

Aware of our **responsibility**



2017 highlights

- KRONES AG generated €2,950 million in revenue in 2017.
- Women make up 14% of our total workforce. Women account for 6.2% of our management-level employees. 30% of our Supervisory Board members are women.
- The average age of our employees is 42.2 years.
- We reduced emissions from work-related travel by 1,255 metric tonnes.

		2017	2016	Change
Revenue	€ million	2,950.0	2,721.2	+8.4%
EBT	€ million	217.7	146.3	+48.8%
Net income	€ million	185.8	111.1	+67.2%
Value added	€ million	836.29	849.67	−1.6%
Capital expenditure for PP&E and intangible assets	€ million	57.1	53.2	+€3.9 million
Equity	€ million	839.0	702.2	+19.5%
Total CO ₂ emissions (Scope 1, Scope 2)	metric tonnes	33,226	34,588	−3.9%
Total CO ₂ emissions per € 1 million in revenue (Scope 1, Scope 2)	metric tonnes	9.0	10.2	−11.7%
Water consumption	m ³	130,324	116,442	+11.9%
Water consumption per € 1 million in revenue	m ³	35	34	+2.9%
Employees at 31 December		9,532	9,378	+154



Aware of our responsibility

Acting sustainably means acting with awareness. We must consider sustainability in all major decision-making in order to detect early any possible risks to our business processes, reduce our ecological footprint, and steadily grow our positive impact on society.

We are aware of the responsibility we bear, not only for our economic performance but also for the environment, our employees, and society as a whole. Our corporate culture is based on strong values. We consider the interests of our stakeholder groups and are always examining how we can best align our actions to meet our responsibilities.

This sustainability report provides an overview of the areas on which our efforts last year focused and what we accomplished.



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About this Sustainability Report

This Sustainability Report covers KRONES AG and is based on the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. The reporting period is the year 2017, from 1 January 2017 to 31 December 2017. The previous year's report related to the KRONES Group and therefore also covered the data for KRONES AG. The previous report was published in May 2017 for the year 2016. The Sustainability Report is published annually.

Minor deviations from the values presented may occur as a result of rounding differences.





87.8% of KRONES' revenue was generated in markets outside Germany in 2017.

87.8%



€751 million – or 90% of total value added – was spent on employees.

€751m



€49 million was paid out to our shareholders in the form of dividends in 2017. That is 5.8% of value added.

€49m



70% of our purchasing volume is sourced from Germany.

70%

“For us, the main sustainability-related topics remain unchanged: recruiting and developing highly competent employees, conserving resources in all of our production activities, and ensuring that our machines and lines are designed with the future in mind.”

“With our enviro sustainability programme, we give customers the option of using energy and media-saving machines and lines to produce their beverages and liquid foods.”



Dear Readers,

KRONES began officially reporting on its activities with respect to sustainability more than 10 years ago. Since then, the range of topics on which we report has grown considerably. All content is aligned with the ten principles of the UN Global Compact and Global Reporting Initiative Guidelines. We are also glad to have our efforts compared with those of other companies in the industry – for instance by having our performance evaluated by various rating agencies.

Policymakers have recently expanded the reporting requirements for listed companies. The changes, which are laid out in the CSR Directive Implementation Act, apply for the first time to the financial year 2017. To meet our obligation under the Act, we published our first-ever Non-financial Report for 2017.

The new reporting requirement means certain changes for readers of our CSR Report. Fundamental information about the strategic orientation and positioning of non-financial aspects in our business development – that is, our management approaches – is now presented in our Non-financial Report. Additional information, which we view as an important complement to the Non-financial Report, will still be covered in our CSR Report.

For us, the main sustainability-related topics remain unchanged: recruiting and developing highly competent employees, conserving resources in all of our production activities, and ensuring that our machines and lines are designed with the future in mind. With our enviro sustainability programme, we give customers the option of using energy and media-saving machines and lines to produce their beverages and liquid foods. With enviro, we are addressing our customers' desire to produce as efficiently as possible – a challenge to which our research and development team dedicates great energy. Our digitalisation products and solutions are also aimed at achieving the highest possible efficiency – a topic that was the focus of considerable attention at the industry's premier trade fair, the drinktec, in Munich last year.

Our daily activities focus not only on machines and lines but also on people. In particular, close dialogue with our customers and the users of our products in markets around the world is very important to us. Our employees also showed incredible commitment to this goal last year. For that and for their continued dedication to all matters concerning our company, I offer my sincere thanks and that of the entire Executive Board.



Christoph Klenk
CEO



In an effort to minimise the impact of our business activities, we are improving material efficiency and optimising processes in freight forwarding logistics.



Rapid global population growth, increasing urbanisation, and the growing importance of digitalisation and their social and economic implications will have a significant impact on our business in the future. We are already preparing for these developments and continually examining our processes to ensure KRONES' sustainability.

Michael Andersen
Chief Financial Officer

Sustainability plays an important role at our plants. We are always looking for ways to improve in all areas. Efficient use of materials and optimised production processes are crucial to KRONES and our employees are highly aware of their importance. Our Brainpool portal, to which employees can submit improvement suggestions, gives us access to valuable ideas.

Ralf Goldbrunner
Bottling and Packaging Equipment

KRONES is represented at more than 90 locations worldwide. That means we are now closer to our customers and better know their needs for efficient production. I believe that this regional presence also promotes sustainability. Our increased proximity to customers reduces travel and transport needs – for people and materials alike. And that in turn has a positive impact on resource planning and environmental protection.

Markus Tischer
International Operations and Services





The members of our sales team are in dialogue with our customers on a daily basis and understand their needs extremely well. Discussions about cost-effectiveness often also involve questions about material or resource efficiency. We are able to offer excellent answers to those questions, thanks in part to our enviro sustainability programme. With enviro, we deliver environmentally compatible, energy and media-efficient solutions.

Thomas Ricker
Chief Sales Officer

Transparency is an important factor for developing our shared goals. We value open communication, to give our employees a chance to dialogue more with their managers and with us Executive Board members. We are intentionally building additional activities of this kind to maintain KRONES' reputation as an attractive employer.

Christoph Klenk
Chief Executive Officer

Business model, business areas, and organisational structure

KRONES offers machinery and systems for bottling and packaging and for beverage production. Innovative digitalisation and intralogistics solutions round out our portfolio. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. Services are an important part of KRONES' business model. The company maintains service centres and offices around the world.

Major markets and competitive position

Customers in the beverage industry account for most of KRONES' revenue. The remaining revenue comes from business in non-beverage sectors (food, dairy, chemicals, pharmaceuticals, and cosmetics).

KRONES is heavily export-oriented, generating almost 90% of revenue outside Germany. The regional breakdown of revenue is well balanced overall. KRONES generated around 45% of its revenue in industrialised countries and around 55% in the rapidly growing emerging markets in 2017.

Apart from a few large companies that are part of a corporate group, KRONES competes with a number of smaller companies that offer only individual bottling and packaging products. Most of our main competitors are based in the euro area. Chinese manufacturers have primarily competed against KRONES for orders on their home market.

As a full-service provider, KRONES is able to distinguish itself from most of its competitors. Our global service portfolio, which enables us to provide fast service to customers on-site, is a crucial advantage. Overall, KRONES is the world's leading manufacturer of bottling and packaging equipment.



KRONES delivers turnkey plants to the beverage and liquid food industry. We use our unique mix of expertise to keep our customers' investment and operating costs low. Of equal importance, we enable our customers to produce reliably and at the highest level of quality. We deliver all of the machines and lines necessary for producing, filling, and packaging beverages. We also provide complete logistics systems, supply and disposal systems, and custom IT and digitalisation solutions that manage and document all production processes.

In addition, we support our customers with excellent, 24/7 after-sales service. That is crucial to ensuring the beverage plants deliver consistently high performance. KRONES' Lifecycle Service (LCS) experts are not just service providers – they are partners to our customers. Together, we find the best solutions for achieving production that is efficient, secure, reliable, and cost-effective. Our LCS team provides optimum maintenance and retrofitting as well as expert consulting as a Partner for Performance.

The following model of a complete beverage plant provides a brief overview of our offerings.



Partner for
Performance

KRONES offers everything that is needed for beverage production. The brewhouse **1** is the heart of a brewery. Here, beer is brewed in several stages from the basic ingredients water, hops, and malt. The brewhouse consists of various systems such as the malt silo, mash tun, lauter tun, wort kettle, whirlpool, and wort chiller. Beer also passes through KRONES-built fermentation and conditioning tanks **2** and filters to finalise the brewing process.

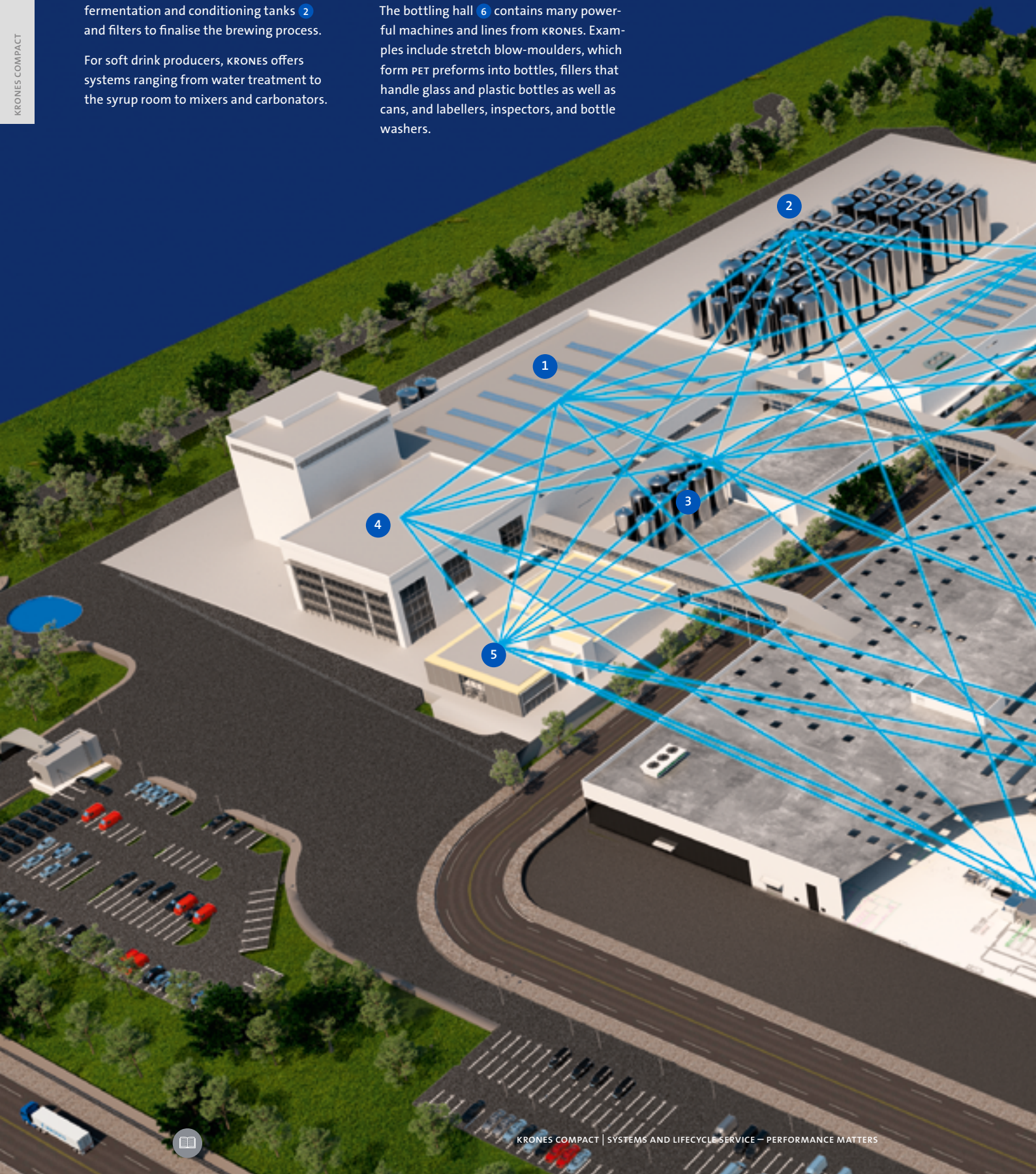
For soft drink producers, KRONES offers systems ranging from water treatment to the syrup room to mixers and carbonators.

All KRONES conditioning and production tanks **3** are precision manufactured and fit perfectly into the production line.

In a comprehensive project planning phase, KRONES not only designs the ideal layout of the production halls but also tailors buildings such as administration **4** and laboratories **5** to the customer's specific needs.

The bottling hall **6** contains many powerful machines and lines from KRONES. Examples include stretch blow-moulders, which form PET preforms into bottles, fillers that handle glass and plastic bottles as well as cans, and labellers, inspectors, and bottle washers.

The filled containers are collated into packs on KRONES packing and palletising machines **7** and packaged according to the customer's specifications. KRONES offers products ranging from stand-alone palletising robots to complete packaging lines.



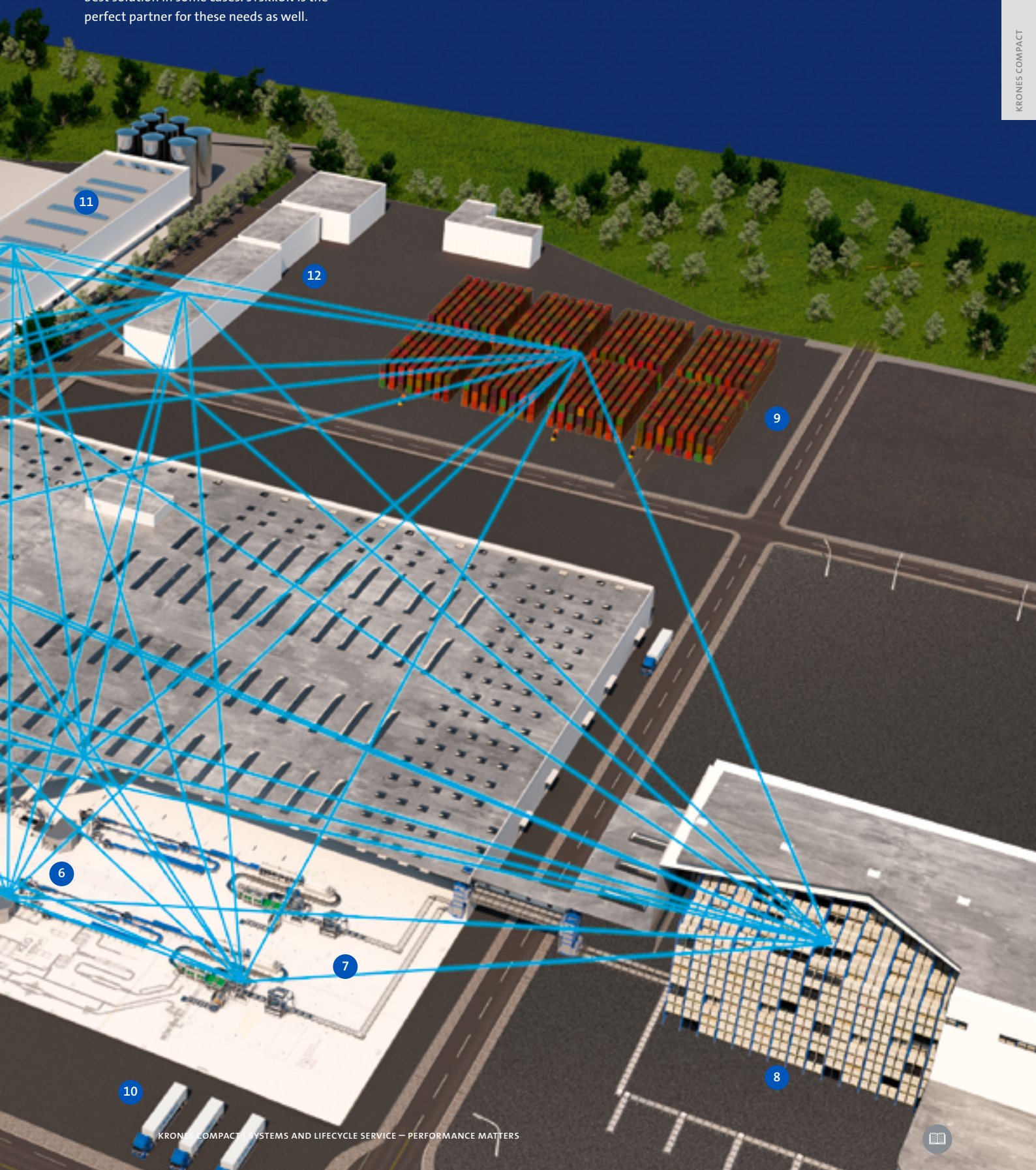
KRONES' subsidiary SYSKRON and the Italian company SYSTEM LOGISTICS, in which KRONES holds a 60% stake, deliver fully automated high-bay warehouses **8** that ensure highly efficient material flows. Every unnecessary logistics step costs time and money.

However, a semi-automated or even a manual warehousing system **9** may be the best solution in some cases. SYSKRON is the perfect partner for these needs as well.

In the beverage industry, the diversity of products is growing and volumes per item are shrinking. Order-picking and distribution **10** have to accommodate. KRONES offers solutions for all of our customers' needs. KRONES' subsidiary SYSTEM LOGISTICS makes a major contribution here with its automated order-picking systems.

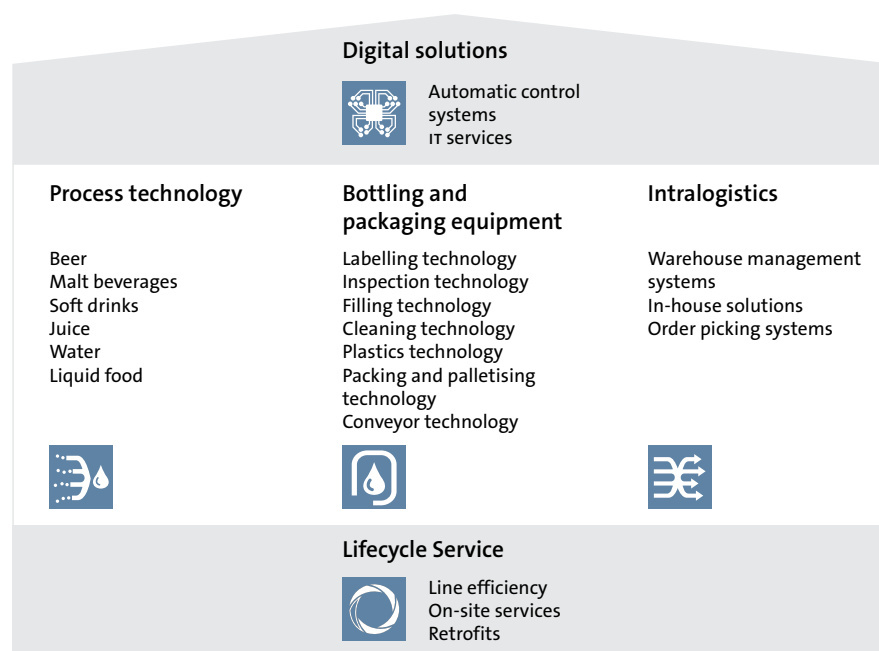
We create a best-fit concept for the supply of heating, cooling, compressed air, and power and calculate optimum capacities for each individual factory **11**.

KRONES configures all disposal systems **12**, such as those for waste and waste water, to suit and helps ensure that all environmental standards are met.



KRONES offers machinery and systems for bottling and packaging and for beverage production. Innovative digitalisation and intralogistics solutions round out our portfolio. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. Services are an important part of KRONES' business model. The company maintains service centres and offices around the world.

With the "House of KRONES" concept, KRONES has precisely tailored its business model to its customers' needs and to the state-of-the-art beverage factory.



The breakdown of revenue by region is presented in detail on page 55 of the KRONES AG Annual Report.



In 2017, KRONES AG posted revenue of €2.95 billion (previous year: €2.72 billion) and net income of €185.8 million (previous year: €111.1 million).

At 31 December 2017, KRONES AG employed 9,532 people. The company's headquarters and largest production site is Neutraubling, Germany. Production also takes place at plants in Nittenau, Flensburg, Freising, and Rosenheim, Germany. The products and services are marketed through a network of KRONES Group companies worldwide.

Key figures for KRONES AG

		2017	2016
Revenue	€ million	2,950.0	2,721.2
Export share	%	87.8	86.7
EBT	€ million	217.7	146.3
Earnings per share (Group, under IFRS)	€	5.97	5.40
Total assets	€ million	1,736.0	1,614.9
Equity	€ million	839.0	702.2
Employees (at 31 December)		9,532	9,378
Dividend per share	€	1.70*	1.55

* As per proposal for the appropriation of retained earnings



Legal form

Stock corporation under German law (Aktiengesellschaft, AG)

Executive Board

Christoph Klenk, CEO, Human Resources, Intralogistics, Digitalisation, Communication, Quality, Information Management, Research and Development

Michael Andersen, CFO, Finance, Controlling, Process Technology, Strategic Purchasing

Thomas Ricker, CSO, Sales and Marketing

Markus Tischer, International Operations and Services

Ralf Goldbrunner, Bottling and Packaging Equipment

Supervisory Board

The Supervisory Board appoints and oversees the Executive Board. In accordance with the articles of association, the Supervisory Board has twelve members. Pursuant to Section 8 (1) of the articles of association, six members of the Supervisory Board are elected by the shareholders in accordance with the German Stock Corporation Act (Sections 96 (1) and 101). Six members are elected by the employees pursuant to Section 1 (1) and Section 7 (1) Sentence 1 Number 1 of the Codetermination Act.

Remuneration

The remuneration report within the KRONES AG Annual Report presents the basic features, structure, and amounts of Executive Board and Supervisory Board remuneration at KRONES AG. That information is part of the management report and covers the disclosures required under Sections 314 (1) No. 6a and 315 (2) No. 4 of the German Commercial Code (HGB).

The remuneration report is published on pages 82 to 89 of the KRONES AG Annual Report for 2017.



Shares

KRONES AG's share capital amounts to €40.0 million and is divided into 31,593,072 ordinary shares. KRONES shares are no par value ordinary bearer shares. Each share carries one vote. KRONES' share has been listed since 29 October 1984 and is included in the MDAX share index, the German stock exchange's midcap index. It is available for trading on all German stock exchanges.

The company is aware of the following direct and indirect shareholdings in the company's capital that exceed 10% of the voting rights:

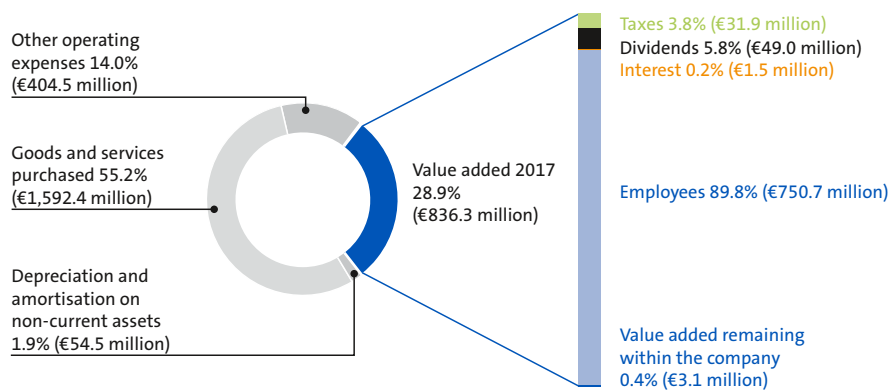
Name of shareholder	Total share of voting rights	Of which attributable indirect voting rights pursuant to Section 22 (2) of the Securities Trading Act
Familie Kronseder Konsortium GbR, Neutraubling, Germany	51.58%	51.58%

Information on exercising voting rights and the rules governing decision-making are presented on page 80 of the KRONES AG Annual Report. This information is also available at www.krones.com/media/downloads/180424_Gesamtzahl_Aktien_e.pdf



KRONES AG generated €836.3 million in value added in 2017 (previous year: €849.7 million). Of this, 89.8% went to our employees in the form of wages, salaries, social security contributions, retirement benefits, and other benefits.

