

Rümlang/Switzerland, 17 November 2017

UN Global Compact – Communication on Progress (COP) Financial Year 2016/17

This communication on progress (COP) is the second 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, reflecting the importance of the topic to our employees, customers and investors as well as to the industry as a whole.

We are committed to foster a sustainable development along our entire value chain in line with our economic, environmental and social responsibilities toward current and future generations. We seek an open, transparent dialogue with all stakeholders to define strategies and actions based on clear targets and continuous improvement. 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 2016/17 financial year, we have made solid progress in embedding sustainability at dormakaba, as seen by the formalization of segment networks, which are responsible for the development of concrete sustainability roadmaps throughout the organization. We commit to building on this approach in the coming years on the way to become the trusted industry leader, and we are grateful to all employees contributing to this aim.

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"> dormakaba acknowledges its responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights and the UK Modern Slavery Act 2015. Acting in alignment with the local laws and regulations remains the unquestioned basis of dormakaba's day-to-day business. As of 1 July 2016, a consolidated dormakaba Code of Conduct (CoC) was newly implemented and applies to the entire Group. The CoC contains standards and rules on human rights, bribery and corruption, equal employment opportunities, workplace harassment, conflicts of interest, antitrust and competition law and procedures for reporting misconduct. dormakaba has also set forward its 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. 	<p>→ Modern Slavery Statement 2016/17</p> <p>→ SR 2016/17, page 13</p> <p>→ Code of Conduct</p> <p>→ Supplier Code of Conduct</p>
Principle 2: make sure that they are not complicit in human rights abuses	<ul style="list-style-type: none"> Senior managers and the general managers of local companies are responsible for implementation and enforcement of the Code of Conduct (CoC) and are trained in dealing with the CoC. The Compliance Officer within the Legal Department monitors these processes and, alongside line managers, is one of the defined contacts for reporting infringements of the CoC. In the 2016/17 financial year, dormakaba launched a Sustainability Self-Assessment Questionnaire for its suppliers. The survey covers nearly 40 questions related to human rights, labor conditions, environmental management systems, anti-corruption and packaging, for example. In a pilot phase, 52 top suppliers with total procurement spend of more than CHF 121 million were contacted to participate in the survey. The response rate was 81%. A further roll-out of the survey is expected in the 2017/18 financial year based on analysis of pilot results. dormakaba commits to further developing a dedicated Human Rights Impact Assessment process in the 2017/18 financial year. 	<p>→ Code of Conduct</p> <p>→ SR 2016/17, page 15</p> <p>→ SR 2016/17, page 13 → G4-HR9</p>
Labor Principles		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> dormakaba respects the rights of all its employees in respect of freedom of association and collective bargaining. Collective bargaining agreements are managed in accordance with the respective local regulations and differ within the various dormakaba units. Approximately 52% of the employees in the scope of the sustainability reporting were unionized or covered by collective bargaining agreements. This is based on data collected for the 2016/17 financial year from 46 sites, representing 68 % (11,124) of Group employees. 	<p>→ SR 2016/17, page 27 → G4-11</p>
Principle 4: the elimination of all forms of forced and compulsory labor	<ul style="list-style-type: none"> dormakaba's values and its Codes of Conduct condemn all forms of forced and compulsory labor as well as child labor. The full dormakaba Modern Slavery Statement 2016/17 is available on our website. Regarding the minimum employment age, we follow the principles of the UN Global Compact and the conventions of the International Labor Organization (ILO). 	<p>→ Modern Slavery Statement 2016/17</p>

