

Rümlang/Switzerland, 16 November 2018

## UN Global Compact – Communication on Progress (COP) Financial Year 2017/18

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

### CEO Statement

To our Stakeholders:

At dormakaba, one foundation of our six strategic pillars has been formally defined as sustainability. We are committed to foster a sustainable development along our entire value chain in line with our economic, environmental and social responsibilities toward current and future generations. We seek an open, transparent dialogue with stakeholders to define strategies and actions based on clear targets and continuous improvement. We actively report on our progress, through for example an annual Sustainability Report aligned to the Global Reporting Initiative (GRI-G4) guidelines and through this Communication on Progress.

In the 2017/18 financial year, we have made good progress in building our sustainability initiatives. A key achievement has been a reassessment of our material topics. These have been newly defined to help us focus our efforts where we have the most impact. Our seventeen material topics have been aligned to the four focus areas of our sustainability strategy.

The materiality assessment showed that carbon emissions and energy were the topics where our potential impact is the highest. We believe every business, government and individual has a role to play to meet the commitment to the Paris Agreement. A key element in reducing carbon emissions is to reduce energy consumption and source renewable energy. Today, already over one-third of our electricity comes from renewable resources. Given the importance of the topic, we have signed a commitment letter to the Science-based Targets Initiative to set a science-based, Group-wide carbon emissions reduction target by the year 2020. As an interim target, we have committed to reduce our emissions by 5% over the next three years.

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

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

Sincerely yours,



Riet Cadonau,  
Chief Executive Officer, dormakaba Group

Human Rights Principles		
Principles	Disclosures	Source
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	<ul style="list-style-type: none"> <li>dormakaba acknowledges our responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights (UNGP) and the UK Modern Slavery Act 2015. Acting in alignment with the local laws and regulations remains the unquestioned basis of dormakaba's day-to-day business.</li> <li>As of 1 July 2016, a consolidated dormakaba Code of Conduct (CoC) was newly implemented and applies to the entire Group. The CoC contains standards and rules on human rights, bribery and corruption, equal employment opportunities, workplace harassment, conflicts of interest, antitrust and competition law and procedures for reporting misconduct.</li> <li>dormakaba has also set forward our Supplier Code of Conduct (SCoC) in the 2016/17 financial year which includes three main sections of specific bearing, namely human rights, fair labor conditions and the suppliers' own procurement practices. The dormakaba SCoC is integrated in the company's online bidding system. It is further included as part of new standard contracts.</li> <li>In the financial year 2017/18, the company worked with external human rights and business experts to outline the practical application of the UNGP within the business. The process framework follows five steps as required by the UNGP. Key activities included: (1) Review of key company documents from a human rights perspective, consolidation of known risk and impact areas &amp; identification of potential gaps, (2) Desk research to fill the gaps identified from a Human Rights Due Diligence (HRDD) perspective, (3) Mapping of relevant internal and external stakeholders, and (4) Development of the HRDD project plan and defined responsibilities.</li> </ul> <p>A step-wise HRDD project plan has been developed, focusing firstly on stakeholder consultations and further policy development in the 2018/19 financial year.</p>	<p>→ <a href="#">Modern Slavery Statement 2017/18</a></p> <p>→ <a href="#">Code of Conduct</a></p> <p>→ <a href="#">Supplier Code of Conduct</a></p> <p>→ <a href="#">SR 2017/18 Human Rights</a></p>
Principle 2: make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none"> <li>Senior managers and the general managers of local companies are responsible for implementation and enforcement of the Code of Conduct (CoC) and are trained in dealing with the CoC. The Compliance Officer within the Legal Department monitors these processes and, alongside line managers, is one of the defined contacts for reporting infringements of the CoC.</li> <li>In the 2017/18 financial year, dormakaba categorized the supply chain based on sustainability risk factors on a country-level, procurement spend, and material content of the goods purchased. High-risk suppliers have been asked to participate in the dormakaba Supplier Sustainability Self-Assessment. The survey covers nearly 40 questions related to human rights, labor conditions, environmental management systems, anti-corruption and packaging, for example. Of the suppliers who were asked to participate, 76% filled out the self-assessment survey. Over twice as many suppliers submitted responses compared to the 2016/17 financial year in absolute terms. This represents 10% of procurement spend of the sustainability target group defined above. Combined with the previous reporting year's results, dormakaba has now assessed 28% of the target group based on procurement spend. An overview of results is available in our Sustainability Report 2017/18.</li> <li>dormakaba commits to further developing a dedicated Human Rights Due Diligence process in the 2018/19 financial year.</li> </ul>	<p>→ <a href="#">Code of Conduct</a></p> <p>→ <a href="#">SR 2017/18 Supplier Social and Environmental Assessment</a></p> <p>→ <a href="#">SR 2017/18 Human Rights</a></p>
Labor Principles		
Principle 3: Businesses should uphold the freedom of association and the effective	<ul style="list-style-type: none"> <li>dormakaba respects the rights of all our employees in respect of freedom of association and collective bargaining. Collective bargaining agreements are managed in accordance with the respective local regulations and differ within the various dormakaba units.</li> <li>Approximately 62% of the employees in the scope of the sustainability reporting were unionized or covered by collective bargaining agreements. This is based on</li> </ul>	<p>→ <a href="#">SR 2017/18, Freedom of Association and Collective Bargaining</a></p> <p>→ <a href="#">SR 2017/18, Employment</a></p>