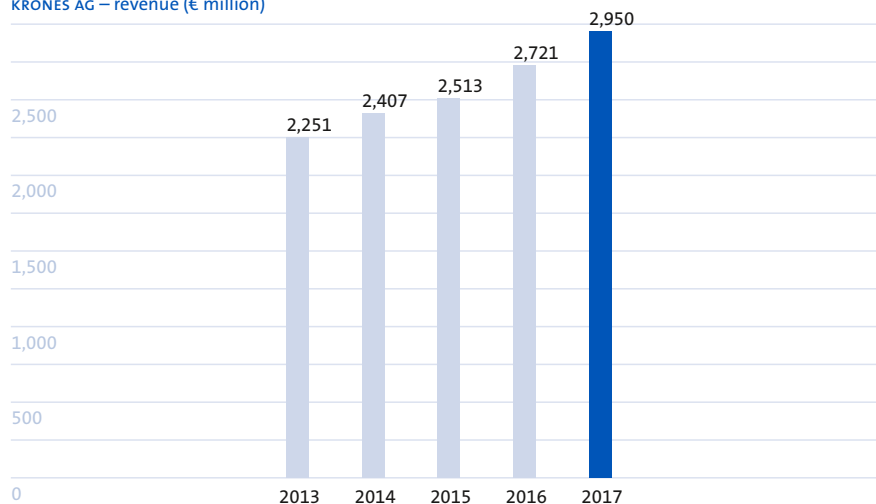
KRONES AG – Value creation calculation for 2017



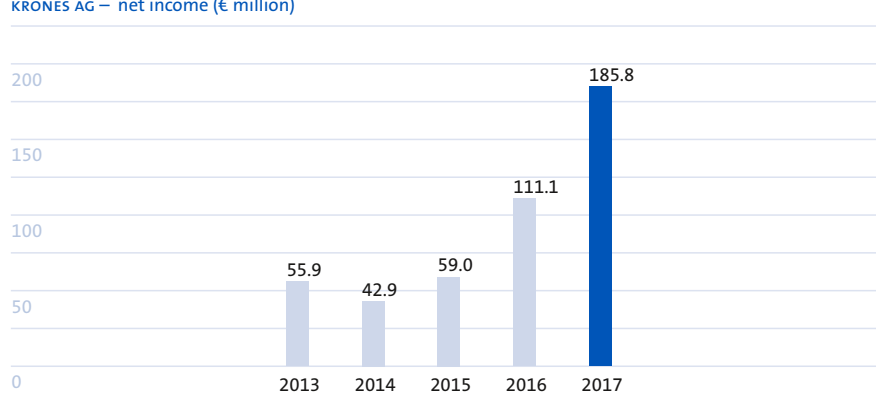
Total operating performance, including other income, 2017: €2,887.7 million (100%)

KRONES continued to grow profitably in 2017.

KRONES AG – revenue (€ million)



KRONES AG – net income (€ million)





German sites	Site-specific strategy	Core expertise	Capital expenditure
Neutraubling	Headquarters, with shared functions; innovation hub for Research and Development; operational headquarters for Bottling and Packaging Equipment and for our plant engineering, spare parts, and retrofits business	Engineering, design, final assembly, commissioning, software, line solutions, and LCS business	Totals more than €100 million <ul style="list-style-type: none"> ■ Expand KRONES Academy with a training hall ■ Expand the production halls for plastics and filling technology ■ Build a new hall for control cabinet construction ■ Build a central logistics centre ■ Develop LCS production, establish a technology centre
Nittenau	Modular supply site within our global value chain for final assembly in Neutraubling	Module production, production of large parts and sheet metal, and special technologies	<ul style="list-style-type: none"> ■ Completed: Boring machine for producing large parts and new automated production systems for mould carrier frames ■ Planned: Two new machine tools for medium-sized parts and a laser welding cell, hall updates
Rosenheim	Main site for packing and palletising technology	Engineering, design, module production, final assembly, commissioning, and software	In implementation: New production hall at Raubling site for final assembly and commissioning of packers and palletisers (scheduled for completion in 2018)
Freising	Main site for brewing technology: Plant engineering and assembly of large tanks and brewhouses in collaboration with sites in Duisburg and Krefeld	Engineering, design, large-tank construction, surface treatment, and software	Pilot brewery plant with dedicated brewhouse
Flensburg	Main site for cleaning technology and product treatment technology	Engineering, design, production, commissioning, and software	New laser cutting machine





KRONES' mission statement answers the questions: Who are we, where do we want to go, and how can we get there?

KRONES is committed to doing business sustainably. That means that, in our business activities, we give equal importance to economic targets, environmental stewardship, and social responsibility. Only in this way can we provide for the needs of future generations.

We joined the UN Global Compact in 2012 and are committed to its ten principles as the basis of our corporate governance. It is also important to us that we show our business partners, investors, employees, and the general public that we accept responsibility and reflect it in our business processes.

KRONES' mission statement

Our customers around the world are primarily in the food and beverage (liquid food) industry. We provide them with machinery, lines, and systems, including all related services, that are the best in every respect.

Profitable growth

To consolidate our position, we will continue to grow profitably and further expand our technology leadership – with innovation, a passion for change, and consistent performance. We listen to our customers and develop our products to meet their needs.

Global network

Our lines and complete solutions provide the highest level of efficiency at competitive prices. Our global network enables us to provide fast, cost-effective, high-quality service – anytime, anywhere around the world.

All strategic decisions are aimed at ensuring the company's sustainable development. Even when optimising profits and cash flow in the short term, we still keep sustainability sharply in focus. That makes KRONES a dependable partner for our customers, employees, shareholders, and suppliers. Our financial strength gives us independence. We use resources wisely in order to safeguard this freedom for the long term. Our sites around the world form a global value chain that serves as the very foundation of our success. Each of our core modules is built at only one site, with exceptional cost-effectiveness. These sites concentrate our expertise and experience in the relevant technology. To secure this advantage for the long term, KRONES offers attractive working conditions, promising training opportunities, and plenty of room for individual development at all of our sites worldwide. Transparent hierarchies, appreciative leadership, and clear goals inform our corporate culture. To stay agile and competitive going forward, we keep our structures lean and efficient.

Fair and forthright interactions

We are a multinational corporation where a diversity of cultures, languages, and ways of life come together on equal footing. We are fair and forthright in our interactions. Honesty, transparency and integrity inform all of our actions. We are interested in the thoughts and opinions of our employees and partners and are willing to learn from others.

KRONES – We do more.



Profitability is the primary measure of successful management and governance. It ensures the company's long-term survival and is, therefore, our top priority. That means that all activities are first examined from the perspective of how they will impact our economic performance. That also includes all aspects of our approach to sustainability.

We are fully aware that a company's long-term success can only be ensured if equal importance is given to economic targets and environmental stewardship. For that reason, we joined the UN Global Compact in 2012 and have since made its ten principles the basis of all of our actions. To ensure compliance with these principles companywide, we have integrated them into our Code of Conduct and other company guidelines and policies. An important element here is our Suppliers' Code, with which we hope to instil the same commitment to sustainability among our vendors. We act in accordance with the Precautionary Principle as laid out in the Rio Declaration and apply this approach to our overarching corporate strategy.

Other memberships in industry platforms such as ecovadis and Sedex and the Carbon Disclosure Project (CDP) give our stakeholders several ways to obtain information about our CSR performance.

Our Value strategy stands on four pillars: quality, profitability, growth, and innovation. Each of these pillars contains aspects that relate to doing business sustainably. Thus, CSR is integrated into our daily business practices. That is also evident in the awareness our employees at every level show in their work day by day and in the numerous suggestions our employees have submitted for further sustainability-related activities.

Because we have made sustainability efforts part of our daily operations and support its continued development with specific concepts and actions, we are continually improving and implementing goals step by step. The management approaches we follow are based on our overarching Value strategy.

Our communications on all topics relating to CSR and sustainability are based on this fundamental principle. Many customers and investors use this information for their own business decision-making.

All activities within our sustainability policy are directly related to the ten principles of the UN Global Compact. We are committed to these principles and have made them available at www.krones.com/en/company/responsibility/values-and-management.php



The CSR Committee consists of members from within and outside the company who support KRONES' CSR activities with ideas and inspiration. The CSR Committee met twice in the financial year 2017 to discuss current developments and actions. The company's CEO and Supervisory Board Chairman both took part in these meetings, ensuring that information was exchanged with the senior decision-makers.

The new CSR reporting requirements that took effect in 2017 necessitate new processes and organisation. For that reason, the CSR Committee will not continue in its current form. In particular, changes to the resolution process and the necessity of gradually rolling out CSR activities across the group companies contributed to this decision. Thus, in coordination with the CEO and the Chairman of the Supervisory Board, KRONES' CSR Officer declared that the CSR Committee shall be dissolved as of the end of 2017 and thanked its members for their work.

Topics of focus for the CSR Committee in 2017

Projects overview

■ Employee-related matters

We developed a new working time model based on employees' desire for more flexible forms of work and ways to better reconcile work with their personal lives. The "mobile work" pilot project, which was launched at the start of 2017, was designed as a means to test the model in practice in KRONES' operations. If it goes well, it will become part of our regular operations.

■ Compliance activities

The group-wide rollout of the compliance management system is nearing completion. One area of focus was internal communications at all KRONES sites. The compliance training programme and anti-corruption training are continuing.

■ enviro 2.0 – sustainable products

We intend to take the potential for energy, media, and environmental compatibility into even greater account in the earliest stages of the product development process. We continue to develop and implement long-term optimisation measures aimed at reducing consumption. By establishing illustrative calculations of savings – for example, our calculation of design parameters for our EquiTherm energy recovery system in the brewhouse – we are able to generate concrete, trackable reductions. For example, the installation of 30 EquiTherm systems resulted in a total theoretical reduction in CO₂ emissions of 111,368 metric tonnes.





■ Charitable contributions and sponsoring strategy

In order to achieve a higher level of efficiency and oversight of our charitable giving and sponsorship activities, the team responsible for CSR at KRONES has further developed and optimised our existing strategy for goals, target groups, actions, and processes. In addition, a new CSR-related giving project was proposed and various options discussed within the CSR Committee.

■ Sustainability activities

The CSR project coordinator gave the CSR Committee a progress report on the CSR rollout for sites outside Germany, information on actions to meet our CSR reporting obligations, and information about the assessment of our sustainability performance by external rating agencies.





The CSR Team brings together representatives from the various stakeholder groups and collaborates to develop topics of focus for KRONES' sustainability strategy.

From left to right:

Prof. Dr.-Ing. Erich Kohnhäuser, former President of the University of Applied Sciences in Regensburg, is the committee's connection to academia as a result of his long career as a university professor.

Claudia Islinger, Works Council, represents the company's employees and brings issues of current interest to employees into the Committee's work.

Volker Kronseder, Chairman of the Supervisory Board, follows the CSR topics from the perspective of shareholders and brings key points into the work of the Supervisory Board.

Nico Irrgang, CSR Officer, responsible for and manages all CSR topics at KRONES.





Christoph Klenk, CEO and member of the CSR Committee since the start of 2016, brings the CSR topics to the Executive Board.

Ingrid Reuschl, Head of Public Relations and Web Solutions, Corporate Communications, and CSR, supports and advises CSR Officer.

Roland Pokorny, Head of Corporate Communications, uses his comprehensive communications with all stakeholder groups to firmly establish KRONES AG's activities in society.

Prof. Dr. Thomas Schwartz, honorary professor of applied ethics, with emphasis on business ethics and corporate ethics, is the committee's source of inspiration on all matters relating to ethical and sustainable action.

Welf Kramer, Compliance Officer and specialist in commercial law, shares his knowledge of the relevant aspects of legal standards with the committee.

A further member of the CSR Committee was **Philipp Graf von und zu Lerchenfeld (deceased)**, Member of the German Bundestag, who supported the CSR Committee whenever political issues needed to be addressed.

KRONES AG has systematically anchored sustainability within its business structure. Sustainability is a company-wide responsibility and falls within the direct purview of the Chairman of the Executive Board (CEO). Clear roles and responsibilities have been defined for the individual technical areas, which carry out the work of a sustainable business strategy at the operational level.

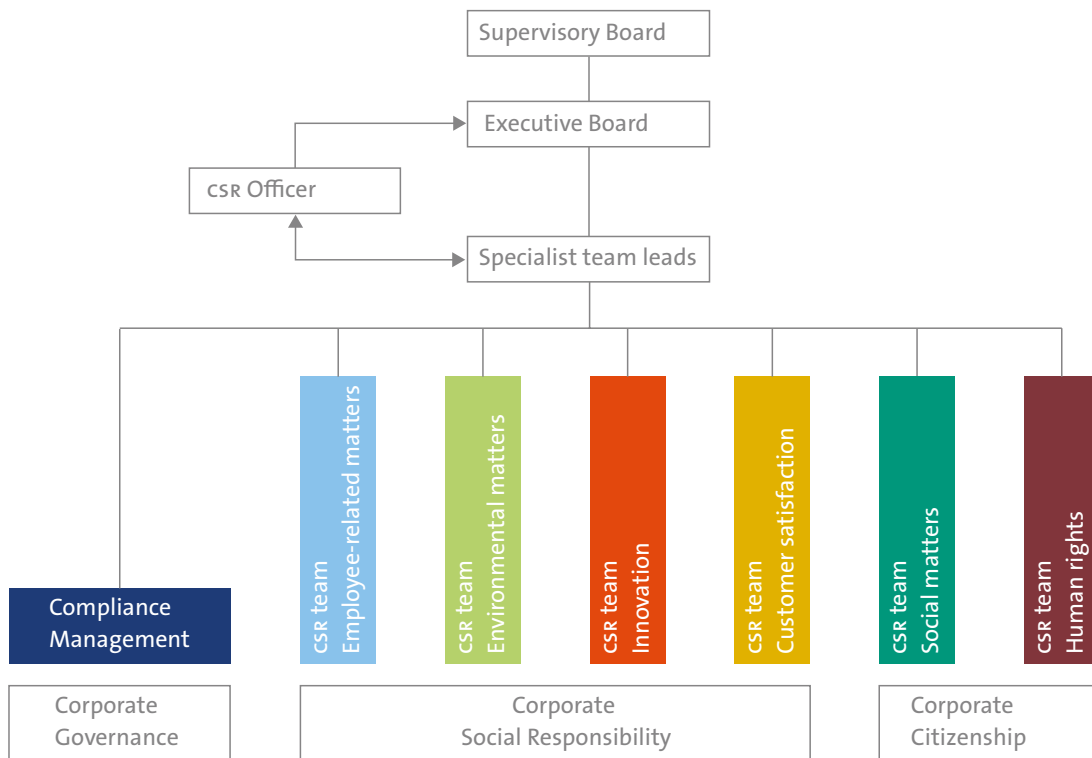
CSR Officer

The CSR Officer serves as the link between the Executive Board and the CSR specialist teams. The CSR Officer coordinates and manages all CSR activities and is the point of contact for internal and external stakeholders.

CSR specialist teams

Representatives from various departments make up the individual CSR specialist teams, which deal with topics relating to employee-related matters, environmental matters, innovation, customer satisfaction, social matters, and human rights. They develop goals and actions for their respective area of responsibility and identify potential for continually improving our sustainability performance.

The CSR Officer cooperates closely with the specialist teams and drives CSR topics there.



A portrait of Volker Kronseder, Chairman of the Supervisory Board, smiling and wearing glasses and a dark suit over a white shirt. The background is a soft, out-of-focus grey.

Sustainability is an integral part of our daily business practices. That is essential for ensuring KRONES' long-term development. Profitability and innovative products are crucial. But responsible stewardship of resources and treating people – employees, customers, and business partners – with respect are just as important to us. KRONES AG has lived by these principles for many years. In 2007, we published our first CSR report. In the years that followed, we gradually expanded on our reporting, in order to provide more and more information on our activities relating to the environment, social standards, and corporate governance. In 2012, we joined the UN Global Compact. At the same time, we began to align our reporting with the guidelines of the Global Reporting Initiative (GRI). Since then, we have provided a broad overview of the various aspects of our efforts with respect to sustainability.

Our first Non-financial Report, published this year for the financial year 2017, takes our sustainability reporting to a new level. In it, we present the same topics as previously reported on but in condensed form and tie them closely to our financial reporting. Details about actions taken are still reported in our CSR Report, which supplements the contents of the Non-financial Report.

As ever, we firmly believe that profitability and sustainability go hand in hand.

Volker Kronseder

Chairman of the Supervisory Board

The process we used to update our list of the material topics is presented on page 30 of this report.

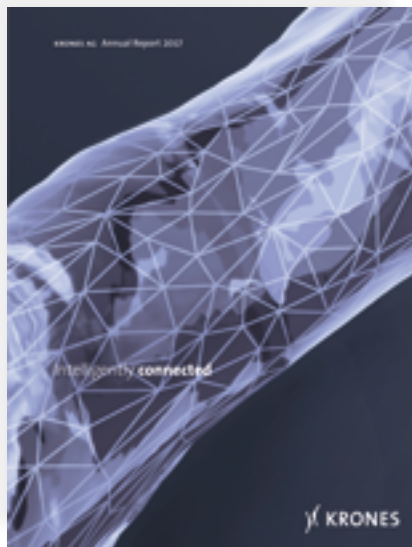


HR statistics presented in this report relate to KRONES AG. Unlike in the Non-financial Report, the figures in this report do not include employees of the BKK health insurance fund.

This Sustainability Report covers the year 2017 and thus continues the annual sequence of publication. Our sustainability reporting is based on the Global Reporting Initiative (GRI) Guidelines.

We have made a number of changes to this report compared with the prior-year report. Most of these changes resulted from new legal requirements to integrate non-financial information into our Annual Report. Therefore, we have reviewed and updated all of our activities relating to all aspects of sustainability reporting. In particular, we revamped our materiality analysis, which resulted in some changes. Some topics were renamed and all topics are now assigned to a total of seven instead of the previous four aspects. The process of updating the material topics is presented on page 30 of this year's report. The revisions make it clearer, to which categories each individual activity relates and who bears responsibility. It also enables us to better present the potential for action. In addition, some topics are no longer reported on separately since they now fall within the scope of others.

Another change relates to the scope of the report itself. Since the concepts presented currently apply only at the national level, we have decided to limit the scope of this report to KRONES AG.



Annual Report for KRONES AG
www.krones.com/media/downloads/GB_2017_AG_e.pdf



Non-financial Report for the KRONES Group
www.krones.com/media/downloads/180423_NFB_2017_e_.pdf



In order to avoid redundancy within our reporting, we have slimmed down the sustainability report overall. Where we have previously incorporated economic data and an assessment of risks and opportunities into this report, we now refer to the Annual Report for all such information – one exception being that we have retained the overview of key financial performance indicators. We also refer to the Non-financial Report for information on all management concepts in order to avoid duplicating information. The chapter on compliance and all data relating to our CO₂ reduction target have been transferred entirely to the Non-financial Report.

Besides the changes listed above, the report content has also undergone some other modifications.

This is the last year in which we will publish a report from the CSR Committee. The Committee was dissolved as of the end of 2017. We are redesigning the way our CSR activities are integrated into our organisation.

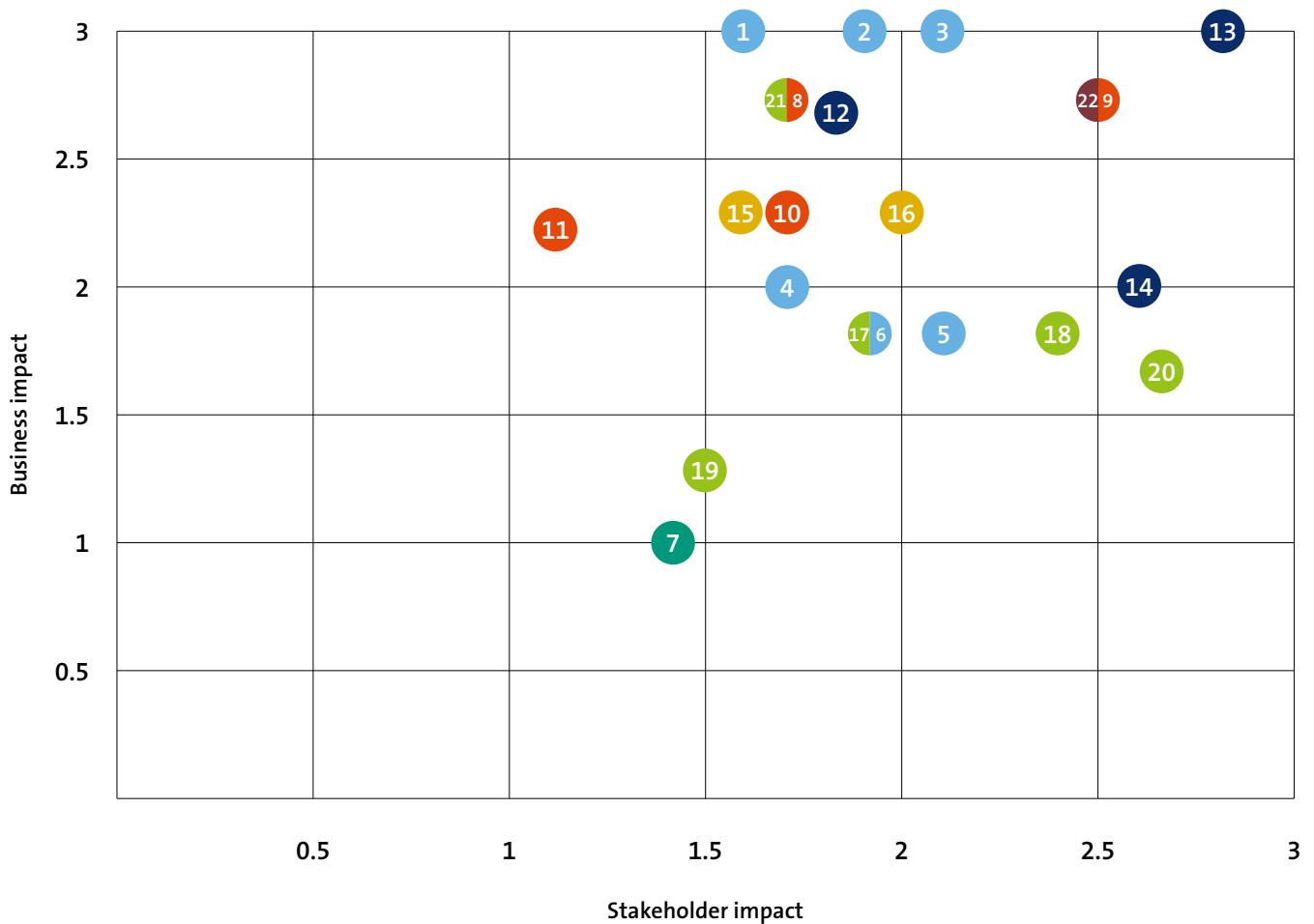
In the “Environmental matters” chapter, we have updated our calculation of CO₂ emissions. The new calculation does not significantly change our emissions trend. As in the past, we are not presenting Scope 3 emissions relating to shipments sent by sea freight since our process of destination clustering and the emissions calculator of our sea freight provider entail too much imprecision. On the other hand, we have expanded the information provided in the chapter “Sustainability in our supply chain” to include our PET recycling portfolio since it enables us to help the downstream supply chain – our customers – reduce the impact of their products on the environment.

The 2017 Sustainability Report has been reviewed and approved by the Chairman of the Executive Board. As in the previous year, this report has been subject to an external assurance review by TÜV SÜD. The criteria and standards applied are presented in the auditing organisation’s certification (see inside cover). KRONES AG has no relationship with the auditing organisation beyond the engagement to perform an assurance audit of our management system. Our Executive Board and Supervisory Board supported the external assurance process.



Materiality analysis

The newly developed materiality matrix and its contents build on the matrix we have presented in our CSR Reports in previous years. It is based on GRI criteria and the definition of materiality under Section 289c (3) of the German Commercial Code (HGB). We used the items that had been deemed material in the previous years as our starting point. After examining them in a stakeholder analysis, we bundled our key stakeholders' demands in a prioritised list. Our next step was to analyse the list with respect to business impact. Our executive management then evaluated the topics, taking into account the following: risk potential, efficiency potential, differentiation potential, and growth potential for KRONES. The final prioritisation and positioning of the key items was based on assessment of the stakeholder and business impact analyses. The materiality matrix was approved by the Executive Board.



Employee-related matters

Capable, motivated workforce

- 1 High level of employee loyalty
- 2 Sustainable, purposeful training and continuing education
- 3 Recruiting the right people

Occupational safety and health

- 4 Effective health management
- 5 Effective occupational safety management

Diversity

- 6 Balanced employee structure (diversity)

Social matters

- 7 Social commitment (corporate citizenship)

Innovation

- 8 Responding flexibly to market changes
- 9 Technological leadership
- 10 Use of industry knowledge and research findings
- 11 Lean manufacturing (TPM)

Anti-corruption and bribery matters (compliance)

- 12 Clear, transparent relationships with customers
- 13 Dutiful conduct and compliance with regulations and laws
- 14 Documentation and transparency

Customer satisfaction

- 15 Fast, individual service for customers
- 16 Long-term, personalised customer care

Environmental matters

Environmental matters relating to production

- 17 Reducing pollution and hazardous materials
- 18 Energy and media conservation in production operations
- 19 Making optimum use of production materials

Environmental matters relating to products

- 20 Energy and media efficiency and environmental sustainability of our products

Sustainability in our supply chain

- 21 Sustainability in our supply chain

Respect for human rights

- 22 Respect for human rights



Goals	Actions	Target
Sensitise and motivate our employees with respect to sustainability and responsible action	■ Regular articles on CSR in the employee magazine KRONES world □ <i>Topics integrated into editorial calendar</i>	ongoing
	■ Annual sustainability report □ <i>Sustainability Report in accordance with GRI Guidelines, version G4</i>	ongoing
	■ Update the “sustainability” section of our Intranet	ongoing
Include the KRONES Centres in our sustainability reporting	■ Provide information on requirements under GRI Guidelines □ <i>Data survey on selected indicators is being expanded and made more detailed</i> □ <i>Developing concept for 2018 data collection</i>	in progress in progress
	■ Sensitise plant managers	complete
Further develop CSR strategy	■ Develop sustainability topics relevant to the company and prepare action plan □ <i>Ongoing CSR Workshop series with the departments</i>	ongoing
Improve our sustainability rating	■ Communicate with analysts, investors, and customers on sustainable investment □ <i>Participating in customer events and providing information about sustainability activities</i> □ <i>Increasing communication with analysts</i>	ongoing ongoing
Launch KRONES Intranet at our sites worldwide	■ Roll out Intranet group-wide □ <i>Intranet is used worldwide, also for regional topics</i>	ongoing
Increase profitability, bringing EBT margin up to approx. 7% Value targets: 7/8/22 (see Annual Report) □ 7% revenue growth per year on average □ 8% EBT margin □ 22% working capital to revenue ratio	■ Implement “Value” strategy programme with defined programmes and initiatives □ <i>Continually improving key performance indicators (see KRONES Group annual report)</i>	ongoing
Update the integrated management system (IMS)	■ Transfer certification type from “Community” to “Matrix”. Merge the two certifications for domestic plants and KRONES Centres	
	■ Transition to revised ISO 9001:2015 and ISO 14001:2015	2018



Germany's President Frank-Walter Steinmeier kicked off his nationwide tour with a visit to Bavaria on 26 and 27 April 2017 with his wife Elke Büdenbender. Their itinerary included KRONES' Rosenheim plant. The plant is the KRONES Group's second-largest production site and the biggest employer in the region.

