to become the trusted industry leader is to offer innovative and sustainable products, solutions and services.

2019/20 in brief

- Sustainability governance organization strengthened, including new oversight by the Board of Directors
- 16,431 tCO_2e saved through energy efficiency projects and green electricity purchases
- 37% of electricity purchased from renewable sources
- 475 suppliers invited to participate in our supplier sustainability engagement program
- 13 Environmental Product Declarations and 45 Health Product Declarations published or renewed
- 80% participation across all job functions and locations in the internal employee engagement survey "dormakaba dialogue"
- Statement of Commitment on Human Rights published
- Risk assessment on the potential vulnerability to human rights impacts of migrant workers within our workforce completed
- Assessment of our whistleblowing tool compared to the effectiveness criteria on grievance mechanisms from the UN Guiding Principles on Human Rights completed
- UN-backed "Uniting Business and Governments to Recover Better" statement signed

Letter from our Chairman and CEO

Dear stakeholders,

With Covid-19, we are facing a global pandemic that has major negative impact on people and their livelihoods, disrupting supply chains, accentuating potential inequalities and putting progress on the UN Sustainable Development Goals in question.

From the beginning of the Covid-19 outbreak, we have said that our focus lies on ensuring the health and safety of our employees while at the same time making sure that the impact on business operations and the supply chain is managed and limited as much as possible. Many of our employees have worked under challenging conditions in production, logistics, and services to maintain the supply chain to our customers, others have been working under unfamiliar circumstances in the field or in home office. This crisis illustrates how important sustainability factors like healthy workplaces and social responsibility are for our company and our communities.

At the same time, we continue to face a global climate challenge with severe impacts for people and all the natural systems that sustain us. In the face of these interconnected challenges, we cannot afford to tackle one or the other. Human health depends on planetary health. We can – and must – tackle both. And as dormakaba is setting corporate emission reduction targets in line with climate science through the Science Based Targets initiative, we remain committed to do our part to achieve a resilient, zero-carbon economy.

This is why in May 2020 I have joined other business leaders around the globe in signing the UN-led "Uniting Business and Governments to Recover Better" statement, urging governments to align their Covid-19 economic aid and recovery efforts with the latest climate science and the Paris Agreement. As leaders and as members of our communities, we bear responsibility for our environment and for our colleagues worldwide.
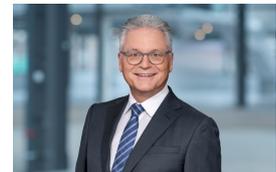
Riet Cadonau, Chairman & CEO

We must also acknowledge that sustainability cuts across a variety of topics, business functions, and geographies, which brings its challenges. In order to succeed, we need everyone to contribute in their own way, and we need a strong governance system behind it. To acknowledge this, we have developed and brought into force a Sustainability Charter in the financial year 2019/20, which strengthens the sustainability governance within our company and clearly outlines the responsibilities and contributions expected from all levels of the business, including of the Board of Directors. You can read more on this in the Strategy chapter.

We see sustainability as a tangible business opportunity that adds value to our company. Green building activities are growing worldwide and are projected to have more than 10% CAGR from 2018 to 2023, spurred by favorable government policies such as the European Commission's binding energy efficiency target. We can contribute to greener and safer buildings with our offering. And, by providing more sustainable products, we can meet the expectations of our customers. We have created a carbon emissions inventory detailing the energy consumption and carbon footprint of all the products in our offering that consume energy in their use phase. This is the first necessary step in developing more energy efficient products for our customers in future, to support their ambitions to construct green buildings.

I know I speak for our entire management team when I say that we are once again proud of the progress we have made on sustainability, especially in the face of global challenges and disruptions. Covid-19 has changed many aspects of our lives – in the way we work, we live, how we interact with each other. I am sure we all agree that mastering the fallout of this crisis will be a marathon rather than a sprint. And through this marathon, we will remain committed to fostering sustainable development along our value chain in line with our economic, environmental, and social responsibilities, and to the UN Sustainable Development Goals. Thank you to all our colleagues who have contributed to our sustainability achievements in the last year. I invite you to read more about our efforts in this sustainability report.

Sincerely yours,

Riet Cadonau
Chairman & CEO,
dormakaba Group

About dormakaba

Worldwide presence

dormakaba represented by subsidiaries

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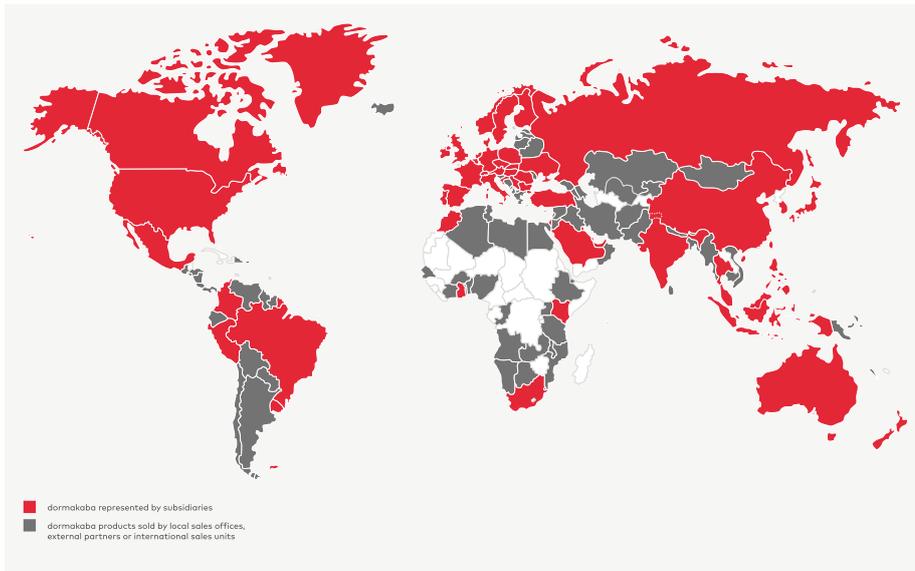
Our business

dormakaba makes access in life smart and secure. We are one of the leading companies in the global access solutions market. With our comprehensive portfolio and strong brands, the company offers our customers products, solutions and services for anything related to access to buildings and rooms from a single source. dormakaba has distribution channels and production facilities in all of the industries' key markets and will accelerate global expansion through a strengthened presence in Europe, the Americas and Asia Pacific. dormakaba is a growth-oriented company with a strong pool shareholder group that will ensure our long-term strategy. In order to grow profitably and to sustainably create value for all our stakeholders, dormakaba focuses on a clearly defined strategy with the following elements:

- Providing a superior offering of products, along with services to meet the needs of customers and their installations along the entire life cycle
- Expanded presence in existing markets, vertical extension of these markets, and expansion into new markets
- Achieving enterprise excellence by improving processes and driving efficiency and competitiveness along the entire value chain
- Leadership in innovation for superior customer value
- Active management of the portfolio of business activities and disciplined pursuit of options for corporate transactions (acquisitions, divestments, joint ventures)
- Efficient deployment of employees: having "the right people in the right roles"

These strategic pillars are based on the two foundations of sustainability and enhancing the global brand power.

Operating Model

dormakaba has divided the areas of business in which the company is globally active into five segments. Access Solutions (AS), which comprises four segments, is structured by region: AS AMER (North and South America), AS APAC (Asia Pacific), AS DACH (Germany, Austria, and Switzerland), and AS EMEA (Europe, Middle East, and Africa). The segment Key & Wall Solutions is globally positioned and consists of the business units Key Systems and Movable Walls.

Access Solutions				Key & Wall Solutions
AMER	**APAC**	**DACH**	**EMEA**	
Lodging Systems				
Safe Locks				
		Door Hardware		
		Interior Glass Systems		
		Entrance Systems		
			Mechanical Key Systems	
			Electronic Access & Data	
Local Products	Local Products	Local Products	Local Products	
Services				

Our value chain

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

◄Upstream   Downstream►

Our employees[1]

Employees by region

	Male	Female
Switzerland	634	264
Germany	2,359	701
Rest of EMEA	2,743	1,034
Americas	2,467	1,048
Asia Pacific	2,798	1,424
Total	11,001	4,471
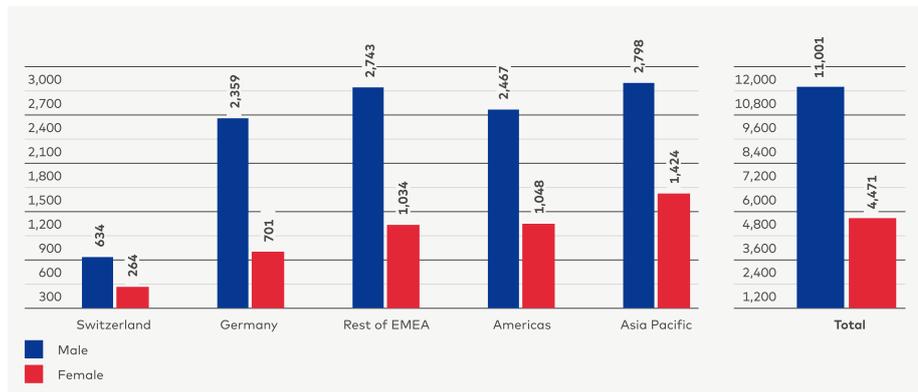
Employees by contract type

	Male	Female
Indefinite/permanent	10,606	4,205
Fixed term/temporary	395	266
Total	11,001	4,471
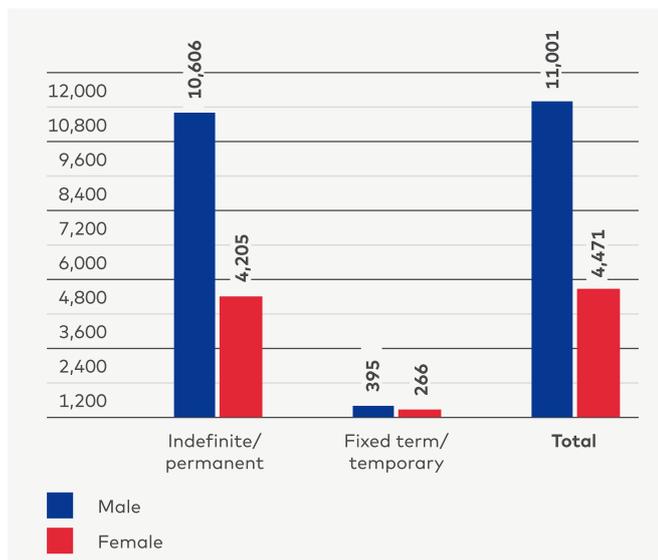
Employees by employment type

	Male	Female
Full-time	10,619	3,850
Part-time	382	621
Total	11,001	4,471
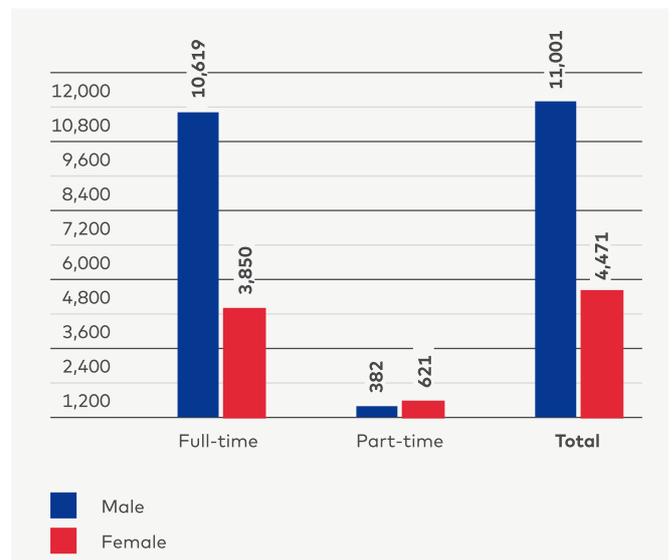
1) Headcount as at 30 June 2020, without apprentices, trainees, interns and contract workers

The key performance indicators for the above human resources data and the fluctuation figures available in the Employment chapter are based on 100% of dormakaba Group employees as at 30 June 2020. The total workforce in this scope consisted of 15,472 employees, based on headcount. While the majority of our employees work full-time and on the basis of permanent contracts, 6% have part-time engagements. Over 64% of the employees in this scope are covered by collective bargaining agreements. In addition, dormakaba developed nearly 200 apprentices, trainees and interns, and employed over 660 contract workers at the sites in scope.

The other social and all environmental key performance indicators found in this report represent 92% of dormakaba employees as at 30 June 2020, which are located at the 102 sites in the reporting coverage (see Outro for a map of included sites).

Strategy

dormakaba defines sustainability as one of the key success factors to being recognized as the trusted industry leader. That is why sustainability is one of the two foundations of the company's business strategy.

dormakaba strives to promote sustainable development along the value chain as part of our economic, environmental and social responsibility toward current and future generations. We commit to an open and transparent dialogue with stakeholders to define strategies and actions based on clear goals and continuous improvements. We adhere to the precautionary principle as the foundation of sustainability. Negative impacts on the environment and health should be avoided in advance to the greatest extent possible by all employees in all business activities. This approach is set out in our Code of Conduct that outlines our values, principles, standards and norms of behavior.

Materiality

Our material topics were defined in the course of a comprehensive materiality assessment and are valid for the years 2017–2021. They have been aligned to the four focus areas of our sustainability strategy: Transparency, Process & Production, People and Products. Full details on the materiality process are found in the Outro.

Potential social, environmental and economic impacts of dormakaba
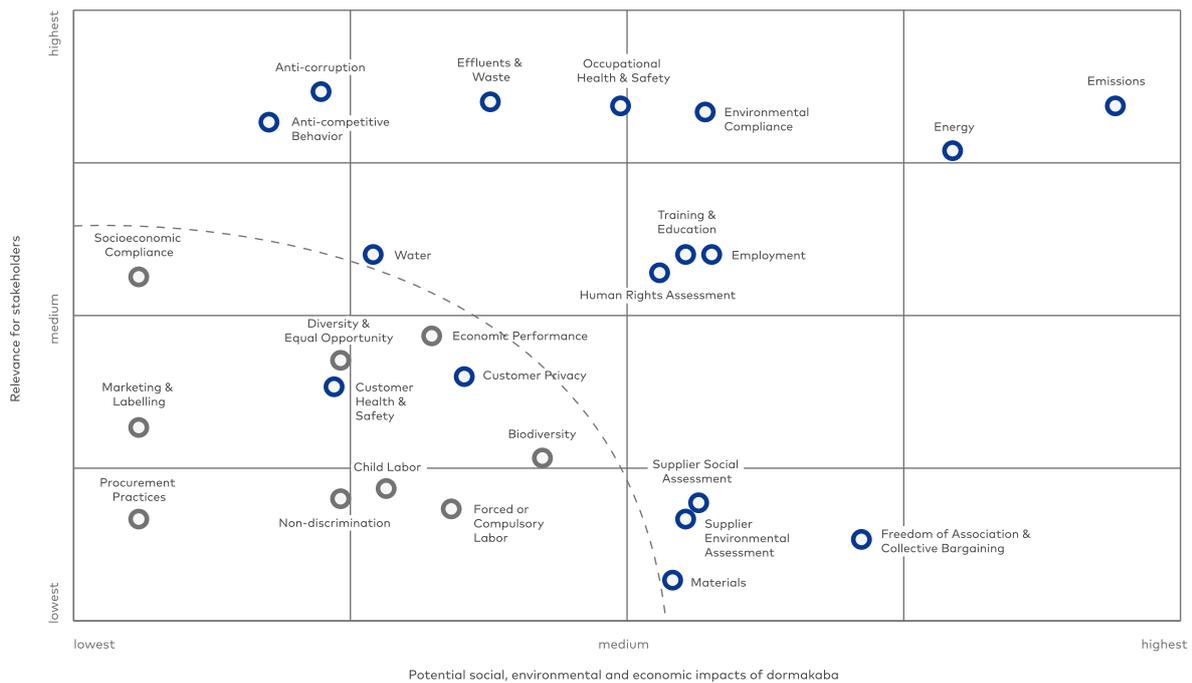
Our focus areas

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

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

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

Products – We are dedicated to producing high-quality, reliable products and solutions, as well as supporting the health and safety of end users through good practice in product development. We aim to reduce our customers' environmental burdens by designing material- and energy-efficient products.

Strategic targets

In line with this strategic approach, dormakaba has committed to achieving seven overarching sustainability goals in our corporate strategy as follows:

Target	Deadline	Financial year 2019/20	Status
Meet target submission requirements as part of the commitment to the Science Based Targets initiative	September 2020	Scope 3 carbon inventories developed; 92% Scope 1 and Scope 2 emissions reported	
Reduce Scope 1 and 2 carbon emissions by 5% tCO2e (baseline 2017/18)	End of financial year 2020/21	-15%*	
Increase the share of ISO 14001 certified production sites to >50% (baseline 2017/18)	End of financial year 2020/21	36%	
All manufacturing sites maintain health & safety management systems based on ISO 45001 or OHSAS 18001	End of financial year 2021/22	73%	
All manufacturing sites maintain energy management systems based on ISO 50001	End of financial year 2021/22	21%	
Increase the revenue share of products with environmental and/or health product declarations to >30%	End of financial year 2020/21	19%	
Operationalize a supplier audit system based on sustainability criteria	End of financial year 2020/21	475 suppliers invited for EcoVadis assessment; Procedures for non-participation and non-compliance approved	

* Of which 9 pp. are attributable to increased purchase of green electricity and energy efficiency projects, and the rest due to various factors including the business impact of Covid-19.

We are on track with several of our sustainability targets, particularly on our commitment to reduce carbon emissions, and in operationalizing a supplier sustainability audit system. For the latter, we have defined escalation processes for non-compliance of the Supplier Code of Conduct and for non-participation in our supplier engagement program, which we will roll out in the financial year 2020/21. In addition, we have met the target submission requirements of the Science Based Targets initiative (SBTi) as planned. We had also expected to submit our long-term reduction targets for Scope 1, 2 and 3 carbon emissions by September 2020, but the impact of the Covid-19 pandemic has posed challenges in terms of baseline setting. This has been discussed with the SBTi, and we do expect to have the reduction targets validated by them within the financial year 2020/21.

Of the further targets set to expire at the end of the financial year 2020/21, namely the aim to increase the share of ISO 14001 certified production sites and the aim to increase revenue share of products with environmental and/or health product declarations, we have seen marginal improvements. However, with the implementation of the planned initiatives in the financial year 2020/21, we believe we will achieve or be near achievement of the targets.

For both remaining targets, expiring at the end of the financial year 2021/22, we continue to have work to do. Based on current planning, achieving the target related to energy management systems will be particularly challenging. This is due in part as many smaller manufacturing facilities such as local distribution centers or local assembly centers lack the technical know-how and resources for setting up such management systems. In addition, some sites are focusing on other sustainability targets first.

Sustainability governance

In the financial year 2019/20, the sustainability governance and organization were defined in a formal Sustainability Charter, with the aim to improve strategy and resource planning as well as monitoring of progress against targets and accountability across all levels of the company. The most fundamental changes include:

- The Board of Directors is responsible for reviewing and approving the overall sustainability governance framework, and the Chairperson of the Board is explicitly responsible for monitoring sustainability strategy implementation progress against targets and for evaluating and monitoring sustainability risks and opportunities.
- A newly formed Group Sustainability Council is a cross-functional body of senior management representatives of Group and segment business functions relevant to the company's material topics and is chaired by the Chief Executive Officer.

An overview of the dormakaba sustainability organization is found below. Further duties, authorities and reporting channels for the various bodies are set in the Sustainability Charter.

Sustainability organization

Legend:
- ■ Strategic
- ■ Tactical
- ■ Operational

Group-level / Segment-level

Board of Directors — Executive Committee — Corporate Sustainability

Group Sustainability Council — Sustainability Working Group

Segment Management Team — Segment Sustainability Lead

Regions / Sites — Segment Sustainability Network
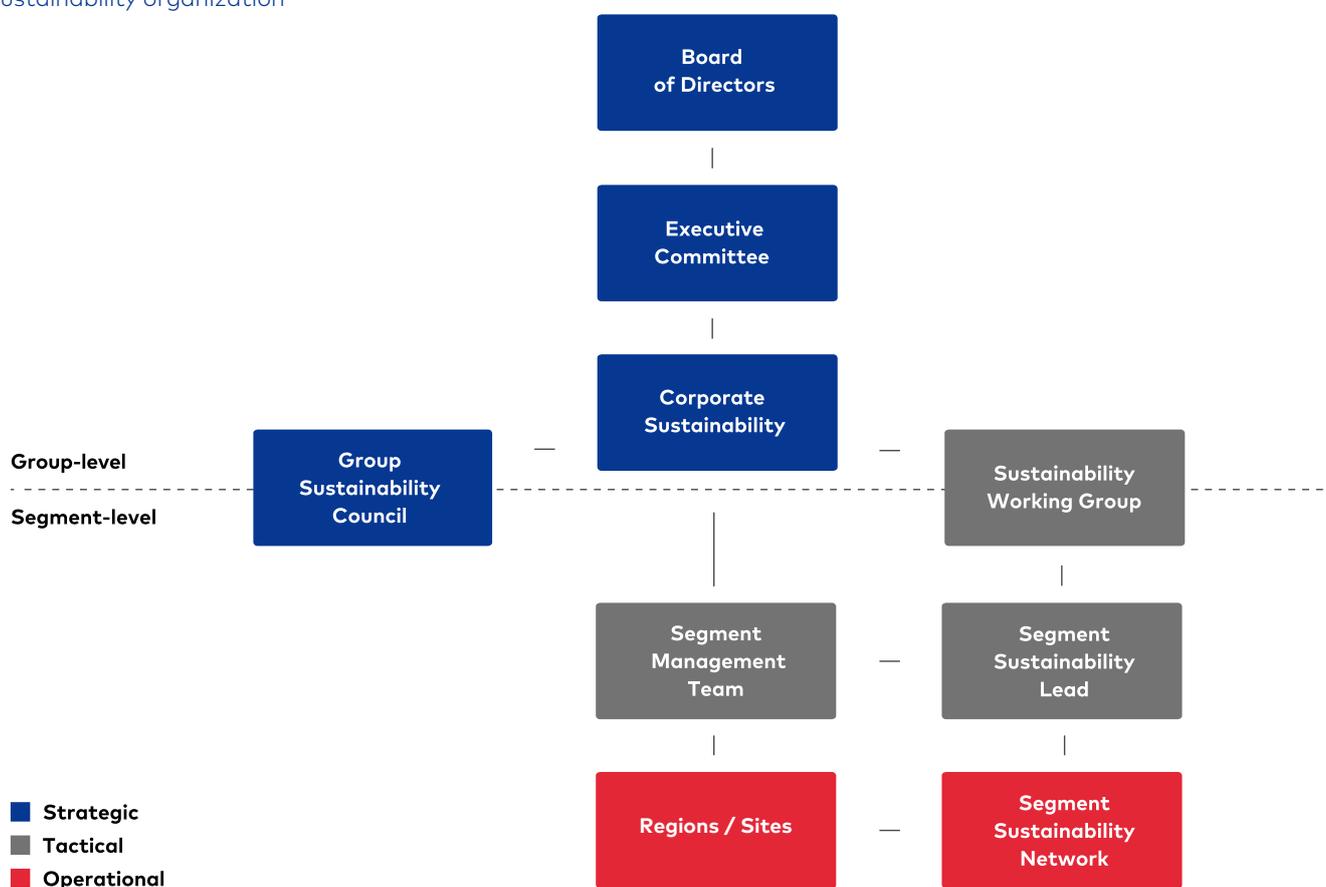
Board of Directors

Approves the overall sustainability governance framework. Chairperson is responsible for monitoring strategic progress and evaluating sustainability risks and opportunities.

Executive Committee

Approves material topics and strategy. Monitors strategy implementation and ensures appropriate resource allocation.

Group Sustainability Council

Chaired by the CEO. Recommends strategic priorities, targets and objectives to the Executive Committee. Reviews annual sustainability action plans from Group and segment level.

Corporate Sustainability

Monitors and coordinates the implementation of the sustainability strategy across the organization. Advises on appropriate measures based on international standards and external stakeholder expectations. Assesses the environmental and social risks in the value chain.

Sustainability Working Group

Develops concepts for sustainability initiatives and operationalizes them as appropriate. Consists of the Segment Sustainability Leads and representatives from other functions reflected in the Group Sustainability Council.

Segment Management Team

Develops and reviews the segment's sannual sustainability action plan. Ensures appropriate resource allocation. Sustainability is integrated in performance management.

Segment Sustainability Lead

Adjunct member of the segment management team. Monitors implementation of strategy at segment level. Advises on appropriate measures for achieving sustainability commitments.

Segment Sustainability Network

Acts as an advisory body that supports local implementation through the development of guidelines and knowledge sharing. Recommends and develops concepts for sustainability initiatives and operationalizes them as appropriate.

Regions/Sites

The so-called Site Head is responsible for local implementation of annual strategic plans and reports on progress to targets. Locations with over 100 employees have a local sustainability team.

Stakeholder dialogue and partnerships

dormakaba attaches great importance to regular contact and ongoing dialogue with our stakeholders at both the local and global level. We consider the close involvement of our stakeholders to be an asset in our ongoing efforts and therefore pursue a goal of creating better mutual understanding, based on trust, to enhance our partnerships and collaboration.

In order to identify and select stakeholder groups for dialogue, we held workshops with internal experts in the financial year 2015/16. Specific target groups were selected depending on the aims of the stakeholder engagement. As an example, a high-level segmentation of customer stakeholder groups was validated based on input from country managers in the frame of our annual brand tracking survey. In another example, stakeholders for the Human Rights dialogues held in the financial year 2018/19 were selected based on relevance of the job function, such as Health and Safety Managers or authors of related policies such as the Supplier Code of Conduct.

In the financial year 2019/20, two sustainability elements were included in the brand tracking survey, namely as to the importance of taking care of the environment and acting socially responsible. Of the nearly 2,280 respondents, 40% stated that it was very important to them that access and security solutions suppliers take care of the environment, with another 39% stating it was very important that they act socially responsible. For both elements, another 30% stated it was somewhat important. The dormakaba brand was associated more positively than other brands in 5 of our 8 product clusters for these two elements.

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

Stakeholder	Key topics and concerns	Platforms	Grievance mechanisms
Employees	Employment practices and benefits, occupational health and safety, sustainable business practices, environmentally safe production processes	dormakaba dialogue survey, bilateral meetings with local Human Resources representative, employee works councils or trade unions, safety committees	Reporting channels defined in the Code of Conduct, open-door policies, grievance mechanisms in place as part of collective bargaining agreements, meetings with trade union representatives
Investors	Business performance and strategy, responsible business practices, ecoproducts, transparent reporting, as well as quantifiable objectives	Anchor Shareholders Events, Capital Market Day, roadshows, analyst conferences, bilateral meetings, ESG rating questionnaires	Interviews with Investor Relations and members of the Executive Committee upon request
Architects, specifiers	Product offering, product design and quality, trustworthiness and reliability, price level, innovation	Annual brand tracking survey, trade shows & associations, customer service hotlines	Customer complaint process
Partners, installers, distributors, customers and end users	Technical training and product specifications, product design and quality, trustworthiness and reliability, price level, sustainability demands for green building certifications	Partner Days (conferences), in-house product training, annual brand tracking survey, trade associations, direct e-mail requests	Customer complaint process
Suppliers	Qualification process	Bilateral meetings, surveys, on-site audits	3 rd party whistleblowing hotline
Local government	Employment, health, safety, and environmental compliance	Bilateral meetings	Direct contact

Partnerships

External acknowledgments

dormakaba has been awarded a gold medal for our sustainability management by the assessment firm EcoVadis, placing the company in the top 5% of all assessed companies in the assigned sector. Our company is especially strong in the areas of labor and human rights (top 7%) and ethics (top 7%) among other companies in our industry.

dormakaba received an encouraging score of B for the 2019 Carbon Disclosure Project (CDP) report. CDP requests thousands of companies to report on climate change on behalf of over 800 investors with assets of USD 100 trillion. The B rating reflects the strong progress dormakaba shows on climate change and carbon emissions management. Our 2019 CDP score is higher than the average score in our assigned sector (C) as well as the CDP worldwide average and the European program average (both C).

The bigger picture

Mapping material topics to the UN Sustainable Development Goals

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

Because less than half of the global population has even heard of them (OECD, 2017), dormakaba aims to increase stakeholder awareness of the SDGs, especially within our workforce, which we have done through our Enterprise Social Network. As a first step to contribute to the SDGs, we have mapped our defined material topics to the targets of the SDGs. While it is essential to achieve all 17 Global Goals, we can make a substantial contribution to eight of the SDGs by addressing our material topics. We also see the SDGs as a guide to new business opportunities.

Goal 3 – Good health and well-being

Goal 3. Ensure healthy lives and promote well-being for all at all ages

By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination (Target 3.9).

Material Topic: Customer Health & Safety

How we are contributing

People spend more up to 90% of their time inside buildings and many indoor environments have pollution levels two to five times higher than outdoor levels. It is therefore our responsibility that our products do not contain hazardous materials that may harm people's health. We provide our customers with transparent product declarations on the materials used, including those under the Health Product Declaration and Declare standards, as well as those in accordance with related regulations such as REACH and RoHs. Several products have qualified as testing for low emissions of volatile organic compounds or as "Red List Free". This means they are free from the worst-in-class materials prevalent in the building industry, which pollute the environment, bioaccumulate to toxic levels in the food chain, and/ or are harmful to construction and factory workers. Today, 19% of our products are covered by a Health Product Declaration or similar standard, such as the Declare Label.

We continuously work to reduce the use of hazardous materials in our production processes, and our filter systems ensure that potentially hazardous substances are not released externally. Activities include the substitution of solvent-based paints for water-based paints, using web-based systems that allow facilities to easily analyze the current hazardous materials in order to prioritize for material substitution.

Goal 4 – Quality Education

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (Target 4.3).

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

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

Material Topic: Training & Education

How we are contributing

We provide our employees with regular vocational training on topics such as lean management, health and safety, and product offerings. We partner with local schools and universities by offering apprenticeships and internships as well as work-study programs. To raise awareness about sustainable development, we regularly communicate our sustainability initiatives to employees through our social intranet. We have made good progress in developing the skills of our workforce. For example, 80% (9,797 employees) have completed at least one eLearning module, compared to 60% in the previous financial year. This positive development was also confirmed by dormakaba employees in the recent employee survey "dormakaba dialogue". The two items on employee development have seen the most positive change compared to the previous internal survey in 2018, scoring 7 percentage points higher than before.

6 CLEAN WATER AND SANITATION

Goal 6 – Clean Water and Sanitation

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

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

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

Material Topic: Water
How we are contributing

Our electroplating processes inherently require strong controls on wastewater treatment, because we are working with metallic ions that need to be captured, consolidated and disposed of properly before discharging the cleaned process water back into the environment. Our biggest challenge is how to most effectively separate the hazardous material and concentrate it into a metals-rich sludge, so as to minimize total generated mass. At our production facility in Taishan (China), for example, we achieved this through the installation of treatment system to filter out water from electroplating sludge, which is estimated to reduce sludge waste disposal from electroplating by 40%.

Further, we have mapped our facilities for the degree of water stress and scarcity in their communities, with a plan to focus our water reduction activities in those in areas of high-water stress. Other facilities have implemented water-use reduction projects, which include installing grey water recycling systems, and drip irrigation systems.

7 AFFORDABLE AND CLEAN ENERGY

Goal 7 – Affordable and Clean Energy

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

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

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

Material Topic: Energy
How we are contributing

We currently source renewable energy for 27% of the locations in the scope of this report (see map in the Outro) and we are focused on increasing our use of renewable energy as a central component of our strategy to reduce our carbon emissions. This approach aligns with our commitment to the Science Based Targets initiative and the Paris Agreement. In the financial year 2019/20, energy saving initiatives were being implemented at ten sites in the reporting coverage. This work included retrofitting facilities to LED lighting systems; upgrading equipment such as air compressors; 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.

8 DECENT WORK AND ECONOMIC GROWTH
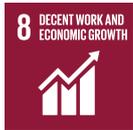
Goal 8 – Decent work and economic growth

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

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

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

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

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

How we are contributing

We are committed to providing our nearly 16,000 employees with fair working conditions. This entails fulfilling our duty of care for our employees in terms of healthy working environments, fair compensation and full respect for the ILO core labor standards.