recognition of the right to collective bargaining	data collected for the 2017/18 financial year from 48 sites, representing 70 % (11,520) of Group employees.	(Facts and Figures)
<p>Principle 4: the elimination of all forms of forced and compulsory labor</p> <p>Principle 5: the effective abolition of child labor</p>	<ul style="list-style-type: none"> <li>dormakaba's values and our Codes of Conduct condemn all forms of forced and compulsory labor as well as child labor. The full dormakaba Modern Slavery Statement 2017/18 is available on our website.</li> <li>Regarding the minimum employment age, we follow the principles of the UN Global Compact and the conventions of the International Labor Organization (ILO).</li> <li>The topics of forced or compulsory labor and child labor are also included in the dormakaba Supplier Sustainability Self-Assessment.</li> <li>In accordance with the processes established by dormakaba, no notification was received in financial year 2017/18 of any cases involving child labor or compulsory labor.</li> </ul>	<p>→ <a href="#">Modern Slavery Statement 2017/18</a></p> <p>→ <a href="#">Code of Conduct</a></p> <p>→ <a href="#">Supplier Code of Conduct</a></p>
Principle 6: the elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> <li>dormakaba is committed to fostering a diverse and inclusive workforce that reflects the varied markets in which it operates. The Group-wide Code of Conduct (CoC) defines the principles of collaboration, which are binding for all employees. This includes the declared aim of dormakaba to avoid discrimination for reasons of age, gender, race or color of skin, nationality, social or ethnic origin, language, sexual orientation, marital status, religion, state of health or disability or any other legally protected status under local law. In particular, segment AS AMER provides Equal Opportunity Employment and Non-harassment/Non-discrimination policies for US- and Canada-based employees.</li> <li>All potential complaints can be addressed with the supervisor, the supervisor's manager, a member of the Executive Committee, Segment HR, Group HR or the Compliance Officer, who investigate them promptly and discreetly. Employees will not suffer adverse consequences as a result of reporting in good faith any act of discrimination or harassment.</li> <li>Compliance to various regulations such as the obligatory gender pay reporting in Australia and the US Employer Information Report to the Equal Employment Opportunity Commission is ensured at a local level. Further, at the beginning of the 2017/18 financial year, a Group Directive Compensation came into effect. Group HR authored the policy, which was approved by the Compensation Committee of the Board of Directors. To establish fair compensation, determination is based on the job function and relevant local market benchmarks. It is not influenced by personal attributes such as age, nationality or gender. The global grading system ensures that functions are evaluated in a consistent manner across the organization.</li> <li>Segment AS EMEA is taking up the issue of providing equal opportunities for men and women in collective bargaining agreements for France-based employees. Further, in Switzerland an annual salary survey is carried out by an independent third party, as is standard practice for all companies with membership to the Swiss association of mechanical and electrical engineering industries, Swissmem. The analysis compares all the salaries of the member companies who use Switzerland's general collective agreement as a basis for employment. Salary differences between the regions, gender and job function (for example, accounting or IT) are analyzed. The results are then integrated into the subsequent salary increase process by January of each year.</li> <li>Segment AS APAC is leading the charge in Singapore by ensuring that the Tripartite Guidelines on Fair Employment Practice are being followed. In addition, the company's Production facility in Wah Yuet (China) has a diversity and equal opportunity program which has successfully passed an annual third-party audit.</li> </ul>	<p>→ <a href="#">Code of Conduct</a></p> <p>→ <a href="#">SR 2017/18 Employment</a></p>
<b>Environmental Principles</b>		
Principle 7: Businesses should support a precautionary	<ul style="list-style-type: none"> <li>The potentially greatest environmental risks lie in the processes used for electroplating and surface finishing, painting, melting as well as zinc and aluminum die casting. These processes are used at 25 of the 48 locations covered in the SR 2017/18. dormakaba's environmental management places emphasis on these four processes.</li> </ul>	→ <a href="#">SR 2016/17, Environmental Management</a>