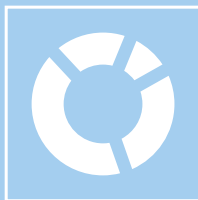
Mr. Steinmeier toured the production halls and learned about the company. At the start of the tour, CEO Christoph Klenk provided a brief overview of the company and its areas of operation, pointing out that KRONES machines and lines are in operation in 156 countries around the globe. Steinmeier appeared to be particularly impressed with the company's strong presence abroad.

Mr. Steinmeier viewed the assembly, module production, and final assembly halls. The visit also showcased our in-house training programmes. Germany's president showed great interest in the large number of training opportunities that KRONES offers young people. Young people in training demonstrated technology and solutions at several stops along the tour. Employees enjoyed the open, direct communication with Mr. Steinmeier and his wife and the great interest they showed in them and their work.



Our workplace rehabilitation management (WRM) works: We reintegrated 60 employees from long-term sick leave.

60



The employee turnover rate at KRONES AG was 2.6% in 2017.

2.6%



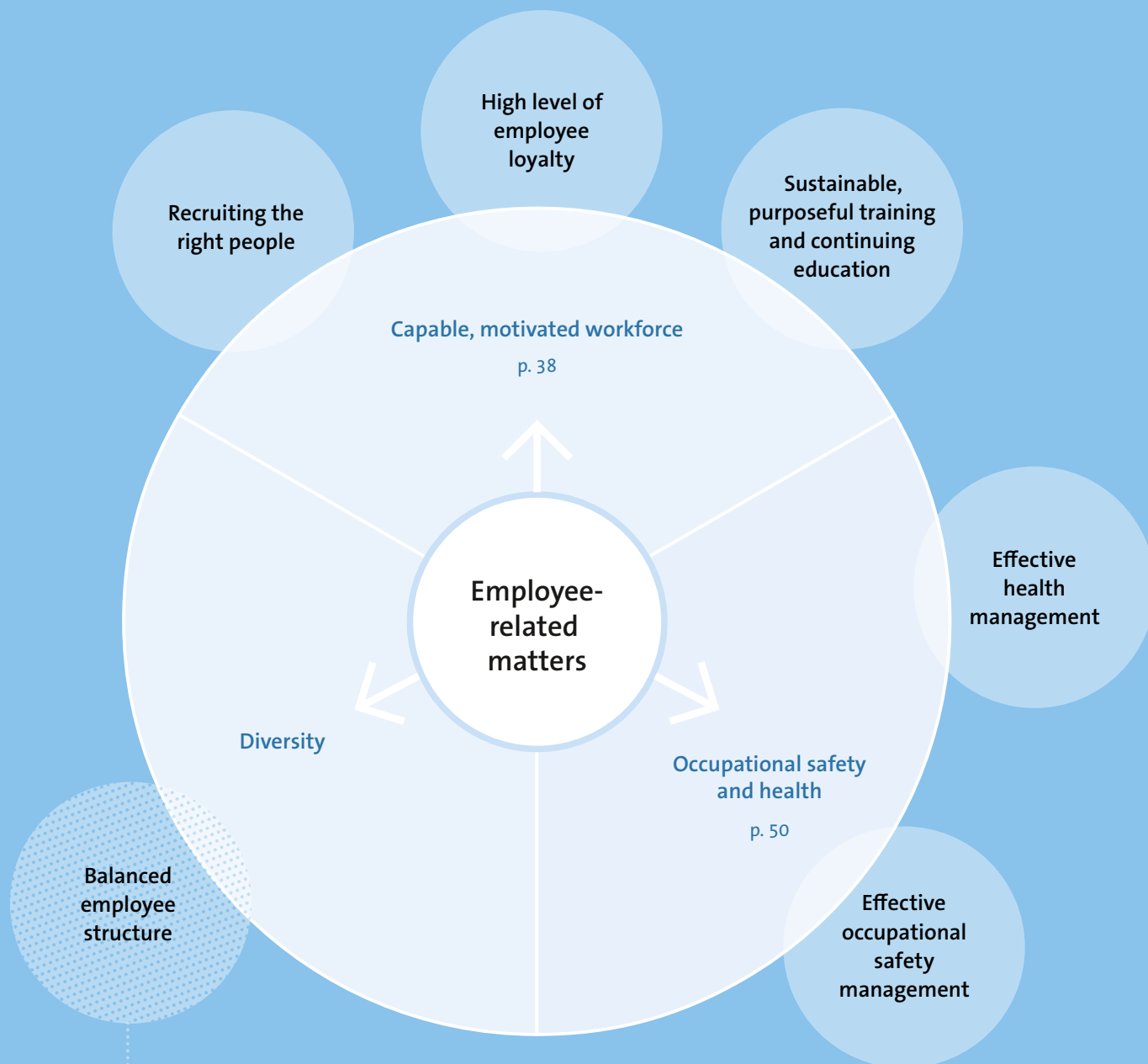
The rate of accidents per 1,000 employees was 19.8% in 2017.

19.8%



14%
(1,262)
of our
employees
are female.

1,262



Non-financial
Report p. 13



www.krones.com/media/downloads/180423_NFB_2017_e_.pdf



The principles of KRONES' human resources strategy are presented in our Non-financial Report. This Sustainability Report adds to that framework, providing more facts about our human resources activities. Our guidelines are aligned with the items defined in our materiality matrix. The activities reported here relate to KRONES AG.

Our number one priority is to always offer the right solutions for beverage and food producers worldwide and to maintain and strengthen our position as the world's market leader. To achieve that, we must engage in intensive communication with our customers, possess a high level of expertise in finding solutions to meet our customers' needs, and develop highly innovative concepts for turnkey solutions and connected production systems. The Human Resources activities presented here all contribute to this goal.

We have focussed those efforts on the following:

- Capable, motivated workforce
- Occupational safety and health
- Diversity

We intend to continue to grow the workforce at KRONES AG at a moderate rate. In addition to the measures presented in our Non-financial Report, we are working closely with employee representatives at all KRONES AG sites on a wide range of activities.

Our position on the topic of diversity is presented on page 13 of our Non-financial Report.



KRONES AG employees are fully represented in accordance with the provisions of the Works Council Constitution Act (Betriebsverfassungsgesetz).



In 2017, KRONES AG had 9,532 employees, 1.6% more than in the previous year. Demographic change will continue to impact our business in the years ahead. The number of employees reaching retirement age will remain a factor for us. We will recruit new employees to fill the gaps left by retirees.

When it comes to recruiting qualified employees, we are in fierce competition with other companies, especially for engineers and IT specialists, whose expertise we need to continually evolve our portfolio of products and services.

➔ We are stepping up our employer branding activities. In the past, we have used social media for this. However, social media has only limited usefulness for fostering dialogue with the labour market. To improve our communications with potential employees, we established a new Employer Branding role within our organisation in September 2017. That role covers all of our activities on all aspects of establishing and maintaining a strong presence for KRONES on the labour market.

➔ In addition, our in-house training programmes help to supply the company with young talent. In 2017, we permanently hired 131 trainees and apprentices upon completion of their vocational training.

Effective succession planning

We have been reporting in detail on our efforts to increase the share of women in our workforce for many years now.

➔ The share of women in our workforce across all levels of the company grew to 14% (previous year: 13.7%), so we are slowly but surely increasing that figure. Our production areas still have a low level of female representation at 8.9% (previous year: 8.7%).

➔ We are continuing our practice of giving equally qualified women preference in hiring. The share of women among new hires was 20% in 2017 (previous year: 17%). We were able to recruit more women than in the previous year in two highly technical job clusters. Whether that is a long-term trend remains to be seen.

➔ The share of women in management was 6.2% (previous year: 5.9%).

➔ With the election of an additional female employee representative, we met the 30% quota for women and men on our Supervisory Board in 2017.

Our trainee programme provides another pathway for university graduates to enter a career besides traditional vocational training. We currently have 11 trainees in various areas of the company. In 2017, seven trainees were hired on permanently.



A structured process for succession planning is essential to retain the expertise of existing employees when they retire.

- ➔ We are currently building a concept and tools to facilitate knowledge transfer from retiring employees. One such tool is the “expert debriefing”. We will continue to evolve these activities and use a professional, IT-based knowledge management tool to develop structured processes.
- ➔ We continued the talent pool programme that we had launched as a pilot project and presented in last year’s report. It became apparent that the processes we had selected were not practical for across-the-board application. However, the experiences generated from the project will be used in an IT-based talent management process.

Temporary workers play an important role as they enable us to handle spikes in capacity utilisation. The share of temporary workers was 14.3% in 2017 (previous year: 12.96%).

- ➔ In order to ensure flexibility in our production operations, we need to employ temporary workers. Because we are building a new plant in Debrecen, Hungary, for manufacturing components, modules, and products of low complexity, which will go into production in early 2019, we are unable to extend a larger number of temporary work contracts. Our initial estimates put the reduction in temporary positions at around 400. We have already informed our service providers of our significantly reduced need for temporary workers – thus giving about one year advance notice.
- ➔ In 2017, KRONES AG permanently hired 162 temporary workers (previous year: 133), which is 11.9% of all temporary workers. Applications from temporary workers in response to internal job postings are handled in the same selection process as applications from KRONES employees.
- ➔ The terms of employment for temporary workers at KRONES AG were revised to meet the changed requirements under the German Labour Leasing Act (Arbeitnehmerüberlassungsgesetz) and taken up in a new company agreement effective 1 January 2018.

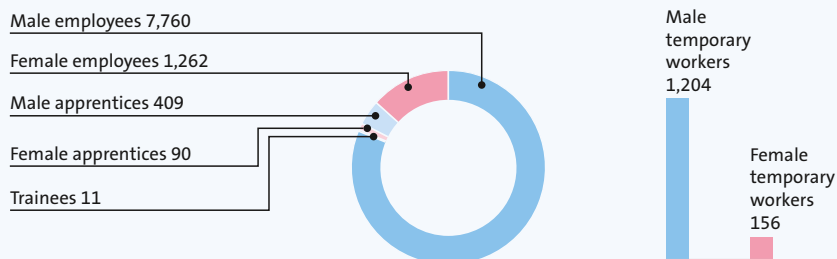
Disabled and equal status employees made up 6% of KRONES AG’s workforce in 2017 (as in the previous year).



KRONES AG employed 9,532 people in the reporting period. Our workforce grew 1.6% over the previous year. In addition, KRONES AG had 1,360 temporary workers – a 14.3% share of the total workforce (previous year: 12.96%).

The share of employees who are citizens of countries other than Germany was 3.6% in 2017 (previous year: 3.4%).

KRONES AG – Workforce structure in 2017



Women make up 14% of KRONES AG's workforce (previous year: 13.7%).

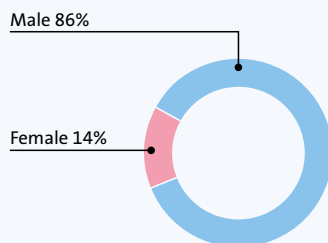
Women accounted for 18% of our apprentices (previous year: 20.2%).

Women hold 6.2% of management positions in the company (previous year: 5.9%).

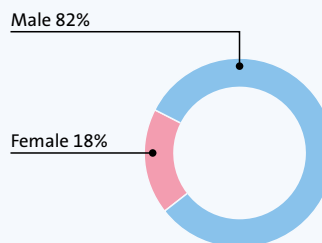
KRONES AG meets the legally mandated gender quota for the Supervisory Board. As of 2017, there are four women and eight men on the board (previous year: 3 women).

KRONES AG – Male/female employees in 2017

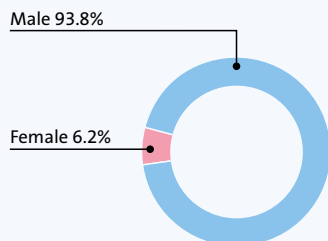
Total workforce



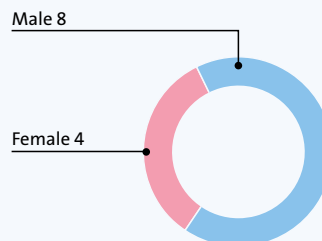
Young talent



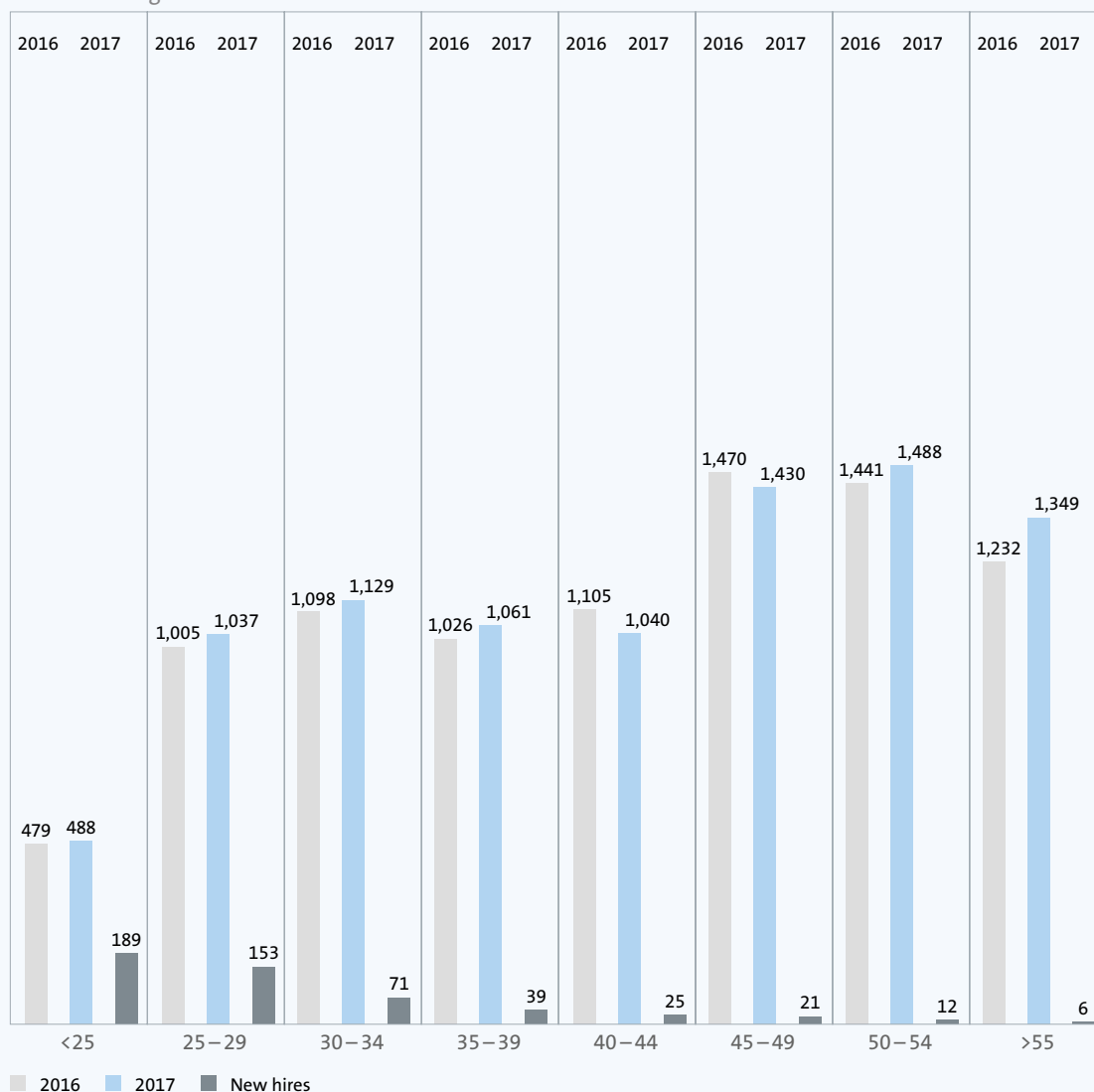
Management



Supervisory Board members



KRONES AG – Age structure



Of our new hires, 66.3% were aged 29 or younger in 2017.

The average age of employees – excluding apprentices – at KRONES AG is 42.2 years (previous year: 42.1 years).

Our Supervisory Board has four members aged 30 to 50 and eight members aged 50 and over.

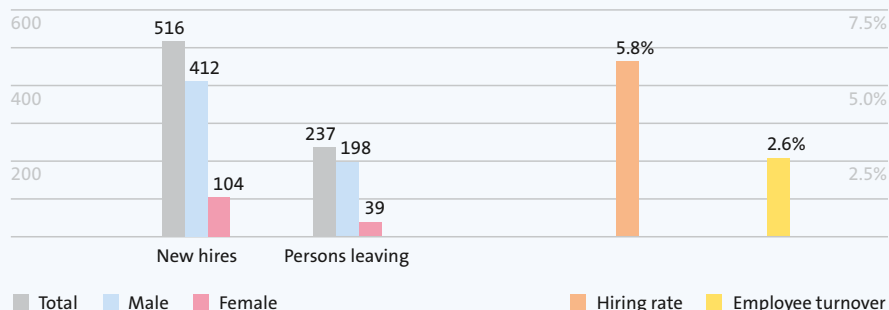


We hired 516 new employees in 2017 (previous year: 501). That includes the 162 temporary workers who were hired on permanently (previous year: 133).

Women made up 20% of the new hires (previous year: 17%).

237 employees left the company. That puts the employee turnover rate, which includes all reasons for leaving, at 2.6% (previous year: 2.2%).

KRONES AG – New hires, turnover 2017



Women make up 8.9% of the workforce in production (business units) (previous year: 8.7%). In the non-production areas, the share of women is between 25.6% and 48.2% (previous year: 26.9% to 48.0%).

KRONES AG – Employment types

	2017	of which female employees	2016
	Total		Total
Total workforce (all employees and supervised workers)	9,532	14.0%	9,378
■ Business units	7,627	8.9%	7,499
■ Human resources, communication, quality	1,031	25.6%	1,032
■ Finance and controlling	237	42.6%	237
■ Sales and marketing	637	48.2%	610

KRONES AG has 723 management-level employees, which make up 7.6% of the total workforce (previous year: 7.7%). Executive Board duties are shared by five members as of January 2018.

KRONES AG – Management structure in 2017

Executive Board	6
Senior management	29
Management	694



A good working relationship with our employees is a great asset. It enables us to retain their expertise and knowledge, which customers in the beverage and food industry value highly, for the long term. That is why we work closely with our employee representatives on all employee-related matters. Above and beyond the measures required by law, we offer a variety of programmes that enable our employees to adapt their working times to suit their personal circumstances.

Our employee turnover rate, which includes all reasons for leaving, was a low 2.6% in 2017 (previous year: 2.2%).

⇒ Fair working conditions help ensure continuity in our workforce. Men and women receive nearly equal pay at both the employee level (1:0.99) and the management level (1:0.97).

⇒ Our pay policy aims to prevent contracts that are unnecessarily exempt or to bring any such contracts into line with collective agreements. 76.8% of our employees are paid under collective bargaining agreements (previous year: 76.6%).

Many and various options are available to employees to structure their working times in keeping with their lifestyle and circumstances.

⇒ We revamped our flextime and working time accounts in 2017, adjusting standard working time accounts and the existing rules on working on Saturdays. As a result, we now have a uniform working time policy for all employees who are paid under collective bargaining agreements.

⇒ With the signing of a new company agreement on “mobile work”, we are addressing a trend towards giving employees more flexibility in how and where they get their work done. After completion of the pilot phase in 2017, all employees whose work allows it may now perform some of their work outside their regular workstation. We have set the guidance for such off-site work at six days per month.

⇒ The world of work is changing. That is apparent in the number of part-time employees, which has risen steadily from year to year. In 2017, the share was 5.7%, marking the fifth consecutive year of increase. The share of men working part-time rose by 24.8% year-on-year, in line with this trend. Men made up 26.4% of the total number of part-time employees in 2017 (previous year: 23.2%).

⇒ As in the previous year, 285 employees made use of the option to transition out of work gradually through our partial retirement programmes in 2017. That is 3.45% of our workforce (previous year: 3.5%). The company agreement on this topic still applies.

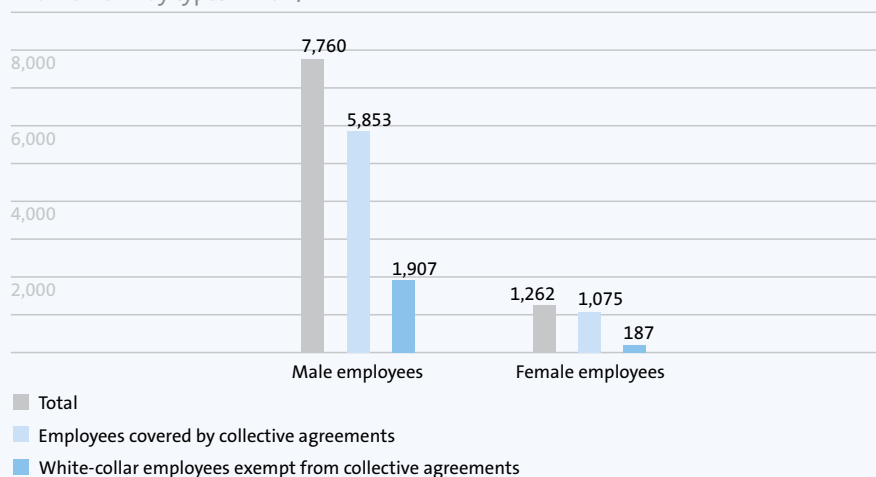
The provisions of the framework collective agreement for the metal-working industry, which KRONES AG applies in the form of a recognition agreement, apply to 76.8% of our employees.

218 employees took a sabbatical in 2017.



Of the company's 7,760 male employees, 75.4% are paid on the basis of a recognition agreement with the metalworkers' union IG Metall. Of the 1,262 female employees, 85.2% are paid under that pay structure, which is governed by collective bargaining. The contracts of the remaining 24.6% of male employees and 14.8% of female employees are not covered by collective agreement.

KRONES AG – Pay types in 2017



Pay agreements for all employees are based on task-related categories which do not take employees' gender into account.