We therefore address not only the safe operation of machines, ergonomic workplaces or the handling of hazardous substances, but also mental health issues including stress, depression and emotional wellbeing and refrain from offering excessively low wages (i.e., wage dumping). We are, however, also committed to further expanding our sphere of influence to our suppliers. This is why these principles are also enshrined in our Supplier Code of Conduct and are part of our supplier risk assessments.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 9 – Industry, Innovation and Infrastructure

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

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

Material Topics: Emissions; Materials

How we are contributing

Further to our contributions to resource-use efficiencies in the production phase, which are outlined under Goal 7, we also aim to increase the resource efficiency of our products. An important first step was including a sustainable life cycle approach to product development in our Product Design Manual. We also invest in the development of life cycle assessments of our products and currently have 38 Environmental Product Declarations (EPDs). To supplement the existing EPDs, we have created a carbon inventory for over 300 products that consume energy in their use phase. We currently offer several products that bring our customers energy efficiency gains, including the SafeRoute escape route system, the ST FLEX Green sliding door and the FFT FLEX Green folding door.

Goal 12 – Responsible Consumption and Production

Goal 12. Ensure sustainable consumption and production patterns

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

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

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

Material Topic: Effluents & Waste
How we are contributing
The generation of different waste streams is an inevitable consequence of our operations. We monitor our waste by treatment method and by waste type. Approximately 68% of the waste stream was recycled, reused or recovered (including raw materials and energy recovery) in the financial year 2019/20. To reduce packaging waste, our manufacturing facility in Villingen-Schwenningen (Germany) switched various types of wrapping packages to cardboard to reduce material need and saved around 200 kg of packaging foil. Our contributions to the environmentally sound management of chemicals and hazardous materials are detailed under Goals 3 and 6.

Goal 13 – Climate Action

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

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

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

Material Topic: Emissions
How we are contributing
In addition to the initiatives mentioned under Goal 9 and our commitment to the Science Based Targets initiative, we have conducted a climate change vulnerability mapping exercise, based on climate change modelling up to the years 2036–2060. The mapping revealed that 48 dormakaba locations are vulnerable to the physical impacts of climate extremes and future changes in climate over the next decades, where climate extremes are defined as extreme weather or climate events. Twenty-four of these sites were also considered to be of higher relevance due to the number of employees, sales volume or infrastructure values. For these sites, we aim to develop appropriate awareness-raising materials in the near term, together with local management.

Focus Area Transparency

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

Fair competition and Anti-corruption

By standing up to and rejecting anti-competitive behavior and corruption in all forms, we enhance our stakeholders' trust while securing the basis for future business.

Human Rights Assessment

We acknowledge our responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights.

Supplier Sustainability Assessment

We are committed to leveraging our purchasing power to benefit those partners whose values and beliefs align most closely with ours.

Fair competition & Anti-corruption

By standing up to and rejecting anti-competitive behavior and corruption in all forms, we enhance the trust our stakeholders place in us while protecting our reputation and securing the basis for future business.

Why it matters

The dormakaba mission is to make access in life smart and secure. This can only be realized if we work together and consistently apply a legal and ethical approach in all matters. Trust and credibility are built over many years but can be lost in a single moment. In particular, corruption and anti-competitive behavior are unfair business practices that destroy society's trust in the economy and business community. By standing up to and rejecting anti-competitive behavior and corruption in all forms, we enhance the trust our stakeholders place in us while protecting our reputation and securing the basis for future business.

Key activities

dormakaba aims to be a trusted global partner and believes our customers' interests are best served by focusing on our company value "Customer First" and strict adherence to all applicable laws. Illegal business practices, such as corruption, subvert the rule of law and erode trust, while anti-competitive behavior distorts markets and produces inefficiencies. Therefore, we emphasize integrity, governance and responsible business practices, and regard fair competition as the soundest basis for our growth and corporate success. As a member of the UN Global Compact, dormakaba has committed to not only avoid bribery, extortion and other forms of corruption, but to develop related policies and specific programs, both internally and within our supply chain.

dormakaba Code of Conduct & Directives

dormakaba sets a clear tone from the top regarding compliance by providing guiding documents and training to all employees. Principles of antitrust regulations, anti-corruption and ethical business dealings, for example, are part of our Code of Conduct (CoC). The dormakaba CoC is binding for all our employees and management. It is each employee's responsibility to comply with laws and internal regulations as per the CoC. The respective manager is responsible for ensuring that employees know regulations and understand expectations. In the course of the recruitment and onboarding process, new employees receive and acknowledge the dormakaba CoC.

Group Compliance publishes new Directives on compliance-relevant topics and manages internal communication of any related publications and topics. Functional owners of the Directives must ensure appropriate communication and training for the respective addressees.

Group Compliance revised and published the Group Directive Antitrust which came into effect during the financial year 2018/19. As part of the rollout program, the focus in the financial year 2019/20 was on internal communication and the global antitrust training initiative (see below section on increasing awareness).

Reporting misconduct & grievances

The CoC outlines the standard procedure for reporting grievances and/or breaches of law. As a first step, any employee should ideally contact their direct manager. Subsequently, the matter may be escalated to the local HR function, Group Legal or Group Compliance.

Reporting channels
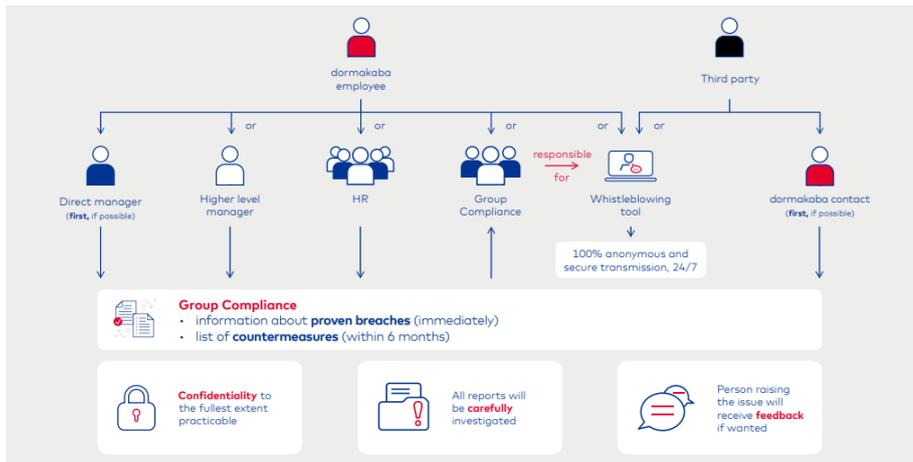
dormakaba strives to create a culture where employees speak up and are encouraged to address concerns as outlined in the above–mentioned process. On matters of transparency, the respective manager is encouraged to contact Group Compliance directly. Group Compliance carefully considers all notifications received and, depending on the matter, creates an action plan or sets up a project to solve any potential issues. The remediation progress is tracked by Group Compliance and may include direct legal advice, the involvement of external experts, internal investigations, or the development of workshops or customized training. If necessary, Group Legal and Group Compliance will involve the CEO and/or other relevant members of the Executive Committee.

Although employees are encouraged to speak up, potential whistleblowers may want to stay anonymous for various reasons. Group Compliance 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.

Identifying & addressing risks

Antitrust and corruption risks are identified top-down and bottom-up. Risks can be addressed in the company's risk model as part of the global risk management process which is conducted every six months. Within our risk evaluation process, the segments can address risks, including any perceived gaps within the internal organization and processes. Segment management can also address relevant issues to Group Internal Audit during regular audit planning and on an ad hoc basis. The Audit Committee can make use of a top-down approach by mandating audits (either by Group Internal Audit or through third-party support) with a focus on bribery and corruption matters. Triggers include hints from whistleblowers (received through anonymous letters, e-mails or further whistleblowing reports), from the organization itself, from impressions during on-site visits, external factors, or regional risk factors.

Regarding anti-corruption, Group Internal Audit integrates the Corruption Perceptions Index (CPI), an index developed by Transparency International as one criterion for developing its internal audit plan. Procurement and Sales functions, as well as processes, are regularly subjected to internal audits. In each standard audit engagement, Group Internal Audit verifies whether the principle of segregation of duties is maintained. Furthermore, risks are identified and addressed in the course of advising the business or in training sessions.

Increasing awareness through training activities

dormakaba aims to ensure compliance with applicable laws by strengthening awareness through employee training. Enabling employees to comply with legal requirements will help avoid breaches of laws, negative financial impact to the company and safeguard our reputation. Group Compliance develops training models and activities, e.g. on fair competition and anti-corruption. Group Compliance liaises with segment management about the training initiatives within their segments. The latter can then give feedback on the training strategy or indicate whether training content should be adjusted based on the local setting or local legislation.

Our goal is to train every employee on our Code of Conduct (CoC) and we have accomplished this for current employees in the 2017/18 and 2018/19 financial years. As the basic rules of fair competition and anti-corruption are part of the CoC, almost all employees have been introduced to these general principles. Dedicated antitrust and anti-corruption training is provided to management and employees of relevant functions.

The Group-wide antitrust training initiative which began in the financial year 2018/19 was continued. The training concept includes an eLearning module and live training workshops to increase internal awareness and knowledge on antitrust issues. The relevant target group for antitrust training (e.g., Sales, Procurement, General Management) was identified and then assigned the eLearning module, which was made available in different languages. More than 1,000 employees worldwide have participated in the eLearning. In addition, more than 30 classroom trainings were conducted globally by Group Compliance, with participation of more than 700 employees across all segments and various Group functions.

In preparation for the rollout of the new Group Directive Anti-Corruption, a global anti-corruption training concept was developed and presented to the Executive Committee. This included the development of an eLearning module in eight languages, and its pilot launch. Face-to-face and/or virtual classroom trainings are also included in the training concept. The target group will include management and employees from Sales and Procurement, among others.

Our performance

Milestones of Group Compliance's work in the financial year 2019/20 include the antitrust training initiative, the development of the training concept and eLearning module for anti-corruption and the rollout of the global whistleblowing system. It was the first year of implementation of the whistleblowing tool, which allows employees and third parties to disclose possible misconduct globally and anonymously. Through all reporting channels, including the whistleblowing tool, 19 incidents have been reported and thereafter investigated in the financial year 2019/20. This is twice as many as the previous financial year. Whistleblowers using the online tool receive a first response within 2–3 days and are provided with regular updates on their case, if a postbox allowing anonymous communication has been set up. In around 75% of incidents reported, misconduct was confirmed, and appropriate corrective action has been taken. Four incidents remain under investigation as at 30 June 2020.

An overview of activities is shared with the senior management, including in the annual Compliance Report, which is discussed with the Audit Committee in detail. The Board of Directors then approves the Compliance Report based on the recommendation of the Audit Committee. Additionally, the whistleblowing system was assessed compared to the effectiveness criteria for grievance mechanisms provided by the UN Guiding Principles on Business and Human Rights. The results of the assessment are found in the Human Rights Assessment chapter.

With operations in over 50 countries, it is vital that dormakaba complies with all applicable laws and regulations at the local, national and international level. Compliance with laws and regulations is a key factor for the sustainability of our business. We confirm that there were no legal actions pending or completed for anti-competitive behavior in the financial year 2019/20 known to us. There were also no confirmed incidents of corruption in the financial year 2019/20 known to us.

Outlook

In the financial year 2020/21, dormakaba Group Compliance aims to roll out the Group Directive Anti-Corruption and to launch the anti-corruption training initiative. The antitrust training initiative will also continue with additional classroom trainings. Group Compliance will continue to coordinate legal advice on antitrust and monitor the topic globally.

Building awareness of fair competition and anti-corruption initiatives

An interview with Ingo Spahr, Compliance Manager, dormakaba

Raising awareness of compliance topics related to fair competition and anti-corruption are critical to the success of the initiatives of the Compliance team at dormakaba. How do you go about this?

Our dedicated awareness campaigns in both areas include trainings (eLearnings and live workshops). Our aim is to offer comprehensive tailor-fit trainings to enable our colleagues to take appropriate decisions themselves. We do not want to train every employee and that is why identifying the right target group is very important for us. This is a task in which Group Compliance has always been strongly supported by our HR colleagues globally. In the financial year 2019/20 we were able to bring our international collaboration to the next level by expanding the compliance network and formally appointing Compliance Ambassadors for all segments.

What kinds of things are Compliance Ambassadors responsible for?

Group Compliance supports management in complying with applicable laws wherever we do business. Compliance Ambassadors are dedicated colleagues from the HR and Finance departments that assist us with this task. Not only are these business functions well-connected within their respective organizations, many compliance topics have a link to these two departments – HR because we deal with individual behavior, and Finance when it comes to topics like corruption or fraud. However, the Compliance Ambassadors support Group Compliance in all aspects of minimizing compliance risks for dormakaba and our employees.

Human Rights Assessment

dormakaba acknowledges the responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights (UNGP).

Why it matters

In today's ever more interconnected and globalized world, there is increasing public focus on how companies are respecting human rights in their operations as well as through their business relationships across value chains. That means demonstrating that they are not harming the fundamental dignity and welfare of people as they go about their legitimate work and generate the jobs, wealth and growth that benefit all communities. Human rights are rights inherent to all human beings, irrespective of nationality, place of residence, sex, national or ethnic origin, color, religion, language or any other status. Above all, human rights are interrelated, interdependent and indivisible.

As a global company with highly complex supply chains, dormakaba is exposed to increased risks of being directly or indirectly linked with human rights violations. We therefore treat the respect of human rights as a priority and require our business partners to do the same.

Key activities

Our human rights commitment was published in the financial year 2019/20 in the form of the dormakaba Statement of Commitment on Human Rights. It was elaborated based on a gap assessment, stakeholder consultations and the salient issues identified (see details in the following section) and approved by our Chairman and CEO, Riet Cadonau. In prioritizing these salient issues, dormakaba recognizes that some groups may be at greater risk of negative human rights impacts due to their vulnerability or marginalization. We also recognize that the evaluation of the severity of potential impacts may change and that other issues may grow in importance over time. We will therefore regularly re-assess salient issues and human rights risks based on internal and external stakeholder feedback and expert judgments.

In line with the "Protect, Respect, Remedy" Framework provided by the UN Guiding Principles on Business and Human Rights (UNGP) and as outlined in the Statement of Commitment on Human Rights, dormakaba recognizes the important role the company has in respecting human rights. We are guided by international human rights frameworks, which include but are not limited to the UNGPs, the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Core Labor Conventions of the International Labor Organization (ILO) and the OECD Guidelines for Multinational Enterprises

We are committed to fully respect the personal dignity, privacy and individual rights of our colleagues, customers, suppliers and other stakeholders. Our commitment to respect human rights extends to all individuals throughout the value chain, and we use the relationships with co-manufacturers, independent suppliers, and other business partners to encourage and promote the principles of the Statement of Commitment on Human Rights throughout our network. We believe that we can influence others through leading by example and therefore communicate proactively about our commitment.

Our aim is to conduct Human Rights Due Diligence (HRDD) throughout our business to proactively assess, identify, prevent and mitigate actual and potential adverse human rights impacts on potentially affected rightsholders across the value chain. We also use HRDD to identify where we can better support and promote individuals' ability to live and exercise their fundamental human rights.

We have defined the following HRDD process and outlined it in the Statement of Commitment on Human Rights to ensure dormakaba will be able to effectively implement our commitment to respect human rights:

Process of Human Rights Due Diligence (HRDD)
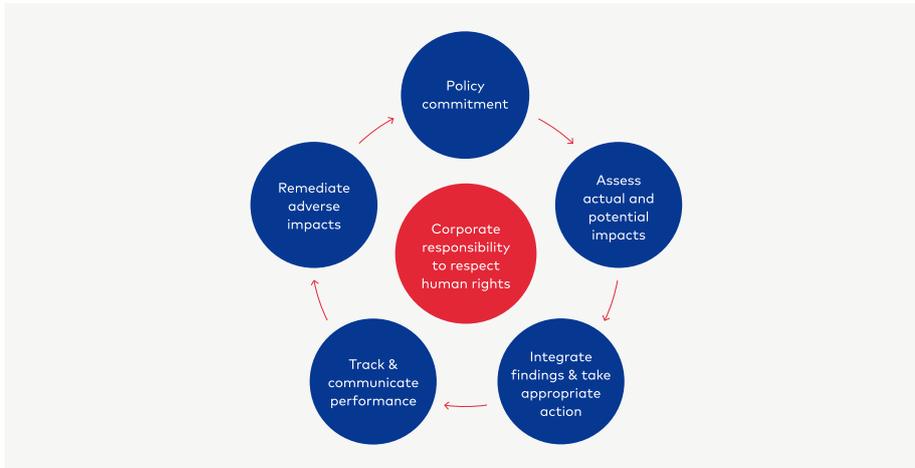
dormakaba focused on the following areas in the financial year 2019/20:

1. Communicating our policy commitment
2. Assessing actual and potential impacts
3. Integrating findings and committing to appropriate action
4. Tracking and communicating performance
5. Supporting remediation of adverse impacts by providing access to grievance

Communicating our policy commitment

In the financial year 2019/20 we shared our policy commitment publicly on our corporate website as well as on various local dormakaba websites. Internally, the document was shared with all members of the Executive Committee and made available on our social intranet. Further, we developed an eLearning video which was also distributed to employees via our Intranet. The animated film takes the viewer through explanations of what saliency means and why the exemplary topics of occupational health and safety, customer safety and migrant workers issues were considered salient and prioritized for action.

Assessing actual and potential impacts

dormakaba does not attribute more importance to one human right over another. However, for the implementation of our human rights commitment, dormakaba prioritizes human rights issues that are most salient to the business – identified via a formal human rights saliency assessment conducted in the financial year 2018/19 in accordance with the UNGPs.

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, which came into effect in August 2019.

The stakeholder consultations were focused on the potential gross risk of human rights impacts on rightsholders, as opposed to a standard risk assessment approach, which looks at the risk to the company. The company's current management of human rights-related topics were not evaluated. **In other words, saliency was defined based on the inherent human rights risk, without reference to how well our company manages the topic already.** Thirteen issues appeared as most relevant, and these were further analyzed in terms of the company's leverage and the potential severity of impact. Severity here is defined by the scale, scope and remediability of the potential human rights impacts on people.

The commitment to human rights is further put into effect by the human rights-related sections in both the dormakaba Code of Conduct and the Supplier Code of Conduct, which establish the company's expectations on human rights for employees and suppliers.

dormakaba Human Rights Saliency Matrix

Legend
- not currently salient
- salient issue

Action

highest

Customer safety

Migrant workers
(forced labor)

Contributing to
conflict

Outsourced
services

Child labor

Occupational
health & safety

Environmental issues
impacting human rights

Severity

Employment
practices

Freedom of association &
collective bargaining

Non-discrimination &
accessibility

Limited value chain
transparency

Community &
land rights

Information security &
data protection

lowest

Monitoring

lowest   Leverage   highest

Among the broader human rights issues identified, dormakaba commits to focus on the salient human rights issues (in alphabetical order) defined below:

Salient issue	Potential human rights impacts	Illustrative example in our value chain (not exhaustive)
Child labor	Rights on protection for the child; Right to a family life; Right to an education	Child labor used for cobalt and mica mining.
Contributing to conflict	Right to the security of the person; Freedom from cruel, inhuman and degrading treatment	Sourcing raw materials from conflict zones and therefore indirectly financing armed conflicts.
Customer safety	Right to health	Door not stopping during operation injuring someone or not opening in case of fire leading to a fatality.
Environmental issues impacting human rights	Right to safe and clean drinking water and sanitation; Right to health; Right to an adequate standard of living	Bauxite mine polluting water used by local communities for drinking, washing and cooking.
Migrant workers (forced labor)	Right not to be subjected to slavery, servitude or forced labor; Right to freedom of movement	Migrant workers in plants hired through recruitment agencies at risk of modern slavery / bonded labor.
Outsourced services	Right to health; Right to enjoy just and favorable conditions of work	Outsourced /subcontracted employees in plants facing health & safety risks (e.g. cleaning & security staff).
Occupational health & safety	Right to health; Right to enjoy just and favorable conditions of work; Right to social security, including social insurance	Staff installing products on behalf of dormakaba facing injury risks: lifting heavy equipment, unsafe construction sites, road accidents, etc.

Given the challenges of limited transparency in the value chain, our salient issues will be analyzed in more detail through human rights impact assessments in high-risk areas in order to develop appropriate measures. In the financial year 2019/20, we committed to carrying out such a human rights impact assessment based on the phase model below.

Phases of a Human Rights Impact Assessment

Phase 1 & 2	Phase 3	Phase 4	Phase 5
Scoping	Preparation	On-site assessment	Analysis & follow-up

Stakeholder engagement

Build internal understanding
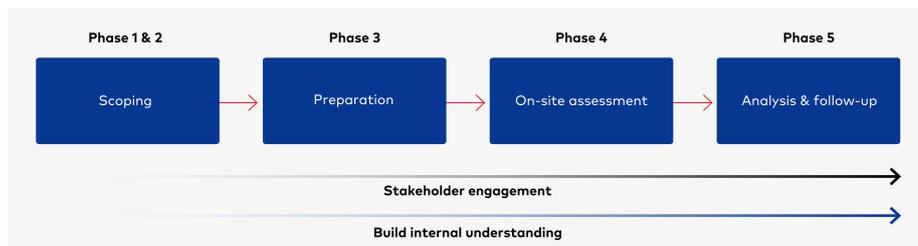
To gain a better understanding of migrant workers' risks and vulnerability at dormakaba, we carried out a survey to examine where we employ migrant workers, what type of work they were doing, which countries they came from and whether recruitment agencies were used in the recruitment process. We then compared the results to a migrant workers risk index provided by Verisk Maplecroft. We found that we employed around 600 foreign workers in 12 countries categorized as high or extreme risk for migrant workers by the index. In nine of these countries, migrants were employed for low-skilled jobs in production. This worker profile is considered more vulnerable to exploitation than office workers. We also examined the countries of origin of the foreign workers, excluding migration patterns from industrialized nations to emerging nations from the analysis. In only three countries – Malaysia, Russia and Taiwan – we were using third-party recruitment agencies, which was another indicator of potential risk.

To round off the scoping for the HRIA (Phase 1 & 2), this data was supplemented by occupational health and safety indicators such as whether hazardous materials or production processes were used, as well as the types of potential human rights issues in the supply chain that are linked to the materials used in the manufacturing of our products by location. Based on the analysis, the geographical scope for the HRIA was set for Malaysia and Singapore.

To complete the preparation (Phase 3), we hosted kick-off meetings with local management and relevant job functions for these locations and set up local coordinators to support the project. Further, we consulted local sales and procurement teams to develop a business stakeholder map and consulted with local NGOs to further develop our stakeholder map and to gain insight on local context.

We were unable to complete Phase 4 as planned in April 2020 due to the Covid-19 pandemic but we aim to do so in the financial year 2020/21, should travel restrictions allow.

Integrate findings and take appropriate action

Based on the human rights-related risks and impacts identified, dormakaba will develop prevention and mitigation measures integrated into company operations, training programs, policies and management systems. This will be achieved through the implementation of a human rights roadmap which was established in the financial year 2018/19 and approved by the Executive Committee in the context of the HRDD process development.

dormakaba is committed to a continued dialogue with internal and external stakeholders to continuously improve its HRDD. Where our ability to influence potential human rights issues is limited, we strive to enhance leverage through (industry) collaboration and partnership with key stakeholders, including employees, suppliers, civil society organizations and businesses partners to prevent or mitigate negative human rights impacts.

Track and communicate performance

dormakaba will track the effectiveness of our actions and influence to ensure human rights are respected in the value chain through a system with concrete targets and key performance indicators monitoring the implementation of the human rights roadmap. Where possible, dormakaba will strive to measure the actual impacts of our actions on the human rights of potentially affected rightsholders.

Respect for human rights is an integral part of our global sustainability strategy and through the new Statement of Commitment on Human Rights, we commit to transparently report on the progress of our efforts in our annual sustainability report as well as through the annual Modern Slavery Statement to publicly account for how human rights issues are addressed.

Remediating adverse impacts

Access to grievance

In the financial year 2019/20, the dormakaba whistleblowing system and tool were evaluated by an external party for conformity to the effectiveness criteria for grievance mechanisms laid out by the UN Guiding Principles on Business and Human Rights. The criteria are:

- Legitimate
- Accessible
- Predictable
- Equitable
- Transparent
- Rights-compatible
- Source of Continuous Learning
- Based on Engagement and Dialogue

In addition, dormakaba issues an annual Modern Slavery Statement pursuant to Section 54, Part 6 of the UK Modern Slavery Act 2015. The statement sets out the steps dormakaba has taken to ensure that slavery and human trafficking is not taking place in the supply chains or any part of the business.

Generally, the criteria of Legitimate, Predictable, Equitable and Rights-compatible were met well. Considering that the whistleblowing system has been implemented recently, some criteria such as Source of Continuous Learning (i.e., identifying lessons for improving the mechanism) and Based on Engagement and Dialogue (i.e., a feedback mechanism for users regarding the processes of the system itself) could not yet be fully assessed. For the target group of dormakaba employees, the grievance mechanism also met the Accessibility criteria well. A description of our reporting channels is included in the dormakaba Code of Conduct and a communication campaign was launched, including print media (poster campaign) for local implementation to reach production workers.

The assessment was also intended to be a source of continuous learning and for evaluating areas for potential improvement, e.g. such as raising awareness of the system for other intended users such as external business partners, suppliers, etc. Accessibility for external users who are unable to read or have no internet access is by the very nature of a web-based tool more challenging.

In the planned Human Rights Impact Assessment, we will evaluate if and how to prioritize potentially vulnerable groups and identify potential measures to ensure the whistleblowing system is effective and accessible for them. These groups may be related to our already identified salient human rights issues and could include, for example, outsourced workers, migrant workers, employees in the supply chain, etc. To raise more awareness of the whistleblowing system within the supply chain, informational materials on the Supplier Code of Conduct will be amended to include it.

Access to remedy
When adverse human rights impacts are uncovered due to our business activities or from linkages to our operations, we are committed to taking timely and transparent action to remediate in a fair and equitable manner in line with the UNGPs. Where we find impacts linked to our business relationships, we will use our influence to encourage suppliers and business partners to respect human rights.

Our performance

As regards our approach towards human rights, our biggest achievement in the financial year 2019/20 were the migrant workers' risk assessment, as part of our Human Rights Impact Assessment scoping phase, and becoming a member of the Responsible Labor Initiative.

However, the biggest challenge of limited leverage and limited transparency in the upstream and downstream value chain remains. This is especially true at the mineral extraction stage or in terms of improper use of our products by end users. This is why we have planned to conduct a supply chain traceability project in the financial year 2020/21.

Outlook

In the financial year 2020/21, we will focus on completing the Human Rights Impact Assessment, should travel restrictions allow. A key focus will be to further assess the salient issues of conflict and child labor through the supply chain traceability project mentioned above. We will also integrate sustainability and human rights objectives in performance management for main contributors to these strategies in line with the newly defined Sustainability Charter. In addition, we will also start developing a Zero Recruitment Fees policy.

Supplier Social and Environmental Assessment

To further develop partnerships in the supply chain based on responsible business behavior, we are engaging our suppliers and trading partners in our endeavor to foster sustainable development.

Why it matters

We believe sustainable supply chains ensure the well-being of the people and environments they procure from, while seeking to grow the business through ethical and legal business practices. dormakaba is therefore committed to leveraging our purchasing power – where we have it – to benefit those partners whose values align most closely with ours.

Key activities

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 must proactively monitor and manage those dimensions. Our global supply chain is large and complex, which poses a challenge in this regard. Global purchasing volumes with external vendors correspond to approximately 48% of total sales, making the company's procurement strategy highly relevant to achieving our financial and sustainability targets. The number of active suppliers for goods and services is approximately 26,500 focused in Europe (50%), North America (20%), and Asia (13%).

The dormakaba Supplier Code of Conduct (SCoC) outlines our requirements with regard to human rights, fair working conditions, environmental responsibility and business ethics, among others. It is integrated in our online bidding system and is further part of our standard supplier contracts.

To ensure our suppliers contribute to social and environmental well-being, dormakaba focuses on three areas:

1. Identifying supply chain risks
2. Supplier off-site assessments
3. Supplier on-site audits

Identifying supply chain risks

dormakaba has defined a target group for sustainability assessment based on identified sustainability risk factors – such as origin country and the material content of the goods purchased. The latter refers to material compliance topics that are included in the European Union's REACH regulations and RoHS Directive. Suppliers over a certain procurement threshold were taken into consideration as part of the categorization work.

To determine sustainability risk factors on a country level, the impact assessment and hotspot analysis we conducted in the financial year 2017/18 were used as a baseline. The hotspot analysis identified the following sustainability topics as being of highest relevance in the supply chain: (1) Energy and Emissions; (2) Effluents and Waste; (3) Occupational Health and Safety; (4) Materials; (5) Training and Education; (6) Freedom of Association; (7) Human Rights. For these high-impact topics, any supplier from countries listed as high-risk was included in the sustainability target group for assessment. This list will be reviewed in the regular course of future impact and materiality assessments in our sustainability management.

Supplier categorization for sustainability assessment

Supplier categorization chart. Y-axis: Materials compliance risk (Low, Medium, High). X-axis: Sustainability risk by supplier country and supplier spend (Low, Medium, High). Target group for sustainability assessment.
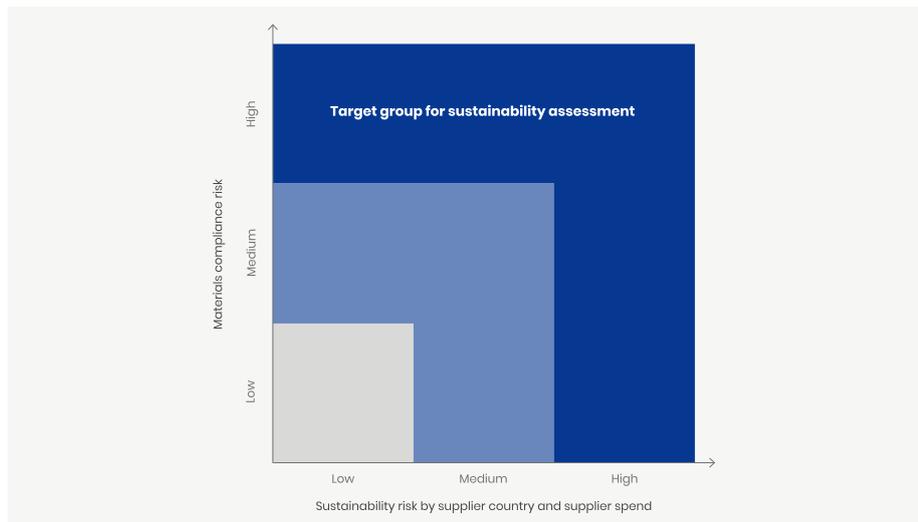
Supplier off-site assessments

As a further step in assessing the sustainability performance of our suppliers, dormakaba has partnered with a leading provider for monitoring sustainability in global supply chains called EcoVadis to reduce supplier risk and support supplier development. The assessment covers 21 sustainability criteria across four themes (environment, labor and human rights, ethics, sustainable procurement).

We apply a comprehensive self-assessment for all potential new suppliers as part of the supplier qualification process. This general self-assessment includes basic sustainability elements, such as management practice related to social benefits, formal employee suggestion programs, and environmental management systems. The self-assessment questions related to sustainability will be regularly assessed and improved based on changes in our sustainability strategy and regulatory trends.

Supplier on-site audits

To examine our suppliers' situation on-site, we developed a standard audit questionnaire that contains topics related to quality system management. Among these, sustainability topics such as internal Code of Conducts (CoCs), the dormakaba SCoC, and labor, health and safety and environmental standards are checked. Auditors are asked to check documentation on-site related to:

- Workers' ages and identity records
- Receipt of wages
- Training and communication on internal CoC
- Signature of the dormakaba SCoC
- Hazardous materials storage and worker training on safe handling
- Injury rates
- Development of water, energy and waste metrics over recent years.

As on-site audits require immense effort and cost, we have introduced a risk assessment process that takes into account the potential risk from specific locations, products and performance. This risk assessment results in a score ranking, indicating the frequency of auditing required for the relevant supplier. In the financial year 2019/20, we conducted on-site audits for 65 suppliers in China, Malaysia and India. As regards sustainability criteria, the main gap identified was a lack of energy use reduction strategies.

Our performance

In the financial year 2019/20, we made significant progress in our supplier sustainability engagement strategy in three key areas:

- Scaling up supplier off-site assessments in collaboration with EcoVadis
- Development of procedures in case of non-participation or non-compliance
- Training of procurement employees on sustainability and the processes related to off-site assessments.