<p>approach to environmental challenges</p>	<ul style="list-style-type: none"> <li>The Group Manufacturing Directive includes expectations on achieving international standards for environmental management, energy, and health and safety, and specifically for any locations carrying out the above-mentioned processes. Based on an overview of dormakaba's sites including plants, regional logistic centers, local assembly and distribution centers and service hubs, the Directive sets a framework for expanding the coverage of sites maintaining such management systems. Certifications are required for some sites based on a priority listing depending on size, resource consumption and environmental risks.</li> <li>Further, already 29% of the production sites covered in the scope of the sustainability reporting benefit from the rigorous environmental standards set forth by ISO 14001 certification, with the aim to increase this total to over 50% by 2021.</li> </ul>	
<p>Principle 8: undertake initiatives to promote greater environmental responsibility</p>	<ul style="list-style-type: none"> <li>Electricity and fuel usage play a crucial role in dormakaba's operations due to the processes involved. Many of the components used in our end-products are manufactured in-house, in addition to further processing of bought-in parts. Some of the commodities such as nickel silver are also produced on site, which adds to energy demand. The total energy consumption was over 229,000 MWh in the 2017/18 financial year. Electricity and fuels for heating or manufacturing both play a crucial role in dormakaba's production processes, constituting nearly 87% of total energy consumption. The remainder is associated with the fuel consumption of our vehicle fleet.</li> <li>In the 2017/18 financial year, our total greenhouse gas emissions (GHG) amounted to over 75,000 tons of CO2 equivalent (tCO2e). More than two thirds were emitted as a consequence of electricity consumption, followed by heating and vehicle fuel consumption, and volatile as well as process gas emissions. Scope 3 emissions have been reported in the company's submission to the CDP.</li> <li>Climate-related initiatives implemented during the reporting year resulted in total annual savings of approximately 12,500 tCO2e (nearly 17% of our total footprint). Therein, we worked diligently to source renewable electricity wherever feasible, leading to an emissions avoidance of approximately 11,400 tCO2e. Nearly 35% of the electricity that dormakaba consumed came from renewable sources.</li> <li>Energy saving initiatives were implemented or approved at more than a third of the production sites in scope and included retrofitting facilities to LED lighting systems, upgrading equipment such as industrial burners, as well as milling and molding machines, the optimization of heating and cooling systems, and the procurement of renewable electricity. As a result of these activities, we realized a total quantifiable annual energy savings in the amount of approximately 4,300 MWh for the sites covered in the scope of this report (2,200 MWh achieved in 2016/17 and 285 MWh in the 2015/16 financial year). In addition, over 29,000 MWh of green electricity was purchased</li> <li>Most of the water consumed by dormakaba's operations is drawn from municipal water supplies and is primarily used for cooling, manufacturing processes (e.g. electroplating) and sanitation. Waste water is discharged in compliance with the local requirements and is treated by specialized third party companies where necessary.</li> <li>An inherent aspect of dormakaba's production processes is the generation of different wastes. For each waste type, a specific treatment method is applied. Approximately 73% of the waste stream is recycled, reused or recovered (including raw materials and energy recovery).</li> <li>In the 2017/18 financial year, dormakaba was subject to incidents of non-compliance with environmental laws and regulations in two locations. Corrective action has been taken.</li> </ul>	<p>→ <a href="#">SR 2017/18</a>, Environmental Management (Facts and Figures)</p> <p>→ <a href="#">SR 2017/18</a>, GRI Content Index (307 – 1)</p>
<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies</p>	<ul style="list-style-type: none"> <li>dormakaba proactively strives to mitigate environmental impacts of our products, solutions and services. Green Building certification schemes such as Leadership in Energy and Environmental Design (LEED) or the German Sustainable Building Council (Deutsche Gesellschaft für Nachhaltiges Bauen, DGNB) rate the sustainability of an entire building. At dormakaba, quantified disclosures of a product's environmental impacts through our entire lifecycle are described according to international standards in the form of Environmental Product Declarations (EPD).</li> <li>EPDs for the Variflex 88/100 and Varitrans movable walls (Segment Key &amp; Wall Solutions) have been published in the 2017/18 financial year. In addition, baseline data collection and calculations to create EPDs for compact readers, door closers and automatic door systems have begun. We expect to publish 2 new EPDs in the 2018/19 financial year. In addition, 2 further EPDs for the products TS 93 and BTS 80 will be renewed. To further round off our EPD offer, dormakaba has individualized</li> </ul>	<p>→ <a href="#">SR 2017/18</a>, Product-related Energy, Emissions, Effluents &amp; Waste</p>