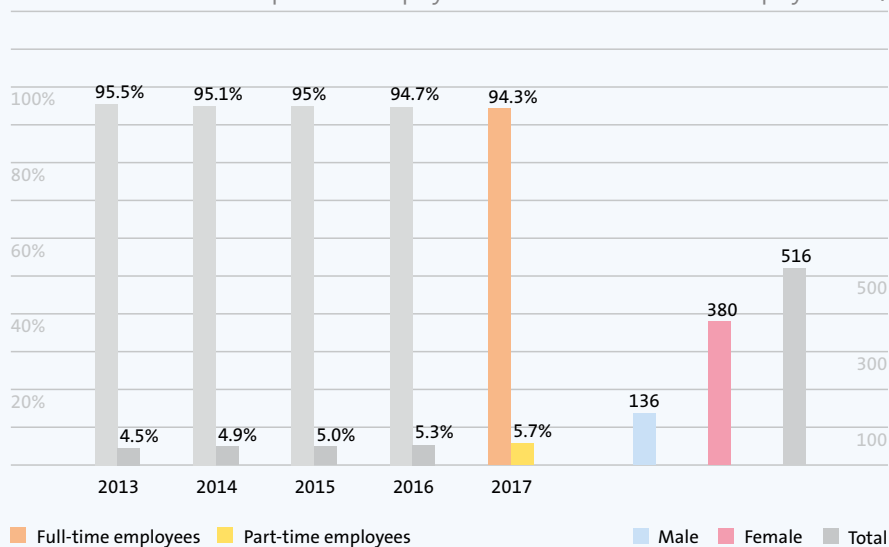
KRONES AG – Ratio of base salary and pay of men to women in 2017

Employees (covered by and exempt from collective agreements)	1 : 0.99 (previous year: 1 : 0.98)
Management	1 : 0.97 (previous year: 1 : 0.94)

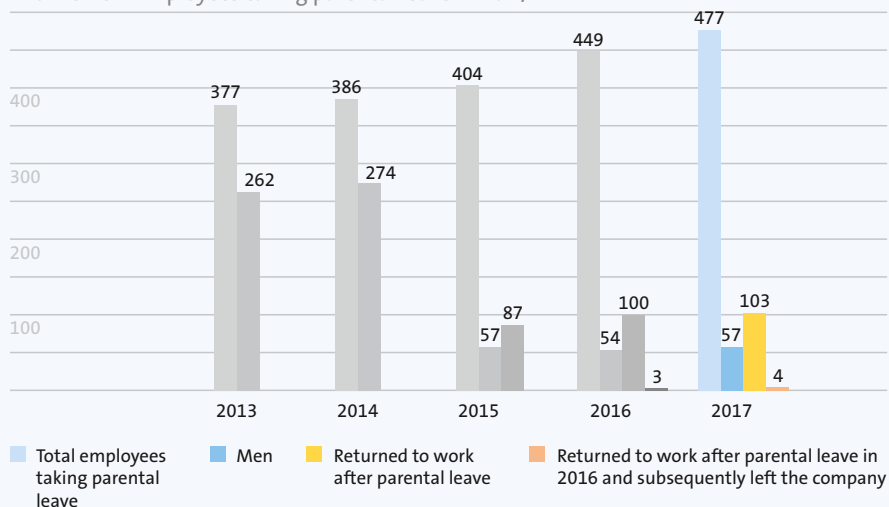
5.7% of all employees work under a part-time employment agreement. Of these, 136 or 26.4% are male employees (previous year: 109 or 23.2%).

KRONES AG – Full-time and part-time employment

Part-time employees 2017

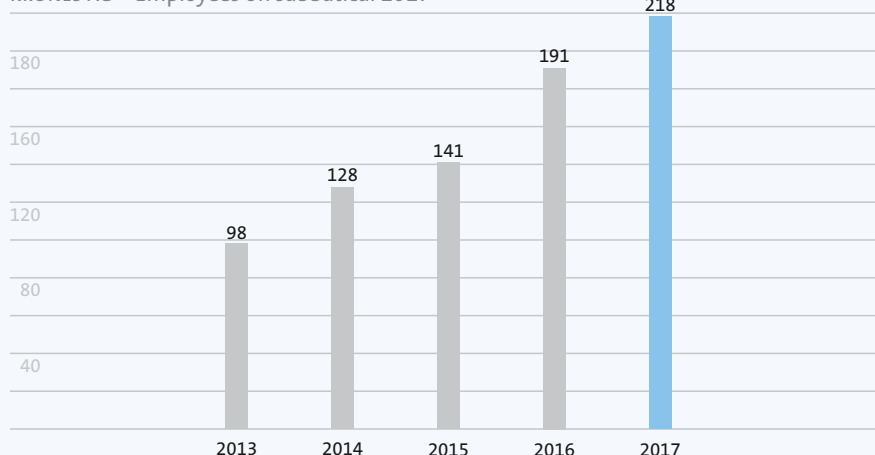


KRONES AG – Employees taking parental leave in 2017



German law provides for parental leave, an option that 477 employees made use of in the reporting period. 11.9% of those employees are male. Since 2015, the number of employees taking parental leave includes only those employees who took more than four weeks off to care for their children.

KRONES AG – Employees on sabbatical 2017



Employees who have been with the company for two years are entitled to take a sabbatical of up to six months and return to their job afterwards.

KRONES AG – Employee benefits

Employee benefits	Full-time employees	Part-time employees	Limited-term employees
Night shift work on holiday/night shift bonus/hardship allowance/shift work/Sunday bonus	x	x	x
Post-employment benefits	x	x	Possible back payment (without interest) if contract made permanent
Preventative health care	x	x	x
Travel allowance	x	x	x
On-call bonus	x	x	x
Allowance for protective footwear	x	x	x
Membership in company health insurance fund (BKK)	x	x	x

Besides the statutory benefits for disability or for parental leave, KRONES AG provides its employees with additional benefits that include use of community facilities, allowances for the cafeteria and parking, benefits from solidarity and assistance funds, and payment of the flat-rate tax on certain benefits.



Our in-house vocational training programmes and extensive continuing education offerings give our employees the specialist knowledge they need for their work. Our training portal offers around 600 different training courses. In addition, we are expanding our e-learning programme, which can be used by employees of KRONES AG as well as employees at our sites around the globe. The in-person training courses are subject to ongoing quality assurance. Outcome evaluations conducted after completion of a learning programme enable our HR development team to adapt our continuing education activities to current and future needs.

Competency management is the cornerstone of our employees' ongoing professional development. We use performance reviews for this purpose.

➔ In 2017, around 4,000 employees (previous year: 2,200) took part in our competency management programme. Of those, around 16% were female and around 84% were male.

➔ Implementing a state-of-the-art software solution for competency management will help us more purposefully drive professional growth to meet future needs. The pilot project that is currently underway will take some time to complete since a number of prerequisites must be set up within the system.

Our e-learning offerings have been well-received by our employees abroad. Around half of all participants in e-learning courses are from our offices outside Germany.

The training opportunities we offer our employees cover traditional continuing education concepts in a classroom setting as well as an extensive catalogue of e-learning courses.

➔ We registered a total of 15,400 seminar participants in 2017, of which approximately 14% were from offices abroad (previous year: 15,800 participants, of which 13.9% were from offices abroad).

➔ We had 37,000 registrations for our e-learning offerings. This catalogue of courses is also available to our employees worldwide. Last year, 51% of participants were from offices outside Germany (previous year: 21,000 participants total, with around 50% coming from our offices abroad).

➔ In all, we provided an average of 15 hours of continuing education to our employees. Male employees received an average of 16.4 hours while female employees received 7.56 hours. Both of these figures relate only to classroom-based courses since it is not possible to evaluate the duration of e-learning activities.



➔ Our female employees participate in training courses at the same rate as our male employees. The difference is that the training courses the men attend tend to be longer. The differences in duration also stem from the fact that we have stepped up continuing education for our field staff. Men make up 99% of this employee group.

The development programme for new managers was revised in 2017. We are currently revising and expanding the course offerings. We have also established an e-learning programme for both new and experienced managers, which will go live in 2018.

Field staff and service technicians received extensive continuing education in 2017.

➔ The management training had 70 participants, of which 29 were from German sites and 41 were managers at our sites abroad.



More than 50% of our employees in Germany have completed qualified professional training. Besides a stable 25.5% share of commercial specialists and master craftsmen, 20.7% of our workforce in 2017 were university graduates.

KRONES AG – Employee qualification in Germany

20.7% University degree

25.5% Commercial specialist/technicians/master craftsmen

53.9% Qualified professional training

2017

19.6% University degree

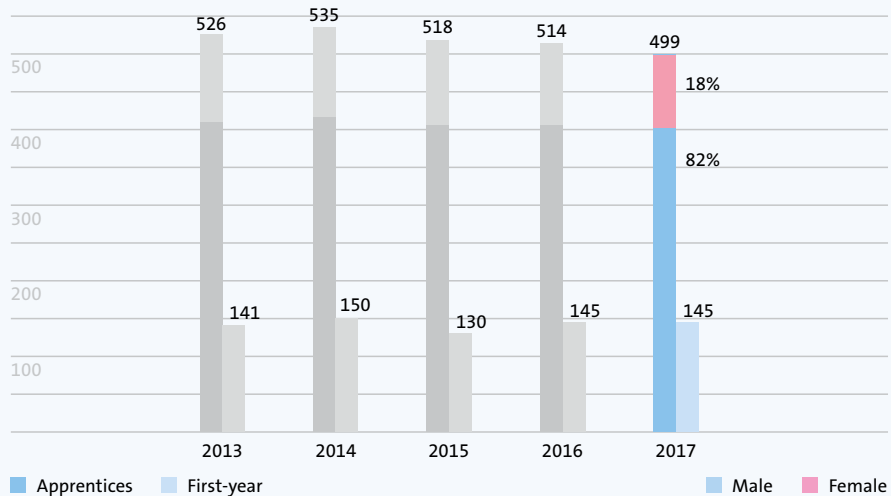
25.5% Commercial specialist/technicians/master craftsmen

54.9% Qualified professional training

2016

Our training rate was 5.2% in 2017 (previous year: 5.7%).

KRONES AG – Apprentices (total and first-year)



Vocational training in industrial fields continues to play an important role: 77.7% of our apprentices are training in industrial and technical fields.

KRONES AG – Apprentices by field

74 Dual vocational training/university study

37 Commercial

388 Industrial/technical

Total apprentices in 2017: 499

73 Dual vocational training/university study

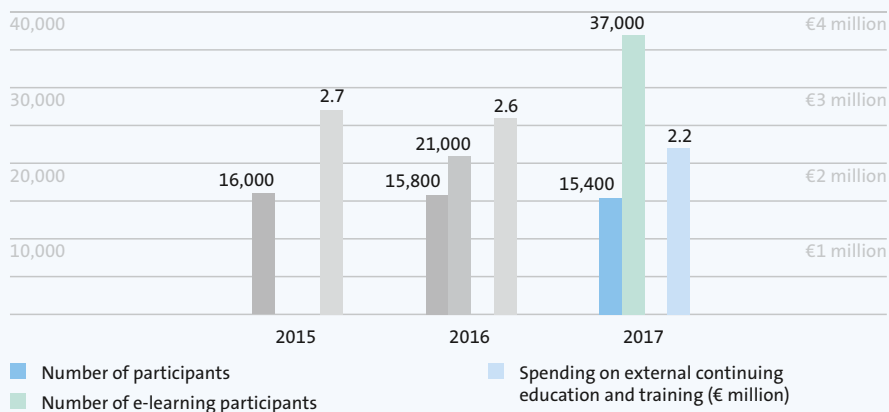
42 Commercial

399 Industrial/technical

Total apprentices in 2016: 514

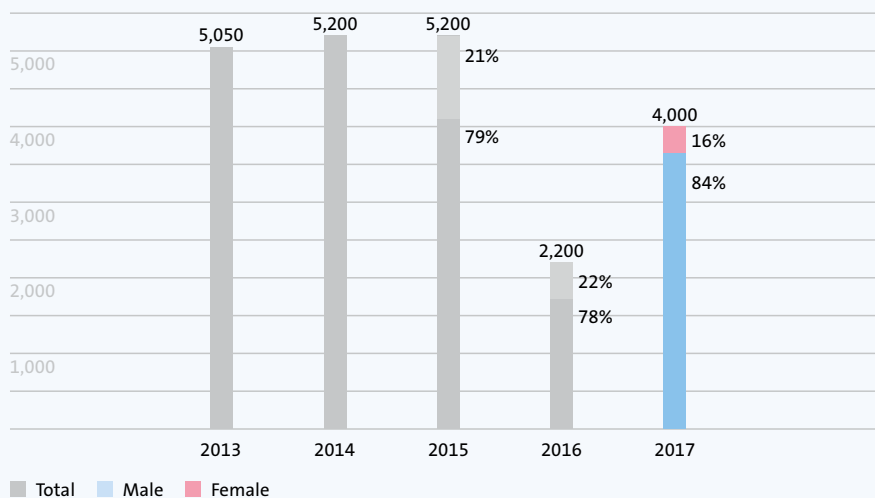


KRONES AG – Continuing education measures, budget and participants



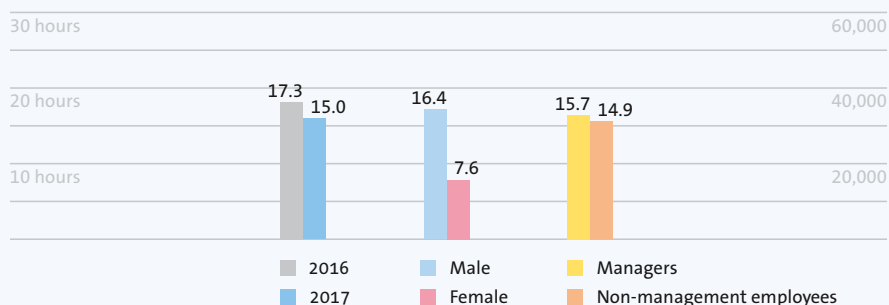
In 2017, we used a budget of €2.2 million for external continuing education. Course participation has remained fairly constant. Since 2016, we offer a comprehensive e-learning programme in addition to in-person courses.

KRONES AG – Individual and group development reviews



We increased the number of individual and group development reviews conducted in 2017. With a total of around 4,000 reviews, we reached roughly 44% of our employees.

KRONES AG – Average time spent on continuing education per employee in 2017



The average amount of continuing education time came to 15.0 hours in 2017 (previous year: 17.3 hours). Managers received an average of 15.7 hours while non-management employees received an average of 14.9 hours.



KRONES AG provides its employees with financial support for a variety of situations through the Hermann Kronseder Unterstützungskasse e.V. Family members who do not have their own income source are also eligible for some of the financial support offered. In 2017, the fund paid out €160,519.

By introducing an occupational health management programme, we are helping to keep our employees healthy throughout the many stages of their working lives. The actions and progress in developing the concept are presented in our Non-financial Report.

In addition, we offer a counselling service to support employees needing advice or help with problems at work or in their personal lives. The impartial counselling service helps work out solutions in collaboration with the employee in confidential counselling sessions. Depending on the problem at hand, the counsellor will bring others into the conversation as necessary after consulting with the employee.

In 2017, the counselling service documented a total of 417 cases (previous year: 361). Of that total, 27.3% related to workplace rehabilitation management (WRM).

➔ In a defined process, the counselling service works together with the respective HR business partner, the Works Council, and the disabled employees representative as well as the employees involved to develop options for bringing them back to work after a prolonged illness.

➔ In 2017, the WRM team conducted talks with 114 employees on how they can return either to their old job or to a different, more suitable one (previous year: 103). That is a 10% increase in this purposeful collaboration with employees dealing with long-term illness. The rehabilitation process usually proceeds in stages. Last year, 60 employees were able to return to their job (previous year: 58). The long-term success of these activities depends first and foremost on the very close, purposeful collaboration between the various partners and, of course, the employee's desire to return to work.

➔ In 2017, the workplace rehabilitation process began after employees had been unable to work for an average of 125 days (previous year: 193 days). On average, rehabilitated employees remained unable to work for 36.8 days after completion of the WRM activities (previous year: 12.8 days). If it becomes apparent during the process of rehabilitation that the employee's health is not yet stable, the activities are immediately halted and postponed without any negative repercussions for the employee.

➔ The average age of employees in the WRM programme was 48 years (previous year: 50 years). We expect to see a similar level of WRM activities in the years ahead. The large share of employees over age 50 suggests that this will be the case.

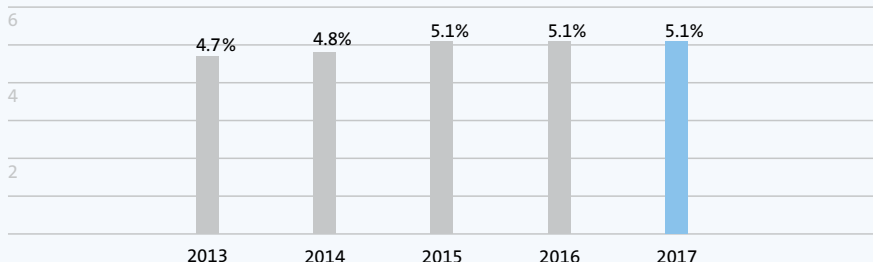
The other counselling topics make up roughly the same share of the counselling service's activities each year.

➔ We run substance abuse prevention activities with apprentices on an ongoing basis. These activities have earned positive mention in the Caritas organisations' reporting.

➔ We held five events with 143 apprentices at our plants, generating a high level of awareness for the risks of substance abuse.

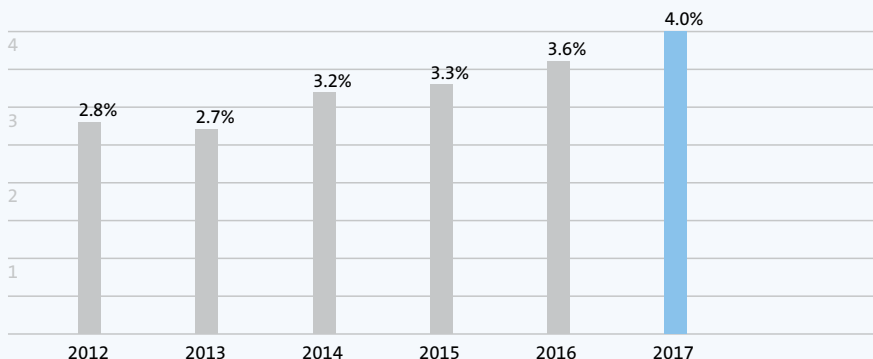


KRONES AG – Absenteeism



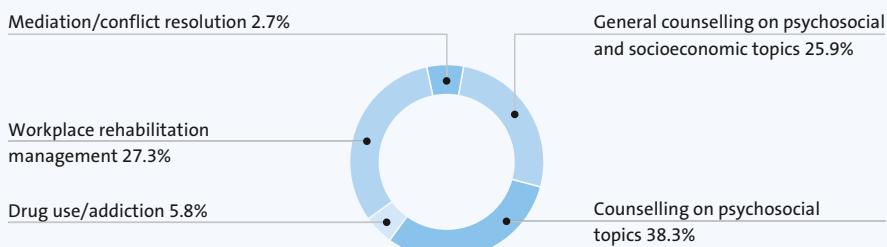
The rate of absenteeism has levelled out at 5.1%. This is the third year in a row that we have reported the same figure.

KRONES Germany – Counselling cases based on total number of employees



Our company's social counselling service is a voluntary service that KRONES offers to support employees experiencing work-related or personal difficulties. The increase in counselling cases can be attributed in part to the increase in workplace rehabilitation management (WRM) activity.

KRONES AG – Main counselling topics in 2017



The counselling services provided relate to five main topics that make up roughly the same shares of the service's overall activity each year.



Occupational safety committees meet regularly at all of our sites throughout the entire year. Because members of the Works Council are also on the occupational safety committees, the employees have full representation on all topics of workplace safety. Safety-relevant issues are quickly identified on inspections. Individual topics are discussed in depth between the responsible safety specialists and division managers ahead of these inspections since dialogue is the best way to work out potential for improvement.

Precise accident analysis is an important agenda item as it helps us develop suitable measures to reduce work-related accidents. It is crucial that we not increase productivity at the expense of safety. The same holds true for the reorganisation of work areas. The focus must always be on safety. Because one thing is clear. Our job is about people. And we cannot let up in our efforts to ensure safe working conditions for all.

Werner Schrödl *Chairman of the Central Works Council for all KRONES AG plants*



Occupational health and safety management is well implemented at all levels within all of our German sites. Our occupational health and safety activities are certified under OHSAS standard 18001 and have been extended to cover all certified sites within the scope of our IMS certification. Regular participation of the Works Council ensures that 100% of employees are included in our occupational health and safety organisation.

This organisational integration and the principles we follow to achieve a high degree of occupational health and safety are presented in our Non-financial Report.

The rate of reportable work-related accidents per 1,000 employees for all of our German plants was 19.8 in 2017 (previous year: 17.7) for accidents resulting in at least one day of lost time.

- ⇒ The increase can be attributed to weather-related accidents involving black ice, changes in activities due to varying capacity utilisation, and structural changes.
- ⇒ The rate was 22.4 (previous year: 20.1) among male employees and 2.9 (previous year: 3.8) among female employees. We documented 22 different types of injury – a range similar to that of the previous year. There were no work-related fatalities.
- ⇒ The average number of days missed following a work-related accident improved to 11.5 (previous year: 13.9). Male employees missed an average of 11.7 days (previous year: 14.1) while female employees missed an average of 4.25 per work-related accident (previous year: 7).
- ⇒ Four new cases of occupational illnesses were added to the existing 79 cases in 2017. The rate of occupational illnesses came to 5.71 (previous year: 5.08). For data privacy reasons, we do not receive details on these cases from the insurance carrier.
- ⇒ The average number of days missed was 0.014, more or less unchanged from the previous year.

Regular inspections of conditions on site are performed in accordance with the requirements of the integrated management system (IMS). Need for improvement is determined and remedial actions are defined on an ongoing basis.

- ⇒ We are currently working on creating a particulate map documenting employees' exposure to respirable dust. Because of the activities involved – including work done inside large bottle washers – exhaust systems that are standard at permanent workstations can be used only to a limited degree. These measurements serve as the basis for our compliance with the workplace limits under Germany's Technical Rules for Hazardous Substances (TRGS), which will take effect at the end of 2018.

Integration of the Works Council in our occupational health and safety committees ensures 100% representation of KRONES AG employees.



Regular workplace inspections support the ongoing development of our safety concepts.

➔ Another action being taken at our Flensburg plant entails noise measurements to update our existing noise map. We will use the insights gained to train employees in collaboration with the company physician and occupational safety and health specialists.

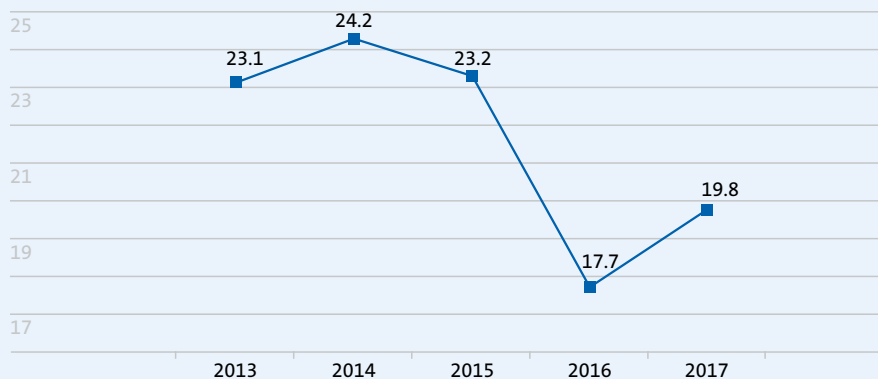
Besides the formally regulated occupational safety and health activities, which involve regular workplace inspections, we also assess hazards that extend across areas of activity and workstations and seek to develop suitable measures for optimising work flows.

➔ To reduce the risk exposure on internal transports and to safely transport assembled machines, our logistics team has optimised their routing. A newly installed traffic signal between two parts of the Neutraubling plant, which are separated by a public roadway, has made moving machines between the two areas safer. Large machines are now mostly transported along internal pathways to a central packaging point.

➔ Analysis of our internal transport concept identified several points with elevated risk potential. We have developed measures to improve safety at these areas. Our solution package includes a concept for standards relating to the safeguards on industrial trucks and mandatory wearing of high-visibility vests in specific areas.

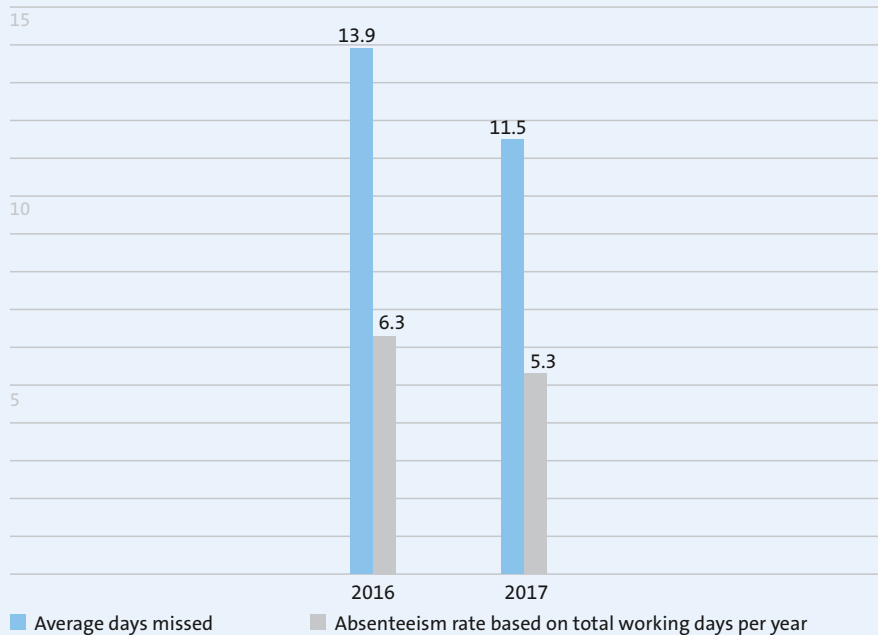


KRONES AG – Reportable work-related accidents per 1,000 employees (1 or more days lost time)



In 2017, there were 19.8 reportable work-related accidents per 1,000 employees (one or more days lost time) (previous year: 17.7). That is an increase of 11.9%.

KRONES AG – Days of work missed following a work-related accident



The average number of days of absence following a work accident was 11.5 days in 2017 (previous year: 13.9 days). Based on the total number of working days in the year, that translates to an absence rate of 5.3 days for all injured workers.