Scaling up off-site supplier assessments

The financial year 2019/20 was the first year of collaboration with EcoVadis on supplier off-site assessments. We were able to scale up our efforts and increased the number of invited suppliers substantially versus the prior financial year, having invited 475 suppliers to join the assessment in a series of three waves. Prior to the launch of each wave, a kick-off was held to explain the process in detail to all local buyers with invited suppliers.

Unfortunately, 218 suppliers did not participate, either not responding to the invitation at all or refusing to participate, mainly due to the assessment fee. As at 30 June 2020, 171 suppliers were still under assessment, as we had extended deadlines in light of the Covid-19 pandemic.

Of the 86 assessed suppliers, eleven were identified as having significant actual and potential negative environmental impacts, and three were identified as having significant actual and potential negative social impacts in terms of labor and human rights. Overall, 35% of assessed suppliers achieved a bronze, silver or gold rating by EcoVadis, considered as moderate or advanced performance. However, the majority of assessed suppliers (62%) had only partial performance, with an additional 3% considered to have insufficient performance. Improvement plans were not agreed upon yet for any of these suppliers as a result of the assessment, nor were any business relationships terminated. The experiences and lessons learned, particularly on supplier's reasons for refusing to be assessed, were considered in the development of procedures for non-participation and non-compliance.

Overall score distribution

3% insufficient
62% partial
31% moderate
4% advanced
All companies assessed by EcoVadis
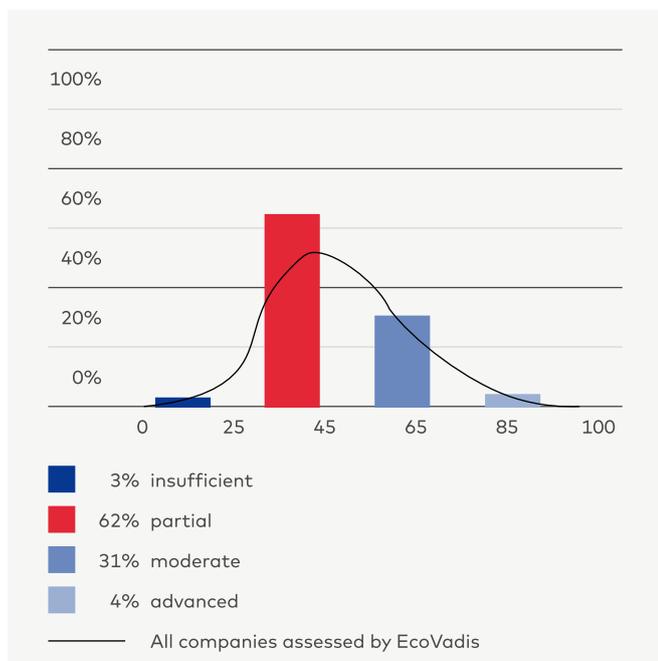
Procedures in case of non-participation or non-compliance

In the financial year 2019/20, we developed procedures and process flows for auditing rules and corrective action plans in terms of sustainability performance of suppliers, which have been approved by Management. At its core is the integration of a sustainable development clause in contracts for new suppliers and for existing suppliers in the course of contract renewals. The sustainable development clause establishes and describes the suppliers' obligation to participate in and pay for off-site assessments and/or on-site audits, and to commit to and implement an improvement plan if performance is below our defined benchmarks.

At the beginning of the supplier relationship, the supplier is presented with the dormakaba SCoC for signature. Suppliers refusing to sign the SCoC or who do not have their own of equal quality are blocked.

If a supplier is invited to participate in the EcoVadis off-site assessment, further actions are determined by their assessment score. For suppliers with bronze, silver or gold level, further reassessments are required in three to five years. For suppliers with partial performance, an annual reassessment is required, and an improvement plan is defined within the EcoVadis system.

Refusal to participate in an off-site assessment qualifies a supplier for an on-site audit. Likewise, suppliers' whose off-site assessment score is insufficient are shortlisted for on-site audit. A corrective action plan is defined in the course of the on-site audit, with a one-year implementation deadline. Suppliers are blocked or in active elimination for lack of implementation.

Additionally, a Responsible Procurement Steering Committee will be formed to take decisions on a case-by-case basis for special circumstances, such as when dealing with monopoly suppliers, quality checks of suppliers' internal CoCs, acceptance of sustainability assessments by providers other than EcoVadis, and monitoring and evaluation of suppliers listed as blocked or in active elimination due to sustainability performance.

Training of procurement employees

To raise more awareness of the process and sustainability in general across the procurement organization, a dedicated procurement training manager developed a training in a two-pronged approach. One training module was to raise general sustainability awareness (sustainability context, sustainability at dormakaba, sustainability in procurement), and another module was specifically focused on the supplier sustainability assessments (sustainability procurement targets, risk categorization of suppliers, EcoVadis assessment process). Participation in the latter was mandatory for our procurement organization, and for the first module employees from HR, operations, product development, controlling, sales and marketing were also invited to participate on a voluntary basis.

As at 30 June 2020, over 400 employees participated in the general sustainability training, including 65% of the procurement organization. Of those participants giving feedback, 91% said the training did an excellent or very good job at improving their understanding of sustainability and 59% were very likely to recommend the module to others.

In addition, 53% of the procurement organization took part in the supplier assessment module. Of those giving feedback, 48% felt the training was extremely useful in preparing to face any objections from suppliers who refuse to participate in the EcoVadis assessments. Participants also expressed the need for greater understanding of the consequences for suppliers for non-participation, which we will address in the upcoming financial year through the rollout of the abovementioned procedures.

Outlook

We plan to continue our collaboration with EcoVadis in the financial year 2020/21, aiming to complete the assessments launched in the financial year 2019/20 and to invite around 500 suppliers to be assessed. We will also roll out the abovementioned procedures in case of non-participation or non-compliance and continue the training initiatives.

Why supplier sustainability engagement fails without internal training

Interview with Thiri Kay Khine, Procurement Development and Training Manager, dormakaba Group

You have recently launched a sustainability training program for your procurement colleagues and quickly invited people from other functions to join in. Tell us a little about how you got into the topic and what you had to consider in the development of the training modules.

I was initially asked to develop a training around the EcoVadis Supplier Assessment program for our procurement colleagues. After further discussions, we felt a need to develop more awareness on the topic of sustainability itself as a general overview of our strategy and how sustainability plays an integral part of our business foundation.

Sustainability touches every aspect of our business and covers a wide spectrum of topics, so the toughest consideration for me was to develop a general overview that has sufficient breath on the Why (context, risk and benefits) and What (strategy framework) while adding extra depth on the How (procurement process).

I reflected on the flow to engage the Heart (emotional), Head (rational analytical) and Hands (practical) of the learner. Creating the module captivated me, as I was really motivated to make a difference on this topic, which I feel so strongly about, and to share this topic with my colleagues in a compelling and authentic way.

Why do you think training internal procurement colleagues on sustainability is so important?

Procurement has a large impact on sustainability as we have a substantial spend volume, and what we procure from our suppliers impact our own operations and final product. Our procurement colleagues are our frontline with our suppliers, therefore training would provide them with the understanding, knowledge and vocabulary to convince and collaborate with suppliers to make the best choice for dormakaba, and all our stakeholders.

I believe if you were the owner of this business, you would be very attentive to sustainability and you would want to protect your business for the current and future generations.

We employees are the heart of our business, likewise, we are the custodians of our planet. The individual choices we make collectively impact the business and our planet. Therefore, training is critical to empower our colleagues, to help people understand that what happens in the greater organization lies in the hands of every one of us.

The decisions that my colleagues and I make each day impacts the business and the world in a profound way. Training, if effective, will inspire us and will help us realize that the choices lie in our hands and that we have a great sense of responsibility towards our business and our stakeholders.

What was some of the feedback you received after the training sessions?

Virtual training has the key advantage to touch many employees simultaneously and create a sense of bonding, especially in this time of the Covid-19 pandemic, to reflect on how we can continue to build a resilient sustainable business model. It is very heartwarming to receive feedback from many colleagues who mention how happy they are to learn that our company shares the same values as them on saving and protecting our planet.

What's next for you in your sustainability engagement?

Continue to deliver training and for our colleagues and even expand to our supplier network. Sustainability covers a lot of topics, so we could break it down into different competence areas and find ways to share the information in small chunks with the right audience. In procurement, we have a tracking tool to evaluate our Procurement KPIs for cost savings and cost avoidance, so I hope to contribute to developing Procurement KPIs also for sustainability.

Focus Area Process and Production

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

Environmental Management

We focus on improving our management of environmentally related processes and reducing our carbon emissions, energy and water consumption.

Occupational Health & Safety

The protection of the physical and mental integrity and well-being of employees is a core responsibility of dormakaba.

Customer Privacy

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

Good practice in 2019/20
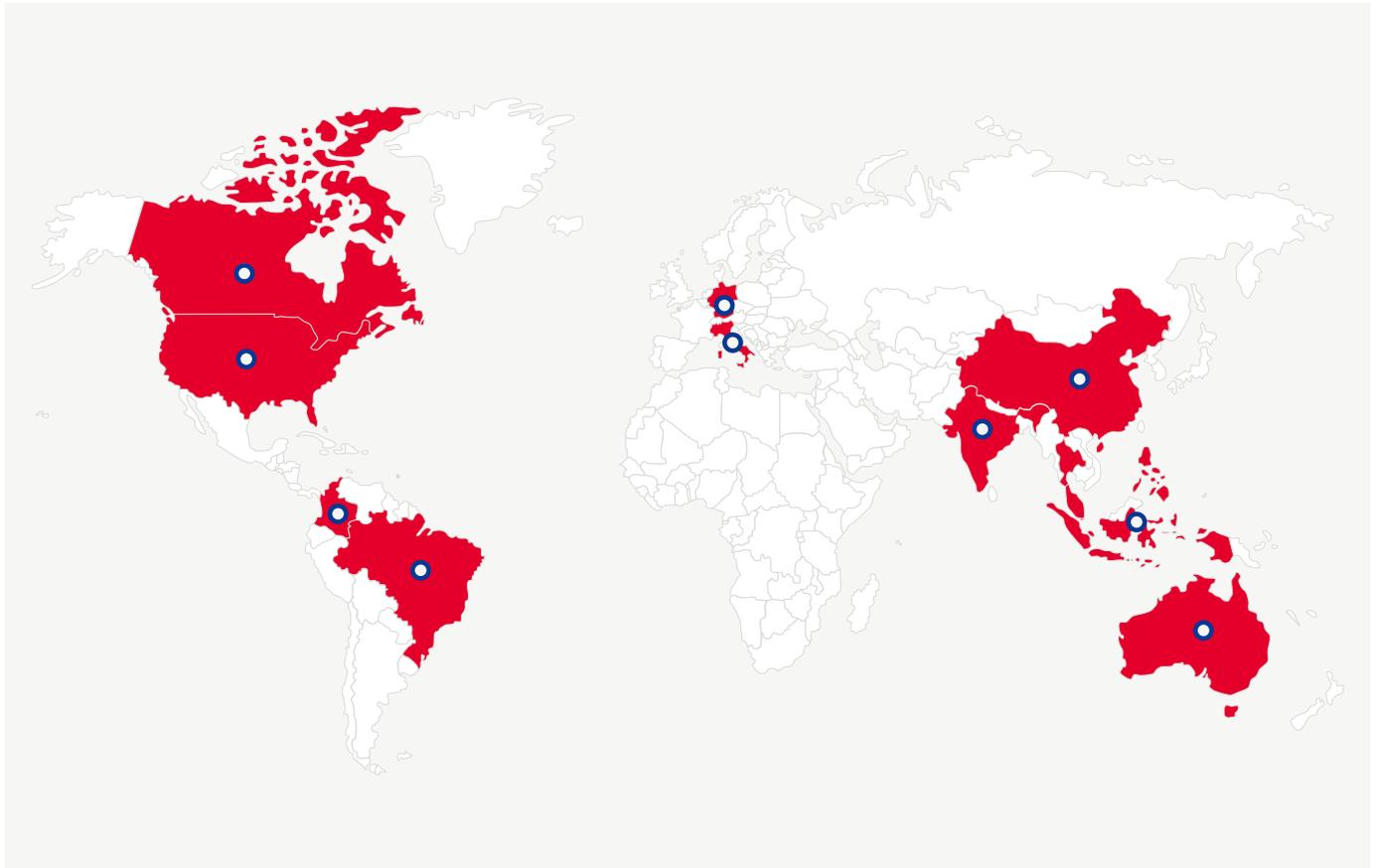
Colombia

ENERGY – Upgrade to the air compressor lines so that a smaller-capacity air dryer could be used for shorter shifts; OCCUPATIONAL HEALTH & SAFETY – Safety awareness and training programs focused on hand care, heavy weight handling, and emergency response including first aid and firefighting.

Brazil

WASTE – Launch of a Zero Plastic Waste campaign, which encouraged employees to eliminate plastic drinking cups and disposable coffee cups to nurture a culture of environmental awareness.

Southeast Asia

ENERGY – Installation of a new control system for the air handling unit of the chiller in Singapore; OCCUPATIONAL HEALTH & SAFETY – All employees were trained by an external safety professional as part of the ongoing ISO 45001 certification process in Senai (Malaysia).

Australia

ENERGY – Retrofitting lighting systems with LED; OCCUPATIONAL HEALTH & SAFETY – Installation of new dust extraction units to eliminate airborne dust pollution.

China

ENERGY – Retrofitting lighting systems with LED in Taiwan; Installation of a new air compressor and retrofitting lighting systems with LED in China.

India

ENERGY – Retrofitting of lighting systems to LED; motion sensors for the lighting systems; improved control systems for the air conditioning; WATER – Installation of sewage treatment plant and use of grey water for landscaping; WASTE – Replacement of wooden packing crates with carton boxes, which has eliminated about 80 tons of wood consumption.

Germany

ENERGY– Retrofitting lighting systems to LED in Bühl and Ennepetal; WASTE – Switching of wrapping packages to cardboard, resulting in saving 200 kg of packaging foil in Villingen-Schwenningen; ALL – Certification of a newly constructed building to Gold standard by the German Green Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen).

Italy

ENERGY – Upgrade to the HVAC system with a more efficient model, saving around 30% of energy consumption.

USA

ENERGY – Repair of leaks in the air compressor system, installation of new boiler for the heating system in Indianapolis; Retrofitting of lighting systems with LED in Dyersville, Indianapolis, and Huntsville; Setup of a new procedure to shut down machinery overnight in Mesquite. WATER – Overhaul of parking lot and loading areas, to include a redesigned storm drain system that redirects runoff to an adjacent grassy field in Dyersville, increasing infiltration and retention and reducing runoff; Installation of piping to utilize groundwater for cooling brass in place of the municipal water supply in Rocky Mount. This helps to reduce chemicals and electricity that the municipal water treatment plant would otherwise use to supply us with treated water, which is unnecessary for the cooling process. WASTE – Elimination of Styrofoam take-away containers and a new process set up to launder personal protective equipment rather than purchasing disposable variants in Indianapolis; Implementation of a recycling program in Kansas City, which has reduced landfill waste by at least 30%; Installation of a filtered water system to eliminate disposable water use in Mesquite. OCCUPATIONAL HEALTH & SAFETY – EHS weekly toolbox talks, safety improvement cards, employee suggestion box, sharing of near miss reporting in monthly meetings; and recognition program for employees that go beyond their normal job tasks to make their workplace safe in Indianapolis; Training on the new Lazersafe systems, which were installed on all press brake machines as an improved guarding system in Phoenix; Overhaul of the Behavioral-Based Safety (BSS) System to have more interactive root-cause analysis and develop problem-solving techniques together with employees in Dyersville. The program generates engagement in the form of actionable hazard identifications each business day.

Canada

ENERGY – Retrofitting of lighting systems with LED; OCCUPATIONAL HEALTH & SAFETY – Training provided for lift truck operators and first aid personnel.

Environmental Management

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

Why it matters

Every business, government and individual has a role to play in meeting the goals of the Paris Agreement. For our part, dormakaba aims to reduce our energy consumption and related emissions. We use the latest scientific knowledge to guide a sound management approach. Our energy-intensive processes include melting, and aluminum and zinc die casting. We use these materials to manufacture numerous products including hotel and high-security locks, door closers, fittings and door handles.

Key activities

dormakaba seeks to reduce the environmental impact of production and to adhere to environmental laws and regulations. We focus on improving our management of environmentally related processes and on monitoring and reducing our energy consumption, carbon emissions, water consumption and effluents, as well as monitoring our waste disposal and recycling rates.

Environmental management is embedded at both the Group and local levels of our various production locations. Several locations have environmental officers, while others have incorporated environmental management into their quality assurance processes.

Our environmental management covers the following aspects:

1. Energy and emissions
2. Water and effluents
3. Waste

Energy and emissions

The emission of greenhouse gases, which are generated through the use of fossil fuels, is one of today's biggest challenges. dormakaba has signed a commitment letter to the Science Based Targets initiative to set a science-based, Group-wide carbon emissions reduction target by September 2020.

The company has signed a commitment letter to the Science Based Targets initiative (SBTi) to set a science-based, Group-wide carbon emissions reduction target, and we have worked since the financial year 2017/18 to meet their target submission requirements. This included carrying out a screening and carbon inventory development of Scope 3 emissions, as well as expanding the coverage of our Scope 1 and Scope 2 emissions to an additional 31 sites, with total Scope 1 and 2 emissions representing over 92% of employees. It was agreed with the SBTi that our Scope 1, 2 and 3 reduction targets will be validated in the course of the financial year 2020/21. dormakaba continues to be committed to long-term carbon emissions reductions, as evidenced by our support of the UN-backed, CEO-led climate advocacy effort in May 2020 urging governments around the world to align their Covid-19 economic aid and recovery efforts with the latest climate science.

As a further commitment, we have set an interim carbon emissions reduction target of −5% tonnes of carbon dioxide equivalent (tCO$_2$e) by the end of the financial year 2020/21 for the reporting scope and baseline of the financial year 2017/18. The company has reduced over 15% so far, with approximately 9 percentage points stemming from increased purchase of renewable energy and energy efficiency projects. Other reductions in emissions are explained by decreased production due to the business impact of Covid-19 (as detailed in the Annual Report 2019/20), consolidation of production facilities in the USA, improvements in data quality and changes in seasonal weather patterns.

Energy consumption

Total energy consumption was over 245,000 MWh in the financial year 2019/20. Electricity and fuels for heating or manufacturing both play a crucial role in our production processes, constituting nearly 79% of total energy consumption. The remainder is associated with the fuel consumption of our vehicle fleet.

Many components used to create our products are manufactured in-house, and purchased parts require further processing, both of which impact total energy demand. As a result, we focus many of our energy saving initiatives in this area.

In the financial year 2019/20, energy saving initiatives were being implemented at various 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 air curtains, heat recovery, renewal of circulation pumps, radiators and valves); and the procurement as well as on-site production of renewable electricity.

As a result, we realized total quantifiable annual energy savings of approximately 4,300 MWh for the sites covered in the scope of this report. In addition, over 46,000 MWh (37%) of the electricity that dormakaba consumed came from renewable sources. In our Access Solutions (AS) EMEA segment, this share already reached over 64%. All other segments showed a percentage of electricity consumption from renewable resources ranging from 32–39%.

Besides the examples highlighted in the Good Practices map, further energy reduction activities in the financial year 2019/20 included:

- The AS AMER manufacturing facility in Phoenix (USA), which uses water chillers for the resistance welding equipment in a closed-loop system, installed new chillers that are 50% more efficient.
- AS APAC identified leaks of the air pipes below ground of the manufacturing facility in Taishan (China). Replacing the pipes resulted in energy savings of 756,000 kWh/a for the air compressors. Further, the facility eliminated the use of kerosene as a heating fuel in the die casting processes by installing electrically powered machinery instead.
- In Australia, the fleet management team has developed a strategy to procure more environmentally friendly vehicles for management, sales and service teams. They have already begun switching around 100 vehicles to hybrid models, with expected fuel cost savings of 27% and carbon emissions reductions of 33% compared to the outgoing models once the project is complete in 2023.
- AS EMEA refurbished its heating system at the Villingen-Schwenningen (Germany) manufacturing facility with a new ventilation system including a combined heat and power plant to reduce energy consumption. The heat recovery is 75%, the equivalent of a reduction of 400 tCO_2e on an annual basis.
- For the Key & Wall Solutions segment, the Key Systems business unit's facility in Rocky Mount (USA) replaced its extrusion press oven with a new efficient oven, resulting in a reduction of natural gas use by the equivalent of 194 tCO_2e on an annual basis.

in MWh	2019/20
Energy consumption	**245,042**
Electricity	**125,327**
District heating	**1,489**
Heating fuels total	**66,694**
Heating oil, kerosene and diesel for backup generators	7,128
Natural gas	58,179
LPG/propane	1,388
Vehicle fuels total	**51,531**
Diesel	39,668
Gasoline	10,505
LPG/propane	1,280
Other vehicle fuels	79

**Energy use
(in MWh)**

- 125,327 Electricity
- 68,030 On-site fuel for heating or manufacturing (incl. district heating)
- 51,685 Vehicle fuels
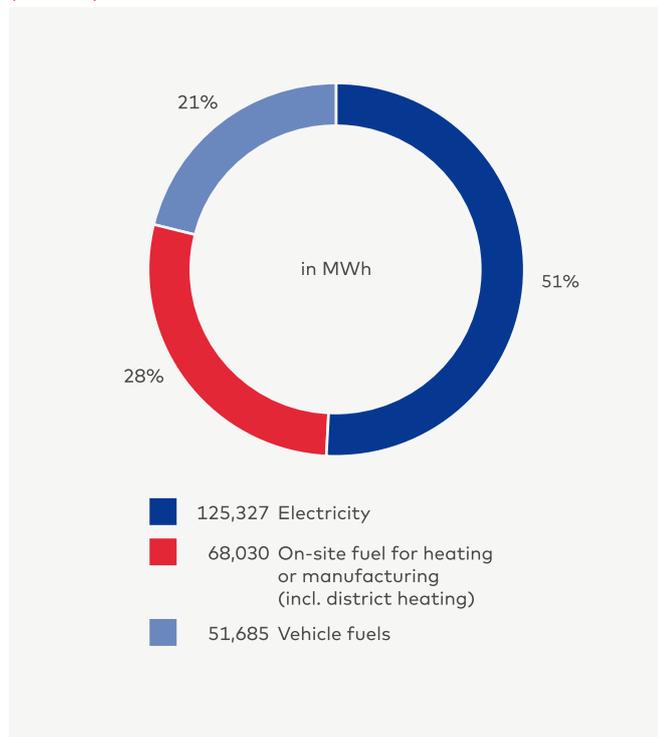
**Purchased electricity by source
(in %)**

- 48.3 Fossil (e.g. coal, natural gas, oil)
- 30.4 Hydro
- 9.8 Nuclear
- 4.9 Other non-renewable (non-verifiable energy sources, or sources unknown)
- 3.6 Wind
- 3.0 Other and unknown renewable sources (incl. biomass, solar, geothermal, waste incineration)
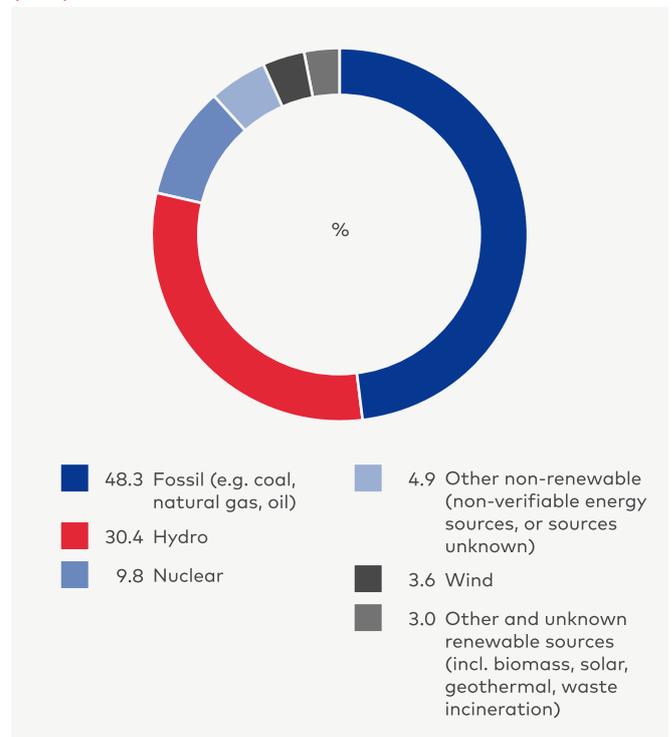
Energy use by segment (in MWh)


- Renewable
- Non-renewable
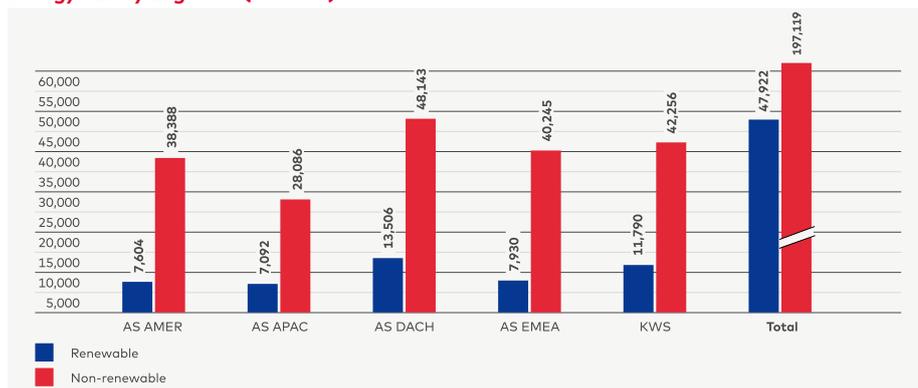
Purchased electricity by segment (in MWh) *
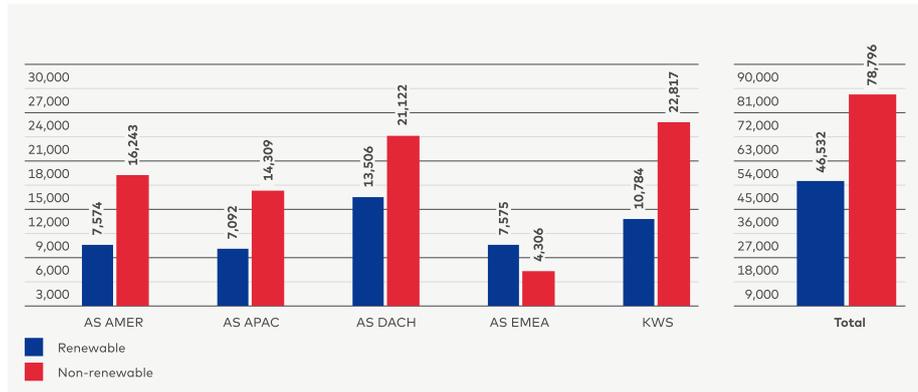
* Including own generation

Percentage of purchased electricity from renewable sources by segment (in %) *
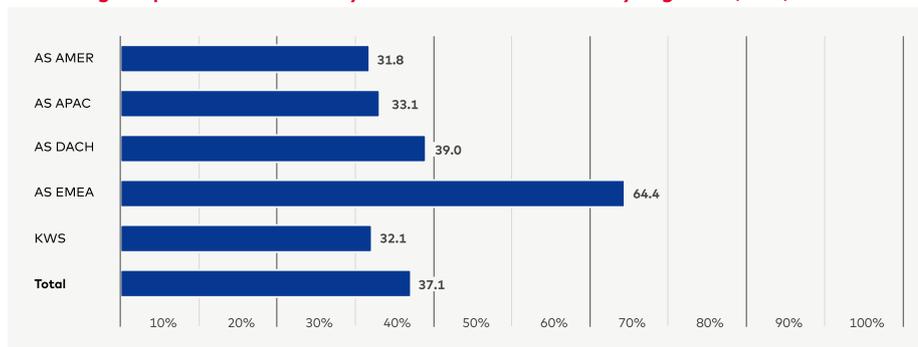
* Including own generation

Greenhouse gas emissions

In the financial year 2019/20, our total greenhouse gas emissions (GHG) amounted to nearly 73,000 tCO_2e. Around 60% were emitted as a consequence of electricity consumption, followed by heating and vehicle fuel consumption, and volatile as well as process gas emissions. Climate-related initiatives implemented during the reporting year resulted in total annual savings of approximately 16,400 tCO_2e (over 20% of our total footprint).

Due to the implementation of energy saving initiatives outlined above, we expect to reduce our annual GHG emissions by approximately 2,300 tCO_2e. We also worked diligently to source renewable electricity or generate own renewable energy wherever feasible, leading to an annual emissions avoidance of approximately 14,100 tCO_2e.

Examples of GHG reduction activities in the financial year 2019/20 included:

- Our AS AMER facility in Indianapolis (USA) switched to green electricity in early 2020, saving approximately 4,600 tCO_2e per year. This switch is expected to reduce 6% of our global carbon footprint, greatly contributing to the achievement of our emissions reduction target of –5% tCO_2e by the end of the financial year 2020/21.
- Our Key Systems facility based in Senai (Malaysia) has installed a solar power plant on its roof, reducing carbon emissions by about 40% and with an expected return on investment in 3.5 years.

Greenhouse gas emissions by source (in tCO$_2$e)

- ■ 44,439 Electricity
- ■ 14,182 On-site fuel for heating or manufacturing (incl. district heating)
- ■ 13,642 Vehicle fuels
- ■ 729 Refrigerant and process emissions
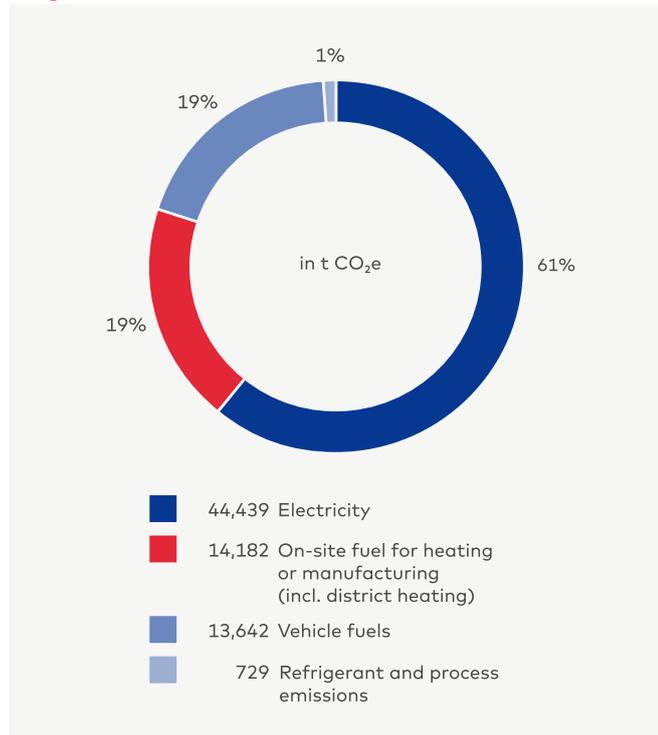
Scope 1 and Scope 2 emissions (in tCO$_2$e)[1]

Direct greenhouse gas emissions (Scope 1)[2]

- ■ Heating fuels (incl. diesel for back-up generators)
- ■ Vehicle fuels (owned and leased vehicles)
- ■ Volatile and process emissions (e.g. refrigerants and welding processes)

Indirect greenhouse gas emissions (Scope 2)[3]

- ■ Electricity[4]
- ■ District heating
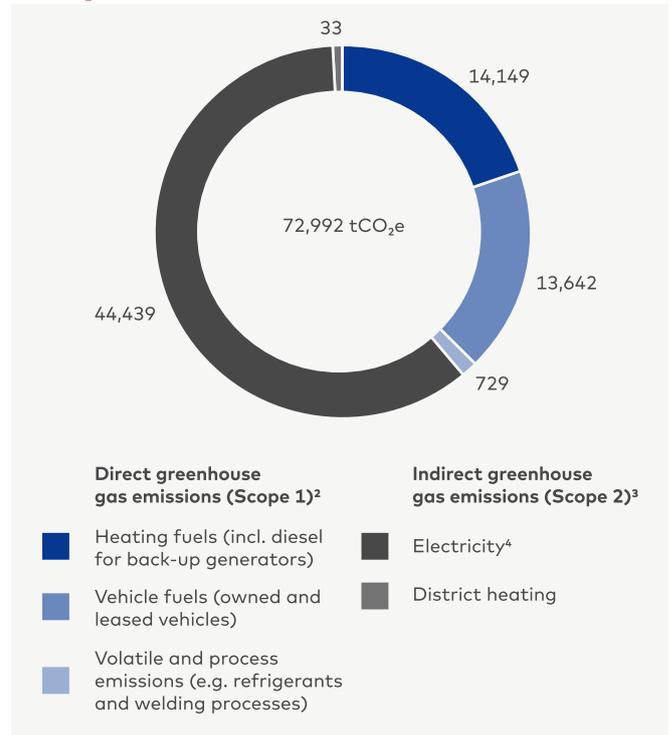
1) Greenhouse gas inventory calculated in accordance with the WRI/WBCSD Greenhouse Gas Protocol. Emission factor sources: UK Defra (2019), US EPA eGRID (2018), IEA (2019), AIB (2018).