	<p>9 association EPDs published by the European Federation of Associations of Locks &amp; Builders Hardware Manufacturers (Arbeitsgemeinschaft der Verbände der Europäischen Schloss und Beschlagindustrie, ARGE).</p> <ul style="list-style-type: none"> <li>• This contributes to achieving the dormakaba sustainability target of having EPDs and/or HPDs for products representing 30% of total turnover by 2021. Currently 12% of our products based on sales volumes are covered by EPDs and/or HPDs.</li> <li>• In the 2017/18 financial year, dormakaba updated 20 of our HPDs to the standard's Latest version (HPD 2.1), which was released in early 2017 and which has been aligned to the requirements set out by the Green Building certification scheme Leadership in Energy and Environmental Design (LEED).</li> <li>• In the 2017/18 financial year, dormakaba joined an initiative by KIC InnoEnergy and the European Institute of Innovation and Technology, which brings together leading higher education institutions, research labs and companies to boost innovation and entrepreneurship. dormakaba has become a partner in the project "Live LCA", which aims to quickly assess life cycle information by increasing the use of live data from production monitoring systems. dormakaba supports the project with manufacturer-specific data. In addition to the LCA, product-specific live data on topics such as energy and material consumption can also be used to determine potentials in energy savings or waste reduction. This enables full transparency of input and output flows and the corresponding costs.</li> </ul>	
<b>Anti-Corruption Principles</b>		
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<ul style="list-style-type: none"> <li>• dormakaba believes in a system of competitive free enterprise. The company is committed to conducting itself in accordance with all applicable anticorruption, antitrust and competition laws, and with the dormakaba specific ethical standards with respect to corruption and bribery [B1, B2]*.</li> <li>• In addition, Group Internal Audit integrates the Corruption Perceptions Index (CPI) as one criteria for developing their internal audit plan [B6]. Group Internal Audit has performed two audits with a focus on anti-corruption and anti-bribery in the financial year 2017/18. The audits did not reveal any misconduct. Corruption risks are also addressed in dormakaba's risk model as part of the company's global risk management process, conducted every six months. The dormakaba Supplier Code of Conduct additionally addresses the topic of corruption and bribery and sets expectations of compliance to business partners [B3].</li> <li>• The dormakaba Code of Conduct (CoC) contains standards and rules regarding bribery and corruption. The CoC is fully supported by the Board of Directors and the Executive Committee and forms an integral part of the dormakaba management system [B4].</li> <li>• The CoC is available to all employees of the dormakaba Group in various languages and in electronic and printed form. When employees join the company, they confirm in writing that they have received and acknowledge the documents. In addition, all CoC training options (e-learning and live trainings) have a focus on anti-corruption [B5]. In the 2017/18 financial year, over 80% of all dormakaba employees were taught about the general anti-corruption processes including how to deal with conflicts of interest, how to seek approval for benefits, etc.</li> <li>• The CoC further specifies how employees should manage conflicts of interest as well as donations and sponsoring. Possible conflicts of interest must be reported to the supervisor, Human Resources or Group Compliance. The situation must be resolved in the best interest of the organization based on consultation between the employee and the supervisor as well as Human Resources. The consultation must be documented and related summary minutes provided to Group Compliance [B6]. The CoC further sets criteria under which donations and sponsoring activities are prohibited.</li> <li>• Due to the relevance of corruption and bribery, a directive that governs these issues is currently being developed [B7].</li> </ul>	<p>→ <a href="#">Code of Conduct</a></p> <p>→ <a href="#">SR 2017/18, Anti-corruption</a></p>

\*all Indicators in [ ] refer to Basic Reporting Elements according to the Reporting Guidance on the 10th Principle.

SR = [dormakaba Sustainability Report 2017/18](#). All GRI indicators mentioned refer to the dormakaba Sustainability Report 2017/18, GRI Index table. The dormakaba Sustainability Report covers the period from 1 July 2017 to 30 June 2018, in line with the financial year 2017/18.