Goals	Actions	Target date
Internationalise HR activities	<ul style="list-style-type: none"> ■ Define and implement international processes <ul style="list-style-type: none"> □ <i>Further analyses are being done</i> 	2018
	<ul style="list-style-type: none"> ■ Establish HR expertise at our international sites <ul style="list-style-type: none"> □ <i>Implementing a regional framework for North America, Latin America, Asia-Pacific, China, and Africa</i> 	2018
Increase employee qualifications	<ul style="list-style-type: none"> ■ Continuously evolve competency management <ul style="list-style-type: none"> □ <i>Revising competency management in conjunction with roll-out of talent management software</i> 	in progress
	<ul style="list-style-type: none"> ■ Adjust training and continuing education offerings <ul style="list-style-type: none"> □ <i>Continually expanding the training offerings</i> 	ongoing
	<ul style="list-style-type: none"> ■ International workforce structures <ul style="list-style-type: none"> □ <i>Increasing the use of e-learning options</i> 	ongoing
Secure access to the next generation of specialists	<ul style="list-style-type: none"> ■ Accept apprentices in a variety of fields <ul style="list-style-type: none"> □ <i>145 new apprentices were accepted for 2017; 20 different fields of vocational training and university studies offered</i> 	ongoing
	<ul style="list-style-type: none"> ■ Increase service focus with Profil 21 professional training option <ul style="list-style-type: none"> □ <i>The first generation of graduates of the Profil 21 technician training were hired on permanently; concept is being adapted and improved on a regular basis with active feedback from all participants</i> 	in progress
Promote and recruit specialists and skilled workers	<ul style="list-style-type: none"> ■ Collaborate with colleges and universities <ul style="list-style-type: none"> □ <i>Informational events at colleges and universities</i> 	ongoing
	<ul style="list-style-type: none"> ■ Trainee programme <ul style="list-style-type: none"> □ <i>Recruiting trainees</i> 	ongoing
	<ul style="list-style-type: none"> ■ Promote intercultural understanding among our skilled workers <ul style="list-style-type: none"> □ <i>Number of Across Borders participants 2017 to 2018: 10</i> 	ongoing
Occupational health management	<ul style="list-style-type: none"> ■ Coordinate all actions (in-house medical service, company health insurance) <ul style="list-style-type: none"> □ <i>Prioritisation of areas</i> 	in progress
	<ul style="list-style-type: none"> ■ Speed rehabilitation and reintegration of employees who have been on long-term sick leave <ul style="list-style-type: none"> □ <i>Analysis of causes and identification of possibilities for significantly reducing reintegration times has begun</i> 	in progress
	<ul style="list-style-type: none"> □ <i>Workplace Rehabilitation Management policy is being applied</i> 	ongoing



Goals	Actions	Target date
Work-life balance	<ul style="list-style-type: none"> ■ Support employees and their families on assignments abroad <ul style="list-style-type: none"> □ <i>Employee support programme available through Human Resources and Social Affairs (24 employees)</i> 	ongoing
	<ul style="list-style-type: none"> ■ Support management employees' use of sabbatical under a company agreement <ul style="list-style-type: none"> □ <i>218 employees made use of this option in 2017</i> 	ongoing
	<ul style="list-style-type: none"> ■ Implement mobile work concept <ul style="list-style-type: none"> □ <i>Coordinating and implementing concept</i> 	complete
Reduce accident rates (per 1,000 employees)	<ul style="list-style-type: none"> ■ Systematic accident analysis <ul style="list-style-type: none"> □ <i>Deriving remedial actions from incidents</i> □ <i>Each incident that results in injury or days of lost work as well as electrical accidents are analysed in detail and communicated within the German sites</i> □ <i>Roll-out in all German plants has begun</i> 	ongoing in progress in progress
	<ul style="list-style-type: none"> ■ Step up hazard assessment <ul style="list-style-type: none"> □ <i>Involving employees in TPM in all areas</i> □ <i>Workplace inspections are done 2–4 x per year in production areas</i> 	in progress ongoing
	<ul style="list-style-type: none"> ■ Further develop systems for employee training and guidance <ul style="list-style-type: none"> □ <i>Currently producing new basic instruction and additional instruction cards (1-point lessons)</i> □ <i>Operating instructions for machines and hazardous materials are undergoing additional revision under a new system</i> 	in progress in progress
	<ul style="list-style-type: none"> ■ Establish more standards that apply internationally 	in progress
	<ul style="list-style-type: none"> ■ Train managers and supervisors in how to deal with illness-related absences <ul style="list-style-type: none"> □ <i>Training concept consists of several modules; almost all managers have completed the training</i> 	ongoing

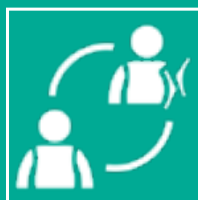




259 bachelor's or
master's degree
candidates wrote
their theses
at KRONES in 2017.

259





Our employees stay informed through regular contact with trade and professional associations. We were a member of 80 such organizations in 2017.

80



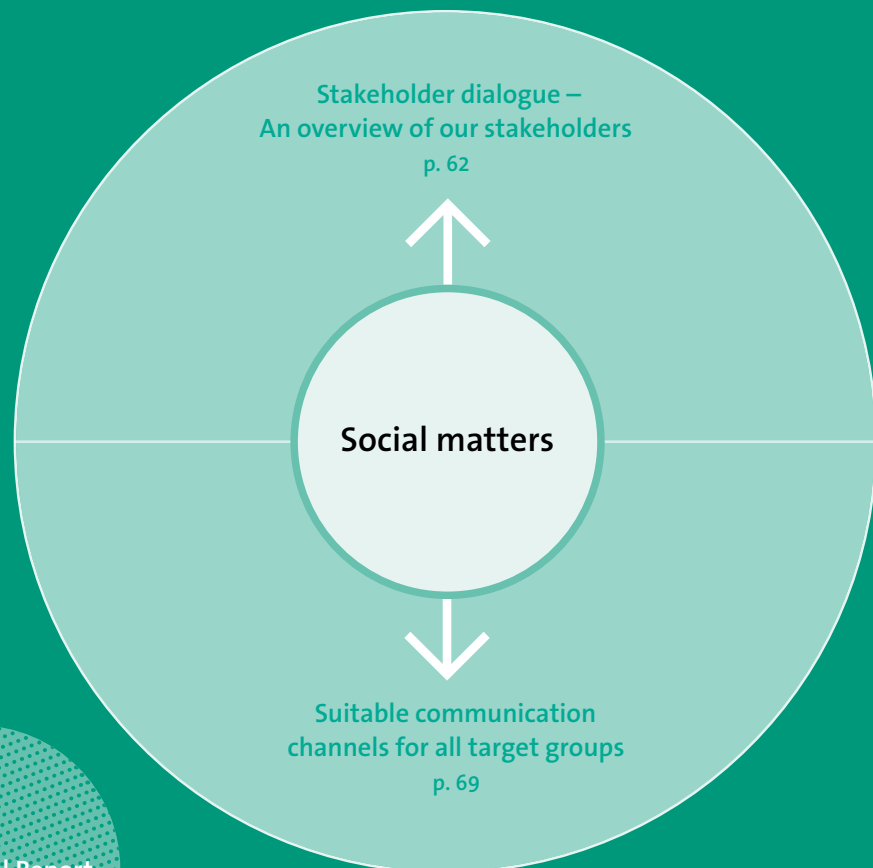
3,630 visitors toured our production facilities in Neutraubling in 2017.


3,630




677 interns gained their first career experience at KRONES in 2017.

677





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www.krones.com/media/downloads/180423_NFB_2017_e_.pdf



Dialogue with our stakeholders is important. It gives us insights into overall social trends and what they mean for us in terms of what we need to do and how.

We have defined the stakeholder groups that are material to us and assigned them to various areas within the company, which are responsible for providing suitable means of communicating with them. That enables efficient, purposeful dialogue. All activities that we conduct with our stakeholders are based on our Code of Conduct and other internal policies. These guidelines provide a framework for our external communications. We meet our social responsibility through our central charitable giving and sponsorship management. It enables us to purposefully support specific areas. The associated principles and strategies are presented in our Non-financial Report.

Within KRONES AG, we use a variety of options to communicate with our stakeholders. They include all social-media-based activities, which KRONES uses extensively. We also participate in current developments through our memberships in trade and professional associations. These channels also give us comprehensive information on all relevant tasks and duties within the company. Last but not least, we offer tours of our plants. This communications activity can be tailored to individual stakeholder groups' needs and interests. Tours give us a good opportunity to address their concerns and to gain insights for our own continued development.

All of our activities with respect to stakeholder dialogue are aligned with our compliance guidelines, which are available to all employees through our Intranet. Details on this topic are presented in our Non-financial Report.



Close, continuous contact with our customers and customer satisfaction are essential to our success as a business.

In our ongoing dialogue with stakeholders, it is important to us that we speak to each group individually and take their interests into account. For that reason, we have assigned a team of employees to each stakeholder group. This team enables us to maintain dialogue with these interest groups and track and follow up within the company on important issues that arise.

Customers

Significance for the company's development

Constructive, continuous dialogue with our customers ensures our company's success. Responsibility for our close contact with customers lies with our sales team in Germany and our centres and subsidiaries worldwide. Additionally, the specialists within Lifecycle Service (LCS) also maintain our relationship with customers throughout the entire useful lives of their KRONES equipment.

Our customers' expectations

- High-performance, high-quality products
- Flexible machine and line concepts
- Individual solutions for their specific tasks
- Fast service to ensure high availability of their lines

Our contribution to this stakeholder relationship

- Close contact and intensive consulting of customers through our global presence at more than 90 locations
- Programmes for developing innovative product concepts and digital applications for beverage and liquid food production
- One-stop-shop concept for supplying our customers
- Comprehensive training programme for our customers' employees to ensure safe, efficient use of our machines and lines

Actions taken in 2017

- Participation in the drinktec 2017 trade fair in Munich, Germany – the world's premier trade fair for the beverage and liquid food industry: 20 machines and systems exhibited on 11,000 m² and the House of KRONES App
- Customer day – Smart Factory Day in Seoul, South Korea: Presentations on automating and optimising production facilities with digital networking concepts
- Participation in the Global Packaging R&D Conference hosted by the beverage and food group Suntory in Tokyo, Japan: Presentation of our vision of a digital bottling plant
- Regular dialogue with customers on matters of responsible governance on platforms like ecovadis and through participation in SMETA ethical trade audits.



Shareholders

Significance for the company's development

Shareholders' trust in our long-term business policy depends on them having access to timely information in accordance with the provisions of the laws governing corporations. Shareholders need a comprehensive base of information in order to assess their investments with certainty. We communicate with shareholders and investors through our Chief Executive Officer, our Chief Financial Officer, and our head of investor relations.

Our shareholders' expectations

- Clear information about KRONES' strategic orientation
- Continuous attention to economic targets to maintain the value of the company's shares and continuous comparison of performance targets to actual performance
- Governance in accordance with all corporate governance rules

Our contribution to this stakeholder relationship

- Publication of company information that is important to the capital markets at <https://www.krones.com/en/company/investor-relations/reports.php>
- Continuous, close contact with investors through conference calls as posted on our public financial calendar
- Presentation of trends and market opportunities in our financial reporting
- Publication of all information for our shareholders in our Annual Report, which can be accessed at <https://www.krones.com/en/company/investor-relations/reports.php>



Actions taken in 2017

- Regular communication on business development with 20 analysts
- Publication of corporate news releases on growth and earnings targets
- Acquisition of stakes in other businesses to strengthen our market presence

We keep analysts informed about our business development through regular conference calls.



Our employees' many years of experience are important to us. We maintain close dialogue with employee representatives.

Employees

Significance for the company's development

Our employees' specialist knowledge is a crucial factor to the success and presence of KRONES machines and lines worldwide. Ensuring a high skill level and a high level of commitment among our employees is essential to the strength of our market position worldwide. Responsibility for our employees' ongoing professional development lies with our central Human Resources department.

Our employees' expectations

- Dependable, fair conditions of employment
- Comprehensive options for continuing education
- A broad range of internal communication through various channels
- Close collaboration with management

Our contribution to this stakeholder relationship

- Trust-based collaboration between management and employee representatives
- Keeping employees informed and up-to-date through the Intranet and our employee magazine, KRONES world
- Supporting intercultural communication among employees at our sites worldwide
- Broad programme for flexible workplace and work-life balance

Actions taken in 2017

- CEO conversations with 13 employees for the employee newsletter – participants selected through an application process
- "Talk to the Executive Board" event series: A total of 48 dates at all KRONES AG sites in Germany, each with 15 randomly selected employees from different departments and units of the company
- Launch and implementation of the Mobile Work pilot project as a further addition to our flexible working time models



Suppliers

Significance for the company's development

Our business performance depends heavily on our close, long-standing partnership with our suppliers. That presupposes that our suppliers adhere to the same set of values we do and incorporate them into their daily business practices. For this reason, our Supplier Code is an integral part of our General Terms and Conditions of Purchase. Our central procurement management department reviews suppliers' compliance with our standards as part of our quality assurance activities.

The Strategic Purchasing team is responsible for all activities relating to procurement management.

Our suppliers commit to abide by the Suppliers' Code. We make the Suppliers' Code publicly available to all on our website.



Our suppliers' expectations

- Dependable, fair conditions for supply contracts
- Timely payment
- Comprehensive ground rules for specifying scope of supply
- Communication and information on new options for quotation

Our contribution to this stakeholder relationship

- Ongoing supplier management and long-term supply contracts
- Efficient organisation for processing deliveries and payment
- Close collaboration with quality management
- Publication of all processes for initial application to become a supplier to KRONES and of all guidelines for specifying parts on our website at www.krones.com/en/company/suppliers.php



Actions taken in 2017

- Expanded the SAP module for Supplier Lifecycle Management (SLM)



Scientists and academia

Significance for the company's development

Close communication with research institutions provides us with the latest knowledge and insights for innovative solutions. Responsibility for this cooperation and our close contact with this stakeholder group lies with Research and Development, the CSR Committee, and Corporate Communications.

The expectations of our partners in science and academia

- Exchange between academia and practice
- Contribution of financial support and expertise to research projects
- Promotion of young talent

Our contribution to this stakeholder relationship

- KRONES employees' regular participation in symposia with reports from the field
- Awarding research assignments
- Participation in InnovationsNetzwerk Regensburg, a network for experience sharing and knowledge transfer between industry and academia

Associations, NGOs, and policy-makers

Significance for the company's development

Memberships in trade associations inform and shape opinions on industry-specific topics and promote the exchange of information within the industry. Collaboration with trade associations takes place within the relevant departments.

The expectations of our partners in trade associations and NGOs

- Participation in exchange both industry-wide and across multiple industries
- Involvement in associations' work
- Support in the development of norms and standards

Our contribution to this stakeholder relationship

- Membership in the trade association for food processing and packaging machinery (Fachverband Nahrungsmittelmaschinen und Verpackungsmaschinen) within the German Engineering Federation (VDMA e.V.)
- Active participation in standards organisations

We do not operate offices or have representatives in governments or government-related organisations. We limit our participation in opinion-making to memberships in various trade and professional associations.



The general public and the media

Significance for the company's development

Maintaining a positive image in the regions and worldwide supports our appeal as an employer and strengthens the perception of our company at individual business locations. Responsibility for the ongoing dialogue with the general public lies with our central Corporate Communications department.

The expectations of the general public and the media

- Information about the company
- A culture of openness
- Presentation of industry-specific topics

Our contribution to this stakeholder relationship

- Provide information on the company for the general and trade public and within the company by way of print media (e.g. KRONES magazine), media relations with technical and business publications, and visitors' programme
- Broad range of information on KRONES' website and on social media

Keeping in touch: We use social media and communicate regularly with many partners in the media and the public.

Cultural and social institutions

Significance for the company's development

By promoting cultural and social projects, we are supporting our company's positive public image. Communication with institutions and organisations is the purview of the charitable giving committee.

The expectations of cultural and social institutions

- Awareness of cultural issues and involvement in projects
- Financial support of projects

Our contribution to this stakeholder relationship

- Support of projects in accordance with our charitable giving policy
- Support of KROKI day care centre as a community childcare facility within the city of Neutraubling
- Support of child and youth welfare organisations at our German sites

Details about our charitable giving and sponsorship activities are presented in our Non-financial Report.



When KRONES AG first approached us at the Department of Youth Services with the idea of hosting a holiday gift drive for children in care facilities and foster homes, there was no question that we would support it. The campaign was launched in 2014 and has run each year since, making the holidays brighter for kids living in group homes and foster care by fulfilling two of their Christmas wishes.

When we started four years ago, we first had to set up a framework. All of the facility directors were excited at the prospect of KRONES employees buying gifts for the children. But data privacy was a major factor. We agreed that our office would handle coordination of the “wish cards” from KRONES. We distributed the cards to the facilities and foster homes and then returned the completed cards to KRONES.

Each of the youth homes has a different way of handling how the cards are filled out. In groups with young children, the caregivers work on the cards with the kids. The children often draw pictures on the cards in addition to writing down their wishes. It’s not uncommon for us to get back beautifully decorated cards with a “Thank you” note for the gift giver. The older youths, on the other hand, usually fill out the cards themselves, though their caregivers do check to make sure that their wishes are within reason cost-wise.

Carina Zenger is the project lead for the “holiday wish” campaign for Regensburg’s Youth Services District Office.



Open communication is our means of choice for sharing information about our company's development. For our customers, that communication happens through our participation in numerous trade fairs around the world, which supports our brand recognition and increases our customers' knowledge of our products and solutions. At the drinktec 2017 trade fair in Munich, we presented our entire portfolio as well as some future-oriented ideas. The exchange with attendees is an important customer communications tool.

For our employees and their families and many other interested groups with which we maintain regular dialogue, a tour of our Neutraubling plant offers a look at our product range as well as our production processes. We run our visitors' programme for stakeholder groups on an ongoing basis.

Our plant tours in Neutraubling have been very well received. A group of retired employees lead visitors through the plant, sharing their many years of experience in the company and giving excellent insight into our production processes.

➔ 3,630 visitors toured our plant last year, getting a first-hand look at our company (previous year: 4,276). We led 140 groups through our plant (previous year: 160).

➔ Our own employees and their families make up the largest visitor group. We attribute 22.4% of last year's visitors (813 people) to this stakeholder group.

➔ Last year, we also had an excellent opportunity to present our company when Germany's Federal President Frank-Walter Steinmeier visited our Rosenheim plant. Mr. Steinmeier was on an information-gathering tour through Germany after being sworn in as President. His visit to Rosenheim gave him a look at KRONES AG's vocational training programmes.

➔ Once the new construction work at our Raubling site near Rosenheim is completed in the second half of 2018, we plan to host an informational event for interested residents and companies in the Raubling and Rosenheim area.

Our memberships in trade and professional associations, interest groups, and friends associations that support university-level research enable us to participate in current projects in the industry and keep our knowledge and expertise up to date.

➔ Our most important membership is in the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V. – VDMA) and the VDMA's trade association for food processing and packaging machinery (Fachverband Nahrungsmittelmaschinen und Verpackungsmaschinen). Any position statements that need to be made with respect to our industry are made through the VDMA. At present, none of our management or executives holds a position of leadership in the organisation.

➔ Members of our company are active in certain working groups within the trade association. For example, our CSR Officer is currently a member of the VDMA's Corporate Responsibility working group. Because company representatives from various industries contribute to the group's work, our involvement gives us a comprehensive overview of the strategies and approaches being applied to various issues relating to sustainability.

Close relationships with universities are important. They give us access to current research findings and young talent.

➔ Our memberships in the UN Global Compact, Sedex, ecovadis, and CDP reinforce our activities with respect to doing business sustainably. They give us a current picture of many issues relating to sustainability.

➔ We also maintain corporate memberships in relevant professional associations related to the brewing and beverage industries, which puts us in close dialogue with the people who use our machines.

Cooperation with universities is also important to us. It gives us access to the latest research findings and puts us in touch with promising new recruits.

➔ Academic work at universities is an excellent opportunity to research basic questions, for instance, in the area of process technology, completely outside the context of our company.

➔ Special projects at universities enable us to take an active role in projects and bring our own questions into the process. One example of this is the Robofill project that is currently underway in the departments for food packaging technology and brewing and beverage technology at the Technical University of Munich. We presented some preliminary findings from the project at drinktec 2017.

➔ At the regional level, we are part of the InnovationsNetzwerk Regensburg, a network focussed on active experience sharing and knowledge transfer between participating universities and companies on all aspects of innovation. The discussions cover megatrends like digitalisation and sustainability, open innovation, and the growing landscape of start-ups.

➔ Last year, we used our participation in KRONES Innovation Lab as an information platform. We are continuing our involvement. The interdisciplinary team leverages the thought processes and methodologies of various disciplines to analyse and evolve projects from a wide range of perspectives.

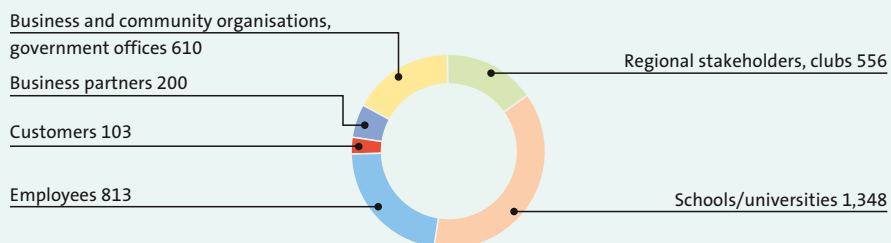
The Innovation Lab's work has earned recognition not only internally but also outside the company. A study conducted across Germany reviewed and evaluated some 100 "Digital Innovation Units" on six different criteria ranging from management to methodology to networks. KRONES' Innovation Lab scored especially highly in the Methods and Topics categories.

Our collaboration with universities is also reflected in the large share of internships and the number of theses that students write at KRONES AG in a wide range of fields.

➔ In 2017, KRONES hosted 259 university students writing their theses (previous year: 280) and 677 students gained their first career experience in internships here (previous year: 720).



Visitors – Number of people per category

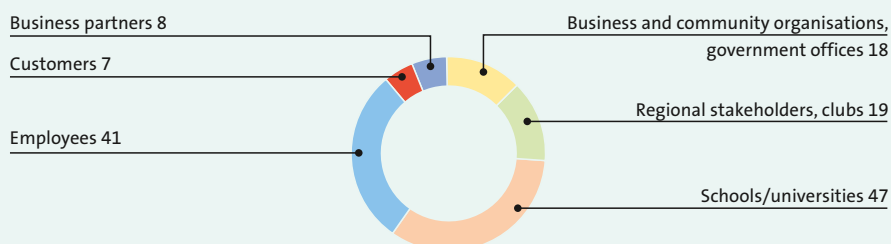


Total visitors in 2017: 3,630

Our visitor management system recorded 3,630 visitors in 2017, of which 59.5% fell into the category “employees” or “schools/universities”.

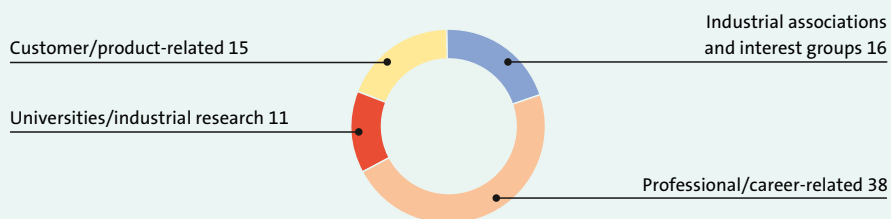
In all, we hosted 140 visitor groups.

Visitors – Number of groups per category



Total groups in 2017: 140

KRONES AG – Memberships



Total memberships in 2017: 80

We are a member of 80 trade and professional associations in various fields. Most (47.5%) of these memberships relate to our employees' work activities. In this way, all departments are kept abreast of developments and able to keep their industry knowledge up to date.



Can we reduce waste water by 65% with intelligent filtration?

Our presentation at the VDMA's water-technology@drinktec symposium at the drinktec 2017 trade fair explored this question. In our presentation, we showed that using innovative controls in the treatment of flowing water and surface water can reduce the volume of waste water generated by 65%. That is based on the use of KRONES media and ultrafiltration (UF) technology in combination with intelligent control algorithms.

With this technology, we are developing a forward-thinking solution that can help many beverage producers conserve water worldwide. The high level of interest our topic found among symposium participants shows how important it is to be present at technical conferences. Besides the contact with customers, these events also enable us to discuss the topics with experts from research institutions around the world. That keeps us in touch with a broad network of experts in the field.