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 the company'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 60,370 tCO$_2$e.

Greenhouse gas emissions by segment (in tCO$_2$e)
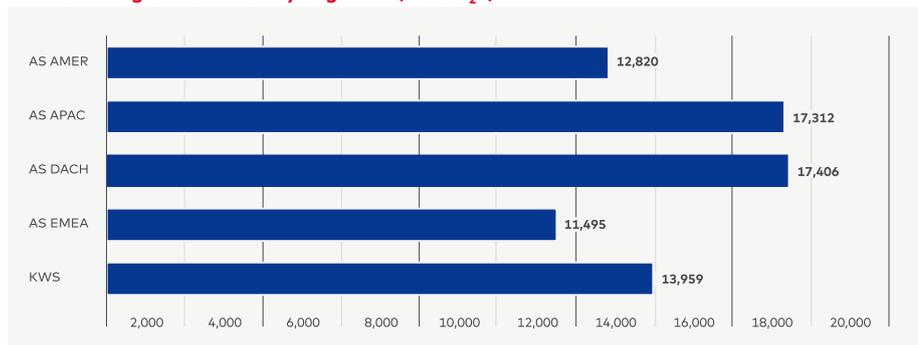
As part of our commitment to the Science Based Targets initiative, we carried out a screening and carbon inventory development of Scope 3 emissions. The screening showed that the largest sources of Scope 3 emissions stem from purchased goods and services (75%) and use phase of sold products (11%). We also learned that Scope 3 emissions constituted around 90% of our combined Scope 1, 2 and 3 carbon emissions, highlighting the importance of Scope 3 emissions on our climate strategy. In a second phase, we therefore developed carbon inventories for these categories of purchased goods and services and of use phase of products. For the latter, we calculated the footprint of the 334 products that consume energy after installation, including those that are battery-operated. Due to the impacts of Covid-19, the sales and purchase volumes from the financial year 2018/19 were used in the calculations.

Scope 3 emissions: Purchased goods and services (in tCO_2e)[1,2]

in t CO_2e

23%

35%

40%

2%

- 334,995 Metals [1]
- 14,477 Other raw and packaging materials [1]
- 387,173 Other materials, parts and components [2]
- 220,691 Services, IT, operating materials, consumables [2]
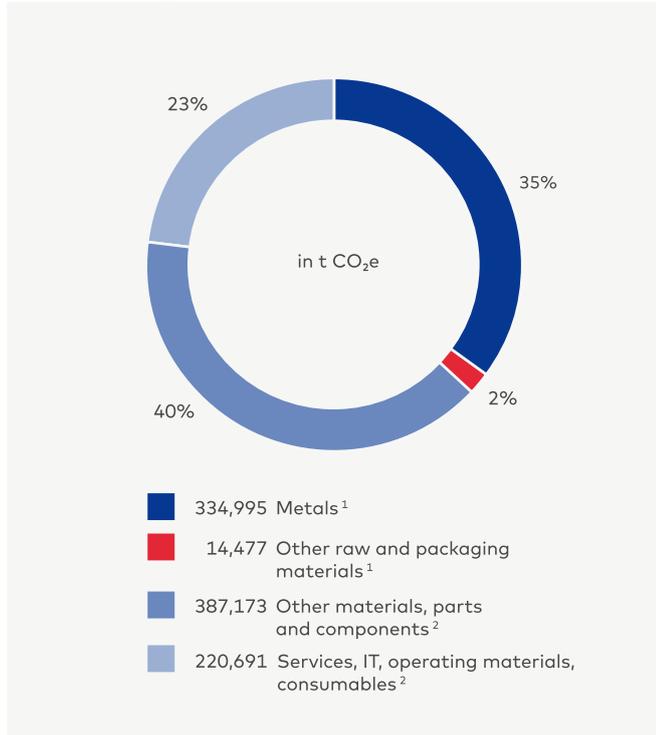
Scope 3 emissions: Use phase of products (in tCO_2e)[3]

in t CO_2e

6%   1%   0.35%

10%

60%

23%

- 101,185 Entrance Systems
- 38,232 Electronic Access & Data
- 16,444 Door Hardware
- 9,192 Key & Wall Solutions
- 1,966 Safe Locks
- 581 Lodging Systems
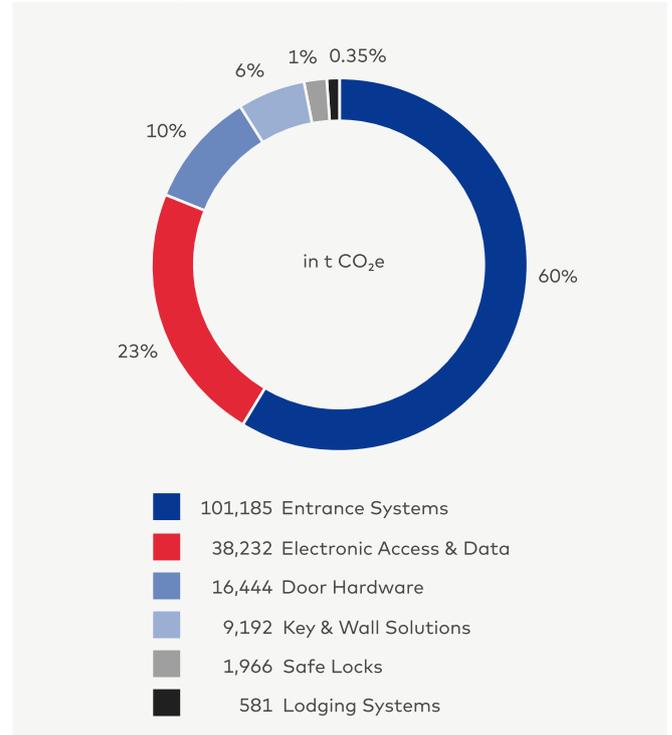
1) Calculated via direct material weight. Emission factor sources: UK Defra (2019), US EPA eGRID (2018), IEA (2019), AIB (2018).

2) Calculated via spend volume.

3) Calculated via energy consumption during the use phase. Emission factor sources: UK Defra (2019), US EPA eGRID (2018), IEA (2019), AIB (2018).

Water and effluents

In the financial year 2019/20, dormakaba reassessed the water stress levels for all our sites, including those beyond the regular scope of this report. The new analysis revealed that approximately 40% of sites have the potential for high to extreme water stress, defined as a "water demand to supply ratio of 40% or greater for the respective municipality". The data stems from a geographical analysis of water stress at catchment level for the year 2020 for dormakaba sites. The water stress analysis is based on the two databases Aqueduct Water Risk Atlas by the World Resources Institute and AQUASTAT by the Food and Agriculture Organization. Results of the updated risk assessment will be shared with those sites having (1.) high or extreme water stress, and (2.) high water consumption relative to other sites for development of mitigation plans.

Water stress level by sites*
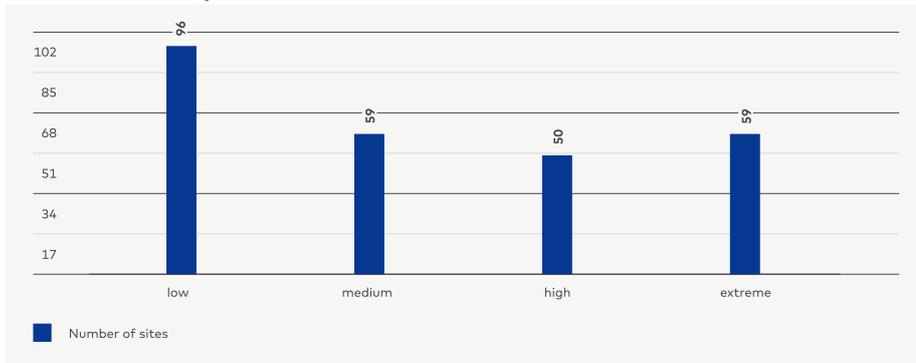
* Based on all locations, including those beyond the regular scope of this report.

The majority of our total water consumption is municipal water used for cooling, manufacturing processes, and for sanitation purposes. Wastewater is mainly discharged via the local municipal sewerage system, in compliance with local requirements and treated by third-party companies where necessary.

Besides those shown in the Good Practice map, examples of water savings activities and good practice in effluents management in the financial year 2019/20 included:

- AS APAC identified and replaced rusted underground water pipes in the manufacturing facility in Taishan (China) saving 3,500 m^3 of water per year. The subsidiary in Taiwan installed processes to reuse 1,220 m^3 of grey water, and the manufacturing facility in Chennai (India) installed drip irrigation to water their gardens, reducing around 10% of overall water consumption.
- AS DACH installed a coolant emulsion recovery system to reuse the separated water and distilled emulsion at the manufacturing facility in Suzhou (China) and implemented a daily water usage monitoring system to quickly detect leaks or changes in consumption pattern at the manufacturing facility in Melaka (Malaysia).
- Key & Wall Solutions made improvements to its wastewater treatment system in Rocky Mount (USA), reducing water use and risk of polluting the local water supply through the effluent. This included replacing an aging copper analyzer with a new, multi-metal analyzer for copper and nickel. The analyzer will be to detect metal levels at the final stage of treatment and redirect the effluent to a holding tank for further processing if levels are too high, before the effluent is transferred to the municipal water treatment plant. The EHS team also installed a new pH meter that allows for adjusting the pH levels to pull the nickel out of the effluent more easily and swapped to a more environmentally friendly soap for cleaning the burnisher, among other improvements.

Water consumption

734,847 m³

- 649,213 Municipal water supplies (tap water)
- 80,537 Ground water (drawn directly from well)
- 5,097 Surface water (drawn directly from rivers, lakes, wetlands, etc.)

Wastewater discharge

461,670 m³

- 241,661 Municipial sewerage system
- 136,524 Disposal to water bodies
- 83,485 Treated by third party
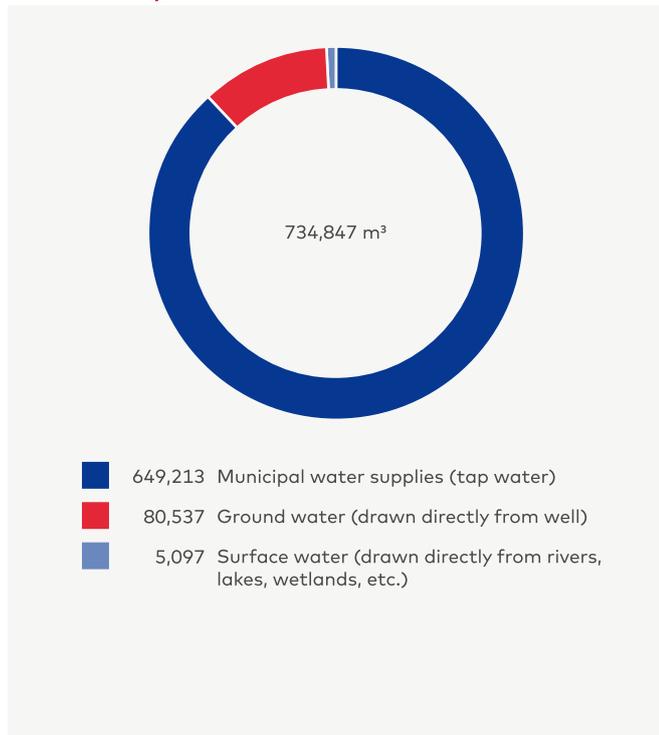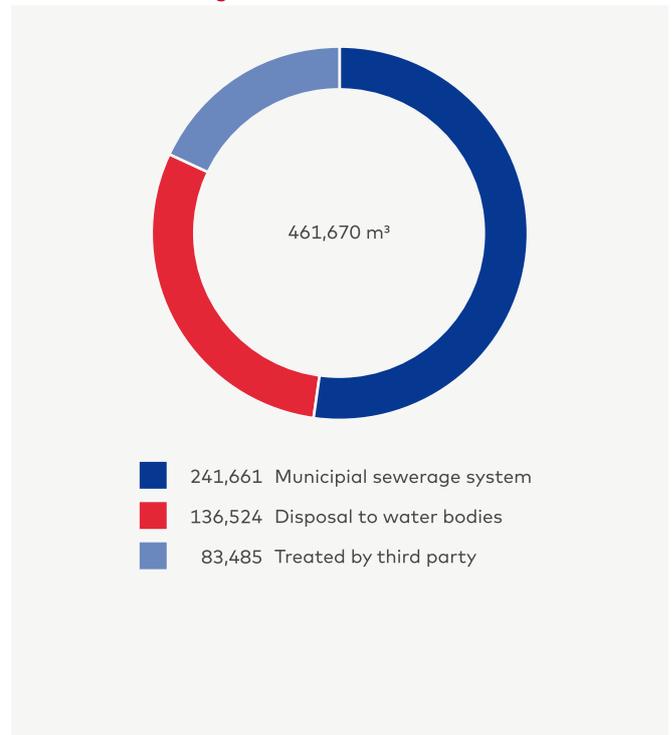
Waste

Next to water consumption and effluents, waste management is of key importance during the electroplating, surface finishing and painting processes. Our filter systems ensure that potentially hazardous substances are not released externally.

Toxic waste arising from painting and electroplating is disposed of as special waste. In addition, scraps from turning and milling or punching are recycled, and returned, for example, to the suppliers of the raw materials. Certified disposal companies are commissioned to dispose of industrial waste and chemicals, and to recycle materials.

The generation of different waste streams is an inevitable consequence of our operations. We monitor our waste by treatment method and by waste type. Approximately 68% of the waste stream was recycled, reused or recovered (including raw materials and energy recovery) in financial year 2019/20. At about 76% by weight, the largest proportion of waste is scrap metal.

Besides the examples shown in the Good Practice map, examples of waste activities in financial year 2019/20 included:

- AS AMER rolled out a program to replace oil mats with new absorbent, reusable ones for the shop floor, which were used to recover the oil and avoid 5000 lbs. of oil waste for the Indianapolis (USA) facility. The oil is now captured and recycled.
- AS APAC's manufacturing facility in Taishan (China) completed the installation of treatment system to filter out water from electroplating sludge, which is estimated to reduce sludge waste disposal from electroplating by 40% (around 300 tons per year).
- AS DACH's manufacturing facility in Suzhou (China) invested in a recovery system for separating paint thinner from paint mixes. The recovered paint thinner is reused to clean the paint system pipes and equipment.
- In AS EMEA, new customers of dormakaba locking systems in Switzerland were traditionally sent a security ID card and information brochure for registration and reordering additional or replacement keys. Over 60,000 plastic security cards and brochures were distributed every year. To reduce paper and plastic waste, a new system was developed for sending one sheet of FSC-certified paper, with printed security cards and a QR code directing customers to digital information brochures. This action will save 3 tons of paper and 300 kg of plastic per year.

**Non-hazardous waste by type
(in metric tons)**

39,876 metric tons

- 31,831 Scrap Metal
- 4,846 Other commercial and industrial (mixed) waste
- 1,561 Wood
- 1,474 Paper & cardboard
- 108 Plastics
- 56 Glass

**Hazardous waste
by type (in metric tons)**

2,238 metric tons

- 2,065 Chemicals and other
- 96 Electronic Scrap
- 76 Batteries

Waste by treatment path

in metric tons

**Non-hazardous waste
by treatment path**

- 18,132 Recycling
- 9,641 Reuse
- 7,624 On-site storage
- 3,817 Landfill
- 636 Incineration
- 26 Recovery

**Hazardous waste
by treatment path**

- 1,021 Recycling
- 819 On-site storage
- 367 Incineration
- 31 Landfill

Our performance

To ensure our environmental management is state-of-the-art, we refer to international standards for environmental management (ISO 14001) and energy management (ISO 50001). All manufacturing sites that have more than 100 employees, and non-negligible hazardous materials in use, are expected to maintain an environmental management system based on ISO 14001. Those with production process that could potentially seriously harm the environment are required to certify their environmental management system. These processes include plating, anodizing, polishing, galvanizing, painting and casting.

Today, 36% of the manufacturing sites based on our reporting scope in 2017/18 already benefit from environmental standards set forth by ISO 14001 (or similar) certification. We aim to increase this total to over 50% by the end of the financial year 2020/21 (baseline financial year 2017/18).

In the financial year 2019/20, our manufacturing facilities in Senai (Malaysia), Westerstede (Germany) and in Taiwan, for example, became ISO 14001 certified and handle environmental issues according to the international standard.

Further, all manufacturing sites are expected to maintain an energy management system based on ISO 50001 by the end of the financial year 2021/22. Currently 21% of manufacturing sites do so. In order to raise awareness and clarify expectations, a checklist on Group standards for energy management systems was developed and shared with all manufacturing sites in the financial year 2019/20.

Segment	ISO 14001 Certificate	Maintain Environmental Management System	ISO 50001 Certificate	Maintain Energy Management System
AS AMER	3	13		1
AS APAC	4	5	1	4
AS DACH	6	7	3	4
AS EMEA	10	13		4
KWS	2	7		2
Total	**25**	**45**	**4**	**15**
% locations covered in reporting scope*	24%	44%	4%	15%
% employees covered (based on FTEs)	60%	64%	15%	35%

* Including offices

There have been no incidents of non-compliance with environmental laws or regulations in the financial year 2019/20.

Outlook

Despite the uncertainties brought by Covid-19, we will continue our efforts to achieve our environmental targets and to advance our global environmental activities. For example, we aim to set water use reduction targets together with the local management for those sites having (1.) high or extreme water stress, and (2.) high water consumption relative to other sites, in order to develop appropriate action plans. This also is part of our human rights roadmap in view of the right to clean water and sanitation. A large variety of other activities are planned including:

- AS AMER plans investment in more efficient heating system, a sustainable building certification for a new facility retrofitting to LED lighting and water savings mechanisms in sanitation areas.
- AS APAC will improve an air compressor control system and will implement a rooftop leasing project with a solar energy provider.
- AS DACH will establish LED lighting as a standard across the segment. In Germany, improvements will be made to HVAC system including installing more efficient water pumps and boilers, shutting off the air conditioning on the weekends, and equipping more energy-efficient air compressors with a heat recovery system that feeds into the general heating system.
- AS EMEA will continue its multi-year project to install a more efficient heating system for the manufacturing facility in Wetzikon (Switzerland), which will reduce their carbon emissions by 60%. A harmonized ISO 14001 management system will be implemented within the next two financial years for four large manufacturing facilities across the segment.
- Key & Wall Solutions expects to achieve five ISO 50001 and two ISO 14001 certifications across various facilities. Specific projects include the installation of: new solar panel systems at two facilities and an expansion of an existing solar panel

system at another facility; evaporators to reduce liquid hazardous waste coming from nickeling and milling processes; new boilers and more efficient air compressors; and a heat recovery system for air compressors to reduce warming needs in the winter.

Moving from energy consumer to energy producer

An interview with William Lee, Senior Manager Operations, dormakaba Movable Walls APAC

With your solar power plant installation in Senai (Malaysia), you are the third manufacturing facility in dormakaba to make the shift from energy consumer to energy producer. What motivated you and your management team to do this?

In line with our commitment towards sustainable development, our team at Senai set increased focus on environmental projects for the financial year 2019/20. We landed on the idea of a solar power system because the positive impact on the environment is great in terms of carbon emissions reduction, and at the same time reduces our electricity bill. We also realized that we were eligible for some local government programs that support this kind of investment with tax incentives.

What were the most surprising or challenging things that you had to consider in the panel selection, installation and maintenance process?

Everything was a challenge! This was because we had to learn everything about how such systems work, from top to bottom. It was very new for everyone, and very technical. We set up a project committee and conducted a study on the different types of panels available, ran cost comparisons and scenarios on system reliability. During the installation phase, the challenging part was ensuring the safety of the installers because we were ten meters up on our roof.

How have you set up the system? For example, are you still connected to the local power grid and are you able to sell your surplus electricity to the local utility company for credits? Is the system reliable even on cloudy or rainy days?

This system has a dual meter, meaning we can sell the excess energy back to the utility company. The monthly electricity bill has the import & export figures. The system still produces energy on rainy and cloudy days but just not as much as on sunny days. We can monitor the system 24/7 via a mobile app, which shows the energy produced and whether there are any technical faults.

Looking forward, what is the one biggest piece of advice that you would like to share with others that are considering similar installations?

I would highly recommend this system to all our EHS colleagues and other companies. This project brings enormous benefits, both for the environment and for our profitability, with an expected return on investment in three and a half years. We have already seen a 45% drop in our electricity bills, too. This system can be used for 25 years – the main maintenance work is cleaning the PV Module, which we contract out for a very minimal annual fee. We even negotiated to have this done free of charge for three years. I do not see any reason not to install one.

The rooftop solar panel installation in Senai, Malaysia

Occupational Health & Safety

Throughout our business and most especially in our manufacturing sites worldwide, the health and safety of our employees is a priority.

Why it matters

The protection of the physical and mental integrity and well-being of employees is a core responsibility of dormakaba. Accidents and work-related illnesses can be of a long-term nature and entail costs to society and the company. We can only be successful in the long term if we help ensure our employees remain healthy. Occupational health and safety (OHS) addresses not only the safe operation of machines, ergonomic workplaces or the handling of hazardous substances, but also mental health issues including stress, depression and emotional well-being. We strive to simultaneously create optimal working conditions for our employees and to ensure operational efficiencies.

Key activities

Throughout our business and particularly at our manufacturing sites worldwide, the health and safety of our employees is a priority. We want to provide a safe workplace, though many injuries are still occurring in and around our facilities: including cuts, stumbles, commuting accidents, burns in smelting operations, heavy lifting or exposure to toxic fumes in galvanization processes. Currently, dormakaba has only location-specific systems in place to align with national regulations and standards.

It is our goal that, by the end of financial year 2021/22, all dormakaba manufacturing sites will maintain an occupational health and safety management system based on the rigorous standards set forth by ISO 45001 or OHSAS 18001. 73% of our manufacturing sites have already achieved this. These sites have designated safety personnel, safety committees, regular safety training, and they collaborate with external partners to ensure that health and safety standards are integrated in prevailing production processes at dormakaba.

In addition, 21% of the manufacturing sites covered in this report benefit from the ISO 45001 or OHSAS 18001 certification. Our facility in Vittorio Veneto (Italy), for example, achieved ISO 45001 certification in the 2019/20 financial year.

To ensure our employees remain healthy, dormakaba focuses on three areas:

1. Employee engagement and training
2. Reducing hazardous materials
3. Designated safety personnel and safety committees

Employee engagement and training

To identify and address our health and safety risks, employee engagement is crucial. Our employees are encouraged to report challenges and near misses in order to address these risks. Several segments, for example, regularly train employees to report near miss incidents that have a potential for injury or property damage in an effort to be proactive. This program helps employees recognize hazards or unsafe acts and to correct them immediately or to ask for support to correct the issue. Near miss reports are treated the same as injury reports, and the respective supervisor follows up with the near miss to ensure it is corrected.

Besides those listed activities shown in our Good Practices map, examples of our employee engagement and training in the financial year 2019/20 included:

- AS AMER has 13 sites that are implementing and maintaining health and safety management systems. Each has set up facility-specific plans and policies and documented them for the internal audit team to evaluate conformance with rollout plans. AS AMER targeted five Environmental, Health & Safety (EHS) areas of focus for the financial year 2019/20 included emergency action plans, machine guarding, ergonomics, hazard risk and EHS Lean, which encompassed standardized floor

markings throughout all facilities. Each key topic had detailed activities along with deliverables to show progress toward the end goal.

- Service employees in AS AMER also participated in online Risk Control training modules and are reminded monthly on the best safety practices and procedures. Risk analyses are conducted prior to preforming service duties for certain projects, and we shared information on any injuries or safety issues within the company regardless if the instances occurred within their region.
- AS DACH offers a special hotline for all employees in Germany to give them and their direct relatives independent and anonymous advice on a wide range of well-being issues, such as health, work-life balance or family relationship issues. The hotline provider Talingo EAP has many consultants with appropriate expertise, including psychologists, psychotherapists, doctors, family, couple and parenting counselors, management coaches and crisis intervention experts.
- Key & Wall Solutions implemented an online safety training system that includes built-in training matrices and record keeping in Rocky Mount (USA). Additionally, hazard reporting and near miss reporting were the focus of awareness training and safety focus for injury and risk reduction. In Vittorio Veneto (Italy), a retraining program has been completed by all 377 employees at the manufacturing facility, including management, office workers and production employees.

Reducing hazardous materials

The potential impact on employees' health of working with hazardous materials is of special concern. Hazardous materials are used as cooling lubricants, oils in machining and for the cutting of raw materials. As well, in the electroplating area some hazardous materials are used to protect materials from corrosion.

Examples of our activities to reduce hazardous materials in the financial year 2019/20 included:

- AS AMER eliminated the use of hazardous material such as acetone in the cleaning process of parts prior to coating in Montreal (Canada). We also conducted air quality testing in many production and office sectors and made improvements to the ventilation where required. The Indianapolis manufacturing facility eliminated aerosol can usage by 25% by converting to spray bottles. Additionally, the manufacturing facility in Reamstown (USA) reduced the use of a hazardous degreaser by 28% by switching to a non-hazardous substitute.
- The AS DACH manufacturing facility in Suzhou (China) began renovations to the painting system in order to switch over from solvent-based to water-based application. Similar renovations were completed in the AS APAC manufacturing facility in Taishan (China), where 15 tons of oil-based paint was switched to water-based paint. Around 50% of all paint used is now more environmentally friendly.
- Key & Wall Solutions installed a new dust control system over the batching line along with an upgraded bag filter to reduce dross and brass metal dust in Rocky Mount (USA). Similarly, air quality was the key focus in Senai (Malaysia), where we installed a centralized woodworking dust extraction system connected to all machinery. In Vittorio Veneto (Italy), a general review of hazardous substances uses and new internal criteria for procurement resulted in the elimination of 91 hazardous substances.

Designated safety personnel and safety committees

dormakaba employs designated safety personnel and safety committees in order to ensure that workers comply with company policies and government regulations. These forums also facilitate communication and cooperation between management and personnel.

Examples of our safety personnel and safety committee activities in the financial year 2019/20 include:

- Each AS AMER manufacturing site has established an EHS Committee comprised of various employees from different departments and shifts. For example, in Indianapolis (USA) first responders receive training every two years on first aid/CPR and the use of Automated External Defibrillator, and they attend quarterly meetings to go over best practices and lessons learned. An ergonomics team was

newly established, and members received extensive training on ergonomics and how to evaluate risks in the building.

- AS APAC already had established safety committees or designated safety personnel in India and Australia and has now formed an EHS committee in Taishan (China) as well. In addition, the subsidiary in Taiwan conducted an external safety audit, which highlighted safety concerns that have since been corrected.
- Similarly, AS DACH has dedicated safety experts in Germany, who ensure that accidents are analyzed with a so-called STOP (Substitution, Technical, Organizational, Personnel) system. STOP activities have been shared more widely than previously – at any accident site, a description of the accident and the corrective actions are visualized in roll-up displays to help all employees remain vigilant. The AS DACH manufacturing facilities in Asia also have dedicated EHS engineers and/or safety officers in place. Safety concerns are addressed in the daily line-up meetings.
- AS EMEA has a QEHS manager in each manufacturing facility with responsibility for monitoring workplace safety activities, developing programs and providing or organizing safety trainings. First responders are assigned, and the first aid supplies are maintained. In Velbert (Germany) the health and safety system has been optimized by installing a HSE software.
- Key & Wall Solution continues to have a designated EHS manager and maintains a safety committee which is focusing on safety campaigns for awareness, safety audits, hazard recognition and employee occupational health in Rocky Mount (USA), and the manufacturing facility in Dyersville (USA) has recently recruited an EHS manager. The manufacturing facility in Bogota (Colombia) has reorganized the safety committee, whereas a new committee was established in Greater Noida (India).

Our performance

Among all our reporting sites – including offices – 22% had a health and safety management system certified to OHSAS 18001, ISO 45001 or the equivalent local standard; and 63% maintain a health and safety management system. For these sites, health and safety training goes beyond the mandatory requirements to include emergency and risk prevention. For example, assessments of repetitive movement and heavy load-lifting, to prevent work-related illnesses, take place at various sites.

Segment	OHSAS 18001 Certificate or similarly certified	Maintain OHS Management System
AS AMER	3	19
AS APAC	3	15
AS DACH	4	7
AS EMEA	11	16
KWS	1	8
Total	22	65
% locations covered in reporting scope*	22%	63%
% employees covered (versus Group-wide FTEs)	40%	76%

*   Including offices

OHS In the financial year 2019/20, 231 occupational injury cases were registered (1.7 per 100 full-time employees), compared to 259 in the previous reporting year. Regionally, occupational injury cases were reported as follows: 1 in Switzerland (0.1), 47 in Germany (1.8), 43 in the rest of Europe, Middle East and Africa (1.4), 98 (3.3) in the Americas, and 42 (1.1) in Asia Pacific. There were no fatalities as a result of work-related injuries in the financial year 2019/20.

Outlook

We will continue our efforts to ensure our employees remain safe and healthy. Planned projects and initiatives include:

- AS AMER will develop a concept for the creation of an EHS orientation video for all visitors, contractors and vendors to watch before they perform work on-site or visit the manufacturing facility in Indianapolis (USA). The facility will also pursue the ISO 45001 certification, as will the manufacturing facility in Nogales (Mexico). Additionally, the safety team in Nogales will improve the machine guard system, installing curtain guards and two-hands activation as well as implement a safety awareness and training program. The manufacturing facilities in Mesquite (USA) and Sao Paulo (Brazil) plans to launch wellness programs.
- AS APAC will strengthen the EHS team in Taishan (China) with a safety engineer. In Hallam (Australia), a new site layout and workflow changes are planned to address safety issues and safety officers will be appointed for all main sites to oversee management system adherence, incident investigation and return-to-work procedures.
- AS EMEA will continue the ongoing implementation of harmonized health & safety management systems based on ISO 45001 for the four largest manufacturing facilities currently without a certification. For three of these, safety risk assessments of production areas and offices will take place, as well as the defining of required personal protective equipment.
- Key & Wall Solutions will implement a more formal job safety analysis program to identify potential risks in Rocky Mount (USA). Additionally, a wellness program will be rolled out in Bogota (Colombia), the EHS team will reduce the manual handling of loads and weight through layout changes and mechanical aids. In Montreal, the EHS team will implement a project focused on reducing work-related injuries stemming from the manual manipulation of panels. The EHS team in Senai (Malaysia) will focus on reducing health and safety risks for and by external parties who work on our site, including control of work permits of external contractors.

Keeping employees safe during the Covid-19 pandemic

Working with human resources teams across dormakaba, our Environment, Health and Safety managers were vital in developing contingency and communication plans during the pandemic. These plans outlined key responsibilities and action plans for each escalating alert level. The crisis management organization was structured on a country level, with the HR and Operations Leads from every segment taking part in the Group Crisis Taskforce. A variety of actions across the Group was implemented, including:

Provision of essential business operational guidelines: these guidelines address key topics including social distancing requirements, facility cleaning, non-essential travel, internal communication, remote working and return-to-facility requirements, and site visitations. Contractors, visitors and staff were screened upon arriving on site, with some locations conducting daily temperature monitoring of employees at the gate. Employees were asked to stay home if feeling sick and all possible Covid-19 cases were evaluated by the senior leadership for appropriate actions to include shift or facility shutdowns for deep cleaning from outside contractors.

Provision of personal protective equipment and hygienic facilities: stocks of personal protective equipment (PPE) including masks, gloves and hand sanitizers were prepared and distributed. Hand washing facilities were installed in service vehicles in some countries, and disinfectant fogging in high-traffic areas took place on the daily basis in others.