<p>Principle 5: the effective abolition of child labor</p>	<ul style="list-style-type: none"> The topics of forced or compulsory labor and child labor are also included in the dormakaba Supplier Sustainability Self-Assessment Questionnaire. The pilot launch revealed five suppliers with above average migrant workforce, which as a vulnerable group could be more prone to human rights impacts including forced or compulsory labor. Further processes are in development. In accordance with the processes established by dormakaba, no notification was received in financial year 2016/17 of any cases involving child labor or compulsory labor. 	<p>→ Code of Conduct</p> <p>→ Supplier Code of Conduct</p>
<p>Principle 6: the elimination of discrimination in respect of employment and occupation</p>	<ul style="list-style-type: none"> dormakaba is committed to fostering a diverse and inclusive workforce that reflects the varied markets in which it operates. The Group-wide Code of Conduct (CoC) defines the principles of collaboration, which are binding for all employees. This includes the declared aim of dormakaba to avoid discrimination for reasons of age, gender, race or color of skin, nationality, social or ethnic origin, language, sexual orientation, marital status, religion, state of health or disability or any other legally protected status under local law. 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. The few cases reported in financial year 2016/2017 were investigated thoroughly and resolved satisfactorily. Compliance to various regulations such as the obligatory gender pay reporting in Australia and the US Employer Information Report to the Equal Employment Opportunity Commission is ensured at a local level. Segment AS EMEA is taking up the issue of providing equal opportunities for men and women in collective bargaining agreements for France-based employees. Further, in Switzerland an annual salary survey is carried out by an independent third party, as is standard practice for all companies with membership to the Swiss association of mechanical and electrical engineering industries, Swissmem. The analysis compares all the salaries of the member companies who use Switzerland's general collective agreement as a basis for employment. Salary differences between the regions, gender and job function (for example, accounting or IT) are analyzed. The results are then integrated into the subsequent salary increase process by January of each year. Segment AS APAC is leading the charge in Singapore by ensuring that the Tripartite Guidelines on Fair Employment Practice are being followed. In addition, the company's Production facility in Wah Yuet (China) has a diversity and equal opportunity program which has successfully passed an annual third-party audit. Further, local HR representatives in Pacific-based locations are rolling-out diversity, equal opportunity and non-discrimination training to all staff and have for the first-time appointed women to several key management and service positions. 	<p>→ Code of Conduct</p> <p>→ SR 2016/17, page 24, 27</p> <p>→ G4-LA12</p>
<p>Environmental Principles</p>		
<p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p>	<ul style="list-style-type: none"> The potentially greatest environmental risks lie in the processes used for electroplating and surface finishing, painting, melting as well as zinc and aluminum die casting. These processes are used at 22 of the 46 locations covered in the SR 2016/17. dormakaba's environmental management places emphasis on these four processes. The new Group Manufacturing Directive includes expectations on achieving international standards for environmental management, energy, and health and safety, and specifically for any locations carrying out the above-mentioned processes. Based on an overview of dormakaba's sites including plants, regional logistic centers, local assembly and distribution centers and service hubs, the Directive sets a framework for expanding the coverage of sites maintaining such management systems. Certifications are required for some sites based on a priority listing depending on size, resource consumption and environmental risks. Further, already 33% of the production sites covered in the scope of the sustainability reporting benefit from the rigorous environmental standards set forth by ISO 14001 certification, with the aim to increase this total to over 50% by 2021. 	<p>→ SR 2016/17, page 16-17</p>
<p>Principle 8: undertake</p>	<ul style="list-style-type: none"> Electricity and fuel usage play a crucial role in dormakaba's operations due to the processes involved. Many of the components used in its end-products are manufactured in-house, in addition to further processing of bought-in parts. Some of 	<p>→ SR 2016/17, page 20-21</p>