***Dr. Jörg Zacharias** is a Technical Expert
for Process Technology in our Corporate
Research and Development department.*



Goals	Actions	Target date
Intensify stakeholder dialogue	<ul style="list-style-type: none"> Establish and continue social media activities <ul style="list-style-type: none"> <i>Social media concept implemented and updated continually</i> 	ongoing
	<ul style="list-style-type: none"> Stakeholder day <ul style="list-style-type: none"> <i>Developing a concept for an issue-specific stakeholder meeting</i> 	2017 – 2018
Training on anti-corruption policy	<ul style="list-style-type: none"> E-learning programme on compliance management <ul style="list-style-type: none"> <i>Roll-out of compliance training at KRONES Centres</i> 	complete
	<ul style="list-style-type: none"> Technical training for sensitive areas <ul style="list-style-type: none"> <i>Training programme ongoing since the third quarter of 2014</i> 	ongoing
Provide information for employees' family members	<ul style="list-style-type: none"> Regular group tours of the production facilities for visitors <ul style="list-style-type: none"> <i>Involving retired employees in order to offer more employee tours</i> 	ongoing
Conduct university marketing at the national level	<ul style="list-style-type: none"> Participate in university job fairs, field trips, and lectures <ul style="list-style-type: none"> <i>Continuous use of recruiting and higher education events to gain new recruits</i> 	ongoing
Charitable contributions and sponsoring	<ul style="list-style-type: none"> Monitor social commitment <ul style="list-style-type: none"> <i>Developing a monitoring framework for grants</i> 	complete
Improve presentation of sustainability topics on our website	<ul style="list-style-type: none"> Expand sustainability content on our corporate website <ul style="list-style-type: none"> <i>Content is being updated</i> 	ongoing





The KRONES Academy registers more participants each year. Around 15,000 employees of our customers train with the Academy yearly.

15,000



We are expanding our Academy offerings. We are building 1,355 m² of new training space at our Neutraubling site.

+32%



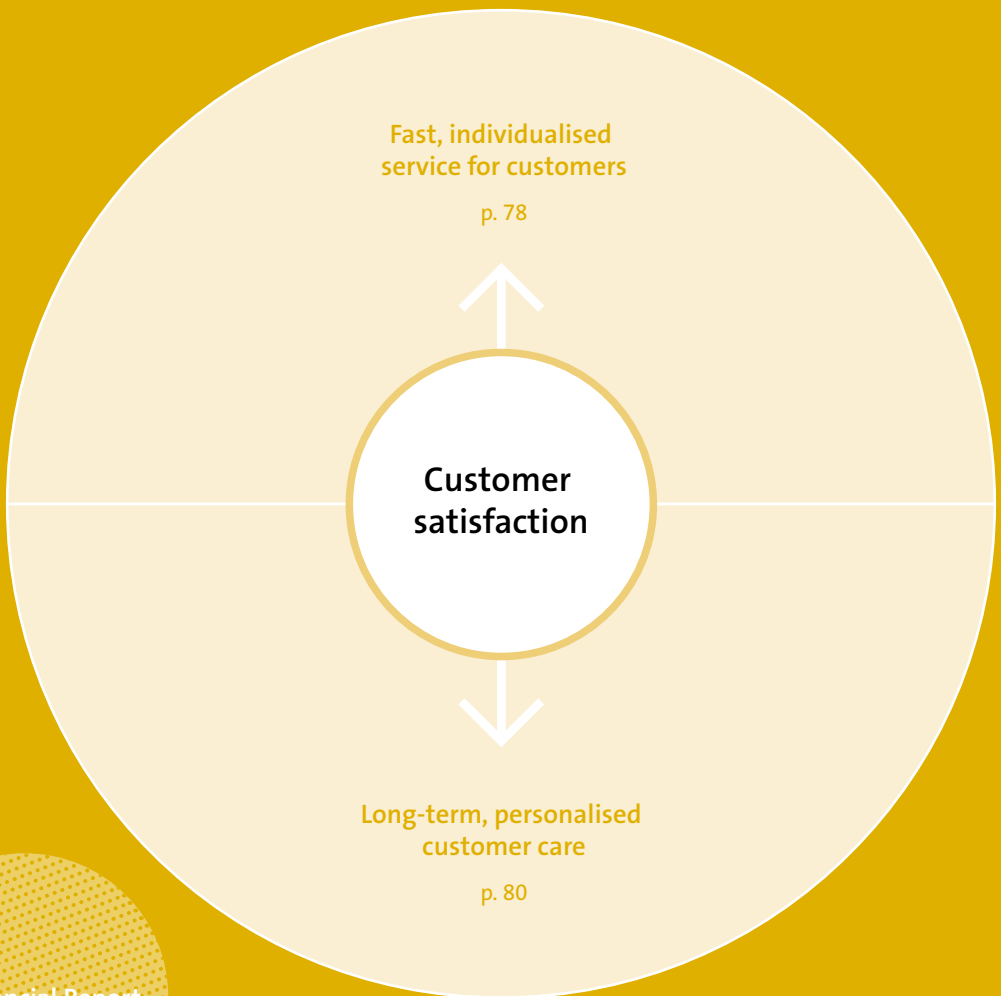
Our upgrade portfolio offers excellent options for bringing many machines up to date. We provide a wide range of solutions, with 224 different upgrades.


224




Our upgrade offerings in the KRONES online shop covers 120,000 recommended applications.

120,000





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www.krones.com/media/downloads/180423_NFB_2017_e_.pdf



Our communication with customers and the solutions we offer are crucial to our business success. That is why customer satisfaction is an integral part of our corporate strategy. We present this aspect in detail in our Annual Report. We also discuss it in our Non-financial Report.

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Besides our sales team's intensive communications, we also offer a number of services that strengthen our relationships with our customers. Our focus here is not only on new machines and integrating them into plants but also on maintaining and improving the operation of already-installed machines and lines over many years. Communicating and managing issues in customers' ongoing operations are the responsibility of our Lifecycle Service (LCS) unit.

LCS covers everything that helps our customers ensure a high level of productivity and efficient operation of their machines after commissioning. We highlight two main areas in particular in this report:

- Fast, individual service for customers
- Long-term, personalised customer care

We offer a broad range of services through our Lifecycle Service unit to meet those expectations. Our customers can select the right LCS products and services for their needs and thus ensure their machines' performance for the long term. We believe that customising these services to our customer's specific needs also contributes to customer satisfaction. Our KRONES.shop makes that possible. There, customers can find and quickly and conveniently order the service packages relevant to their machines and lines.



The measures we take to achieve a high level of customer satisfaction are part of our corporate strategy. Those activities are presented in our Annual Report and in our Non-financial Report.

Lifecycle Service plays a particularly important role here, serving as a partner to our customers and delivering suitable solutions to ensure high performance throughout the entire life of a line. LCS service packages cover maintenance contracts, technical support, and services such as handling parts and conversions or inspection and overhaul programmes. In addition, our range of upgrades offers users the option to bring machines that have been in use for many years up to date. These measures can be important when new generations of OEM components such as controls come onto the market.

In 2017, we further improved the market presence of our upgrade offerings. We currently offer 224 upgrades across all of our product groups.

➔ KRONES.shop makes solutions available to customers online, offering targeted selections for their machines. Customers can order custom-configured upgrades for their machines directly from our online shop. In all, the shop contains around 120,000 possible applications for customer machines worldwide.

➔ The main markets for upgrades are Germany, Europe, China, and the USA. The most frequently requested upgrades are for plastics technology and labellers.

To assess the cost effectiveness of an upgrade, we calculate the individual amortisation period based on the production and consumption data of the customer's line.

➔ In the years 2015 through 2017, we more than doubled the number of upgrade offers we made to our customers, contributing to the longevity of KRONES machines.

➔ Our calculation of amortisation periods is based on the cost of components currently used in the upgrades, energy and media costs arising from the operation of the customer's line, and the time required for conversion and installation.

Of all the machines we retrofit or upgrade, 80% are 12 years old or newer. The other 20% are up to 30 years old.



Our portfolio of upgrades for extending the useful lives of machines has to be closely supported by our Sales team. The upgrades are designed to be used worldwide. Quotations are prepared centrally for all machines. Our Sales team receives the information about the upgrades and all other technical information for all retro-fittable machines. That enables us to respond to customer needs quickly and in a targeted manner. In 2017, we hosted a customer day on upgrades in collaboration with our office in Belgium where we worked out possible machinery updates directly with customers. It was clear there that the decision on whether to buy an upgrade is closely tied to the time it takes for an upgrade to pay for itself.

To ensure that the improvements and upgrades we develop for existing machines are closely linked with the latest new machinery developments, our product managers are increasingly being integrated into the new machinery development process. That makes our retrofits very relevant and up to date. As a result, even machines that have been installed for some time can quickly be equipped with new options for conserving resources and media or improvements for machine operation and maintenance.

Michael Rothe is Head of Operative Product Management, LCS CD Retrofits



With courses on management methods and total productive maintenance (TPM), we offer a comprehensive range of information needed for high-performance operation for management as well.

In 2017, we offered Academy courses at 17 sites. A total of 110 trainers work at the various sites. The courses can be booked in 12 languages.

We are expanding the training options offered at KRONES Inc., Franklin, Wisconsin, USA, where we are building a 3,700 m² training and technology centre. Construction is expected to be completed in spring of 2018.

For our customers, high efficiency and flexible, high-performance production machinery is crucial. But technology is not the only important aspect. Qualified people are, too. The KRONES Academy serves as a partner to our customers, ensuring that their operating and maintenance personnel are ready to work with the machines and lines. Training the users of KRONES machines is a key component of our long-term customer care.

With training courses on more than 100 topics, we offer our customers the right continuing education for their employees. The increasingly complex technology needed to provide the level of performance our customers want requires that our customers' employees possess a broad range of specialist knowledge. Our Academy portfolio offers our customers the assurance that their employees have the qualifications necessary to do their jobs.

By continually evolving our Academy, we are ensuring that our courses can be offered at many KRONES Centre sites worldwide.

➔ We are expanding our regional training centres so that our customers' employees need not travel far to receive training on our machines.

➔ We are also adding space to the Academy at our home base in Neutraubling, Germany. There, we are building 17 training and meeting spaces on 1,355 m² in two phases. The total capital expenditure for the two stages of construction will be €4.5 million.

The high demand for training is evident in the continuously high level of use – with around 15,000 participating in Academy courses each year.

➔ The lion's share of training courses are booked at the same time that a project order is placed. Training courses can also be tailored to specific projects to improve maintenance or line performance. In addition, individual spots in training courses can be booked through the KRONES.shop. Even after machines and lines have been in operation for many years, training courses can help customers optimise line performance and continually grow their employees' knowledge.

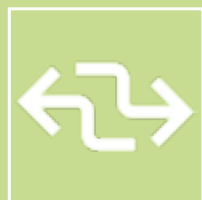
KRONES launched the Digital KRONES Academy in an effort to develop digital collaboration and forms of training that are in line with the times.

➔ The project bundles numerous services that customers need on site in the production hall and makes them available digitally. That can be machine-related documentation such as customer-specific training documentation and videos or access to KRONES.shop. The Digital KRONES Academy also offers live training with a KRONES Academy trainer. Users can also expand their libraries of training videos to include their own training videos.



Goals	Actions	Target date
Introduce a CRM system across our entire sales organisation	<ul style="list-style-type: none"> ■ Define key performance indicators and factors for assessing customer satisfaction data □ <i>Project started, customer satisfaction analysis in progress in various areas, results being interpreted, and recommendations for action being developed</i> 	in progress
Update the integrated management system (IMS)	<ul style="list-style-type: none"> ■ Transfer certification type from “Community” to “Matrix”. Merge the two certifications for domestic plants and KRONES Centres □ <i>Certification audit conducted in Q2 2015</i> 	complete
	<ul style="list-style-type: none"> ■ Transition to revised ISO 9001:2015 and ISO 14001:2015 	2018





We increased the share of shipments forwarded by rail from our Neutraubling plant by 29.3%.

+29.3%



We improved our energy intensity from 36.3 mwh per €1 million in revenue in 2016 to 33.6 mwh in 2017.

–7.4%



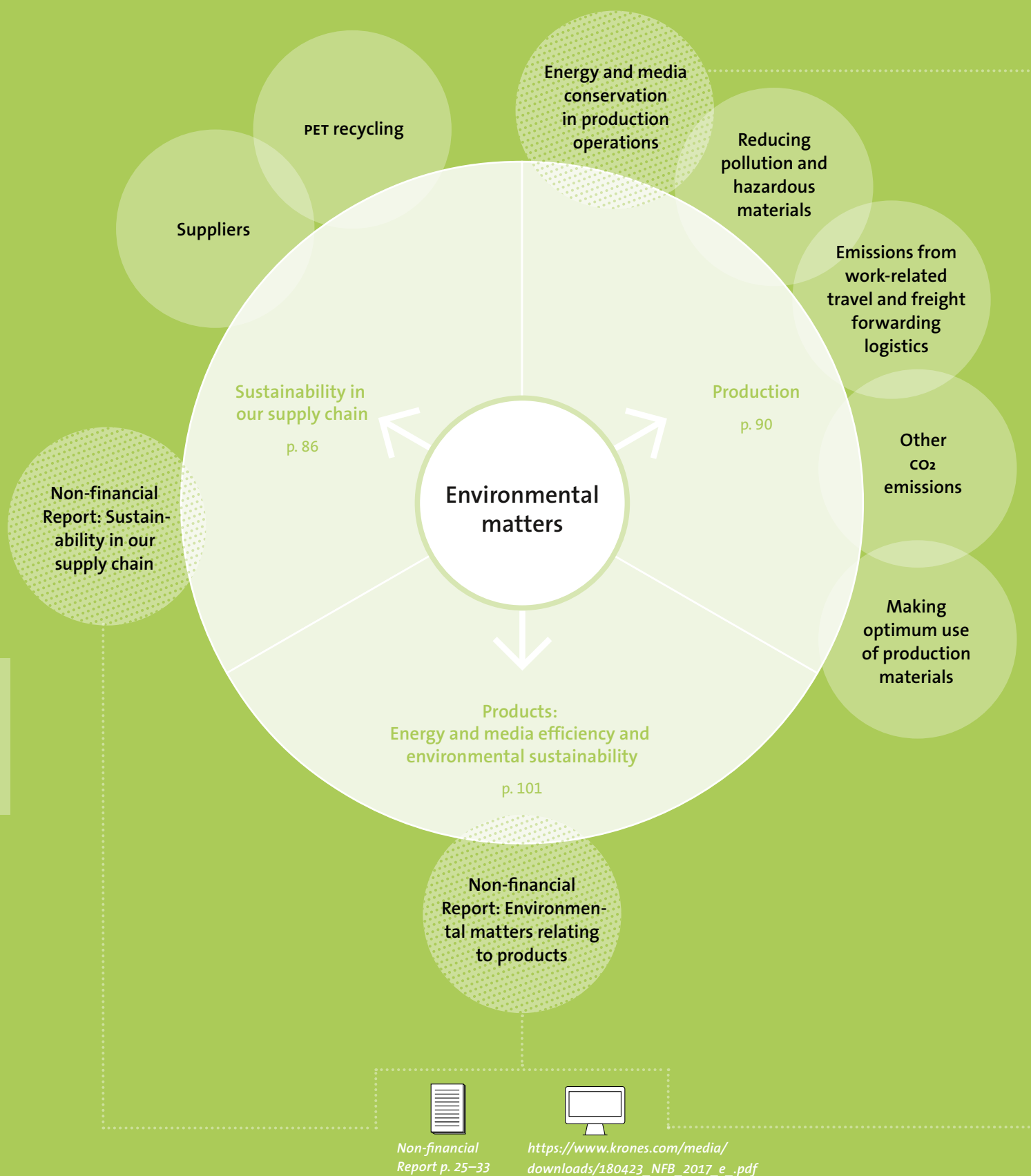
We reduced the amount of waste generated per €1 million in revenue by 6.5% year-on-year.

–6.5%



We reduced CO₂ emissions resulting from travel for the fifth year in succession, by 7.1% year-on-year.

–7.1%



Our efforts under the heading “environmental matters” relate to our own production operations. They also relate to the resource-efficiency of our machines and lines at our customers’ plants. Sustainability within our supply chain is another important consideration. Our procurement policies aim to establish and maintain reliable, close partnership with our suppliers. These topics are presented together with the associated strategic approaches, goals, and actions in our Non-financial Report. All activities relate to the material aspects that we present in our materiality matrix and pertain to KRONES AG and KRONES AG’s products.

In 2017, we were not issued any fines or non-monetary sanctions for non-compliance with environmental laws or regulations.

Environmentally friendly production is an important topic for KRONES AG and our customers. We strive continually to minimise the impact of our activities on the environment. As in previous years, the reference figure for our environmental data is consolidated revenue.

The main topics examined here with respect to environmental matters are

- Environmental matters relating to production
- Sustainability in our supply chain
- Environmental matters relating to products

In 2015, in an effort to reduce our greenhouse gas emissions, we set an emissions target through 2020 for our own production operations. All activities relating to this target are presented in our Non-financial Report.

Our efforts to provide environmentally friendly products date back to 2008, when we established our enviro machinery programme and management system. With enviro, all strategies relating to all aspects of energy and resource conservation are integrated into our product development process. The processes defined within enviro are also presented in our Non-financial Report.

All other aspects relating to responsible stewardship of raw materials and media are presented in this Sustainability Report for the year 2017. This report is a continuation of the past years’ reporting on the areas of greatest concern to us. It also includes several examples of the opportunities for energy savings that our customers get when they integrate enviro machines or lines into their production operations.

Suppliers

Audit activities for assessing our suppliers are presented in our Non-financial Report.



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KRONES AG depends on long-standing partnerships with a large pool of suppliers. The structure and principles of our supplier management policy are presented in our Non-financial Report.

In 2017, we placed orders with contract volumes of €50,000 or more with 1,677 suppliers. Any changes to our supply chain are carried out in close collaboration with Strategic Purchasing, the Product Lines, and Quality Management.

- ➔ Of KRONES AG's suppliers, 70% are based in Germany. The Central, Western, and Eastern Europe and CIS region is another further major procurement market. We buy in a combined total of 22% of our procurement volume from this region.
- ➔ The provisions of our Suppliers' Code help us to ensure that our suppliers meet ILO requirements with respect to maximum working hours and do not exceed a maximum of 48 hours per week plus 12 overtime hours per week. We conduct various supplier audits to verify compliance.
- ➔ 100% of our suppliers have committed to comply with the KRONES Suppliers' Code before we established a supplier relationship.

The top four materials used for manufacturing our products are stainless steel, steel, plastic, and aluminium. In 2017, we purchased 20,828 metric tonnes of these materials from 38 suppliers (previous year: 21,200 metric tonnes).

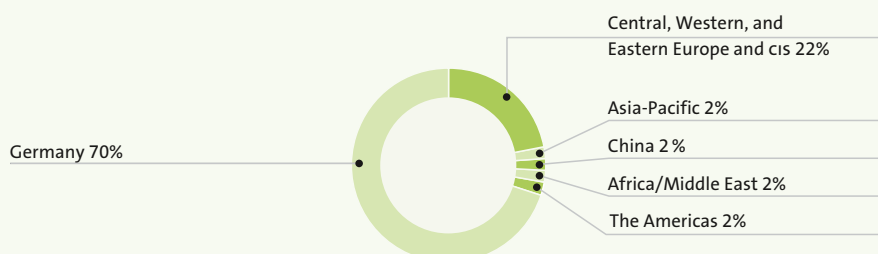
- ➔ Depending on the specifications and intended uses of the raw materials, they may also include recycled materials. We do not receive specific data on the recycled content of our materials. In the case of stainless steel, the percentage of recycled material may be as high as 90%. We do not produce separate documentation of that.
- ➔ By making sure we fully utilise our main production materials – especially stainless steel – and by continually improving our production planning processes, we were able to recycle the overwhelming majority of the waste generated (98.4%) last year.

Efficiency is everybody's business: Our employees demonstrate that fact with the many proposals they have submitted over the years to improve our operating processes. We receive suggestions for improvements in five different categories through our Brainpool portal. These suggestions often contain a sustainability-related aspect.

- ➔ We received 1,060 ideas with a sustainability factor last year. Of those, we implemented 429 ideas or 40% (previous year: 1,353 ideas received, 583 implemented). In order to further encourage our employees to submit new ideas, we plan to improve the platform's user-friendliness in 2018. The changes will simplify the process of entering new ideas and make it easy for submitters to see whether any similar ideas have already been proposed.

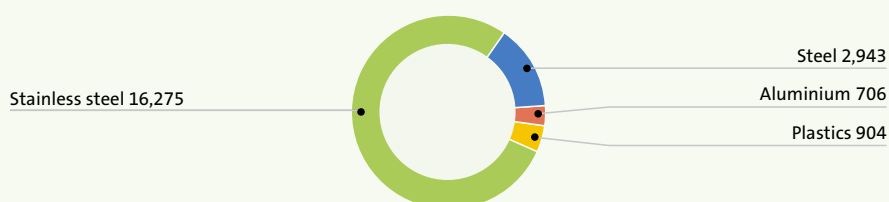


KRONES AG – Purchasing volume by region of origin (% of total) in 2017



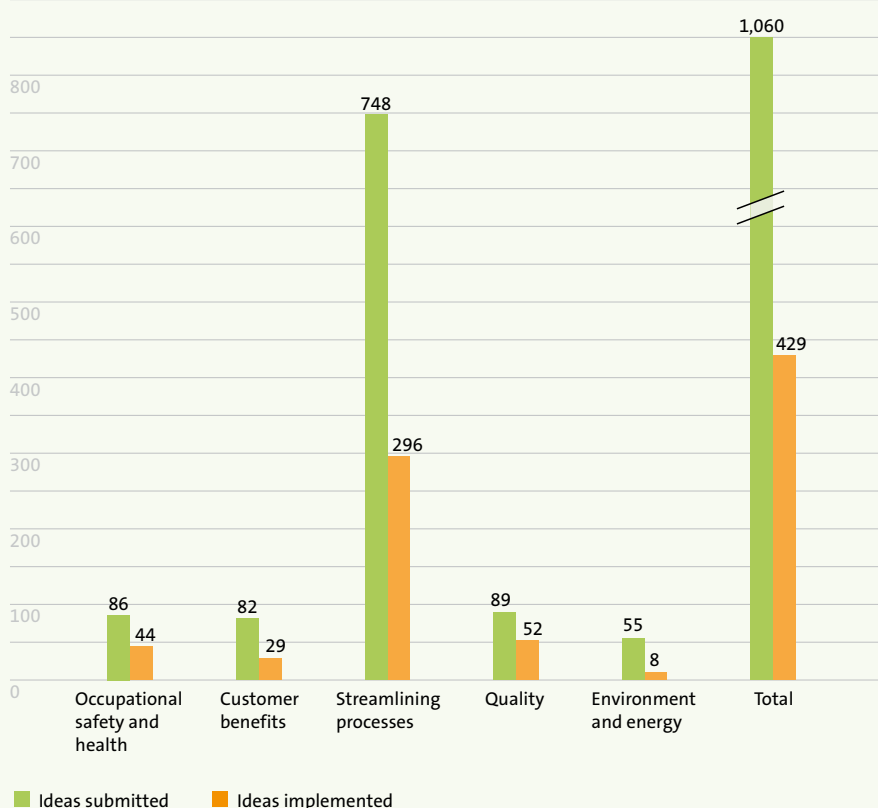
We buy in 70% of our purchasing volume from Germany. Another 22% of our purchased goods and services come from the rest of Europe.

KRONES AG – Key raw materials sourced in 2017 (metric tonnes)



We consumed 16,275 metric tonnes of stainless steel (previous year: 16,700 metric tonnes). Thus, we held our consumption at a level similar to 2016. In all, we purchased 20,828 metric tonnes of our four main materials (previous year: 21,200 metric tonnes).

KRONES AG – CSR-related idea submissions in 2017



Our employees submitted 1,060 ideas relating to sustainability in 2017. The largest share by far – 748 ideas – was aimed at streamlining processes.

We implemented around 40% of those projects, which is close to the share implemented in the previous year (43%).



PET recycling is our contribution to the recycling economy

The European Union is currently amending its legislation to improve recycling. These regulations and other country-specific regulations worldwide – including China's – are helping to encourage increased consideration of recycling solutions and plastics recycling.

MetaPure, KRONES' concept for bottle-to-bottle recycling, is a forward-thinking solution for beverage plants and recycling companies that helps keep PET bottles in the recycling loop and turn them into high-quality raw materials. The resulting recycled material is suitable for use in the food industry. Thus, our technology meets the highest standards of quality for recycled materials, as the United States' Food and Drug Administration (FDA) and the European Food Safety Authority (EFSA) have confirmed. The EFSA inspects systems installed in Europe by all solutions providers.

With our PET recycling system, used PET bottles can be processed into flakes that can then be used to produce new PET containers.

➔ We expect new legislation to result in increased demand for MetaPure. In recent years, we have been able to place eight complete lines and a washing module with various customers in Asia, Africa, and Europe.

➔ Individual users' calculations show that the investment in a MetaPure recycling system pays for itself in a very short time.

➔ We are currently building a system for a recycling company in California, USA. The planned production capacity is 21,000 metric tonnes per year for new products made of the recycled material. The plant is expected to go into operation in the second quarter of 2018.

With the MetaPure system's washing and decontamination modules, KRONES offers two modules that can be deployed individually for the respective stages of PET bottle recycling.

➔ In September 2017, we launched a partnership with EREMA, an Austrian provider of recycling systems. The partnership improves our access to the recycling industry. It also enables us to tap market potential for our washing module since Erema does not have washing technology of its own.