Changes to the production lines: many of the manufacturing site process lines were reconfigured to allow for proper social distancing and installation of plexiglass dividers. Shift splitting was introduced as well as start, break and lunch times were staggered to minimize social contact. The sharing of equipment in the production halls was reduced, and social distancing at washrooms and the canteen was also enforced. High-traffic manual doors have been refurbished with our automatic operators (ED 100/250) for a touchless entry and exit in some locations, and truck drivers were not allowed to enter the logistics area in others.

Regular communication: digital and physical bulletin boards, poster campaigns, e-mails and in some locations SMS text alert systems were used to keep employees updated on precautionary measures and guidelines. Tips on personal hygiene were shared via online sessions, videos, and WhatsApp.

You can read more about ways that we managed the health and safety of employees during the pandemic in the

Customer Privacy

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

Why it matters

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

Key activities

Safeguarding our customers' rights to data protection and privacy includes obtaining data by lawful and fair means, protecting the personal data of customers by adequate information security safeguards and using customer data in sales responsibly. dormakaba also considers the proliferation of new technologies and security risks because we understand we have a responsibility to protect sensitive information against unauthorized access, loss or falsification. We place a strong focus on:

- Customer data
- Operating and business data
- IT systems
- Financial data
- Employee data

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

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

The dormakaba Group Data Protection Officer, in cooperation with the Group Information Security Manager, oversees our approach to customer privacy.

Information Security Management System at the core

To meet our security aims, senior management introduced an Information Security Management System (ISMS) in line with best practice in the industry. Our Chief Technology Officer (CTO) also acts as the Chief Information Security Officer (CISO) within the ISMS. This management system is based on the international ISO/IEC standard 27001:2013, the most recognized standard in the field. Certification to the standard was achieved in the financial year 2019/20. As outlined in the Group Directive Information Security, the goal of the ISMS is to achieve and maintain an adequate security level by leveraging risk management methods, continuous improvement and best practices – all adjusted to our needs. The risk management included in the ISMS is used to identify, assess and treat risks adequately.

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

EU General Data Protection Regulation (GDPR)

Our internal compliance processes are aligned with the EU General Data Protection Regulation (GDPR). The GDPR aims primarily to give control to citizens and residents over their personal data, bringing with it a new set of "digital rights" for EU citizens at a time when the digital economy places increasing economic value on personal data.

We have set ourselves three objectives:

- **Compliance with requirements:** the legal and contractual requirements for the protection of personal data are adequately implemented and complied with at all times.
- **Embedding in the organization:** the protection of personal data is a central component of all projects, activities and processes in which this data is processed.
- **Continuous improvement:** guidelines, procedures, measures and structures for the protection of personal data follow uniform principles and are continuously further developed and adapted to changing conditions.

Raising employee awareness

We are aware that technological advances in IT security cannot always guarantee the security of the entire business environment, as human behavior can affect information security and the associated risks. Phishing and other social engineering techniques use the human risk factor. In the financial year 2019/20, the trend has continued for such attacks, and we are seeing an increase in ransomware in society. Attackers are even using technologies such as artificial intelligence to develop their attack scenarios and make fraudulent e-mails and messages appear more real to the victim.

However, people can learn to deal with risks in a professional and smart way. Raising employee awareness of information security risks is a continuous process that, if done correctly, turns the root of the problem into part of the solution. With our information security training programs, in which all our employees must participate, we not only train our employees to recognize suspicious messages, phone calls, and other social engineering tactics; we are also building a culture of cyber security that enables us to manage our risks in a targeted and effective way. The training series is made up of four modules: Information Security; Phishing; Social Engineering; and Cyber Security.

Our performance

We have achieved ISO 27001 certification in the financial year 2019/20 as planned. The scope of the certification covers Group IT, and dormakaba digital and digital-based product development such as for the Electronic Access & Data and Safe Locks product clusters in the scope of the certification.

We have continued the mitigation of information security risks through Group-wide security training in order to strengthen employee awareness. A new eLearning for data protection, which is available in five languages, was completed by around 2600 employees in the financial year 2019/20.

As part of the GDPR implementation project, we have established a Data Protection Management System (DPMS), a manual and a document library to serve all employees. A new process was developed whereby project managers must carry out GDPR assessments prior to any project being activated. This also applies to the development of new products or apps. Product managers are provided with a guideline of GDPR requirements, including of the legal requirement of applying Privacy by Design and Privacy by Default in the development process.

There have been no reported incidents nor substantiated complaints concerning breaches of customer privacy or losses of customer data within the financial year 2019/20.

Outlook

We will be publishing four new Directives setting out the internal rules and regulations for data protection early in the financial year 2020/21 and expand the data privacy organization in Norway and Switzerland. A reporting process with corresponding key performance indicators (KPIs) is currently being developed in order to provide standardized reports. The KPIs will be used to manage, monitor and improve the data protection organization and the DPMS. We also plan to expand the scope of our ISO 27001 certification and perform penetration tests to assess potential vulnerabilities in our infrastructure.

Focus Area People

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

Employment

We strive to create an engaging working environment in order to be an employer of choice for current and prospective employees.

Training & Education

Employee development is vital to maintaining and improving the skills of our workforce and the quality of our products.

Freedom of Association & Collective Bargaining

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

Employment

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

Why it matters

Our success is based on the performance of our employees. It is their dedication that helps us maintain and further develop our global competitive position, which is why we have a strong people focus in our corporate strategy. As a company with employees in over 50 countries, we must ensure an engaging working environment in order to be an employer of choice for current and prospective employees. We must also ensure that we treat employees fairly and with respect in accordance with our company values, and that we provide them with equal opportunities and fair remuneration.

Key activities

A key element of our corporate strategy is that we continuously shape a productive and equitable working environment and foster an atmosphere of trust. As we strive to have the right people in the right roles, dormakaba offers fair working conditions in which our employees can leverage their strengths and build their skills. This leads to an engaged workforce and helps to avoid risks, such as loss of know-how and personnel shortages. Our approach toward our employees is governed primarily by our Code of Conduct as well as by country-based labor regulations and the local employee handbook, where available.

Our Human Resources (HR) management team is spread globally – in addition to Group HR, there are HR professionals at the segment level and HR representatives at the local market level in larger countries. Group HR bundles strategic issues based on our corporate strategy and develops best practice programs accordingly. These programs can then be customized and implemented in each segment and region to respond to local market requirements and conditions. The local HR representatives also develop and implement individual initiatives and programs suited to the needs of their employees, helping to react to the different local customers and markets as effectively as possible. We continue to invest in technology and business applications that allow us to more effectively deliver services to our employees, including a Group-wide Learning Management System.

Due to the local nature of employment practices, our segments, regions and countries develop employment policies according to local requirements. Labor regulations and business needs have to be taken into consideration to find the best and most sensible solutions on a local level. For the sake of transparency, however, an overview of best practice policies across the Group is found below.

Policies and benefits

in %

Policies (additional to Code of Conduct)	% employees covered (Group-wide FTE)
Health and Safety Policy	91%
Employee Counselling and Discipline Policy	78%
Equal Opportunity Employment Policy	68%
Non-Harrassment/Non-Discrimination Policy	67%
Equal pay for equal work Policy	65%
Drug free/Alcohol free Workplace Policy	59%
Training and Professional Development Policy	50%
Whistleblower Policy	48%
Open Door Policy	27%
Anti-bullying Policy	23%
Flexible Working/Home Office Policy	20%

Benefits	**% employees covered (Group-wide FTE)**
Vacation and holidays*	64%
Incentive/bonus scheme	63%
Health Insurance benefits for employees	59%
Other special leave offerings*	55%
Health Insurance benefits for employees' families/dependants	51%
Pension plan*	48%
Financial contribution to external training	44%
New employee referral bonus	41%
Disability benefits*	30%
On-site fitness classes or gym discounts	21%
Maternity, paternity or parental leave*	16%

Measures	**% of countries implementing**
Provision of protective equipment to all impacted employees	77%
Regular assessment of individual performance	72%
Provision of skills development training	64%
Training of relevant employees on health & safety	60%
Recognition program	49%
Annual medical exams	47%
Employee representatives or employee representative body (e.g. works council)	40%
Flexible organization of working time	38%
Working time reduction measures	34%
Official measures to anticipate or reduce layoffs and associated negative impacts	34%
Communication on freedom of association and the right to collective bargaining	32%
Equal pay for equal work audit	28%
Employee Assistance Program (counselling)	25%
Awareness training to prevent discrimination/harassment	19%
Training on freedom of association and the right to collective bargaining	19%
Dependent care support	13%
Measures to promote gender and/or minority inclusion	13%

* Beyond legal requirements

** Even if not country-wide

The above data stem from the policies, benefits and measures survey and data collection from the financial year 2018/19. An update was postponed to the financial year 2020/21 to support our HR colleagues focus on crisis management during the Covid-19 pandemic and its fallout.

To provide employees with a working environment in which they can thrive, we focus our activities on the following four areas:

1. Engaging our employees
2. Creating an inclusive and diverse workforce with equal opportunities
3. Fair remuneration and benefits
4. Employee attraction and retention

Engaging our employees

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

In the financial year 2017/18, dormakaba launched the first Group-wide employee survey, called dormakaba dialogue. In February 2020, all dormakaba employees around the globe were invited to participate in the second round of dormakaba dialogue, which was available in 19 languages. The aim of the survey was to gauge employee engagement and performance enablement. The latter focuses on, for example, whether employees feel they have the required skills, tools and information they need to do their jobs effectively.

The high response rate of 80% shows that a vast majority of dormakaba employees used the opportunity to provide feedback – a substantial increase compared to the already strong participation rate of the survey conducted two years ago (72%). The global results show a positive development across all 25 survey items that were included in the previous survey. According to the external partner who facilitates the survey program, such a consistent improvement is rarely seen with global companies.

	Employee Engagement Index (%)	Performance Enablement Index (%)
dormakaba dialogue 2020	70	73
dormakaba dialogue 2018	67	68
IBM Global Norm*	71	74

* The IBM global norm is a composite of employee responses from 400 companies across organizations from all industries and all geographies. It provides comparative results that represent the average scores across all organizations in the IBM norm database running employee surveys for multiple years.

The survey revealed both strengths as well as room for improvement on a global level. One key strength continues to be that managers and employees show a high level of orientation toward the dormakaba values in their ways of working, especially regarding trust between managers and employees. Compared to the previous results, employees feel more appreciated for doing a good job and experience a stronger sense of being "one company". The latter has a high impact on employee engagement.

On a global level, the Executive Committee has identified the following focus topics:

- The level of priority given to the dormakaba value Customer First in our day-to-day decisions should increase even further.
- Although there was strong progress and improvement, the quality of teamwork and collaboration between departments at dormakaba continues to have further scope for development.
- While the results show that significantly more praise and recognition for doing a good job is being given, we want to continue to consciously drive activities that support such practice.

Just as in the first round of the program in 2018, each team is once again asked to discuss their results in a team session and jointly develop a few meaningful actions to improve their direct work environment. And, while developing action plans is important, following up on them is key for success. Therefore, follow-up communication materials, such as posters, stickers and PowerPoint templates for cascading results and defining and following up on team actions have been made available again. Stickers with the slogan "I am a result of dormakaba dialogue" were designed for items specifically purchased or put in place as a result of the employee engagement survey.

In addition to the global employee survey, segments and regions have local solutions to gather employee feedback and to address employee concerns and grievances, and to encourage employee engagement.

Examples of such activities in the financial year 2019/20 included:

- In Southeast Asia, a group of employees has been nominated to connect with the rest of the staff in defining and implementing diversity, entertainment, recreation, welfare, and well-being initiatives at the workplace. Some of these have included a Safety Day, yoga sessions, celebrations of local festivals, and a sports tournament. In Singapore, an Employee Assistance program offering employees free counselling was launched.
- The manufacturing facility in Ennepetal (Germany) underwent a transformation program, including a new organizational setup and management team. To reach and support all colleagues through this change, a comprehensive communication package was provided explaining the market development and competitive environment and describing the vision, targets, strategy and measures based on corresponding values and behavior.
- In addition to dormakaba dialogue, Key & Wall Solutions installed suggestion boxes in Vittorio Veneto (Italy) and Montreal (Canada) to allow opportunity for further and more frequent feedback from employees. There are Employee of the Month or Team of the Month programs in Australia, Colombia, India, Malaysia and Peru.

## Creating an inclusive and diverse workforce with equal opportunities

Our global presence and operations in various markets mirror our commitment to promote a diverse and inclusive workforce. As our Code of Conduct states, we respect the equality of people and cultures. In the financial year 2019/20, female employees represented 29% of the total workforce. At 55%, the majority of employees represented in this report are between 30 and 50 years of age.

The topic of diversity and equal opportunity is driven by local activities. Examples of activities in the financial year 2019/20 included:

- In Taiwan, AS APAC has invested in improving the living conditions and safety standards of the foreign workers' dormitory, as part of a renovation to make the facility more earthquake-resilient. The renovations to the dormitory included a 25-point environment and safety assessment by an external agency. Foreign workers were included in the renovation plans and were able to give feedback to their needs, which resulted in additional electrical systems being installed.
- In Germany, AS DACH has continued to support the #moveforward campaign, led by dormakaba employee Tobias Röll, to raise awareness of accessibility barriers in public and private spaces and to confront inaccessibility as a form of discrimination. More than 200 people with disabilities are employed in Germany.
- AS EMEA launched a gender diversity program, with the aim to promote more women from within the own ranks, especially in commercial and general management positions. An internal survey assessing the current status of gender diversity showed that there are a number of unconscious biases prevalent in various areas of the business that should be addressed. A series of interventions to start addressing the diversity challenges is now being developed, including a review of recruitment processes to remove gender biases in job ads and interviews, increased focus on female talents in career progression and development, actions to strengthen the self-affirmation of our female talents, a Workplace Allies scheme, and female peer networks, conferences and events.

- Key & Wall Solutions celebrated cultural diversity by observing national and religious holidays and organizing Family Days. In Malaysia and Australia, team lunches are held at various times through the year where employees bring a dish that is representative of their cultural heritage to share with other members of the team and to reflect on different customs. On Family Days in Germany and the USA, all employees can show their children and relatives where they work and what they do in their role.

Employees

>50 years	1,574
30–50 years	8,481
<30 years	5,417

2,250   4,500   6,750   9,000

71% Male
29% Female

11,001   4,471

Board of Directors

>50 years	8
30–50 years	2
<30 years	0

2   4   6   8   10   12

70% Male
30% Female

7   3

Executive Committee

100% Male

0% Female

9　　0
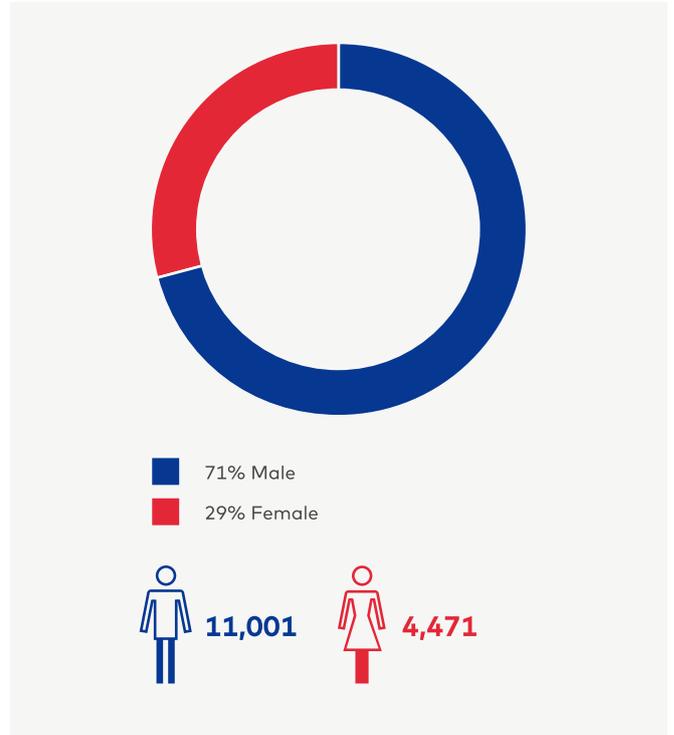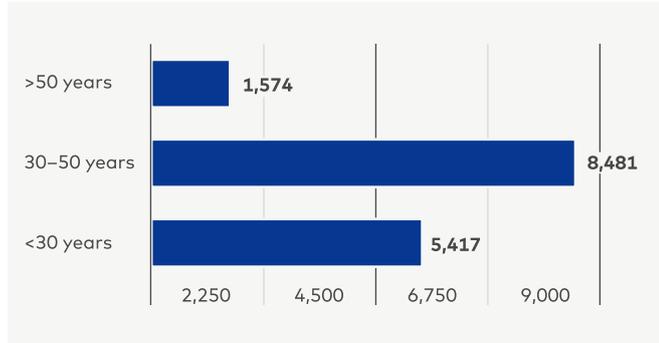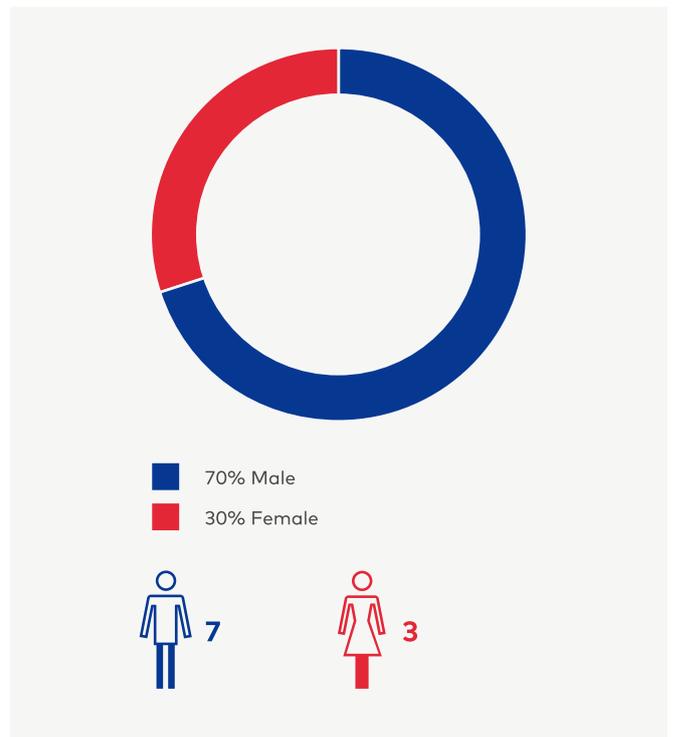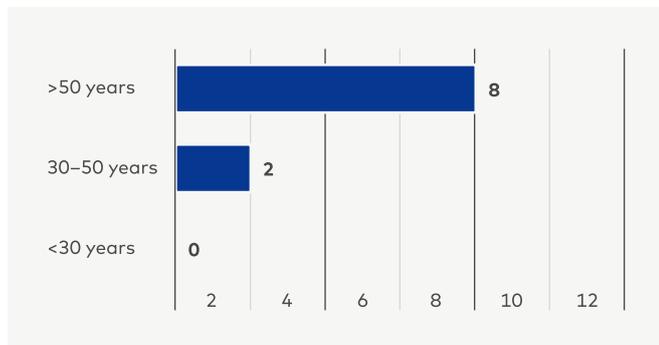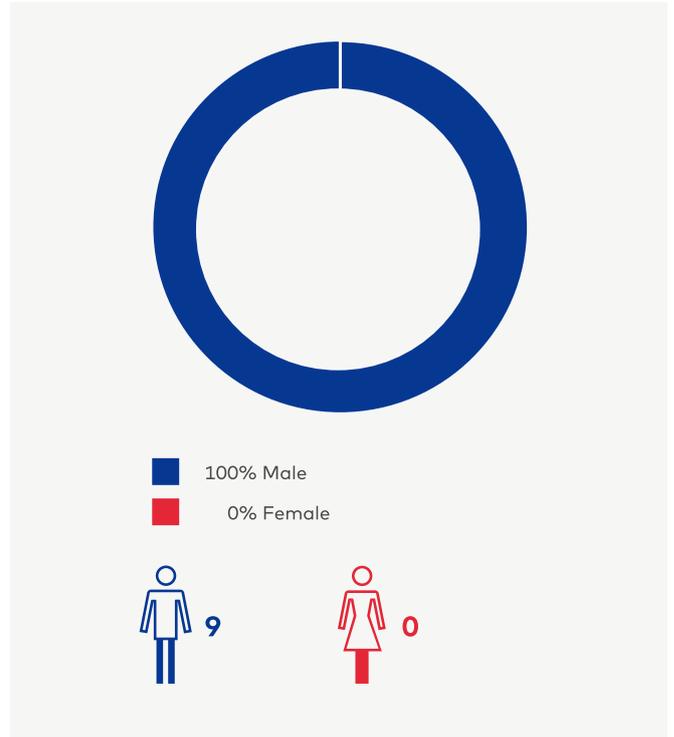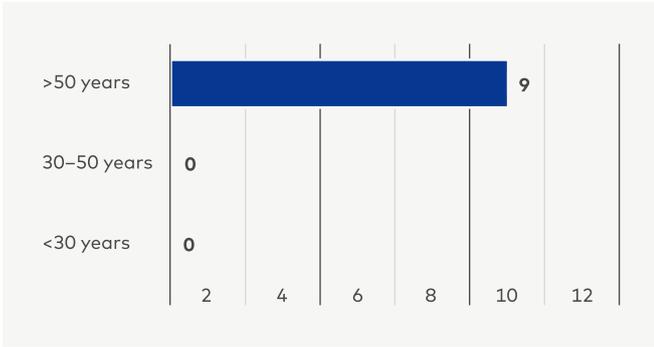
Fair remuneration and benefits

dormakaba aims to establish fair compensation that is determined 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. In addition, we provide locally specific benefits and welfare programs. As stipulated in the Group Directive Compensation, we refrain from offering excessively low wages (i.e., wage dumping).

Examples of our fair remuneration and benefits activities in the financial year 2019/20 included:

- AS AMER harmonized management bonus program and sales incentive programs for all operations in the USA and Canada. "Equal pay for equal work" policies are in place, according to national legislation in Brazil and Mexico, which address situations in which men and women have the same job type. In Canada, the Pay Equity Act is expected to come into force in 2020. dormakaba has begun to establish a pay equity plan accordingly.
- In Singapore, AS APAC has voluntarily pledged to the Fair@Work Promise started by the Tripartite Alliance. This is a commitment to fair employment practices based on the five principles of merit-based and non-discriminatory recruitment, respect for employees, fair opportunity for training and development, and fair rewards and incentives, and adherence to labor law.
- Key & Wall Solutions conducted an internal assessment on the employment conditions of migrant workers in Malaysia to ensure that benefits are the same as other employees. Across the segment, an analysis of job grades and related benchmarks was performed. Similar positions are compared to ensure horizontal equality.

Employee attraction and retention

We provide our employees with long-term professional development opportunities in order to attract and retain a qualified workforce. This is vital to the company's success. When filling open positions, promoting from within our own workforce is preferred.

Examples of recruiting and career opportunity activities in the financial year 2019/20 included:

- In Latin America, AS AMER implemented an Internal Opportunities Program, a way to encourage the offer of open positions preferably for internal candidates, with a view to further develop our talents. Across the segment, we also implemented years of service recognition, where employees receive a gift of their choice when they complete 5, 10, 15, 20 or more years with the company. It is a way of rewarding employees for their dedication to the company and encouraging other employees to stay with us.
- In Germany, AS DACH has established a new role to manage and strengthen the apprenticeship program, and to encourage best practice sharing across the various sites in the country. We currently have apprentices at six locations in Germany. In recent years, we have hired between 20 and 30 apprentices each year, with around 95% being offered a permanent role once the apprenticeship was completed.
- Key & Wall Solutions achieved their goal of starting a "Bring a Friend" campaign in Germany. Employees can advertise job vacancies to friends or close acquaintances. Employees receive a financial incentive if a recruitment is successful. Key & Wall Solutions also offers a mentoring program by senior leadership for recently nominated managers, to support them in their new roles.

Fluctuation
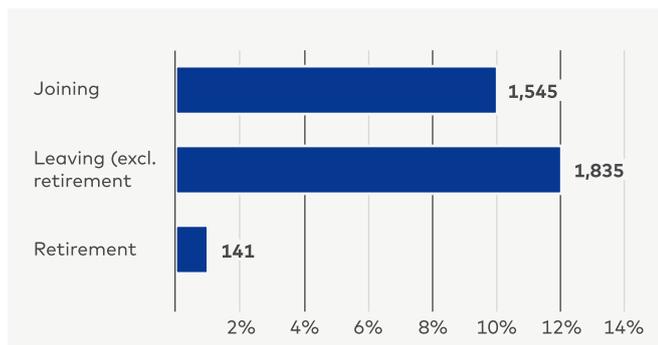
Overall fluctuation (in percentage and headcount), calculated with permanent staff

In financial year 2019/20, a total of 1,545 employees joined the company and 1,835 left in the reporting scope. This corresponds with rates of 10% and 12%, respectively, which was a higher leaver rate than joiner rate. The leaver rate is higher compared to the previous financial year (financial year 2018/19: 10%), whereas the joiner rate is lower (financial year 2018/19: 12%).

To address the ongoing Covid-19 pandemic related business impact, dormakaba has initiated a Group-wide cost savings and restructuring program in the fourth quarter of the financial year 2019/20 to adjust capacities and cost. Measures are wide-ranging and include using up overtime and vacation balances, a significant reduction in temporary staff, a widespread hiring freeze, and the use of short-time work. As a company, we have made extensive efforts to forestall immediate job cuts where possible. Yet despite our efforts, we ultimately also had to include a sizeable reduction of headcount in these measures.

We did not take this step lightly, and we have aimed to treat our outgoing colleagues with dignity and respect throughout this process. For example, we have offered severance packages, prolonged notice periods and offered outplacement support to help employees through the transition in line with or beyond local labor laws. These have been difficult

decisions, but also necessary for securing the sustainable, long-term success of our company – and ultimately aiming at job security for our remaining employees.
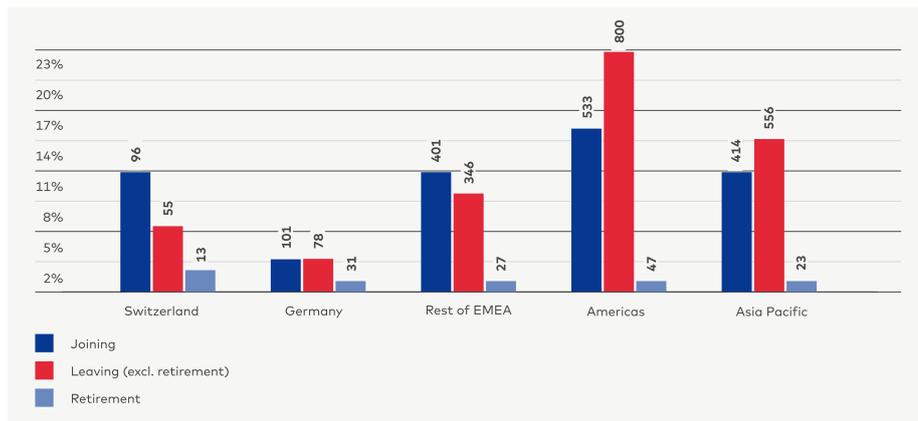
Fluctuation by region (in percentage and headcount of permanent staff)

Employee fluctuation in Asia and the Americas was higher than in other regions. This is attributed to restructuring measures related to the Covid-19 pandemic, and consolidation of manufacturing activities in the Americas. In a normal year, the higher fluctuation in Asia Pacific is to be expected based on regional workforce trends.

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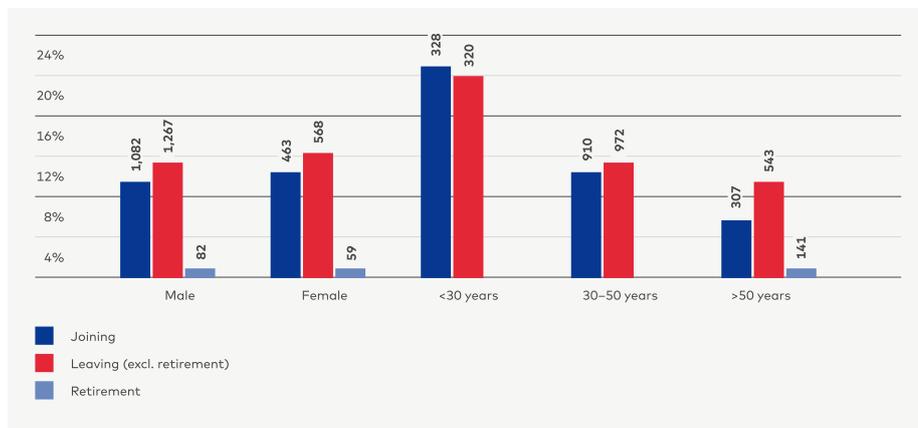
Fluctuation by age and gender (in percentage and headcount of permanent staff)

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

Our performance

Human Resources representatives across the globe have been an integral part of local, segment- and Group-level crisis management during the Covid-19 pandemic. They have been at the forefront, helping to define guidelines and specific measures such as strengthened safety precautions in the production environment and for sales staff and service technicians, transition to home office, travel restrictions, providing employees with informational material on safety precautions and safe behavior to avoid the spread of the virus, tracking the health and well-being of employees, and continuously communicating updates to related measures, stay-at-home policies or lockdowns set by local governments. The Covid-19

pandemic has slowed regular human resources processes and plans for the second half of the financial year 2019/20, and we expect to continue to feel the impact on our plans and strategies well into the financial year 2020/21.

Nonetheless, we still made progress in several areas. We conducted the second round of dormakaba dialogue, as outlined above. We continued the rollout of our Employer Branding strategy with various measures, including the campaign "Faces of dormakaba". The campaign, which launched in May 2019, gave all employees the opportunity to participate in a video contest for a chance to be selected as one of the Faces of dormakaba and to represent the company in recruitment marketing material. Over 140 employees from across 23 countries joined the contest. Throughout the financial year 2019/20, the marketing material and internal branding material were published, and a relaunch of the dormakaba career website was completed.

We had also planned to roll out a uniform orientation process across all countries and segments. This has been achieved for all new employees of Key & Wall Solutions, and in the Pacific region within the AS APAC segment.

AS DACH has successfully rolled out an eRecruiting system in Germany to automate and optimize the recruiting process in order to be more transparent and efficient. A similar rollout was carried out for AS AMER and Key & Wall Solutions in Canada and the USA and remains under consideration for other regions and countries.

Outlook

In the financial year 2020/21, we expect a continued impact of the Covid-19 pandemic on our business activities, though we have low visibility on the future development. We will continue to use a wide range of tools for managing the impact on our workforce, including using up overtime and vacation balances, a widespread hiring freeze, and short-time work. In addition, we will finalize the announced headcount reduction (as outlined in the Annual Report), while simultaneously monitoring demand, capacities and increasing the workforce if and where needed.

We will also work to maintain the integrity of core management processes to provide stability and orientation for our employees. This includes continued focus on dormakaba dialogue, succession planning, leadership development programs, performance management, and prioritizing constructive and collaborative behavior in our culture.

The experiences of remote working during the Covid-19 pandemic showed us that there are different ways to work successfully, including from a home office. AS AMER therefore aims to implement an official Flex Workplace Policy, to give employees more flexible options for working both in the office and from home as well. Similarly, a new project "New Work@dormakaba" is being setup in Switzerland, where a step-by-step approach to the world of Work 4.0 will be made, addressing topics like annual working time and more flexible forms of work, etc.

Gender diversity initiatives planned in AS EMEA include flexible working policies, raising awareness of unconscious biases and fostering helpful norms, an additional calibration session for female talents that will focus on development and support of individualized career paths. Further improvements to the technician recruitment process are also planned in AS EMEA, in order to refine the technical aspects (theory and practical) within the interview process and the recruitment of apprentices. In Switzerland, an equal-pay analysis and audit will be carried out in line with new revisions to the Swiss Gender Equality Act.

Key & Wall Solutions plans to integrate migrant workers as permanent employees in Malaysia and to continue the assessment of talents who are internal candidates for succession into senior leadership roles, offering coaching, mentoring and other development initiatives.

Going the extra mile for our employees during the Covid-19 pandemic

Interview with Mirja Becker, Senior Vice President Group Human Resources, dormakaba

Covid-19 has changed many aspects of our lives – in the way we work, we live, how we interact with each other. Since the onset of the pandemic, protecting the well-being of our employees and their families has been paramount. "Our primary concern and focus has been first on ensuring the health and safety of our employees and second on keeping the impact on our business and customers as limited as possible," Riet Cadonau, Chairman and CEO, has said.