<p>initiatives to promote greater environmental responsibility</p>	<p>the commodities such as nickel silver are also produced on site, which adds to energy demand. In the 2016/17 financial year, total energy consumption was over 212,000 MWh. The company focused its efforts on reducing electricity and fuels for heating or manufacturing, which account for more than 84% of dormakaba's total energy consumption.</p> <ul style="list-style-type: none"> • In financial year 2016/17, greenhouse gas emissions amounted to approximately 70,000 tons of CO2 equivalent (tCO2e). Electricity consumption remains the largest source of greenhouse gas emissions, followed by heating and vehicle fuel consumption. Scope 3 emissions have been reported in the company's submission to the CDP. • Energy saving initiatives implemented during the financial year resulted in a total savings in the amount of approximately 9,100 tCO2e in 2016/17. The sourcing of green electricity constituted a savings of 8,300 tCO2e (91% from total savings). The remaining 780 tCO2e in savings was attributed to measures including retrofitting facilities to LED lighting systems, optimizing "Lean Production" processes, and upgrading equipment such as air compressors. • The company realized a total quantifiable energy savings in the amount of 2,200 MWh for the sites covered in the scope of the reporting, compared to 285 MWh in the previous financial year. • Most of the water consumed by dormakaba's operations is drawn from municipal water supplies and is primarily used for cooling, manufacturing processes (e.g. electroplating) and sanitation. Waste water is discharged in compliance with the local requirements and is treated by specialized third party companies where necessary. • An inherent aspect of dormakaba's production processes is the generation of different wastes. For each waste type, a specific treatment method is applied. Approximately 78% of the waste stream is recycled, reused or recovered (including raw materials and energy recovery). • Green Building schemes and certifications play an ever-increasing role in the construction industry and to customers. dormakaba is currently certifying three of its own buildings (in Switzerland, Germany and Singapore) to such standards, in order to best understand its customers' needs and requirements in this regard. • There were no significant monetary or non-monetary sanctions for non-compliance with environmental laws and regulations in financial year 2016/17. 	<p>→ G4-EN15-16</p> <p>→ G4-EN3 → G4-EN6</p> <p>→ G4-EN8/22</p> <p>→G4-EN23</p> <p>→ SR 2015/2016, page 17</p> <p>→G4-EN29</p>
<p>Principle 9: encourage the development and diffusion of environmentally friendly technologies</p>	<ul style="list-style-type: none"> • dormakaba proactively strives to mitigate environmental impacts of its 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 its entire lifecycle are described according to international standards in the form of Environmental Product Declarations (EPD). dormakaba' EPD portfolio has been continuously expanded. Seven EPDs were awarded to dormakaba for the international revolving door portfolio in financial year 2016/17. Further, new EPDs will be developed for the revolving door Talos RDR-E01 and the movable wall Variflex System in the 2017/18 financial year. These developments support the company in achieving its aim of increasing its environmental declarations portfolio to cover products representing 30% of total sales by 2021. • In the 2017/18 financial year, dormakaba will be updating its HPDs to the standard's Latest version (HPD 2.1), which was released in early 2017 and which has been aligned to the requirements set out by the Green Building certification scheme Leadership in Energy and Environmental Design (LEED). • In terms of sustainable product design, the company's FFT FLEX Green has been honored with the Green GOOD DESIGN Award 2016. The folding door FFT FLEX Green is a sustainable, reliable and energy-efficient door system, which forms the connection of thermal insulation with silent and dynamic driving performance. The thermally separated profile system FFT FLEX Green produces good heat insulation values and, in combination with high-quality insulating glass, is particularly well suited for energy-efficient buildings. • Dorma Huppe in Ocholt (Germany) from the segment Movable Walls has achieved Forest Stewardship Council's (FSC's) certification and thus conforms to its "COC – Chain of Custody" requirements. All wood materials purchased and processed for its partition systems are certified and originate from responsibly managed forests. 	<p>→ SR 2016/17, pages 28 to 31</p>

Anti-Corruption Principles		
<p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p>	<ul style="list-style-type: none"> dormakaba believes in a system of competitive free enterprise. The company is committed to conducting itself in accordance with all applicable anticorruption, antitrust and competition laws, and with the dormakaba specific ethical standards with respect to corruption and bribery [B1, B2]*. In addition, Group Internal Audit integrates the Corruption Perceptions Index (CPI) as one criteria for developing their internal audit plan [B6]. Corruption risks are also addressed in dormakaba's risk model as part of the company's global risk management process, conducted every six months. The dormakaba Supplier Code of Conduct additionally addresses the topic of corruption and bribery and sets expectations of compliance to business partners [B3]. The dormakaba Code of Conduct (CoC) contains standards and rules regarding bribery and corruption. The CoC is fully supported by the Board of Directors and the Executive Committee and forms an integral part of the dormakaba management system [B4]. The CoC is available to all employees of the dormakaba Group in various languages and in electronic and printed form. When employees join the company, they confirm in writing that they have received and acknowledge the documents. In addition, all CoC training options (e-learning and live trainings) have a focus on anti-corruption [B5]. 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. Due to the relevance of corruption and bribery, a directive that governs these issues is currently being developed [B7]. 	<p>→ Code of Conduct</p> <p>→ SR 2016/17, page 13 → G4-SO4</p>

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

SR = [dormakaba Sustainability Report 2016/17](#). All GRI indicators mentioned refer to the dormakaba Sustainability Report 2016/17, GRI Index table. The dormakaba Sustainability Report covers the period from 1 July 2016 to 30 June 2017, in line with the financial year 2016/17.