➔ The partnership also enables us to complete joint turnkey projects that can include decontamination technology from either KRONES or EREMA.

The high quality of the recycled material from MetaPure systems opens up numerous options for a Japanese customer. The recycled material from PET bottles will be used for food applications.

➔ FP Corporation uses our recycling process to convert used PET bottles into food trays in a bottle-to-tray™ process.

Our washing module is currently used for processing PET plastic. We are working to expand its applications to include polyethylene and polypropylene.





KRONES has had the technology for PET bottle recycling in its portfolio since 2002. With China's restrictive regulation of plastics imports, which took effect in 2018, interest in producing high-quality recycled plastics will be much higher than it has been in the past. Because the Chinese market is no longer available to many countries as a buyer for plastics, completely new pathways will be needed for recyclable materials. Decisions on whether to invest in a recycling system will be greatly influenced by the price difference between virgin PET and rPET. Thus, depending on the price situation, recycling PET bottles – and producing high-quality, food-grade material as the MetaPure system does – will become increasingly appealing to preform producers and, under certain circumstances, to some beverage producers. We expect that beverage producers will want to ensure long-term access to valuable recycled material.

In addition, the technology will meet with increased interest from recycling companies. In order to offer more options, we have designed the washing module to accommodate polyolefin plastics – polypropylene and high-density-polyethylene. Our technology delivers high-quality recycled material because our washing process produces an odourless end product.

*Peter Hartel is Head of Sales,
Process Technology PET Recycling*

Energy and media conservation in production operations

The consumption figures presented here relate to the operation of our machinery and equipment as well as buildings within KRONES AG. They do not include fuel used for our vehicle fleet.

Our assessment of energy and media use in our production operations focuses on energy consumption, including CO₂ emissions. We also look at our water consumption and waste water data on installations that are subject to licensing.

All strategies and data on energy consumption at KRONES AG's sites and the resulting CO₂ emissions (Scope 1 and Scope 2) are presented in our Non-financial Report. Here, we add to that data by presenting an overview of our energy consumption over the past five years. That gives a long-term view of our activities relating to energy conservation.

The five-year view gives a good picture of our energy performance in terms of specific energy consumption. It shows that we have been able to steadily improve our energy consumption and emissions figures.

➔ We consumed a total of 123,939 MWh (previous year: 123,391 MWh) at our plants in Germany. Per €1 million in revenue, that value is now 33.6 MWh (previous year: 36.3 MWh). In terms of the absolute figure, it is an increase of 0.4%. In terms of energy intensity (per €1 million in revenue), it is an improvement of 7.4%.

➔ Correspondingly, Scope 1 and Scope 2 emissions also show a downwards trend: The absolute figure for 2017 was 33,226 metric tonnes, which is down 3.9% from the previous year.

In 2017, we used 130,324 m³ of water from the municipal water supplies at our production sites in Germany (previous year: 116,442 m³).

➔ Consumption was up slightly relative to consolidated revenue, to 35 m³ per €1 million in revenue (previous year: 34 m³). The absolute figure was up 11.9%. The volume discharged into the public network equals the volume withdrawn. Amounts lost to diversion, disposal, or evaporation are not taken into account.

➔ We use groundwater to cool some areas of our buildings in Neutraubling. In 2017, we withdrew 1,206,679 m³ (previous year: 1,186,948 m³) of groundwater for this purpose, all of which was fed back into the groundwater supply.

Our analysis of consumption data currently focuses on the Neutraubling site, where we are identifying specific parts of buildings with increased water consumption.

➔ We are closely monitoring the building areas with higher consumption in order to determine the reasons for the increased consumption and to implement counter-measures. In particular, we have seen an increase on the evaporative cooling systems for production equipment as a result of new operating requirements under the 42nd Ordinance for the Implementation of the Federal Immission Protection Act (42. Bundesimmissionsschutzverordnung – 42. BImSchV). Our office building is another area with higher water consumption. We are closely monitoring the building to determine the cause.



⇒ All values from the other production sites are within the customary range of fluctuation and show no significant deviation.

⇒ Despite the higher water consumption, our water use is still very efficient. Over the past five years, we have reduced our water consumption per €1 million in revenue by 14.6%.

At our production facilities in Neutraubling, Nittenau, and Freising, we operate installations that are subject to licensing and fall under the provisions of the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung]. We measure waste water from these installations in accordance with the statutory requirements. We also have third-party inspections done as required.

⇒ In 2017, the volume of waste water from installations that are subject to licensing came to 4,438 m³ (previous year: 4,505 m³). This waste water is treated either in internal physical/chemical processes or in neutralisation systems and then discharged into the public network.

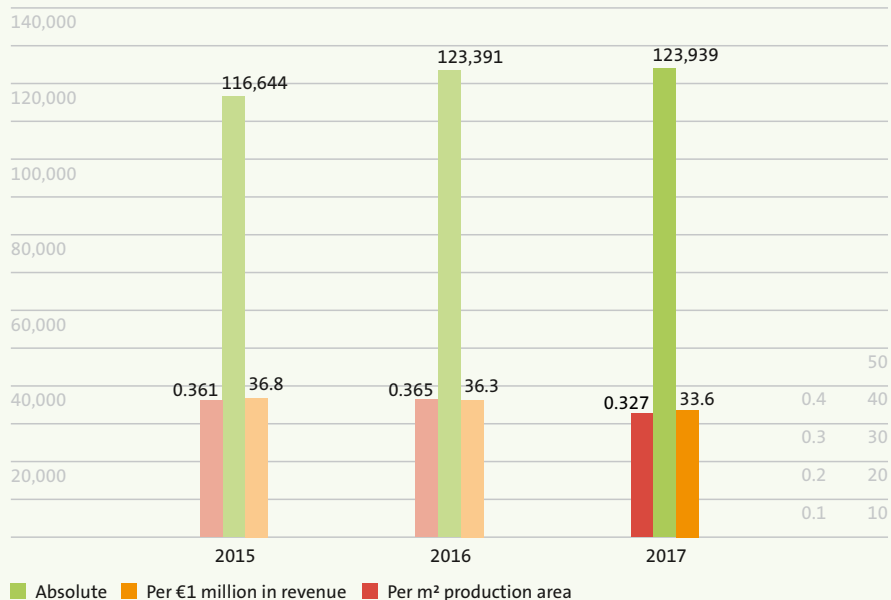
⇒ We have planned extensive new investments and improved processes in our surface treatment plants for 2018 and 2019. These changes could affect the amounts of waste water requiring treatment at our Neutraubling site. We intend to continue to use the existing water treatment systems.

For systems that require special monitoring, we have combined data in accordance with the rules set out by our supervisory authority. We report the monthly values for our Neutraubling site in the portal as mandated by that authority. Contaminant loads from all systems for 2017 were well below the prescribed limits.



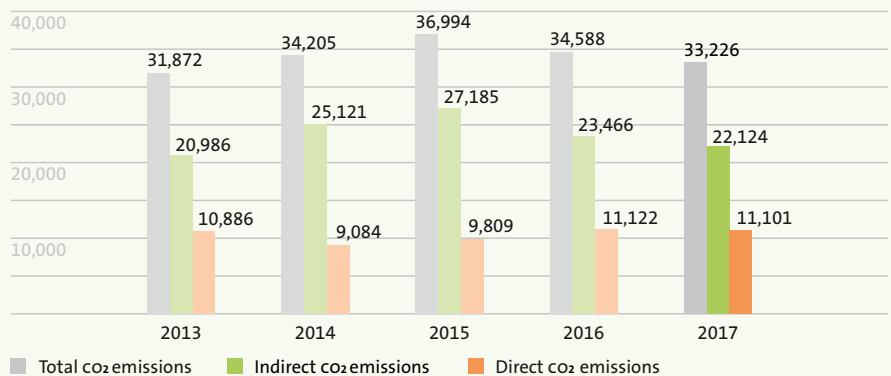
At 123,939 MWh, our energy consumption in 2017 was close to the same level as the previous year. Taking into account the increase in production area and revenue in 2017, we achieved a high level of energy efficiency – a 7.4% decrease in energy consumption per €1 million in revenue.

KRONES AG – Energy consumption (absolute MWh, MWh per €1 million in revenue, and MWh per m² production area)

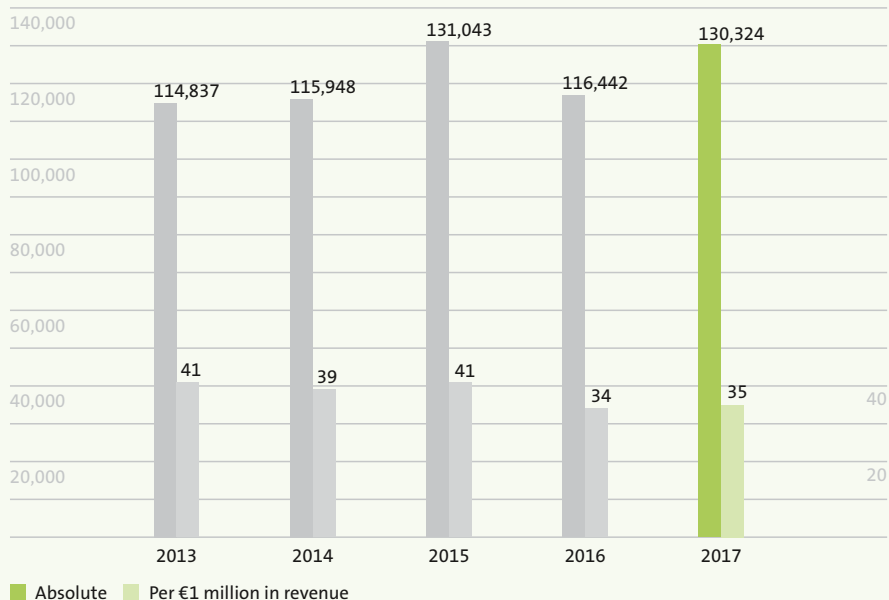


KRONES AG's direct and indirect energy-related emissions came to 33,226 metric tonnes in 2017, which is down 3.9%.

KRONES AG – Direct and indirect energy-related CO₂ emissions according to GRI calculation (metric tonnes)

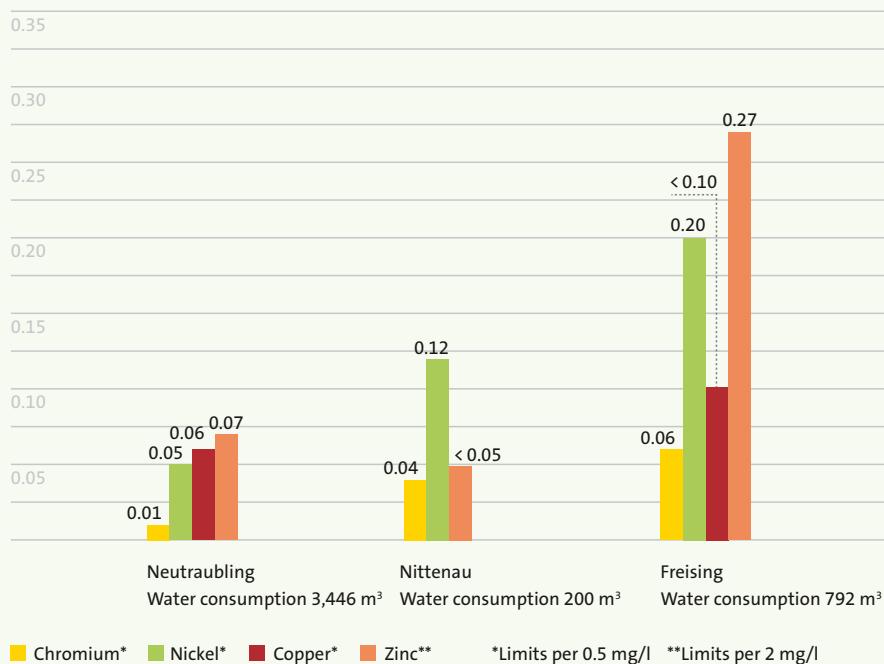


KRONES AG – Water consumption, in m³ and in m³ per €1 million in revenue



For 2017, we measured water consumption at 130,324 m³. That is up 11.9% compared with the previous year.

KRONES AG – Components of waste water subject to mandatory treatment in 2017 (average concentrations in mg/l)



The legally mandated audits of systems requiring special monitoring showed no limits were exceeded.

Our calculations of other greenhouse gas emissions (global warming potential, GWP) are based on the guidance specified in Greenhouse Gas Protocol's 5th Accounting and Reporting Standard.

We produce moulded machine parts in our Neutraubling plant's own foam manufacturing shop. The materials used in the foam shop generate non-energy-related greenhouse gas emissions.

➔ In 2017, we used 40.2 kg of R227ea (previous year: 46.7 kg), which generated emissions totalling 134.8 metric tonnes of CO₂ equivalent (previous year: 156.2 metric tonnes). In addition, we used 269.2 kg of R365mfc (previous year: 305.5 kg), with a CO₂ equivalent of 216.4 metric tonnes (previous year: 245.6 metric tonnes). Thus, consumption of both substances – and therefore the resulting CO₂ emissions – were reduced by more than 10% year-on-year.

Under the provisions of Germany's Federal Act for the Protection against Harmful Environmental Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors [Bundesimmissionsschutzgesetz], we are required to take measurements of emissions on one combined heat and power (cogeneration) plant and on the surface treatment (electroplating) plant at our Neutraubling site as well as on the pickling plant in Freising.

➔ The latest mandatory measurement was taken in 2016, in keeping with the measurement cycle. These measurements are required only once every three years. Therefore, the next measurement is scheduled for 2019. The next measurement for our electroplating shop will be taken in 2018.

➔ In 2016, the figures for the cogeneration plant came to 0.685 kg/h for NO_x, 0.0017 kg/h for SO₂, 0.035 for formaldehyde, and 0.145 kg/h for CO₂ for 17,283 hours operating at full capacity. In 2017, the plant operated at full capacity for 19,067 hours.

➔ At our Freising plant, we measured the following emissions for our picking plant for the full year: 15.62 kg of hydrogen fluoride and 433 kg of nitrogen oxides (NO₂). Particulate emissions and fine particulate matter (PM 10 and PM 2.5) were both 0.



With respect to additional emissions, our focus has been on work-related travel and freight forwarding logistics. The majority of our sales originate in Germany. We also manufacture a large share of our machines and systems in Germany and ship them from Germany to customers around the globe.

Freight forwarding logistics solutions are a major focus for us. We use the most efficient packing and forwarding concepts possible in order to get our products to our customers in a way that is compact and conserves resources.

⇒ The overwhelming share of our products (66.3%) makes its way to customers by sea freight (previous year: 65.8%). Only 22% of our freight was forwarded to customers by road freight in 2017 (previous year: 23.6%). Air freight accounted for 0.9% (previous year: 1.2%). Five years ago, air freight made up 3.6% of our shipments.

⇒ We are making good use of the rail connection that has been in operation at our Neutraubling plant since 2016. We have already sent 1,110 rail containers on their way from there. That is equal to 1,953 truckloads.

⇒ In addition, we plan to have parts of our procurement logistics also be handled by way of our on-site rail connection. The first incoming shipments are expected to arrive in the first half of 2018. This measure is also a precaution to reduce the impact of the traffic congestion expected as a result of construction that will be taking place on the A3 autobahn in the next four years.

We had stated in last year's report that we aim to further reduce CO₂ emissions from work-related travel. We planned to accomplish that by shifting some activities to our Centres worldwide and by implementing a new company travel policy that included revised rules for booking air travel.

⇒ These two actions combined have had the desired effect. We reduced the number of flights taken by 11.7%. In particular, our mileage on intercontinental flights was down 14.8%. As a result, CO₂ emissions from air travel decreased by approximately 11.6% to 12,444 metric tonnes (previous year: 14,072 metric tonnes).

⇒ By contrast, emissions from car travel have risen back to the 2014 level. The number of kilometres travelled by car increased 36.8%. Nevertheless, the increase in CO₂ emissions was lower. Total CO₂ emissions from car travel came to 4,007 metric tonnes (previous year: 3,634 metric tonnes), which represents an increase of 10.2%.

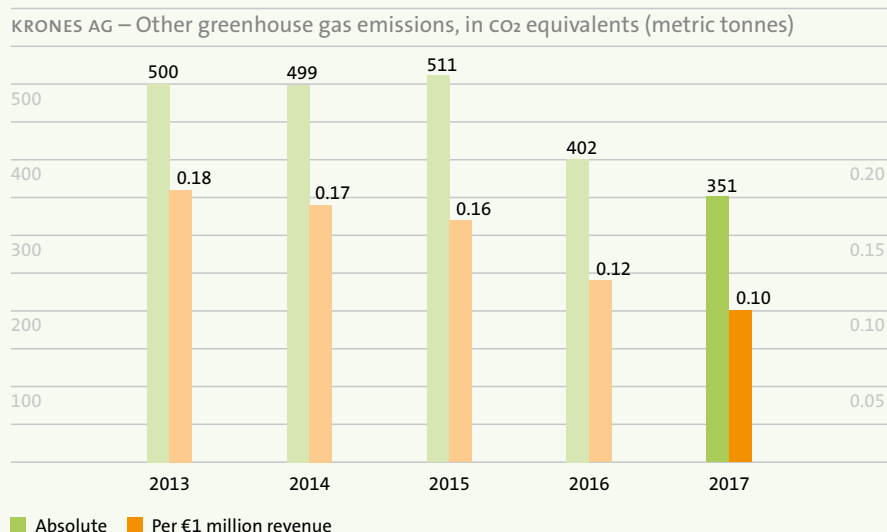
⇒ In all, we reduced CO₂ emissions from work-related travel by 7.1%. Per €1 million in revenue, that is a reduction of 14.8%.

⇒ Bidding and negotiations for mobility services are currently underway. CO₂ emissions will once again be a topic for vehicle selection in the contracts that will take effect in 2019.

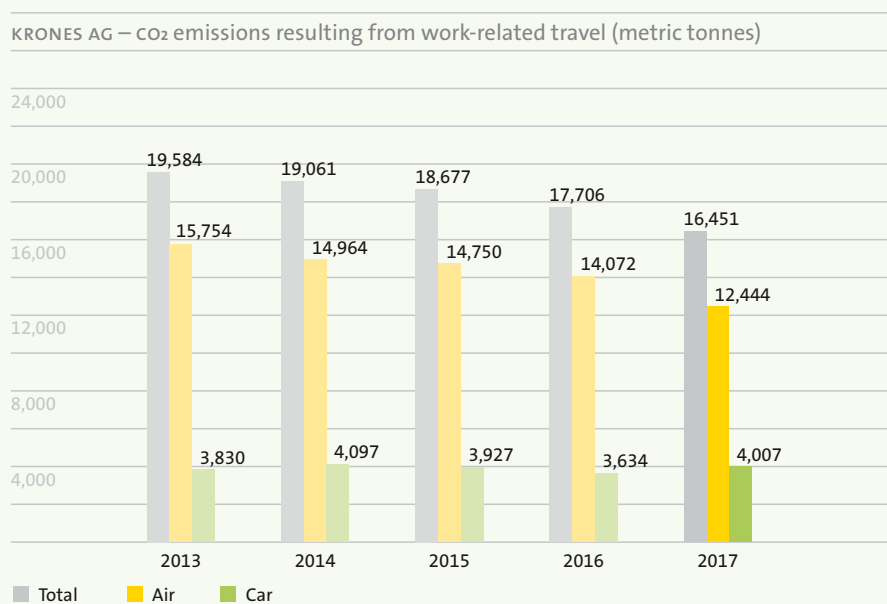
Our overview of Scope 1 emissions does not include emissions from work-related travel with personal vehicles or our mobility service provider's vehicles. That overview covers only energy-related emissions.

89.3% of our passenger rail trips were ICE or IC/EC connections with Deutsche Bahn and are carbon neutral. Our employees travelled 419,764 kilometres with Deutsche Bahn.

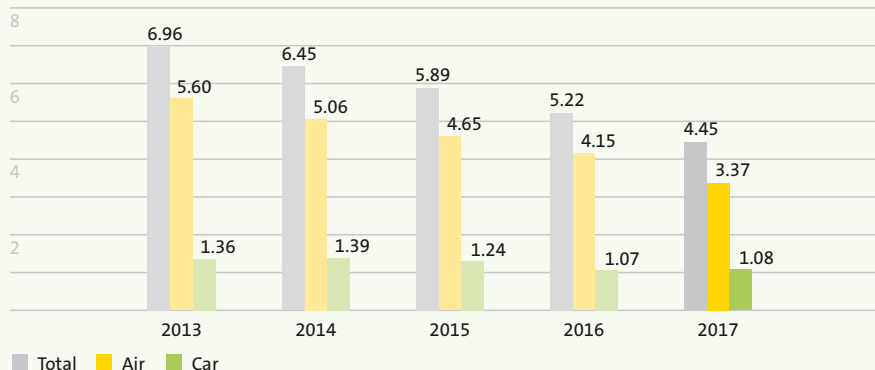
The amounts of other relevant greenhouse gas emissions result from the use of R227ea and R365mfc, which are used in our foam manufacturing.



CO₂ emissions from work-related travel totalled 16,451 metric tonnes in 2017 (previous year: 17,706 metric tonnes). We reduced emissions by 16% over the last 5 years.



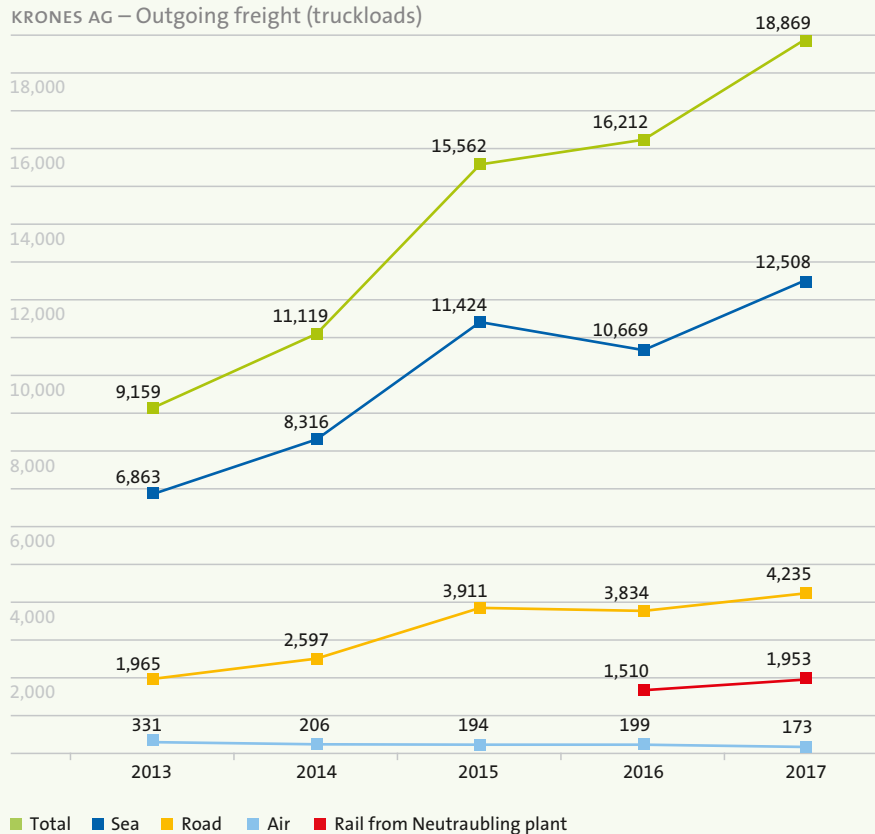
KRONES AG – CO₂ emissions from work-related travel per €1 million in revenue (metric tonnes)



Relative to revenue, our CO₂ emissions from work-related travel came to 4.45 metric tonnes per €1 million in revenue.

The emissions data for air travel relate to the KRONES Group. Emissions for car travel relate to KRONES Germany.

KRONES AG – Outgoing freight (truckloads)



In 2017, we recorded a total of 18,869 truckloads – a year-on-year increase of 16.4%. We processed 1,953 truckloads (1,110 rail cars) at our rail connection in Neutraubling – an increase of 29.3%.

The number of shipments forwarded by air freight is equivalent to 173 truckloads and therefore less than 1% of total freight forwarded.

KRONES AG did not ship internationally or transport any waste that is subject to the provisions of the Basel Convention in 2017.

As a matter of principle, we use only the highest quality materials in the construction of our machines and systems. The four main materials groups are stainless steel, steel, plastics, and aluminium. For reasons of ecology and economy, we follow a comprehensive programme to ensure that we use these materials as efficiently as possible.

In all, we purchased 20,828 metric tonnes of the four primary materials (previous year: 21,200 metric tonnes). That is a 1.75% reduction in material consumption.