We sat down with Mirja Becker, SVP Group Human Resources to hear about how the company has worked to protect the health of our colleagues around the world.

Can you tell us about how the crisis organization was set up and the role of human resources?
Due to the dynamic situation in this crisis, with largely different local impacts, human resources representatives on country levels have played a critical role, helping to define early and thorough guidelines and precautionary measures to protect our employees. The HR Leads were appointed as single points of contact for all Covid-19 related matters within their segments. The HR and Operations Leads from every segment took part in the Group Crisis Taskforce (lead by the General Counsel) and held weekly alignment calls as the primary coordinating body, also exchanging best practice.

What kind of measures were put in place?
We issued global guidance for instance on travel restriction, provided employees with informational material on safety precautions and posters to remind everyone on hygiene and social distancing rules to avoid the spread of the virus. Masks were distributed and in some locations body temperature was checked. Protective shields and personal protective equipment for employees in the production lines, plus adaptations to shift plans, team-splitting and procedures to minimize personal contact were put into place. Our efforts paid off in that we had a relatively low number of infected employees worldwide so far, and we continue along this path.

In addition, "Tables for one" was the theme in our canteens, and there was frequent cleaning with disinfectant throughout the buildings. And, for example, when our large manufacturing facility in China was ramping up again as public transport was still not running – we arranged a "door-to-door" bus transfer for around 50 employees and their families from their hometowns.

How did the pandemic affect training and employee engagement initiatives?
On-site training shifted to webinars via our Learning Management System. To support the transition to home office, a toolbox was provided with a set of guidelines and suggestions on, for example, how to stay connected to your team, leading in a crisis, and information on IT infrastructure, hardware and software.

Transparent and frequent communication on related measures, stay-at-home policies or updates on local government responses was important to reassure and minimize fear. This open communication was appreciated, and it was not long before colleagues around the world started sharing pictures of their new work environment on our internal social media channel under the hashtag #onedormakaba – whether on-site in the production lines with plexiglass shields between stations or on-call providing customer service wearing personal protective equipment or in home office with the family pet in the background. The posts brought a sense of support, encouragement and community in these challenging times.

Chartered bus transfer after the ease of lockdowns in China.

Training & Education

Employee development is vital to maintaining and improving the skills of our workforce and the quality of our offering.

Why it matters

Today's dynamic and globalized world requires new competencies. At the same time, many industries face serious skills shortages, especially in the areas of information technology and digitalization. Employee development is vital to maintaining and improving the skills of our workforce and the quality of our products. This is especially true for a technology-driven company like dormakaba. We want to offer careers instead of jobs and to prepare our employees for the fast-changing world. This improves their motivation, performance on the job and increases their long-term employability. We will continue to invest in the development of both our employees and business leaders.

Key activities

Training and education are key to our business success. We consider a skilled workforce integral to creating customer satisfaction and critical to driving employee engagement. Overall, by developing our employees we aim to provide the dormakaba workforce with the skills they require to safely and efficiently perform their tasks and support their career advancement, while reducing employee turnover. We offer various training and development programs for our employees. While we apply some of these programs on a consistent global basis – particularly leadership development, others are developed at the segment or country level to serve local needs.

Local training includes a range of vocational training and dual study programs, language and project management courses, as well as opportunities for job rotation. With our Learning Management System (LMS), we provide employees with worldwide access to a variety of eLearning modules, ranging from product, sales and safety to leadership topics. Within the LMS, we have continued to offer LinkedIn Learning, which has a library of more than 10,000 eLearning courses. Our LMS also allows us to roll out global learning initiatives such as information security training, compliance training and antitrust training.

To provide staff with the competencies they require to safely and efficiently perform their tasks and to support their career advancement, dormakaba focuses on three areas:

1. Leadership development
2. Individual development and career management
3. Vocational and technical training

Leadership development

We see leadership as the ability to move oneself and others toward a common goal. Specifically, we want our leaders and managers to act according to our company values and to apply constructive leadership styles (e.g. working toward self-set goals, developing others, resolving conflicts constructively, cooperating) while acting as strong role models for our employees to follow. In line with our strategy and ambition, we want the best leaders in key positions. We are aware that this requires clarity and support for potential leadership candidates in their development.

We have therefore compiled a Leadership Toolbox, which is a unique set of methods and tools we want our leaders to understand and apply, e.g. constructive leadership behavior, best practice facilitation skills, and further core leadership skills and tools. This toolbox also serves as the basis for a globally consistent rollout of leadership training, e.g. our standard manager training Leading for Success and the senior manager training Leading Leaders. We have also established two management development programs – the Advanced Management Program (AMP) and Talent Development Program (TDP) – to develop future leaders of dormakaba. The AMP focuses on further strengthening the leadership and business expertise of already successful managers, while the TDP focuses on high-potential

employees. Both programs are co-facilitated by our Executive Committee members and supported by faculty from external business schools.

Examples of our leadership programs in the financial year 2019/20 included:

- A series of Leading for Success training sessions were conducted with around 100 managers from various segments. The trainings deal with central leadership topics such as effective methods of leadership, performance management, and employee developments. The Leading for Success program is usually a five-day classroom training. During the Covid-19 pandemic, virtual modules were offered instead.
- The final modules of the second graduating class of the AMP and TDP took place in November 2019. The module was held in Shanghai (China) and was hosted in collaboration with the renowned China Europe International Business School (CEIBS). The cooperation with the CEIBS gave the participants a profound insight into digital business in China and was a fitting addition to the course materials on Artificial Intelligence and Lean Start-up.
- AS AMER held the biannual Leadership Strategy Conference which included all senior managers and key contributors. The theme was "Customer First: Inside Out". Multiple workshops, training, networking, and teambuilding activities took place over the course of this 4-day event. It culminated in the first-ever AS AMER Values Awards ceremony for each of our five company values.
- In Ennepetal (Germany), a management assessment center was established and used during the appointment process of the new leadership team of the manufacturing site.
- In AS EMEA, a special e-learning module on constructive leadership has been developed and assigned to most managers. In addition, team workshops using the Group Style Inventory (GSI) tool have been conducted for 71 participants across AS EMEA including the senior management team. GSI provides a proven, valid and reliable measure of how people in groups interact with each other and work as a team.
- The leadership styles of management teams across the Key & Wall Solutions segment was individually assessed in Canada, India and the USA. Individual and team results are discussed in various meetings and actions for development are planned accordingly. Team results are examined for consistency against the business strategy. Follow-up actions included self- and peer mentoring, external coaching, and internal training.

Individual development and career management

Our combined performance and succession management process known as Perform & Grow provides a common framework to measure and manage performance and potential. The process also includes the documentation of individual development activities and related development measures and training. Further, it provides criteria to identify high potentials and creates the foundation for systematic succession management to ensure that each leadership position has viable successors.

Examples of our career management initiatives in the financial year 2019/20 included:

- We extended the number of users for Perform & Grow to 1,650 employees (around twice as many compared to the previous financial year) and will continue with further rollouts in the coming years. To achieve this, we will continue to work together to align Perform & Grow with local works councils wherever this is required.
- For the second year in a row, the AS AMER Operations management team in Montreal (Canada) held a joint, half-day Talent Review session to review strengths, development areas, and Perform & Grow ratings for each employee reporting to them. Feedback was shared and each manager could then provide insights to their direct employees.
- In a cross-segment collaboration between AS APAC and AS DACH in Asia, HR teams worked to develop and implement a talent exchange and mentoring program. The aim is to develop talents through cross-location on-the-job experience between the two segments.

- In Switzerland, AS EMEA began development of a career path project for product development specialists to tackle retention issues caused by a perceived lack of career opportunities. The goal was to create a framework that empowers employees to take charge of their own career planning based on their strengths and interests. A pilot launch across product development teams in the segment in Austria and Switzerland will begin in the financial year 2020/21.
- Key & Wall Solutions reorganized the business to support new growth strategies in Australia and in doing so, filled key positions with internal staff and supported their individual career progression with on-the-job training and support. And in Germany, annual dialogues between employees outside the current scope of Perform & Grow and their supervisors were launched. Measures for further development are discussed and both agreed and documented between the two parties.

Vocational and technical training

In today's rapidly changing world of work, the importance of lifelong learning is steadily increasing. For our business success, it is essential that our employees have the relevant skills for their work. The training we provide covers topics such as lean management, health and safety, and product offerings. Additionally, the increasing digitalization of our products and services also requires new competencies – for example, on big data analytics and artificial intelligence. To ensure that our employees have the relevant long-term skills, we continue to invest in their vocational development and in promoting their talents.

Examples of our vocational and technical training in the financial year 2019/20 included:

- AS AMER operations in Canada are obligated to invest 1% of total salaries in training and development of employees. Our Montreal facility invested nearly double the minimal government standard on their training initiatives. Training on Lean Management, such as its philosophy and various tools, was a key focus and helped them achieve the bronze level certification.
- In addition to the broad portfolio of standard trainings, AS DACH trained 382 employees through classroom and webinar sessions aimed to harmonize sales and service processes.
- In January 2020, the AS EMEA Sales Academy was launched, which aims to develop sales teams and managers by providing a progressive learning path spanning over three years. The first pilot sessions were held in the Netherlands, South Africa, and France for service, projects and solutions sales streams, and in Norway for the sales managers in the Scanbalt region.
- As required by ISO standards, Key & Wall Solutions runs an annual competence assessment and related gap analysis as a basis for the annual training plans. Lean management was a special focus, with various Kaizen events organized to enable all employees to participate in process improvement initiatives. In Germany, we have started to give both new and existing white-collar employees the possibility to work for a week on the shop floor. This strengthens product knowledge and harbors a sense of solidarity between production employees and office workers.

Our performance

We have made good progress on developing the skills of our workforce. For example, 78% of employees now have access to, and can participate in, our Learning Management System (LMS). Of these, 80% (9,797 employees) have completed at least one eLearning module, compared to 60% in the previous financial year. This positive development was also confirmed by dormakaba employees in the recent employee survey "dormakaba dialogue". The two items on employee development have seen the most positive change compared to 2018, scoring 7 percentage points higher than before. The LMS is used for both global and local training, and the offering has been expanded. In the financial year 2019/20, 58 new eLearning modules have been added, and 131 classroom courses and 111 webinars have been offered on the platform. 45% of the new training courses provided are product-related, usually with a focus on sales or technical aspects.

Compliance-related training modules continue to have the highest participation in absolute terms, including those on the Code of Conduct, antitrust and information security. Combined, these had over 7,900 participants.

In addition, training support for global programs such as dormakaba dialogue and Perform & Grow are offered regularly to managers through the LMS. The system was also used to train IT employees on a new IT enterprise resource planning software and related processes. As planned, we also made great strides in establishing agile project management methods as an alternative to "waterfall" project management methods in dormakaba. These included certified training courses on SCRUM Master, SCRUM Product Owner, and scaled agile (SAFe) methods such as Leading SAFe 5.0 and SAFe for Teams. These methods will help us to develop faster and more customer-oriented products and services.

During the Covid-19 pandemic, on-site training shifted to webinars via the LMS. From April to June 2020, 151 additional webinar sessions were provided. These were mainly product related. We also offered courses directly related with managing new work environments during the pandemic, including the technical aspects of virtual conferencing tools, leading virtual teams, self-management, and working from home. These webinars and other supporting tools were made available in ten languages.

Extensive training has also been provided to the procurement organization, which was reorganized in the financial year 2019/20. The aim was to support change management and to provide proper knowledge transfer on processes, tools, and regulations – and included training on the supplier sustainability assessment process. Learning packages were geared to specific target groups, even of other related business functions, across all segments and consisted of 15 live webinars (227 sessions in total) or video recordings. More than 5,600 attendees have taken part in the webinars, with an average of 7 courses per person.

We continue to expand the scope of Group-wide reporting on training hours per employee toward our goal of full reporting scope in the mid-term. For the financial year 2019/20, the sites already reporting this figure covered 87% of our workforce based on full-time equivalent employees (versus 57% coverage in the financial year 2018/19). For these, the average number of training hours per employee was 17 hours per year, which was higher than the previously reported figure in financial year 2018/19 (12 hours) and corresponds to our expectations.

Our segments and Group HR regularly gather and evaluate participant feedback after training sessions in order to maintain and continually adapt the quality of our training and education programs. In addition, our training programs are regularly evaluated as part of the external audits for ISO 9001 certification. If a negative trend is identified through this audit process, management meets to review the root cause and determine any potentially required remediation, which may include increased communication and/or modifying the training program.

Outlook

In the financial year 2020/21, we will roll out a new training module on the topic of anti-corruption. We will also continue to develop further tailored orientation training packages for new employees based on their job function or country. The next packages are planned for procurement teams and for employees based in the European Union.

We will also carry out technical improvements to the LMS to enable mobile functionality. Based on the lessons learned from the abovementioned procurement training model, we will support further Group functions to provide tailored online learning opportunities for their processes, tools, and procedures, to ensure proper knowledge transfer to their target audiences.

AS AMER will be implementing a multi-year project to develop a Sales Enablement Academy with an integrated and holistic approach to how to sell and work with our customers. Sponsors from sales, service, marketing and HR are working together to create the content. Additionally, an early-career Sales Trainee Program will be established for new college graduates to participate in the Academy as well. We will also adjust our compensation system to fit the new career path model. AS APAC will similarly develop a Vertical Learning Academy to enable the organization in achieving cross-selling and solution-selling in different vertical markets such as airports.

AS DACH will continue to work on the development and implementation of a cross-country standard onboarding process and the implementation of a workflow for individual training requests in the LMS as well as a function-skill matrix to support tracking of completed trainings.

As part of a new strategic workforce planning concept, a career path model in Switzerland will be implemented, based on job mapping and the allocation of new job families. In the midterm, staffing levels and staffing requirements can be analyzed step by step, future deviations can be identified and necessary measures such as requirement or training can be derived. Further, gender pay equity analyses will be carried out in line with new Swiss regulations.

Building a more resilient workforce

Interview with Nicole Claase, Deputy Vice President Learning & Development AS EMEA

You have recently launched a project to foster workforce resilience. What is your definition of workforce resilience and why have you chosen to focus on this?

Being resilient helps people to adapt and remain strong during times of significant stress. Resilience is the ability to bounce back from a difficult situation. It can be learned and nurtured through training and practice. Since a resilient workforce is essential for having a sustainable organization, it was very clear that supporting employees with training on managing stress and building resilience was extremely important.

What learning model have you used, and who has taken part?

The training is hosted virtually and includes best practices, self-reflection and sharing of ideas and concerns. Although the content part is important, great value lies in sharing and discussion amongst the participants.

The training focuses on understanding stress, understanding how each person responds to stress and then developing a personal stress management plan. Resilience is strongly interlinked with stress management and the training focuses on those elements which build resilience, such as working towards a purpose.

So far, the participants have been management teams in the AS EMEA segment, as well as customer service teams from the sales and service department in the Middle East and Africa region. The training is available to all employees.

The Covid-19 pandemic has been a time of unprecedented uncertainty. What does this have to do with workforce resilience?

Workforce resilience is especially important during these times of uncertainty. Developing the ability to manage stress and to stay resilient will help to sustain a strong organization that can adapt in times of change and can maintain a positive and effective workforce.

Freedom of Association & Collective Bargaining

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

Why it matters

The right of employees to form or join trade unions and employee representative organizations of their own choice fosters our constructive dialogue culture at all our locations. For dormakaba, this also facilitates structured communication with our employees on fair working conditions, reducing turnover and achieving high performance and engagement amongst members of our workforce. Our aim is to ensure that employees feel comfortable in communicating openly with their leaders and managers.

Key activities

As a member of the UN Global Compact, dormakaba respects the right of all workers to form and join a trade union without fear of intimidation or reprisal, in accordance with national laws. Furthermore, our employees are free to collectively bargain, if they so desire.

We work proactively with employee representative bodies to achieve positive results for both employees and the company. Collective bargaining agreements are in effect in various locations including Australia, Austria, Brazil, China, Colombia, France, Germany, Italy, Mexico, New Zealand, Switzerland and the USA. In Poland, alternative employee representation is in place which is also based on a transparent election process. However, the committee serves in a more consultative capacity.

To guarantee the right of all workers to form and join a trade union and to bargain collectively, dormakaba focuses on two areas:

1. Identifying risks, fostering openness and transparency
2. Negotiating for mutual benefit and performance gains

Identifying risks, fostering openness and transparency

In the financial year 2017/18, we conducted a comprehensive impact assessment along our value chain (see Outro) to identify which sustainability topics were most relevant in which geographical areas and steps along the value chain. The sustainability impact assessment revealed that some countries like China, Malaysia, the United Arab Emirates and the USA present a higher risk when it comes to respecting the rights of freedom of association and collective bargaining. Hence, dormakaba explicitly fosters and ensures that employees can engage in unions and works councils in all our operating regions and business segments.

Specifically, our actions in the financial year 2019/20 included:

- AS APAC facility in Suzhou (China) has a trade union that supports many employee initiatives and activities. Employees may engage in different committees such as the Employee Welfare Committee and the Employee Food Committee. Regular meetings were held with the trade union to countercheck and decide on proposals to the welfare plan. Members regularly audit the food service at the manufacturing facility for hygienic preparation and nutritional content.
- AS APAC subsidiary in Taiwan continues to explicitly forbid: (1) threatening, disciplining, punishing, or firing workers because they exercise this right; (2) refusing to hire a candidate because of their association with trade unions; and (3) blacklisting of union organizers by providing their names and details of their activities to other employers, or to employers' associations.
- AS AMER has continued the wind-down of the Steeleville (USA) manufacturing facility, working closely with the union throughout the process. We have been able to partner on several topics including negotiating their attendance bonus payout,

- training and knowledge transfer to other locations, and the timing of the final closure.
- Key & Walls Solutions held regular, collaborative meetings with the workers council to align company plans such as granting worktime flexibility and conflict prevention, also in conjunction with measures related to the Covid-19 pandemic.

Negotiating for mutual benefit and performance gains

dormakaba regularly engages in negotiations of provisions in collective bargaining agreements. These collective bargaining agreements allow dormakaba to improve its business practices but also to offer improved employment provisions for staff. For this reason, some local entities put works councils in place to ensure the representation of all employees.

Examples of our collective bargaining agreements in the financial year 2019/20 included:

- In Brazil, AS AMER negotiated on the company's targets in the collective bargaining agreement that cover topics such as profitability, quality and efficiency. These targets are then used to determine the variable part of the compensation under a profit-sharing program. In Germany, bargaining negotiations were conducted or are still in process for the sites in Villingen-Schwenningen, Dreieich and Bühl. Various agreements on technical improvements and process standardizations were concluded or implemented. One highlight is the provision for families, with either small children or with care cases, and for employees working shifts to convert an unconditional one-off payment granted to all employees into additional days off.
- AS DACH concluded negotiations for the collective bargaining agreement with the trade union in Dreieich (Germany). With this completed, all employees in Germany are covered under different collective bargaining agreements but with uniform tariff standards. In Germany, an enterprise agreement was concluded that regulates the framework conditions for mobile work, including working in the home office. During the Covid-19 pandemic, a solidarity collective bargaining agreement was reached with the trade unions to allow for mitigation measures. This included one-off tariff payments which could be converted to days off toward dependent care or short-time work agreements.
- In Austria, dormakaba is member of Metaltechnology Austria, which is the national representation of all enterprises active in mechanical and plant engineering, steel construction and metal ware production. Metaltechnology Austria has concluded a collective bargaining agreement with the trade unions which includes a mandatory minimum remuneration scheme for all employees working in the respective industry.
- AS EMEA negotiated an additional five working days of annual leave above statutory minimum in South Africa for the Bargaining Council (MEIBC) employees after completion of five years of service.
- Key & Wall Solutions reached various agreements with trade unions in Italy regarding overtime, the use of accrued holiday on a rotational basis, additional leave for dependent care and social safety nets to mitigate impacts of the pandemic. A new general collective bargaining agreement was also concluded for Germany.

Our performance

In the financial year 2019/20, 64% of our employees were covered by collective bargaining agreements. This underscores the importance we place on fostering openness and transparency with trade unions and works councils to negotiate for mutual benefit and improved employment provisions. Our most significant achievement last year in securing and improving core labor rights for employees is demonstrated in the examples above – specifically in Brazil, China, Italy, Germany, South Africa and the USA. However, our biggest challenge remains in respecting the right to collectively bargain in countries where this is factually or legally impeded.

Outlook

In the financial year 2020/21, AS DACH will work to further harmonize the different works council agreements in Germany, in order to offer equal benefits and job conditions for employees in the country. The same applies to those in Austria. Planned negotiations with the trade union in Suzhou (China) will focus on non-remuneration topics like work-life balance, employee events, and personal health.

Focus Area Products

We are dedicated to producing high-quality, reliable products and solutions, as well as integrating our customers' health and safety concerns. We aim to reduce our customers' environmental burdens by designing material- and energy-efficient products.

Product-related Energy, Emissions, Effluents & Waste

We incorporate the latest product life cycle approaches in our product development.

Materials

We focus on choosing materials that are both safe and environmentally friendly.

Customer Health & Safety

End user health and safety is an inherent part of our business plans.

Energy, Emissions, Effluents & Waste

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

Why it matters

In terms of primary energy consumption, the building sector is one of the largest energy users in the world – as a result, their influence on climate change is enormous. As a leading manufacturer, dormakaba is committed to incorporating the latest product life cycle approaches and environmental technologies to continuously advance our product development and improve our as well as our customers' sustainability performance. This not only provides new opportunities for our design and manufacturing processes; it addresses our customers' expectations regarding environmentally friendly products.

Key activities

We aim to reduce our customers' environmental impacts by designing material- and energy-efficient products. We are dedicated to producing high-quality and reliable products and solutions, while also integrating our customers' desire for environmentally friendly options. As a result, product design remains a core focus of our sustainability strategy, with an emphasis on energy consumption and carbon emissions during the product's use phase, and waste management and recyclability at its end of life.

The trend toward sustainable design and ecodesign is here to stay. With an average lifespan of 40 to 50 years, buildings should ideally be constructed in a way that allows required materials and natural resources to be used efficiently. Green Building certification schemes – such as Leadership in Energy and Environmental Design (LEED) or the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen, DGNB) – rate the sustainability of an entire building. The green building market is forecast to experience a CAGR of more than 10% from 2018 to 2023. By developing sustainable products and providing transparency on our sustainability performance, dormakaba secures our market position and offers added value to customers seeking Green Building certifications.

To reduce product-related energy consumption, emissions, effluents and waste, dormakaba focuses on three areas:

1. Product design with a life cycle approach
2. Greater transparency with Life Cycle Assessments and Environmental Product Declarations
3. Sustainability platforms for greater information sharing

Product design with a life cycle approach

Our sustainability commitment and life cycle approach is integrated into the company's Product Design Manual, which is binding for all new dormakaba-branded products in the Access Solution segments. By integrating life cycle thinking in the Product Design Manual, dormakaba is taking the first steps in integrating environmental impacts into our decision-making, as well as in product and process development. This product development and design process requires Aesthetic Design Approvals, so-called ADECO, to ensure our design integrity. Each step in our design development stage requires close collaboration between our engineers and producers. Final approval for preproduction is granted by Operations, Product Development, Product Management and Product Design. The manual's product design requirements are binding for all new dormakaba-branded products and product ranges. The life cycle approach covers the complete value chain from resources, production and distribution to use and waste/recycling:

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

Production
· Lean Manufacturing
· Scrap recovery
· Sourcing renewable energy

Waste
· Recyclability
· Durability
· Long product lifetimes
· Repairability

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

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

Greater transparency with Life Cycle Assessments and Environmental Product Declarations

Life Cycle Assessments (LCA) provide a reliable calculation of the environmental performance of a product. This includes the systematic assessment of the environmental impacts arising during the extraction of raw material through the production, distribution, and use phases which are quantified based on materials, energy consumption, transport routes, emissions, and the lifespan of the products.

dormakaba uses two LCA approaches: cradle-to-gate and cradle-to-grave. The first approach considers all production stage modules: raw material supply, transport, and manufacturing. The latter one covers all life cycle modules, which means that in addition to the cradle-to-gate stages, cradle-to-cradle analyzes the building construction process, product use stage and end of life, i.e., our upstream value chain. We mainly use cradle-to-gate "with options" so that we can select the relevant upstream life cycle module(s).

We quantify and disclose a product's environmental impact through its entire life cycle in our Environmental Product Declarations (EPDs), which are based on the international standards ISO 14025, 14040, 14044 and the European Standard EN 15804. We have adopted them to ensure that our environmental information is reliable and credible. Our goal is that by the end of the financial year 2020/21, products representing 30% of our total turnover have EPDs and/or Health-related Product Declarations (HPDs). To provide this range of EPDs, we are working with sustainability consultancies who help us in creating the LCAs.

In addition, dormakaba has become a partner in the "Live LCA" project hosted by KIC InnoEnergy and the European Institute of Innovation and Technology. The project aims to quickly assess life cycle information by increasing the use of live data from production monitoring systems. We support the project by providing manufacturer-specific data. In addition to the LCA, product-specific live data on topics such as energy and material consumption can be used to determine potentials in energy savings or waste reduction. A key focus of the project in the 2019/20 financial year was on software development, which resulted in the beta module "iPoint Product Sustainability". The cloud-based web application helps to identify hotspots along the life cycle where the biggest improvements can be made. The user interface is tailored to the needs of the user's role, whether engineers or sustainability managers, in such a way that even non-LCA experts can easily understand how material choice, for example, affects the environmental impact during the product's lifetime. dormakaba tested and gave feedback to the system's user interface as part of the collaboration.

Sustainability platforms for greater information sharing

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

dormakaba publishes the product information from such product declarations on internationally recognized sustainability platforms such as the DGNB Navigator, mindful MATERIALS, and the International Living Future Institute (ILFI). These databases provide transparent environmental and health information for users and ensure easy access to specific product data. By providing product information on such databases, we seek to lower market entry barriers in the green building industry, making our inclusion in related bidding processes possible. These databases serve slightly different purposes:

- DGNB Navigator is an online database created for building products based on the DGNB certification system. The online platform creates transparency and provides manufacturers, architects, planners, craftsmen and auditors with fast, precise and free valuable information on the product they are looking for and its characteristics – for example, information on environmental impacts, life cycle costs, energy requirements or emission behavior. dormakaba received DGNB-Navigator Labels for the TS 98 XEA slide channel door closer and the sensor barriers Argus 40, 60 and 80 in the financial year 2019/20.
- mindful MATERIALS is a free platform with aggregated information on environmental impacts and human health for building products. dormakaba uses it to meet international market requirements, which are mainly driven by the American construction industry, and to keep abreast of new developments. Since this platform is constantly being revised, a Content Working Group was set up, of which dormakaba is a member. The aim of the Content Working Group is to coordinate a suitable approach for product manufacturers and to make suggestions for further platform developments. dormakaba participates in bimonthly meetings with members of the Content Working Group such as architects, service providers, planners and manufacturers in order to agree on information requirements for various criteria that are included in the mindful MATERIALS Library.
- International Living Future Institute (ILFI) offers a publishing depository for Declare Labels based on the toxnot platform for chemical management and hazard assessment. dormakaba uses the toxnot platform to create and manage Declare Labels in order to fulfill the American and international market demands for greater transparency of hazard profiles. The aim of toxnot is to promote safe and environmentally friendly products. Our portfolio of seven Declare Labels was renewed in the financial year 2019/20.

Our performance

The know-how we have acquired over the years enables dormakaba to set appropriate priorities in a constantly changing international market environment with ever new demands on sustainability issues. At the same time, this evolving marketplace remains our biggest challenge. We constantly exchange knowledge with our colleagues worldwide in order to remain abreast of customer demands and to raise awareness on the importance of achieving a comprehensive understanding of sustainability issues.

We have been publishing LCAs in the form of EPDs since 2011. The first EPD we offered to customers was for our main door closer TS 93. Since then, our EPD portfolio has steadily expanded for our top-selling and tender-relevant products.

Our aim for the financial year 2019/20 was to publish 4 new EPDs. In fact, we published 13 EPDs, including for the full product lines of the room-partitioning systems of our Skyfold (3) and Modernfold (7) brands (Segment Key & Wall Solutions). EPDs were also published for the TS 98 XEA door closer, its accessories and the Argus sensor barriers. Our further aim to renew the EPD for the TS 93 was also achieved, and the renewal for the BTS 80/BTS 80 EMB/RTS 80 EMB door closers is expected in the financial year 2020/21.

These efforts contribute to achieving the dormakaba sustainability target of having EPDs and/or HPDs for products representing 30% of total annual revenue by the end of the financial year 2020/21. Currently 19% of our products based on sales volumes are covered by EPDs and/or HPDs. In order to achieve our target by the deadline, we have initiated a Group-wide project to set up a LCA tool solution for semi-automated EPD generation, which will give us the possibility to generate a larger number of EPDs in a more flexible and less resource-intensive way.

Outlook

We will continue the integration of further product clusters in the new LCA tool in the financial year 2020/21, which will enable us to develop EPDs for over 30 products. In parallel, EPDs for another 11 products, which were already in the pipeline, will be developed outside of the LCA tool. Additionally, four renewals for series of floor spring and transom door closers are also expected in the financial year 2020/21.

Skyfold and Modernfold publish Environmental Product Declarations for full product portfolios

To make sustainable decisions when building or renovating a space, architects, general contractors and business owners need to know how the products or materials selected impact the natural environment. The same goes for companies looking to expand on their sustainability initiatives, such as Skyfold and Modernfold, brands within our Key & Wall Solutions segment, manufacturing horizontally and vertically folding and acoustic automated movable walls for flexible offices, educational facilities, hospitality venues and convention centers worldwide. In their Environmental Product Declarations (EPDs), Skyfold and Modernfold share their products' environmental performance with the aim to not only provide specifiers with the resources needed to facilitate green building certification, but also to provide themselves with a tool to reflect on their own environmental footprint.

EPDs communicate an unbiased and transparent view into how a product can impact the environment and to what extent, giving Skyfold and Modernfold a unique opportunity to assess the materials and procedures used to fabricate their movable walls, the transportation methods used to deliver these walls to customers, and different end-of-life possibilities. "What's great about EPDs is that they provide us with a chance to reflect on our processes and products and then evaluate where and how we can improve to make Skyfold an even greener flexible space solution for our customers and our natural environment," explains Stephan Acolatse, Engineering Supervisor and head of the team of engineers responsible for the EPD reports at Skyfold (pictured left). "It's insightful for us as engineers and innovators, while demonstrating our commitment to be a responsible business."

Materials

Knowing that healthier materials contribute to customer health and safety, we focus on choosing materials that are both safe and environmentally friendly.

Why it matters

It has been well documented that healthier building materials have a positive impact on building occupants' well-being. We therefore focus on choosing product materials that are both environmentally friendly and consumer safe to ensure we are simultaneously addressing any impacts to the environment and to our customers' health and safety.

Key activities

dormakaba products are manufactured around the world using different processes. The most utilized non-renewable raw materials include metals such as steel, brass, aluminum, nickel silver and zinc, as well as gypsum board, glass and plastics. Other important materials are wood, paper and cardboard which are made from renewable resources. Metal parts are often converted, for example, into door closers, cylinders, key blanks, hotel locks and glass fittings. Glass, wood and gypsum board are primarily utilized in sliding and revolving door systems and movable walls.

The potentially greatest environmental risks lie in the processes used for (1) electroplating and surface finishing, (2) painting, (3) melting, and (4) zinc and aluminum die casting. These manufacturing processes are used at 29 of the 102 locations covered in this report. To reduce our environmental footprint, we focus on monitoring and mitigating the environmental impact of these operational steps. When it comes to optimizing our choice of materials, we focus on complying with international material requirements; developing environment- and health-related product declarations; and utilizing the life cycle approach whenever possible. In addition, since the primary extraction of metals from ore and the subsequent refining processes are resource-intensive, dormakaba uses metals with recycled content whenever possible. Further, we generally send scrap metal to recycling.

Knowing that healthier materials contribute to customer health and safety, and that architects and building inhabitants wish to have more transparency on the content of products, we highlight the possible health impacts of our products. We have developed various Health Product Declarations (HPDs) and regularly perform tests – for example on volatile organic compounds (VOCs) in a movable wall product or on hazardous substances in electronic products. To reduce our environmental and customer impacts related to the choice of materials, dormakaba focuses on three areas:

1. Complying with international material requirements
2. Health-related product declarations
3. Closing cycles

Complying with international material requirements

We manage compliance issues on both an ad hoc and strategic basis. Customer and internal requests on used materials or training, for example, are addressed ad hoc; while liaising with external legal support is a more strategic endeavor in order to review changes to regulatory requirements. Through our Supplier Code of Conduct, we also set clear expectations that our suppliers should actively support ongoing efforts to manage and demonstrate product compliance with the abovementioned regulations.

In the financial year 2018/2019, we were impacted by major changes to the EU Regulation 1907/2006 (REACH). Lead, which is used in a lot of metal alloys, has been classified as a Substance of Very High Concern (SVHC) by the European Chemicals Agency (ECHA) in 2018 and has been added to the REACH Candidate List for authorization. Candidate List substances are deemed of significant risk to human health and the environment and might eventually be added to the authorization list. Should this occur, users and sellers of these substances may need to apply to ECHA for permission to sell and use these substances within the EU. In addition, the ECHA is currently establishing a so-called SCIP Database for

information on substances of concern established under the EU Waste Framework Directive. Companies supplying articles containing SVHCs in a concentration above 0.1% weight by weight (w/w) on the EU market must submit information on these articles to ECHA, as from January 2021.

After assessing the potential impact of this change and seeing the need for a coordinated approach to material substitution research by product development teams, we have formally defined a materials compliance network under the lead of our Chief Technology Officer in the later part of the financial year 2019/20. The increasing information provision obligations compounded with the complexity of our upstream and downstream supply chain and of our products' bill of materials demonstrates the need for a Group-wide strategic approach.

Health-related product declarations

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

An HPD provides a detailed list of the materials and contents of a building product and the associated effects on human health. The declaration is a common reporting format with which the required transparency can be guaranteed. BPDs are particularly relevant in the Scandinavian market and are based on the standard from the Byggvarubedömningen (BVB), a business association of Sweden's major property owners and building contractors. The requirements have become more extensive in recent years. Information must be provided on chemical content and life cycle assessment, in addition to other documents like Material Compliance Statements or Safety Data Sheets.

In the financial year 2019/20, dormakaba updated 30 HPDs to the latest version of the standard (2.1.1). Additionally, we published new BPDs for four door hardware products. Overall, we have published BPDs for 24 global products.

Closing cycles

Several production sites focus on closed-loop systems in their material use, including in Australia, Brazil, China, Italy, and the USA. The manufacturing facilities recycle most internal scrap metal, either back into their own processes or by selling it to a local approved recycler. Scrap material is also sent back to the original producer, who then uses it to make our purchased materials, resulting in a closed-loop system. For over five years, the production facility in Vittorio Veneto (Italy) accomplished this with over 70% of produced scrap going back into its closed-loop system. Even intracompany trade of scrap takes place, as in the example of our facility in Bogota (Colombia) selling its brass scrap to our facility in Rocky Mount (USA). And the AS APAC facility in Taishan (China) reuses zinc alloy scrap in the die casting process, whereas in Melaka (Malaysia) aluminum chips are remelted in the foundry for reprocessing.

The AS AMER manufacturing facility in Indianapolis (USA) conducts on-site oil reclamation generated from the machining processes. The site utilizes a system whereby oil is spun off of the scrap metal and collected for reprocessing. Once the water content in the oil is evaporated, the oil is reconditioned and supplied back to the equipment for use. In Dyersville (USA), the manufacturing facility is finalizing a program in which all inbound containers servicing glass panel production will be sent back to the vendor for reuse, creating a closed-loop system.

Also downstream material cycles are taken into consideration. In Germany, we launched a take-back program for sales and transport packaging. We report the annual packaging volumes to a regulatory body as well as a third-party partner, who then takes back the packaging from our customers and ensures it is properly recycled.

Our performance

dormakaba has made good progress in enhancing our products and their material composition and origin, beyond the legal requirements. In addition to the new BPDs for four door hardware products mentioned above, we published 12 new HPDs for the complete lines of room-partitioning systems of the Dorma Hüppe, Modernfold and Skyfold brands of the Key & Wall Solutions segment. Further, two HPDs were published for the Argus sensor barrier and the TS 98 XEA slide channel door closer.

We have continued to improve on material compliance, but we have more work to do to advance our agenda and performance. Early in the financial year 2019/20, we have reviewed bills of material for electronic products and performed tests on selected products to ensure compliance with the amendments to EU Directive 2011/65/EU (RoHS) that came into effect in July 2019 – including the addition of four new substances. Other markets such as Eurasia and the United Arab Emirates are largely basing their own RoHS regulations on the EU Directive. So, we have also assessed additional products for compliance according to the IEC 63000 standard and obtained laboratory tests, as required by UAE RoHS regulation.

There are however many challenges to tackle; for example, material compliance requires the extensive collection of data. Our supply chains are global and complex which makes it difficult to conduct any necessary follow-up or investigation. And we have to ensure that changes in material composition do not impact product quality. In the financial year 2019/20, AS AMER collaborated with a third-party supply chain data management provider to support product compliance with California Prop 65, but also REACH, RoHS and Conflict Minerals requirements. This was an extension of the collaboration with the same provider for product compliance support within the American operations of the Key & Wall Solutions segment.

in metric tons [1]	2019/20
Non-renewable resources	**61,853**
Steel (incl. stainless steel)	32,167
Brass	8,872
Aluminium	8,587
Nickel silver	1,469
Zinc	4,330
Copper	34
Gypsum Board	2,963
Glass	2,250
Plastics (parts and packaging material)	1,181
Renewable resources	**12,708**
Wood (incl. packaging material)	8,362
Paper and cardboard (incl. packaging material)	4,346

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

Material use (in %)

Raw material use (in %)

Metals

Packaging Materials

Plastics (parts)

Other (gypsum board, glass, wood, paper)

Steel (incl. stainless steel)   Gypsum Board

Brass   Wood

Aluminium   Glass

Zinc, Nickel silver, Copper
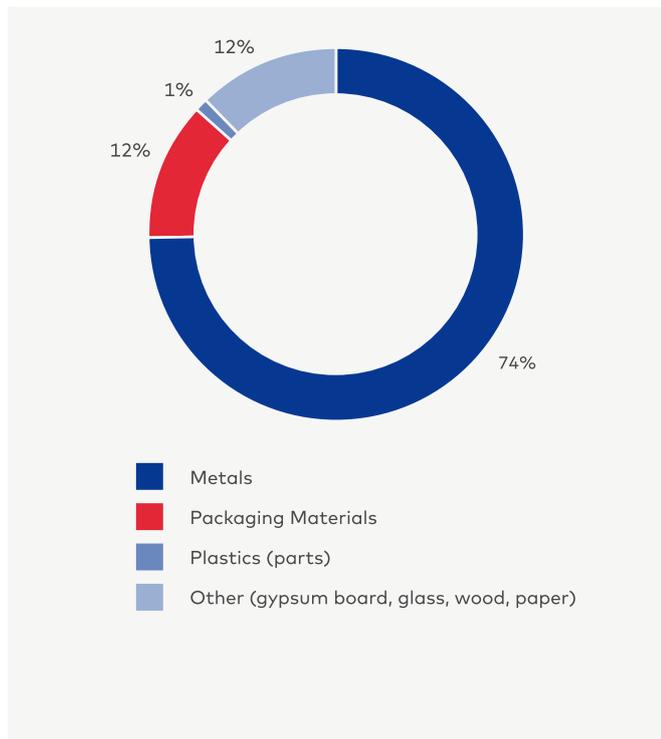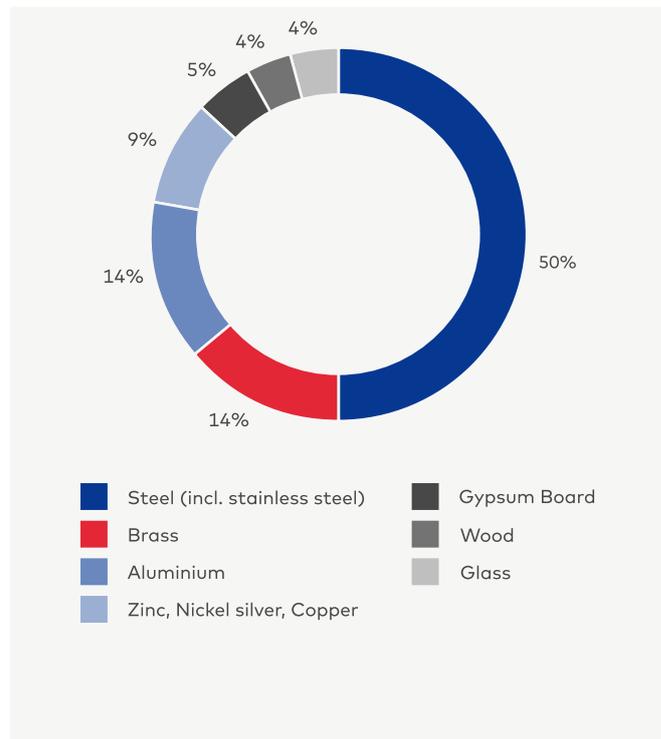
Outlook

We continue to stay well informed of the upcoming changes to relevant materials regulations. With the European Commission currently discussing the extension of the Annex III of the EU Directive 2011/65/EC (RoHS) with an additional seven substances, we will begin to review our electronic products for potential impact. Further, the working groups under the material compliance network will discuss lead substitution research including potential changes to machinery and impacts for assembly lines expected in the midterm. Additional working streams will be the selection of a software solution for materials compliance and the development of processes to ensure meeting the information provision obligation to the SCIP database from the European Chemical Agency.

Similarly, we will stay abreast to changes in the BPD and HPD standards and revise our existing portfolio accordingly in the coming financial year.

Leveraging business expertise to help people stay healthy during the Covid-19 pandemic

An interview with Bill Fabiszewski, Deputy Vice President Marketing, dormakaba Key Systems North America

During the Covid-19 pandemic, Key Systems developed HandzOff, a "touchless" tool with a hook for turning door handles, a notch for engaging knobs and a probe for push buttons and digital touch-sensitive screens. What was your motivation to do this?

The concept is not particularly new – there are similar tools available. Some internal inquiries and research revealed that the brass material we use to make keys has antimicrobial properties. It was not difficult to see that a tool like this fit neatly into our production capabilities and that it was a way that we could help make a positive difference. That was all it took to get the team moving.

How long did it take you to get from concept to commercialization, what was involved and what were some challenges of retooling your production lines?

About five weeks.

This was truly a global team effort: design, design selection, prototyping, tool design and first article production took about three weeks. At the same time, marketing teams made patent and trademark inquires, worked on branding, social media campaigns, packaging and built a website. The sales teams across the globe worked on defining and creating the sales channels. It was a global team effort, more complex than I can describe in a few words.

In parallel we were working on the most difficult element – the material. There is a specific range of copper and copper alloys approved as antimicrobial. Our regular brass is an alloy of about 60% copper and 40% zinc. It fit this range with one exception – the lead (Pb) content was too high. Our biggest challenge was clearing one of our foundry casting lines of lead in order to produce an approved lead-free copper alloy.

Can you tell us about the materials choice you made for the product?

The original choice was easy – we both produce and use flat brass strip for almost every key we produce. Our brass is 100% recycled. When key blanks are punched from brass strip, about 50% of the brass strip is returned to the foundry for reprocessing. Besides processing the leftover brass from Rocky Mount, we process the scrap material from the Key Systems factories in Colombia and Peru. This leftover material in this closed-loop material cycle is supplemented by brass and copper scrap sourced from building salvage companies, other manufacturing operations and military bases.

As I mentioned before, the challenge was to eliminate the lead to produce the correct alloy. The alloy we chose came from a list published by a US government agency and is nearly identical to our normal alloy except for the lead content. By carefully choosing the type of material introduced into the first stages of the foundry process, we were ultimately able to produce the correct lead-free brass.

The new alloy was recently tested and confirmed to meet the REACH limits for lead exposure, and we are in the process of confirming that it will also meet the lead exposure limits for California Prop 65. We hope to be able to use this same material for other applications where we can offer the advantage of the antimicrobial properties of brass.

Customer Health & Safety

It is our aim to make access in our customers' lives smart and secure. End user health and safety is therefore a top priority and an inherent part of our business plans.

Why it matters

For us as one of the top three global access control and security solutions companies, customer health and safety is fundamental to our sense of product responsibility. By identifying and minimizing all possible risks of our products – including those arising from harmful materials or potentially endangering functional features – we ensure the safety of our customers and end users.

Key activities

It is our aim to make access in our customers' lives smart and secure. End user health and safety is therefore a top priority and an inherent part of our business plans. Public buildings must meet high standards in terms of public health and safety, as well as for our built-in products and solutions. dormakaba meets these product and customer requirements with product certifications for internationally recognized standards such as from the European Standard (EN), American National Standards Institute (ANSI) or Deutsches Institut für Normung (DIN). We pay particular attention to the DIN 18040 standards, which apply to barrier-free construction in public buildings. Furthermore, the ISO 9001 ensures that quality management requirements are continuously monitored and improved.

Our product management team is responsible for this work, in close consultation with Product Development, as required by the Group Directive Adaptive Innovation Methodology (AIM) and defined by Group Innovation Management. Our product quality assurance process, which includes both internal and external resources, ensures that our products have all necessary labels. No product can be installed in-field or released for production without the appropriate certification in hand. This is a necessary step in the product development life cycle, i.e., the product verification phase based on AIM. At a Group-level, the product management team is responsible for customer health and safety, in close consultation with Product Development. In our business units and at our production sites, ISO 9001 processes are implemented locally and managed by local quality assurance managers.

To ensure product- and solution-specific customer health and safety, each dormakaba segment develops adequate action plans:

1. Access Solutions segments
2. Key & Wall Solutions segment

Access Solutions segments

Our Access Solutions (AS) segments provide products such as escape routes, entrance systems and hotel access systems. dormakaba works to address fire safety, electromagnetic interference and hazardous substances, as well as the need to ensure emergency exits open following a power failure. To ensure customer health and safety, our business addresses these topics through the following activities:

- **Hazardous substances:** products are designed to comply with the EU Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS directive 2011/65/EC and its amendment 2015/863/EC). All components and materials in dormakaba electronic products sold in the EU market are determined to be RoHS-compliant before any product manufacturing begins.
- **Fire testing:** an example of a fire test requires the door assembly with locks be placed in a door leaf and subjected to a temperature determined in the door leaf specification for a period of three hours. Requirements are met if no flaming occurs on the unexposed surface of a door assembly during the first 30 minutes of the testing period, among other prerequisites; the fire test fails if flames are going through the door leaf during the whole test time.

- **Electrostatic discharges:** for various Electronic Access and Data products, we focus on product certification. For example, the dormakaba Wireless Gateway 90 42 is certified to EN 55024, which tests for immunity in cases of electrostatic discharges, power surges and interruptions, or radio frequency interference. The product is also certified to IEC 60950, which specifies requirements intended to reduce risks of fire, electric shock or injury for the service person, operator or end user who may come in contact with the product.
- **Emergency exits and escape routes:** automatic doors are subject to the highest safety demands, in accordance with EN 16005. To meet these demands, self-monitoring sensors are mandatory. Obstacle self-detection and automatic reversing are also included in many products. For example, the KTV ATRIUM revolving door systems feature a safety sensor system. Emergency exit and escape route doors are equipped with a redundant operator, an additional control unit for safety purposes and a self-monitoring motion detector. The ES 200-2D door operator features emergency opening following a power failure. Additionally, revolving doors require a safety risk assessment before installation, in accordance with DIN 18650. This is provided by dormakaba at the building site before a sale is made.
- **User testing:** in some cases, new product launches require the product development team to initiate an alpha (internal) and a beta (external) user testing. This is in addition to product certification and performance testing. Beta testing is the process by which the first initial products released from the production line are installed in a limited customer setting, and monitored closely by the technical support, product management and engineering teams. During the beta testing, any issues can be escalated to the team, to which an investigation is carried out and issues resolved prior to the full launch of the product in the field. This provides an extra layer of verification and validation to most of our product launches and further deployments.

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

The process follows five steps:

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

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

Key & Wall Solutions segment

Our Key & Wall Solutions segment provides product categories such as automotive solutions, keys and space-dividing solutions. Both business units, Key Systems and Movable Walls, have individual approaches to customer health and safety that are product-specific:

- The business unit Key Systems approaches customer health and safety as an element of its ISO 9001 certifications and ensures compliance with both mandatory (such as the European CE Declaration of Conformity) and voluntary safety standards. Over 16 product certifications apply. Each Key Systems product features: proper documentation, such as an owner's manual; a Declaration of Compliance; contact details for the manufacturer; quick guides and tutorials available on the web; and training on demand or during product installation to provide the customer with all the information relevant for proper product use and safety features. Regional distributors are periodically trained on the same topics.
- The business unit Movable Walls has over ten active certifications, including those from Underwriter's Laboratory (UL) and the Canadian Standards Association (CSA). Product certification includes fire testing, smoke testing, ball-throwing tests,

and weight bearing tests on suspension track systems, for example. The related legal registers are regularly monitored and updated.

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

Our performance

To ensure we are on the right track, we internally and externally verify customer health and safety through various certification programs (including ISO 9001), testing, and stakeholder feedback. For example, 51% of reporting sites have achieved ISO 9001 certification.

Examples of contributions to customer health and safety in the financial year 2019/20 included:

- AS AMER launched an extensive process to properly manage the replacement of products with outdated features across some of our lodging, multi-housing and commercial products. A dedicated product manager coordinated with various internal teams to inform customers in multiple waves of communications, with robust tracking and ongoing engagement to ensure product replacement.
- AS APAC ran a virtual "Customer Connect" program in all markets to raise awareness on touch-free, barrier-free and hospital solutions, in addition to other product features and specifications. Combined, over 800 external stakeholders such as distributors, architects and property owners participated. Fire testing for six product series was also completed for various regional markets.
- AS DACH offered assembly videos and/or technical films as well as on-site training workshops to support a safe and correct assembly and installation of products as part of new product launches. And when a firmware error in one of the door drives was discovered to pose a risk of injury, we promptly communicated this to customers via letter and established countermeasures and processes to update the firmware on-site.
- AS EMEA is investing in research and development to monitor and optimize battery use in digital door cylinders, to reduce the need for battery replacement and disposal of their toxic substances. Work on using energy harvesting technology to eliminate batteries use altogether is in its early stages. The segment also launched a collaboration with a technical university in Austria to study materials that could substitute lead in our metal alloys.
- Key & Wall Solutions segment has begun research and development on possible substitution of nickel-plating material on keys. Nickel has been classified as a dangerous material by the European Chemical Agency, and although the restrictions of its use are for products that come into direct and prolonged contact with human skin, such as jewelry, we are proactively assessing whether a substitution could be made.

In the financial year 2019/20, there have been no incidents of non-compliance with regulations or voluntary codes concerning the health and safety impacts of products and services, which have resulted either in a fine, penalty or written warning.

Outlook

Because of the Covid-19 pandemic, demand in the access and security market has shifted to touch-free solutions. The protection of the health of staff and visitors to buildings and hospitals, and prevention of the spread of contagions is more important than ever.

The Access Solutions segments can contribute, for example, by developing and providing automated entrances which act equally as automated physical health checkpoints, such as by using infrared temperature sensors or facial recognition. Solutions can manage access over multiple entrance situations and changing alert levels without compromising security options. We will continue to expand our touch-free solutions across our extended product portfolio in order to serve many customer types and applications. Also, we will expand our antimicrobial finish options across several product lines.

We will continue scouting new lead- and nickel-free materials and less hazardous materials in the market. Our goal is to integrate these materials into existing production infrastructure with minimal modifications to the machinery, and if possible, without a cost increase of our products. We aim to develop a prototype of a battery-free electronic access system as well.

Key & Wall Solutions segment will obtain certifications for relevant products according to IEC/EN 62368-1, the new international safety standard of electrical and electronic equipment. Beta testing will be carried out for a new key cutting machine in partnership with one of the largest distributors of key cutting machines in Europe. The partner company will invite end users to test the new product in their labs to gather field data and feedback.

Offering safe product service during the Covid-19 pandemic

Interview with Christian Bauszus, Global Business Owner Services, dormakaba

Service colleagues around the world have been working on-site during the Covid-19 pandemic to keep our access and security solutions maintained for our customers. How did you handle this?

Early during the pandemic, we issued a global guidance for the service organization to ensure that neither our employees nor our customers are exposed to any undue risk of contagion. The guidance included best practices for hygiene as well as further recommendations directly related to services and installation work. One example is in physically demarcating allowed "touch points" on building property or construction sites. This included, for example, push plates, handrails, locking points, door handles and tablets or documents and pens. Hands-off everywhere else.

Other guidance included best practice examples of hygiene and hand-washing techniques, as well as Personal Protective Equipment, on bringing food from home rather than stopping at busy restaurants for lunch, daily updates on outbreaks and no-go areas, and recommendations to conduct service work outside of the customers' regular business hours, etc. We also offered video conferencing and deployed augmented reality to enhance remote support services.

What kinds of customer service and communication processes did you set up?

This was managed based on the various local governmental regulations. We recommended local service teams to call the customer to understand special routines or measures on expected behavior before arrival. The guidance also included raising awareness of the safety guidelines for any subcontractors.

And we sought to support our customers not only with our services but also with our solutions, e.g., with upgrades of manual doors to touch-free automatic doors with respective sensor technology, wherever feasible, to give end users a better and more hygienic experience.

In Australia we also developed special checklists and procedures for field managers and service technicians for so-called Category 1 Sites, which included supermarkets, airports,

hospitals and medical centers. And in the USA, we worked closely with our industry associations to deploy health and safety tips to our customers and provided direction on how to procure Personal Protective Equipment during the Covid-19 pandemic.

Outro

About this report

This is the dormakaba Holding AG ("dormakaba") Sustainability Report 2019/20, which highlights our sustainability commitment, strategic approach and progress and is geared to all stakeholders. This is the company's fifth sustainability report. This report has been prepared in accordance with the GRI Standards: Core option. The report covers the financial year 2019/20 from 1 July 2019 to 30 June 2020. dormakaba reports on an annual cycle and published the previous report in September 2019. While external assurance of the Sustainability Report 2019/20 was not performed, the compensation of the Board of Directors and the Executive Committee, as well as the financial statements, were audited by an external auditor. Due to improvements in data quality and validation processes, a restatement of the previously reported carbon footprint data from the financial year 2017/18 is necessary. The restated figure is 70,733 tCO$_2$e for combined Scope 1 and 2 emissions (market-based approach), as opposed to the previously reported figure of 75,541 tCO$_2$e.

Significant changes to the organization and its supply chain

In the financial year 2019/20, dormakaba appointed Steve Bewick as Chief Operating Officer of the AS EMEA segment and thus a Member of the Executive Committee as of 1 January 2020. Steve Bewick (53) was previously Senior Vice President UK, Ireland and Benelux and a member of the Segment Management Team of AS EMEA.

The company announced in March 2020 that both Michael Kincaid (58), Chief Operating Officer AS AMER, and Jörg Lichtenberg (55), Chief Manufacturing Officer, were to step down from their respective positions and as members of the Executive Committee as of 30 June 2020 at the latest. As successor of Michael Kincaid, the Board of Directors has appointed Alex Housten (39). He joined dormakaba as of 1 April 2020 and after an onboarding period will assume responsibility as COO AS AMER and joining the Executive Committee on 1 July 2020.

With Jörg Lichtenberg leaving the company, it was decided to discontinue the Chief Manufacturing Officer role. Over four years after the merger, the company's new operating model is well established which allows Management to reassign the Chief Manufacturing Officer's respective responsibilities within the organization.

Further, dormakaba completed the acquisition of Alvarado Manufacturing Co. Inc., based in Chino (CA/USA). Alvarado is a leading manufacturer of physical access solutions in North America such as speed gates, turnstiles and other admission devices with a focus on office, commercial and government buildings, as well as sports, leisure and entertainment facilities. This business was not in scope in this or previous sustainability reports in terms of environmental or human resources figures.

Event after the balance sheet date

On 9 July 2020, dormakaba has announced that the Board of Directors has appointed Sabrina Soussan as the new CEO of dormakaba effective 1 April 2021. Sabrina Soussan has been Co-CEO of Siemens Mobility, a leading supplier of transport solutions, since 2017, and held several leadership positions in Siemens' mobility, building technologies and automotive businesses over the past 20 years. Riet Cadonau, CEO of dormakaba Group since 2011, will hand over his CEO responsibilities at the end of March 2021 and focus on his role as Chairman, following his re-election at the upcoming Annual General Meeting.

Reporting coverage and processes

The data presented covers 95% of dormakaba employees in 102 locations worldwide, as represented by the blue dots in the below map. These are locations with more than 20 employees and include all manufacturing facilities. Environmental data including energy, water, waste and materials consumption is collected via an internal Business Intelligence reporting platform. Each location has a dedicated reporter. For all except materials use, internal reporting deadlines are set at the 6th, 10th and 12th month of the financial year. Materials use is reported at financial-year end. Human Resources data pertaining to GRI 100 such as fluctuation and workforce composition is gathered through the Group-wide Human Resources Information Platform of SAP SuccessFactors. Figures on corruption cases, collective bargaining, health and safety and training hours are gathered on an annual basis by HR for all reporting units in scope via Excel spreadsheets. Data quality controls and consolidation for all data are provided after financial-year end by an external consultant. This report was reviewed and approved by the Chief Executive Officer and Chief Finanial Officer.

Sites covered

- dormakaba represented by subsidiaries
- dormakaba products sold by local sales offices, external partners or international sales units
- Sites covered
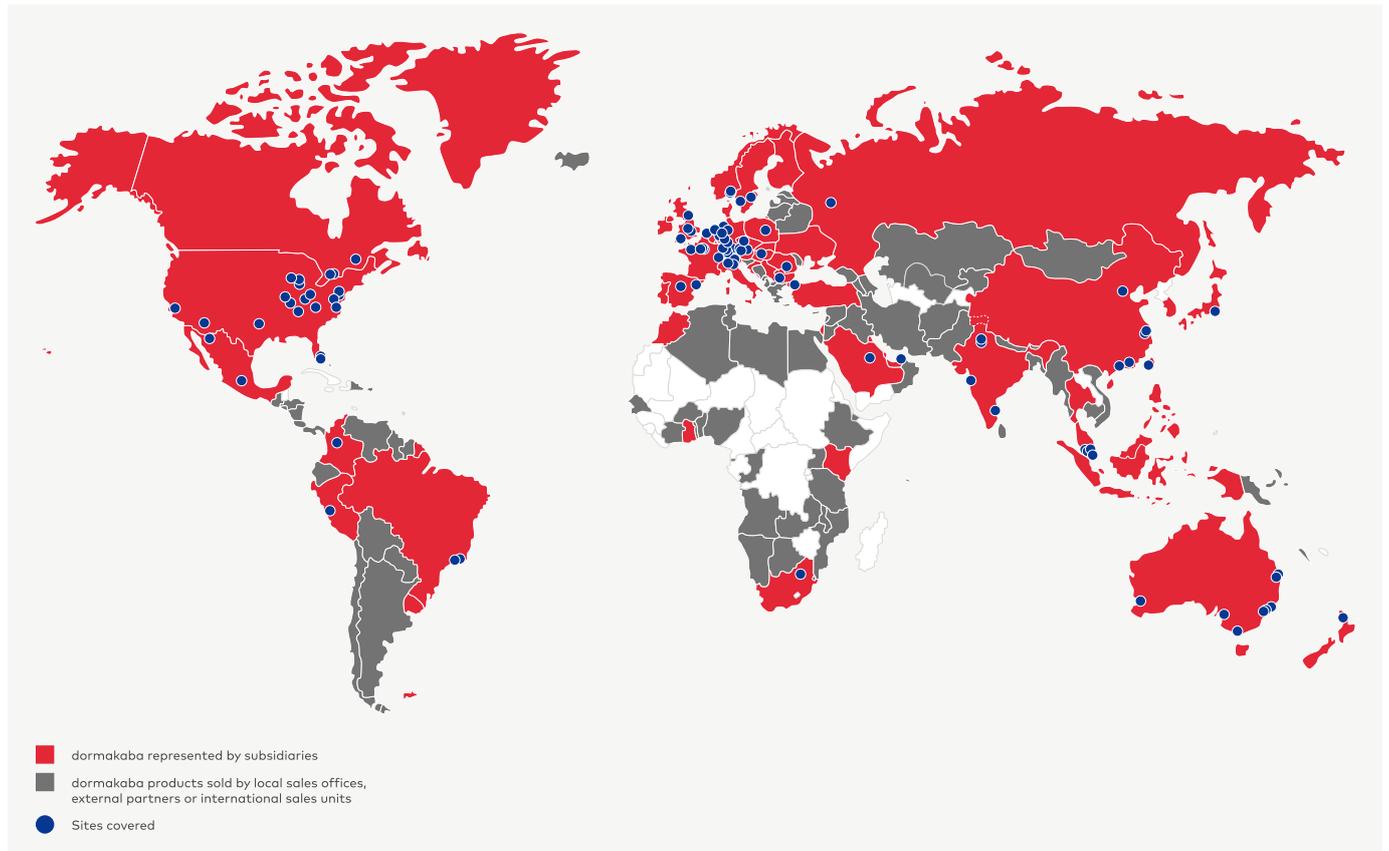
Materiality process in detail

In the financial year 2017/18, dormakaba invested in a comprehensive materiality reassessment to be aligned to the GRI Standards. The latter have clarified the inside-out nature of the term "impacts" in their latest materiality definition.

Impact assessment

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

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

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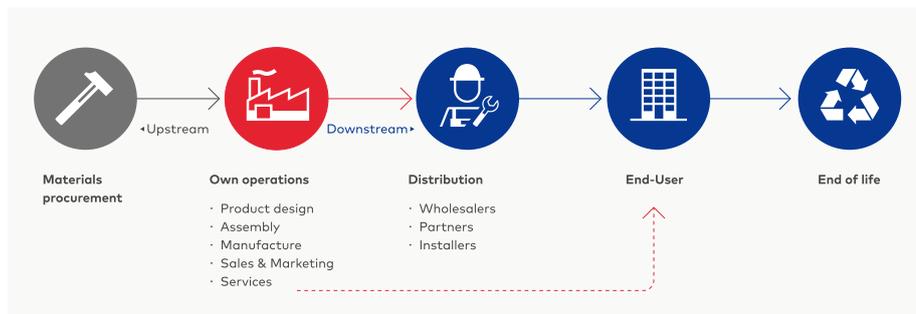
For ease of modelling, the company's value chain was simplified into four steps in the sustainability impact assessment: 1.) Raw materials & sourced goods; 2.) Transportation; 3.) Own activities; and 4.) Distribution, use and end-of-life.

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

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

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

Stakeholder dialogue

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

Threshold-setting and validation

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

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

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

Changes in material topics

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

New material topics	Previously defined as material
Materials	Socioeconomic Compliance
Freedom of Association and Collective Bargaining	Forced Labor
Customer Privacy	Diversity and Equal Opportunity
Customer Health and Safety	Economic Performance
Supplier Environmental Assessment	Product and Service Labelling
Supplier Social Assessment	

Reporting Frameworks

This report has been prepared in accordance with the GRI Standards: Core option.

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

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

WE SUPPORT
UN GLOBAL COMPACT

dormakaba Materiality Matrix 2017–2021

The dormakaba Materiality Matrix below highlights the 17 material topics we plan to monitor and report on through the year 2021, while tracking any emerging global issues or risk for future consideration. An interactive version is available in the web-version of this report. For each topic, the topic boundaries are defined as per impacts along the dormakaba value chain as seen in the subsequent charts. We prioritize these issues according to the degree of potential impact.

Potential social, environmental and economic impacts of dormakaba
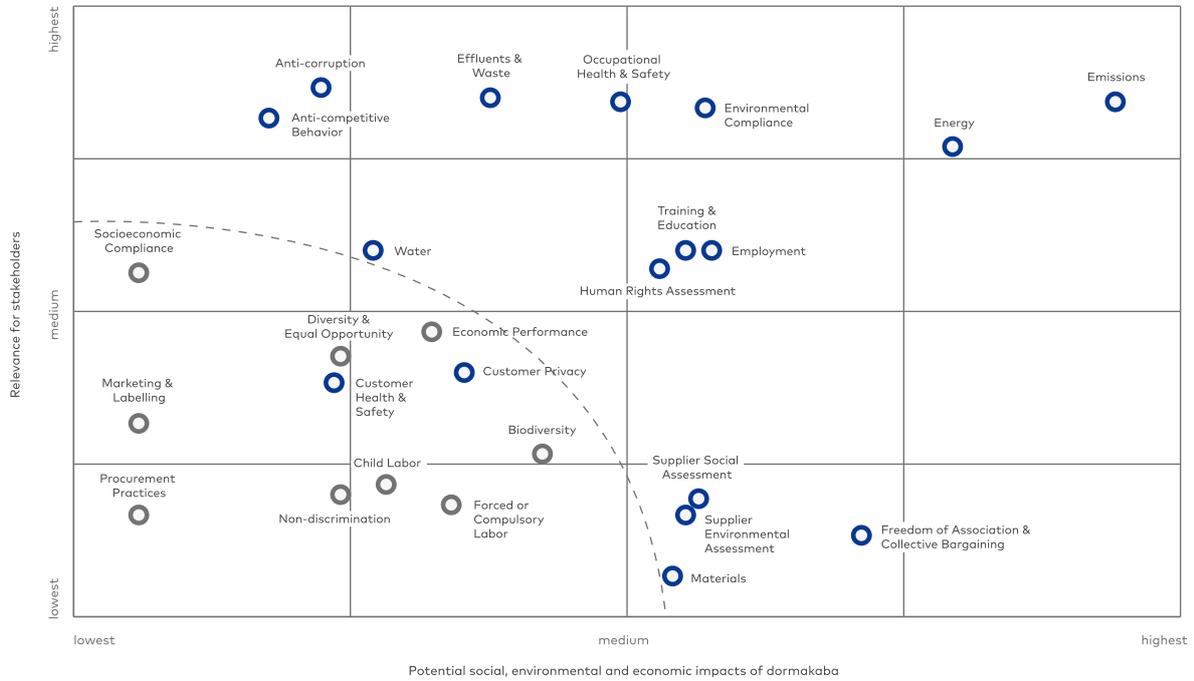
Anti-competitive Behavior

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

Potential Impact per Value Chain Step

high			
medium			
low			

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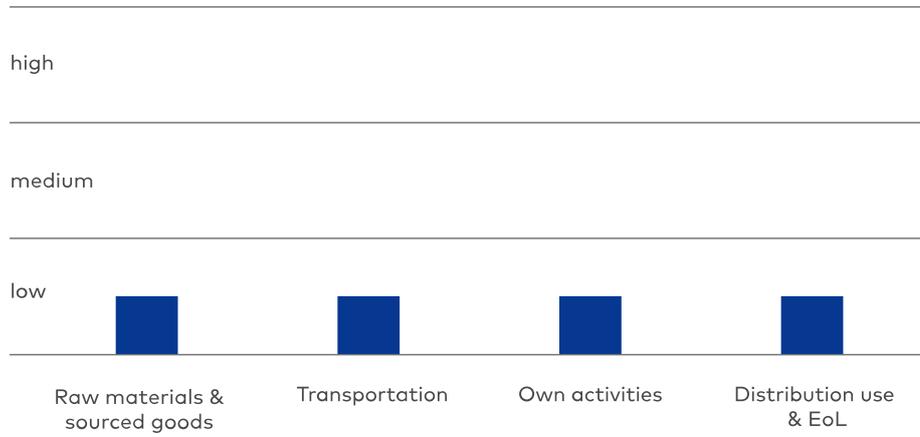
## Anti-corruption

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

Potential Impact per Value Chain Step

high			
medium			
low			

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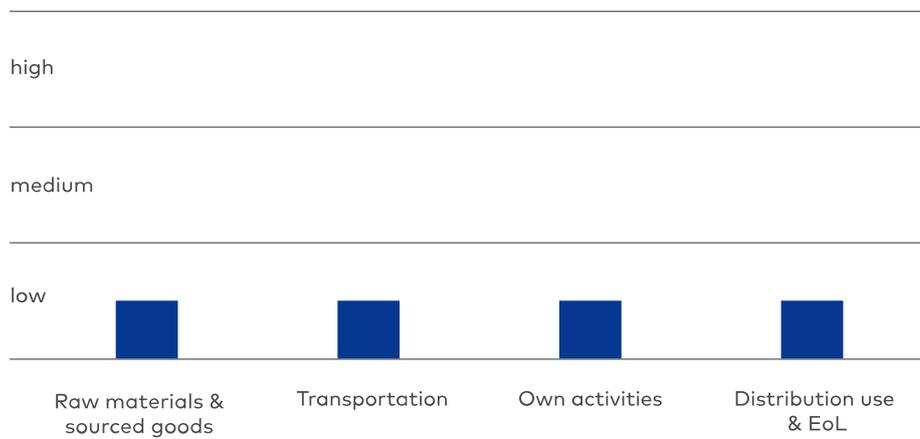
Customer health and safety

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

Potential Impact per Value Chain Step

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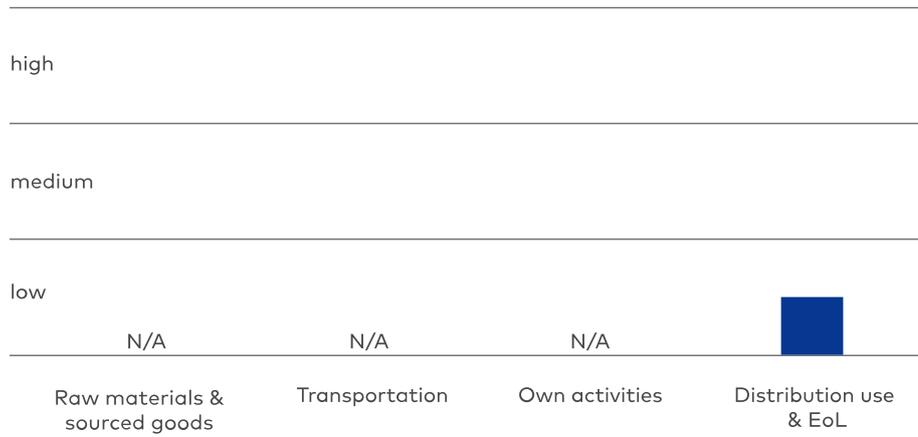
Customer privacy

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

Potential Impact per Value Chain Step

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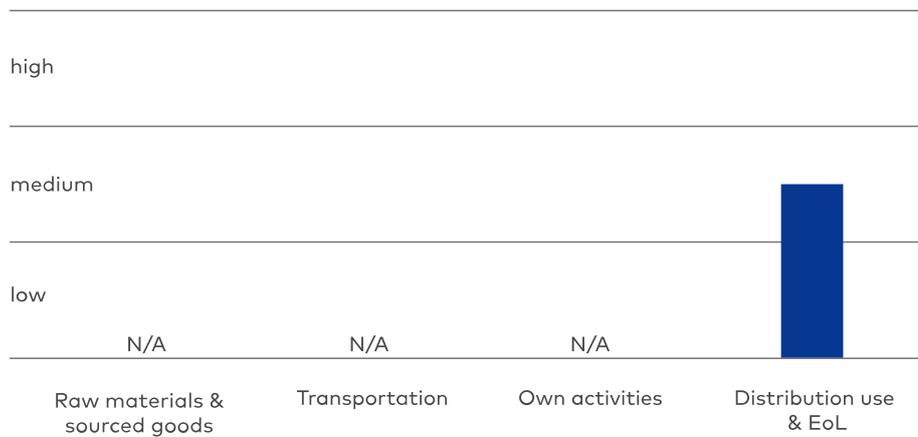
Effluents and Waste

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

Potential Impact per Value Chain Step
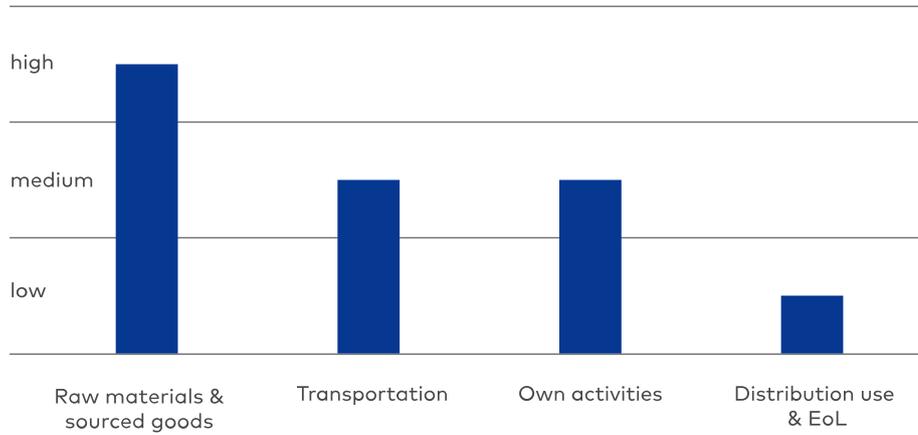
Emissions

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

Potential Impact per Value Chain Step
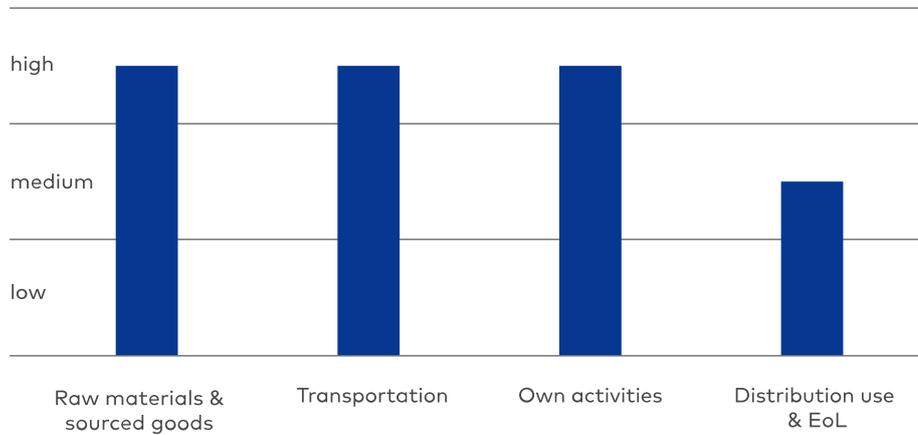
Employment

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

Potential Impact per Value Chain Step

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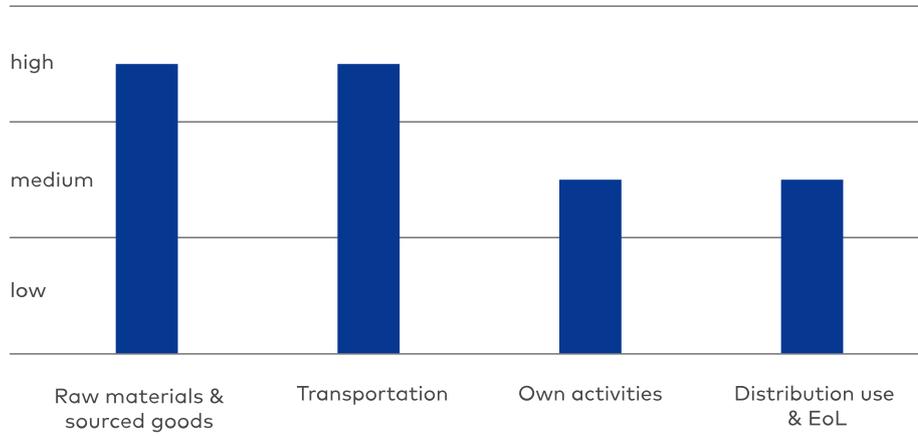
Energy

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

Potential Impact per Value Chain Step

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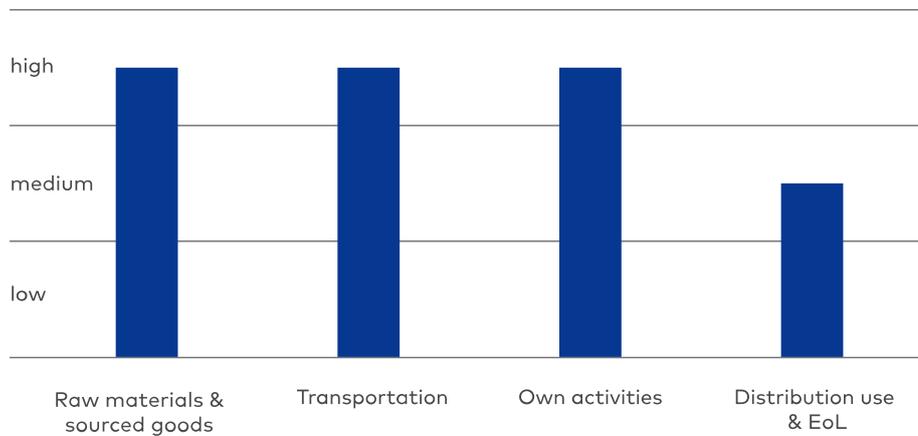
Environmental Compliance

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

Potential Impact per Value Chain Step

high

medium

low

| Raw materials & sourced goods | Transportation | Own activities | Distribution use & EoL |
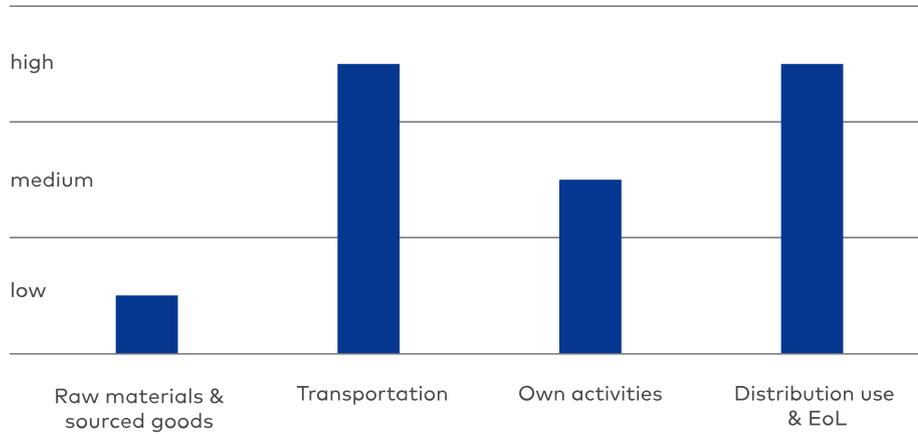
Freedom of Association and Collective Bargaining

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

Potential Impact per Value Chain Step

high

medium

low

| Raw materials & sourced goods | Transportation | Own activities | Distribution use & EoL |
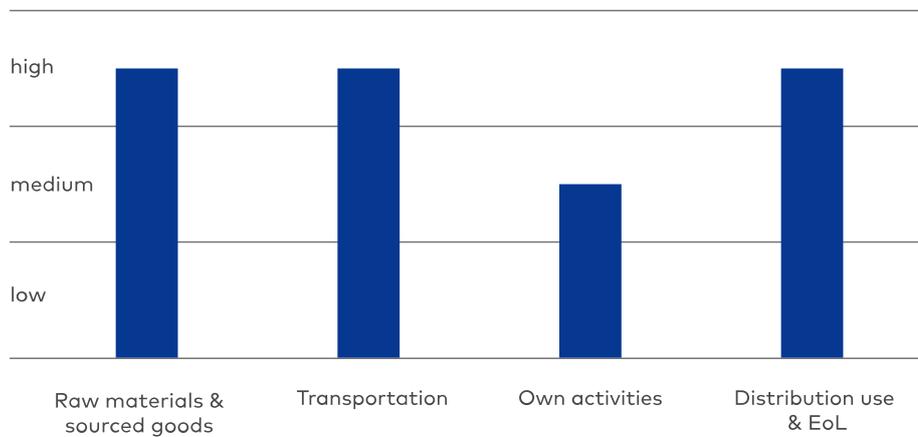
Human rights assessment

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

Potential Impact per Value Chain Step

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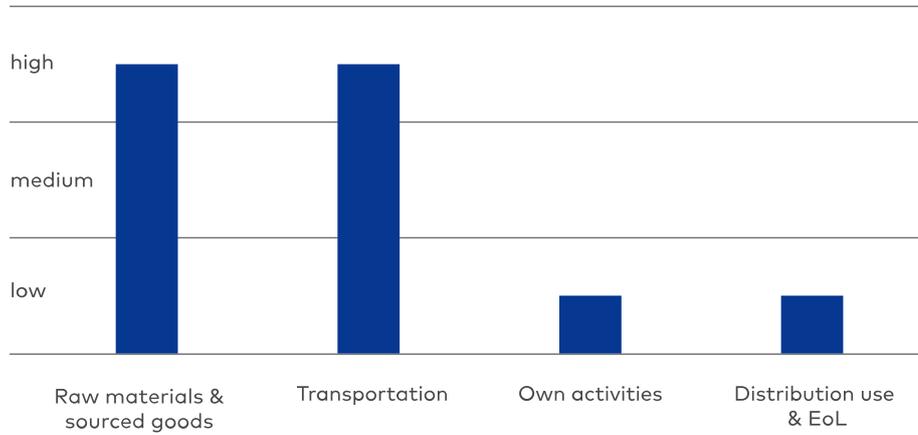
Materials

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

Potential Impact per Value Chain Step

	high	medium	low	
Raw materials & sourced goods	high			
Transportation	N/A			
Own activities	high			
Distribution use & EoL			low	
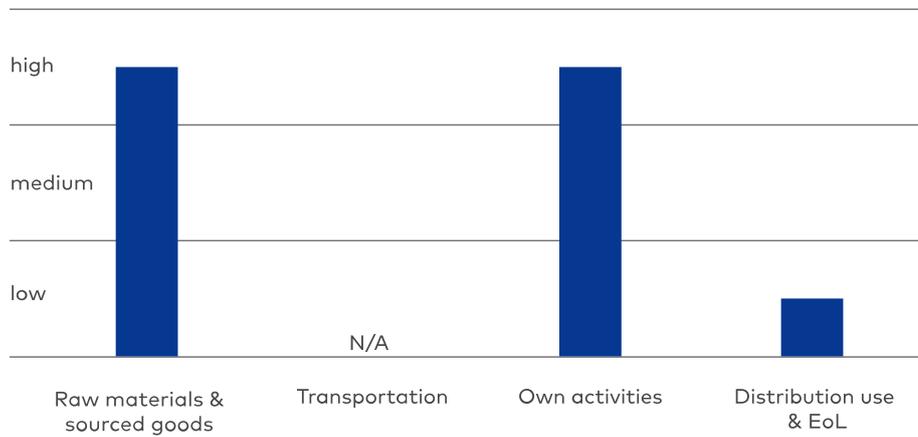
Occupational health and safety

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

Potential Impact per Value Chain Step
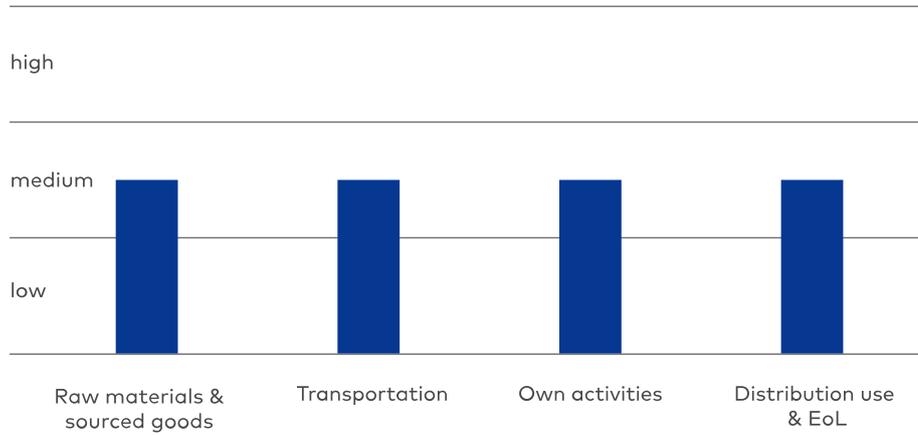
Supplier environmental assessment

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

Potential Impact per Value Chain Step
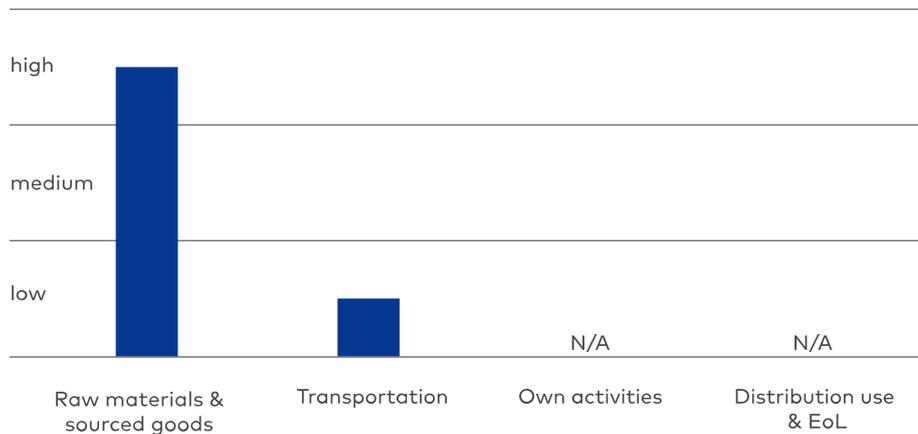
Supplier social assessment

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

Potential Impact per Value Chain Step

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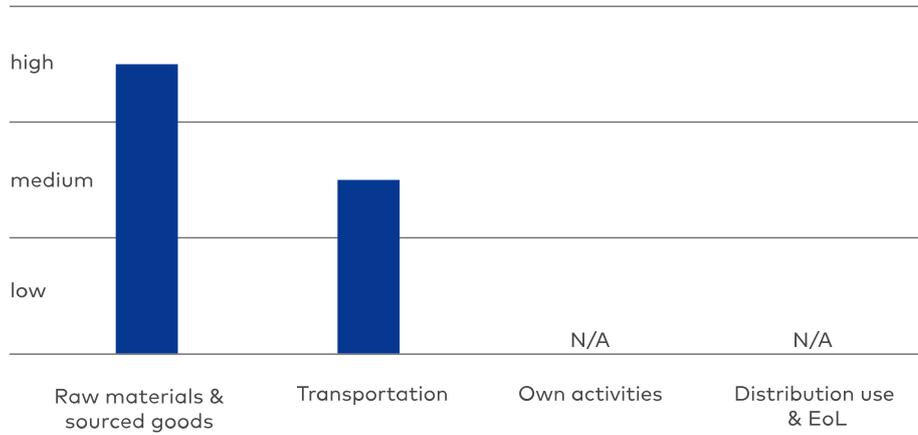
Training and education

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

Potential Impact per Value Chain Step

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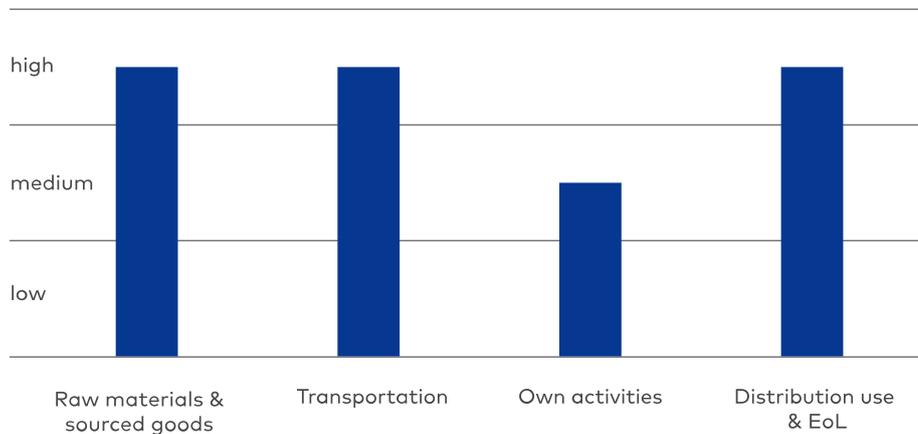
Water

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

Potential Impact per Value Chain Step
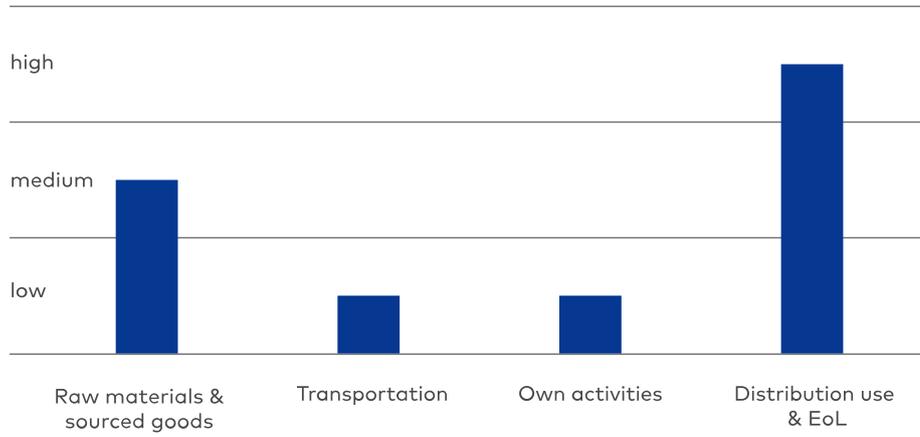
GRI Content Index

GRI 100 Foundation 2016

**GRI 102: General Disclosures
2016**

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102–11 Precautionary Principle or approach	Strategy and Approach
102–12 External initiatives	Strategy and Approach
102–13 Membership of associations	dormakaba is a member of various industry associations and organizations. The focus thereby lies on organizations concerned with door hardware, the security industry, building, locks and fittings, as well as metal and glass hardware, with memberships varying across countries and markets. These memberships include but are not limited to: Builders Hardware Manufacturers Association (USA), Swissmem (Switzerland), Association of Swiss Locks and Builders Hardware Manufacturers, European Locksmith Association, Security Industry Association (USA), The American Institute of Architects, United States Green Building Council, Door and Hardware Federation (UK), Singapore Manufacturing Federation, German Sustainable Building Council, Construction Specifiers Institute (USA), Glass association of North America, Canadian Security Association, American Association of Automatic Door Manufacturers, China Construction Metal Structure Association, Hong Kong Fire Protection Association, Japan Lock Manufacturer's Association, Japan Security Systems Association, National Fire & Civil Emergency Preparedness Council (Singapore), Architectural Door Hardware Association (Australia).

Strategy

102–14 Statement from senior decision-maker	Letter from our Chairman and CEO

Ethics and integrity

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

Governance

102–18 Governance structure	Board of Directors Strategy and Approach

Stakeholder engagement

102–40 List of stakeholder groups	Strategy and Approach
102–41 Collective bargaining agreements	Freedom of Association and Collective Bargaining
102–42 Identifying and selecting stakeholders	Strategy and Approach
102–43 Approach to stakeholder engagement	Strategy and Approach
102–44 Key topics and concerns raised	Strategy and Approach

Reporting practice

102–45 Entities included in the consolidated financial statements	About this report
102–46 Defining report content and topic Boundaries	Strategy and Approach
	About this report
102–47 List of material topics	Strategy and Approach
	About this report
102–48 Restatements of information	About this report
102–49 Changes in reporting	30 new reporting locations
102–50 Reporting period	About this report
102–51 Date of most recent report	About this report
102–52 Reporting cycle	About this report
102–53 Contact point for questions regarding the report	About this report
102–54 Claims of reporting in accordance with the GRI Standards	About this report
102–55 GRI content index	GRI Content Index
102–56 External assurance	About this report

GRI 200 Economic

GRI Standard	Disclosure	
	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Fair competition and anti-corruption
	103–2 The management approach and its components	Fair competition and anti-corruption
	103–3 Evaluation of the management approach	Fair competition and anti-corruption
Anti-corruption		
	GRI 205: Anti-corruption 2016	
	205–3 Confirmed incidents of corruption and actions taken	Fair competition and anti-corruption
	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Fair competition and anti-corruption
	103–2 The management approach and its components	Fair competition and anti-corruption
Anti-competitive Behavior	103–3 Evaluation of the management approach	Fair competition and anti-corruption
	GRI 206: Anti-competitive Behavior 2016	
	206–1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Fair competition and anti-corruption

GRI 300 Environment

GRI Standard	Disclosure	
Materials	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Materials
	103–2 The management approach and its components	Materials
	103–3 Evaluation of the management approach	Materials
	GRI 301: Materials 2016	
	301–1 Materials used by weight or volume	Materials
Energy	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Environmental Management
	103–2 The management approach and its components	Environmental Management
	103–3 Evaluation of the management approach	Environmental Management
	GRI 302: Energy 2016	
	302–1 Energy consumption within the organization	Environmental Management
Water	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Environmental Management
	103–2 The management approach and its components	Environmental Management
	103–3 Evaluation of the management approach	Environmental Management
	GRI 303: Water 2016	
	303–1 Water withdrawal by source	Environmental Management
Emissions	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Environmental Management
	103–2 The management approach and its components	Environmental Management
	103–3 Evaluation of the management approach	Environmental Management
	GRI 305: Emissions 2016	
	305–1 Direct (Scope 1) GHG emissions	Environmental Management
	305–2 Energy indirect (Scope 2) GHG emissions	Environmental Management
Effluents and Waste	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Environmental Management
	103–2 The management approach and its components	Environmental Management
	103–3 Evaluation of the management approach	Environmental Management
	GRI 306: Effluents and Waste 2016	
	306–2 Waste by type and disposal method	Environmental Management

Environmental Compliance	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix / Environmental Management
	103–2 The management approach and its components	Environmental Management
	103–3 Evaluation of the management approach	Environmental Management
	GRI 307: Environmental Compliance 2016	
	307–1 Non-compliance with environmental laws and regulations	Environmental Management
Supplier Environmental Assessment	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix / Supplier Social and Environmental Assessment
	103–2 The management approach and its components	Supplier Social and Environmental Assessment
	103–3 Evaluation of the management approach	Supplier Social and Environmental Assessment
	GRI 308: Supplier Environmental Assessment 2016	
	308–2 Negative environmental impacts in the supply chain and actions taken	Supplier Social and Environmental Assessment

GRI 400 Social

GRI Standard	**Disclosure**	
Employment	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix / Employment
	103–2 The management approach and its components	Employment
	103–3 Evaluation of the management approach	Employment
	GRI 401: Employment 2016	
	401–1 New employee hires and employee turnover	Employment
Occupational Health and Safety	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix / Occupational Health and Safety
	103–2 The management approach and its components	Occupational Health and Safety
	103–3 Evaluation of the management approach	Occupational Health and Safety
	GRI 403: Occupational Health and Safety 2016	
	403–2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Occupational Health and Safety
Training and Education	**GRI 103: Management Approach 2016**	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix / Training and Education
	103–2 The management approach and its components	Training and Education
	103–3 Evaluation of the management approach	Training and Education

	GRI 404: Training and Education 2016	
	404–1 Average hours of training per year per employee	Training and Education

	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Freedom of Association and Collective Bargaining
	103–2 The management approach and its components	Freedom of Association and Collective Bargaining
Freedom of Association and Collective Bargaining	103–3 Evaluation of the management approach	Freedom of Association and Collective Bargaining
	GRI 407: Freedom of Association and Collective Bargaining 2016	
	407–1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Freedom of Association and Collective Bargaining

	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Human Rights Assessment
	103–2 The management approach and its components	Human Rights Assessment
Human Rights Assessment	103–3 Evaluation of the management approach	Human Rights Assessment
	GRI 412: Human Rights Assessment 2016	
	412–1 Operations that have been subject to human rights reviews or impact assessments	Human Rights Assessment

	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Supplier Social and Environmental Assessment
	103–2 The management approach and its components	Supplier Social and Environmental Assessment
Supplier Social Assessment	103–3 Evaluation of the management approach	Supplier Social and Environmental Assessment
	GRI 414: Supplier Social Assessment 2016	
	414–2 Negative social impacts in the supply chain and actions taken	Supplier Social and Environmental Assessment

	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Customer Health and Safety
	103–2 The management approach and its components	Customer Health and Safety
Customer Health and Safety	103–3 Evaluation of the management approach	Customer Health and Safety
	GRI 416: Customer Health and Safety 2016	
	416–2 Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Health and Safety

	GRI 103: Management Approach 2016	
	103–1 Explanation of the material topic and its Boundary	Materiality Matrix
		Customer Privacy
	103–2 The management approach and its components	Customer Privacy
Customer Privacy	103–3 Evaluation of the management approach	Customer Privacy

GRI 418: Customer Privacy 2016

418 – 1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy

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