- ➔ We have experts working continually to reduce the amount of material waste at all of our sites. In our laser machining and die cutting centres, we use design programmes to ensure that we make the most of our materials.
- ➔ Our Flensburg plant has introduced a process for managing sheet metal scrap in which sheets that are not well nested in the first process step are sent back into the production process to be re-nested. We have also optimised the way we design our nesting layouts in order to increase flexibility. That has had a positive impact on nesting quality. The results can be measured in terms of material consumption. At our Flensburg plant, we used fewer steel sheets despite a 25% increase in capacity utilisation. To complement these efforts, the plant also began using special sheet sizes to minimise the amount of scrap generated for individual machine components.
- ➔ We expect the new laser machining centre that went into operation in the fourth quarter of 2017 in Flensburg to further increase nesting quality in the automated production of customer-specific parts. Insourcing more and more mass-produced parts will also help to further reduce waste.

We were able to keep the volume of waste generated at all of our plants at a low level relative to the increase in revenue.

- ➔ At 16,997 metric tonnes, the volume of waste generated was 296 metric tonnes more than in the previous year. Waste generated per €1 million in revenue improved 6.5%.

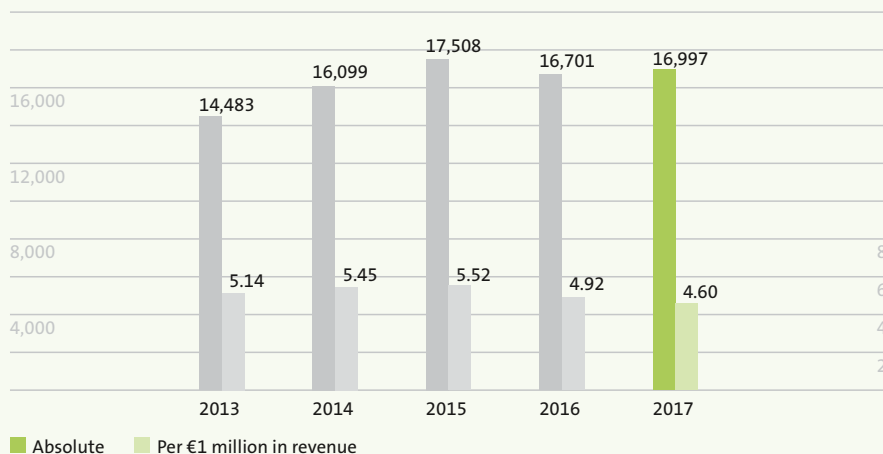
- ➔ The amount of hazardous waste came to 1,243 metric tonnes and has therefore remained relatively constant over the past several years. Of the hazardous waste generated, 1,096 metric tonnes were recoverable and 147 metric tonnes were non-recoverable.

- ➔ A look at the numbers for the individual sites shows that the Neutraubling, Rosenheim, and Freising plants were able to send the total volume of waste on for recovery or recycling. No non-recoverable waste was generated at these sites (previous year: 9.7 metric tonnes in Neutraubling).

Hazardous waste is stored properly until a predefined volume is collected, which is then transferred to specialised disposal services. We do not exceed approved limits on the storage of these substances.

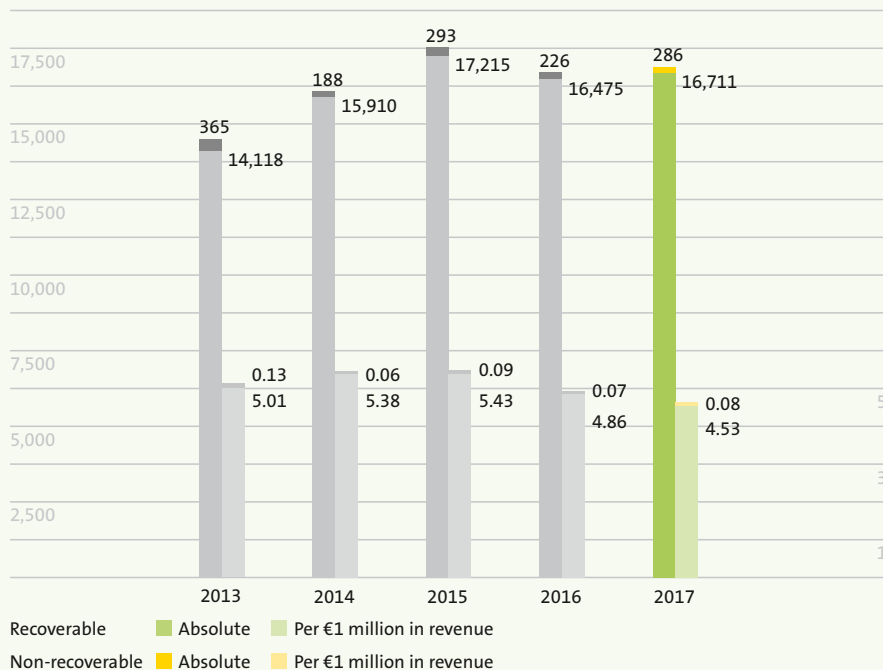


KRONES AG – Total waste generated
(metric tonnes and metric tonnes per €1 million in revenue)



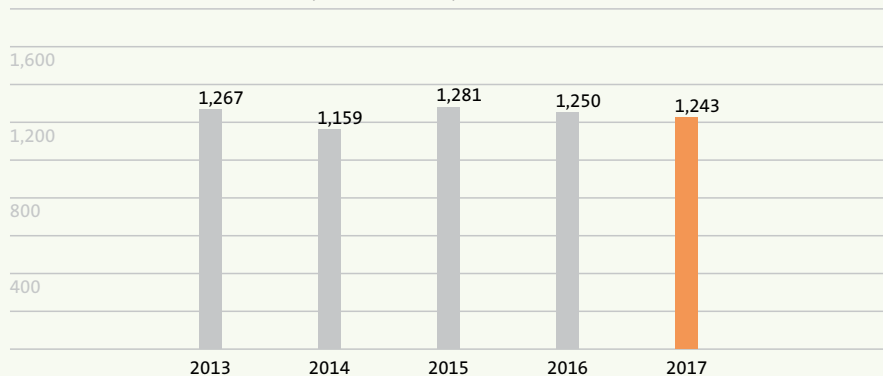
The total volume of waste generated at all of our sites in Germany was 16,997 metric tonnes. The volume per €1 million in revenue is 4.6 metric tonnes. That figure is down 6.5% year-on-year.

KRONES AG – Recoverable and non-recoverable waste
(metric tonnes and metric tonnes per €1 million in revenue)




At 16,711 metric tonnes and 286 metric tonnes, respectively, the volumes of recoverable and non-recoverable waste are close to the same range as in the previous year.

KRONES AG – Hazardous waste (metric tonnes)



1,243 metric tonnes of our waste is classified as hazardous waste. That figure comprises 1,096 metric tonnes of recoverable waste and 147 metric tonnes of non-recoverable waste. Handling of this waste is done by specialised waste management companies. No hazardous waste was transported between our plants.

A man with a grey beard and mustache, wearing a grey suit, blue shirt, and patterned tie, stands in a factory setting. He has his left hand on his hip and is looking towards the camera. In the background, there are industrial shelves and equipment.

Energy and resource conservation supported our business-driven strategies in Flensburg in 2017. We are always working to optimise our production processes. For example, we recently invested in a punch-laser combination machine for machining the sheet metal used to manufacture our bottle washers and pasteurisers. That purchase increased our productivity by 25% and considerably reduced make-ready times. That, of course, also had a positive impact on our energy performance.

Another aim was to make optimum use of our materials. To accomplish it, we launched a new process for handling scrap sheet metal and improving nesting quality. As a result, we were able to reduce the number of sheets used in the fabrication of machine housings.

We are also continually improving and streamlining processes in our production operations. We were able to increase the energy efficiency of our warehousing systems by retrofitting the drives on that equipment.

We are currently reviewing possible improvements to our logistics concept to better integrate an off-site facility that is served by a regular shuttle from our main plant in Flensburg. Integrating a larger nitrogen tank for welding gas in order to reduce delivery frequencies is another logistics topic we are addressing.

Eckehard Adrian is Head of Product Treatment and Cleaning Technologies at our Flensburg plant



With our enviro portfolio, we have been offering our customers energy and media-efficient machines for ten years now. Launched as a sustainability programme in 2008, enviro has since evolved into a certified management system and is an integral part of our product development process. All guidelines on environmental matters relating to products are presented in detail in our Non-financial Report.

We continually assess our individual machines and systems in accordance with the criteria established under enviro. An updated version of the management system, enviro 2.0, has been in effect since 2016. The revision made it possible for us to assess systems under enviro that consist of more than one machine.

⇒ All of the more than 20 exhibits presented at drinktec 2017 had been assessed under enviro. When developing new machines, we examine their potential ecological efficiency within a complete system right at the start, during the product development process.

⇒ We have incorporated enviro criteria into our quotation preparation module, thus enabling our Sales team to quickly offer customers an efficient machine that is configured to match their performance needs. Our quotation documents include a calculation of energy and material savings.

⇒ We plan to make it possible to select “enviro” as a criterion for complete lines through our quotation tool in the future. That will make it easier for customers to order turnkey lines that are completely enviro compliant, with the best possible performance in terms of energy and media consumption.

Because operating conditions and market parameters vary from plant to plant and from country to country, it is not possible to calculate the actual emissions generated by our machines in operation at our customers’ plants worldwide.

⇒ To assess the savings potential of enviro machines, we calculate consumption data based on specific operating conditions that are then part of the enviro specifications.

⇒ For example, we calculated the potential for reducing emissions on the enviro-certified LinaFlex tunnel pasteurisers that went into operation in 2017. The machines are equipped with redesigned spray jets that require less pump capacity. Based on 4,000 operating hours per year, we figure the energy savings on this machine to be an average of 35%.

⇒ We recorded total energy savings of 137 MWh on four LinaFlex tunnel pasteurisers running at different customers’ plants from the time of commissioning to 31 December 2017. That translates to a reduction in CO₂ emissions of 72 metric tonnes (based on the conversion factor of 527g CO₂/kWh specified by Germany’s Federal Environmental Agency for 2016).

Our machines bear the CE label, which is required in the EU but also recognised as a very high standard worldwide. For each individual machine, the head of the product line responsible confirms that the conditions of the Machinery Directive have been met.

The comprehensive concept of our enviro programme and its components are presented in our Non-financial Report. (p. 29 to 31)

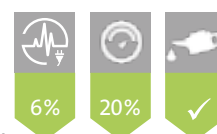


Profile:

- Output: 36,000 1.5-litre containers per hour
- Bottling carbonated soft drinks and packing into 3 x 2 shrink packs

Line specifics:

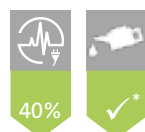
- All machines in enviro configuration
- Optimised packaging materials design
- Optimised process parameter settings
- Use of environmentally compatible media and materials
- Hygienic design for efficient use of cleaning media
- Optimisation measures across the entire line



Modulfill filler



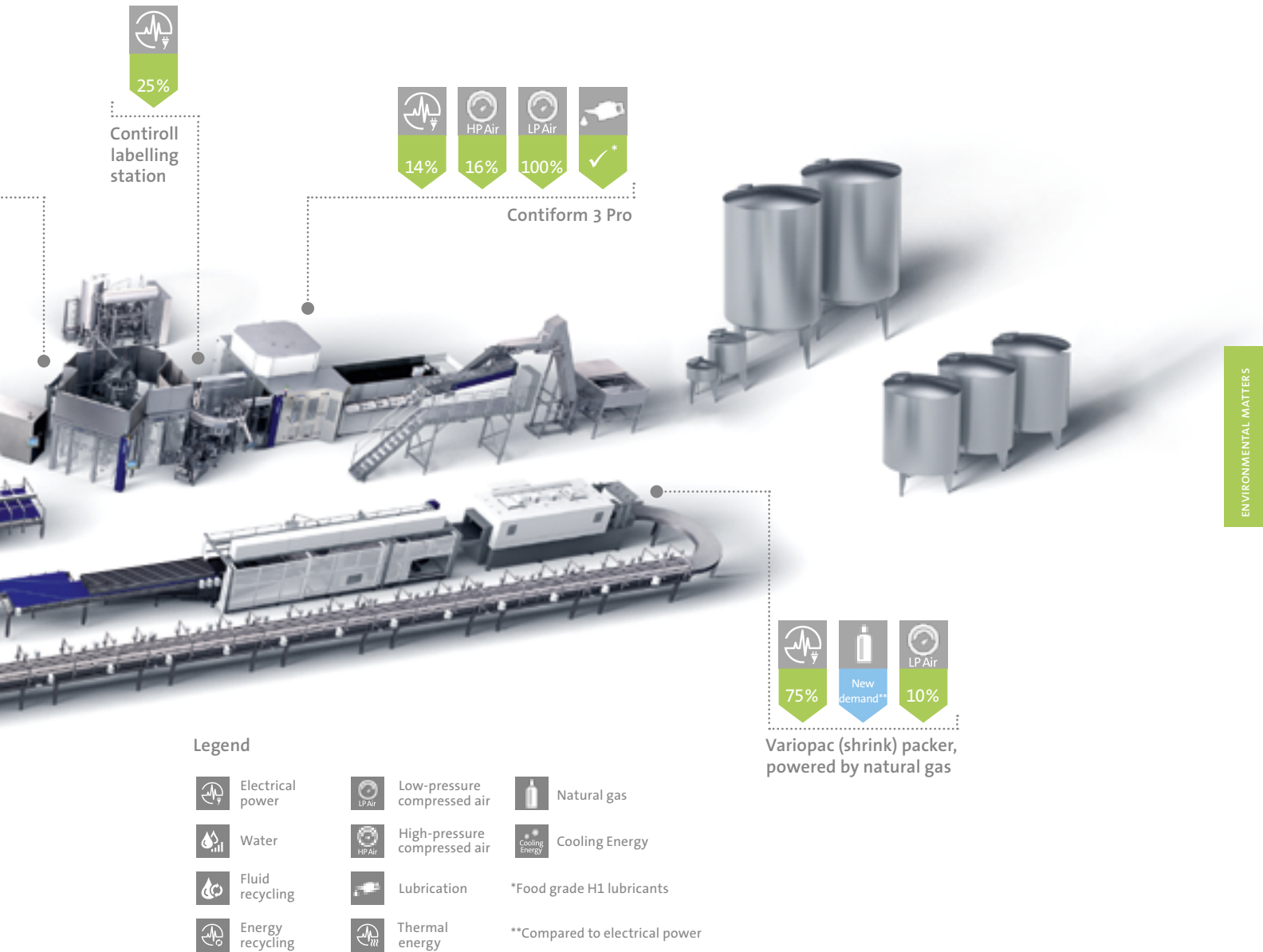
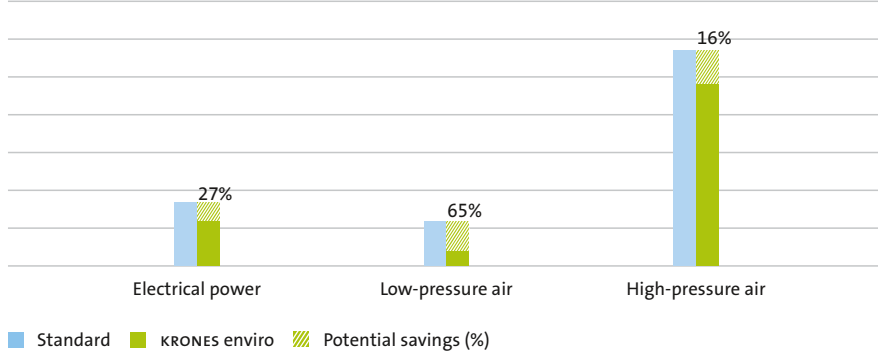
Checkmat with a Flexidry cap blower



SynCo container conveyor

Modulpal Pro 2A palletiser
with pack material handler

KRONES AG – Potential savings on a single-use PET line

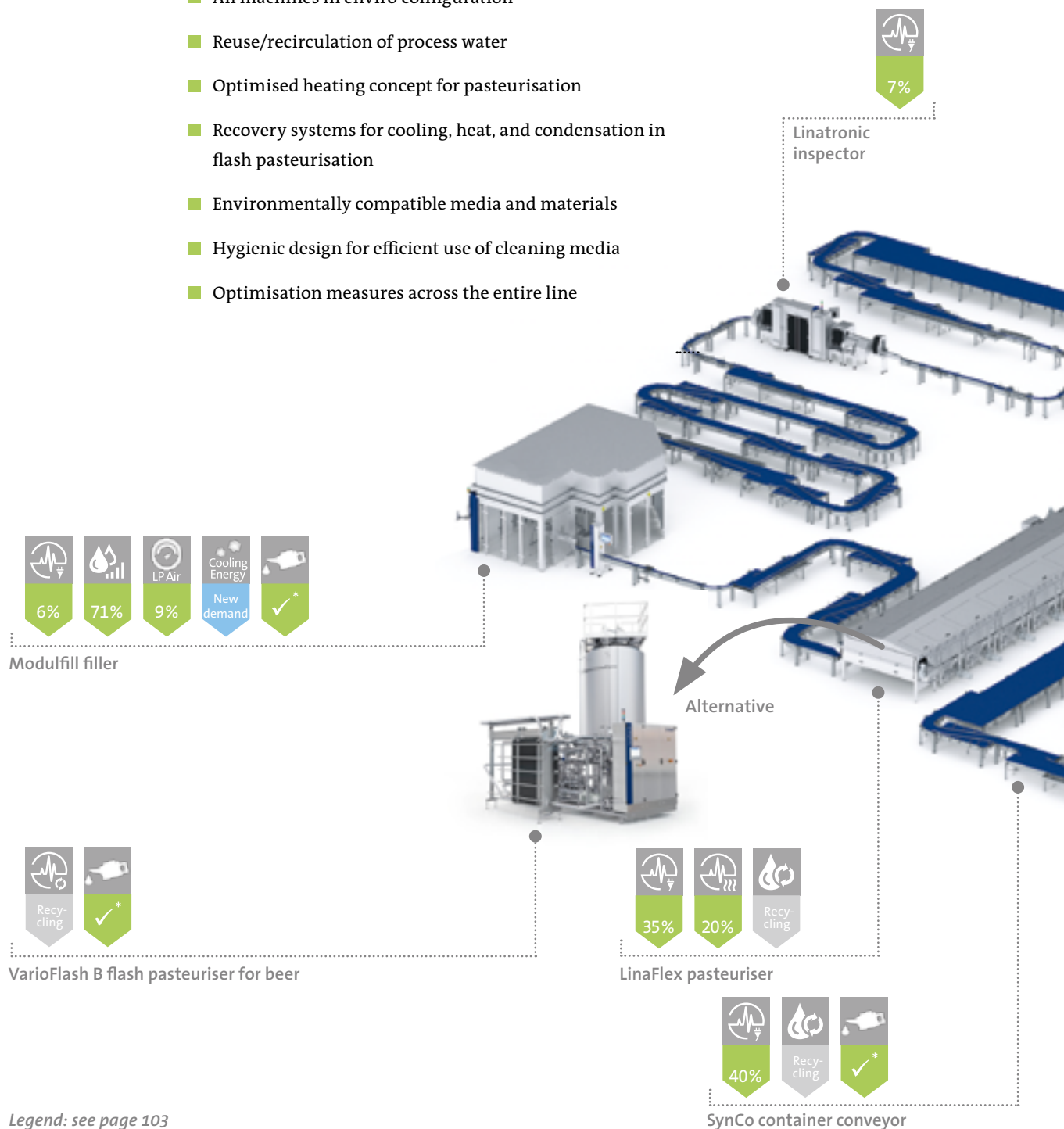


Profile: Line specifics:

- Output: 60,000 containers per hour at a fill volume of 600 millilitres
- Bottling beer and packing into 5 x 4 crates

Line specifics:

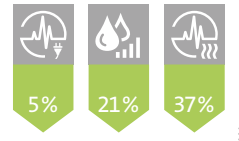
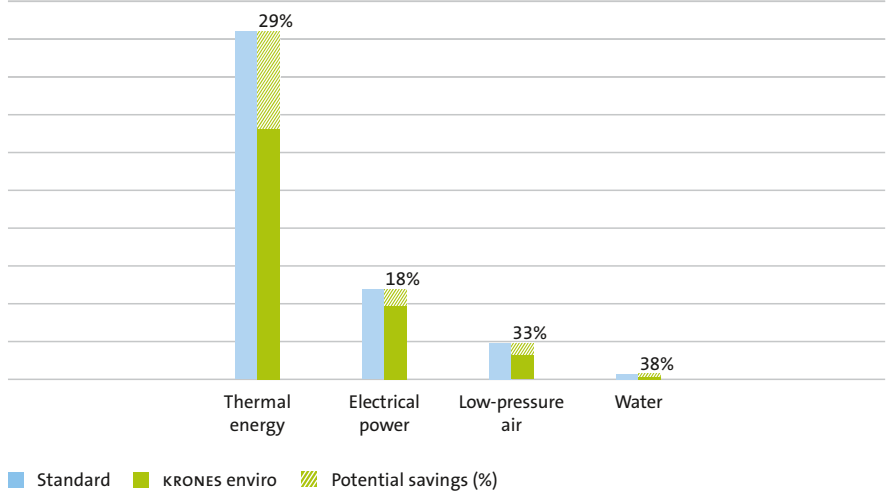
- All machines in enviro configuration
- Reuse/recirculation of process water
- Optimised heating concept for pasteurisation
- Recovery systems for cooling, heat, and condensation in flash pasteurisation
- Environmentally compatible media and materials
- Hygienic design for efficient use of cleaning media
- Optimisation measures across the entire line



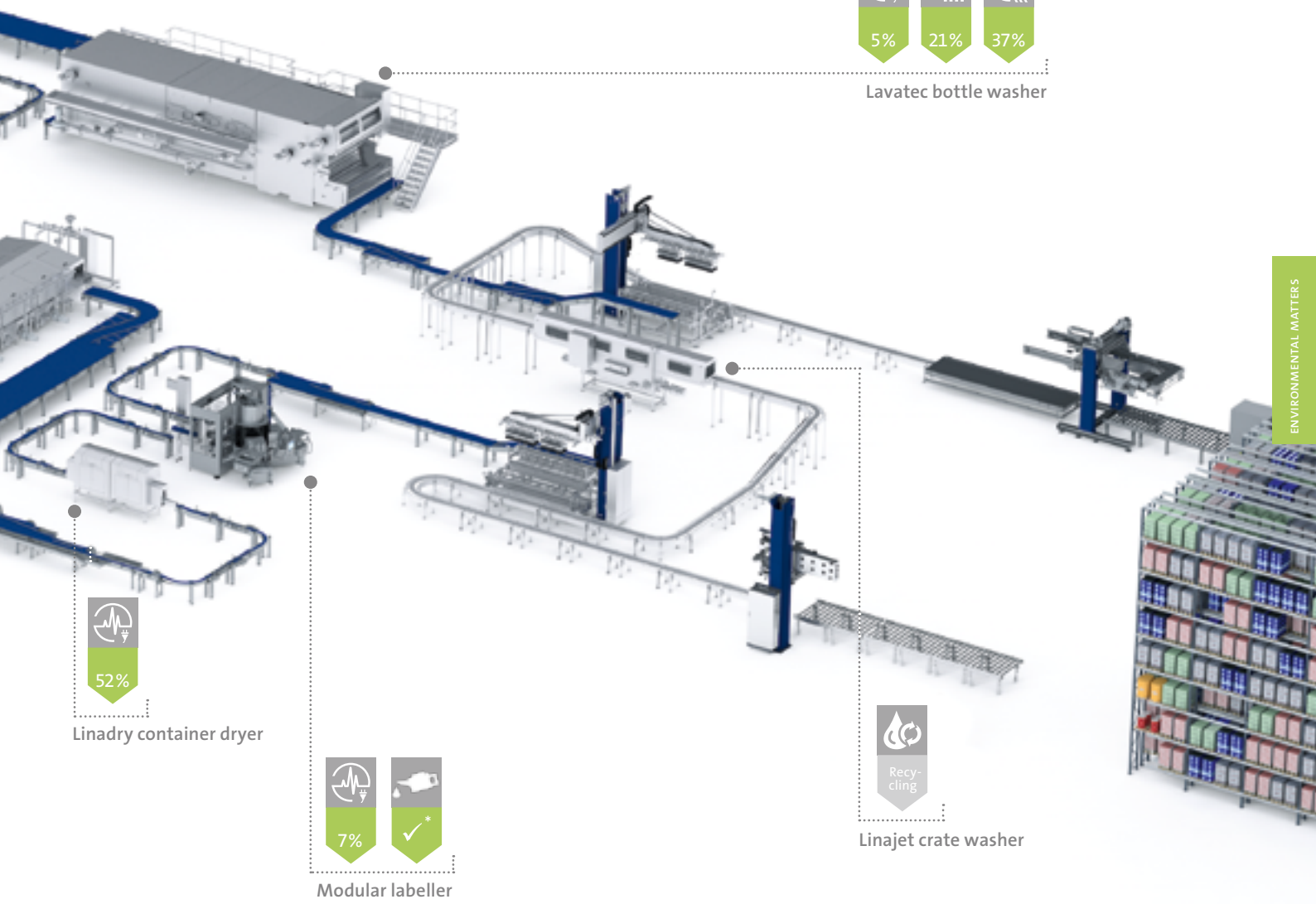
Legend: see page 103



KRONES AG – Potential savings on a returnable glass line



Lavatec bottle washer

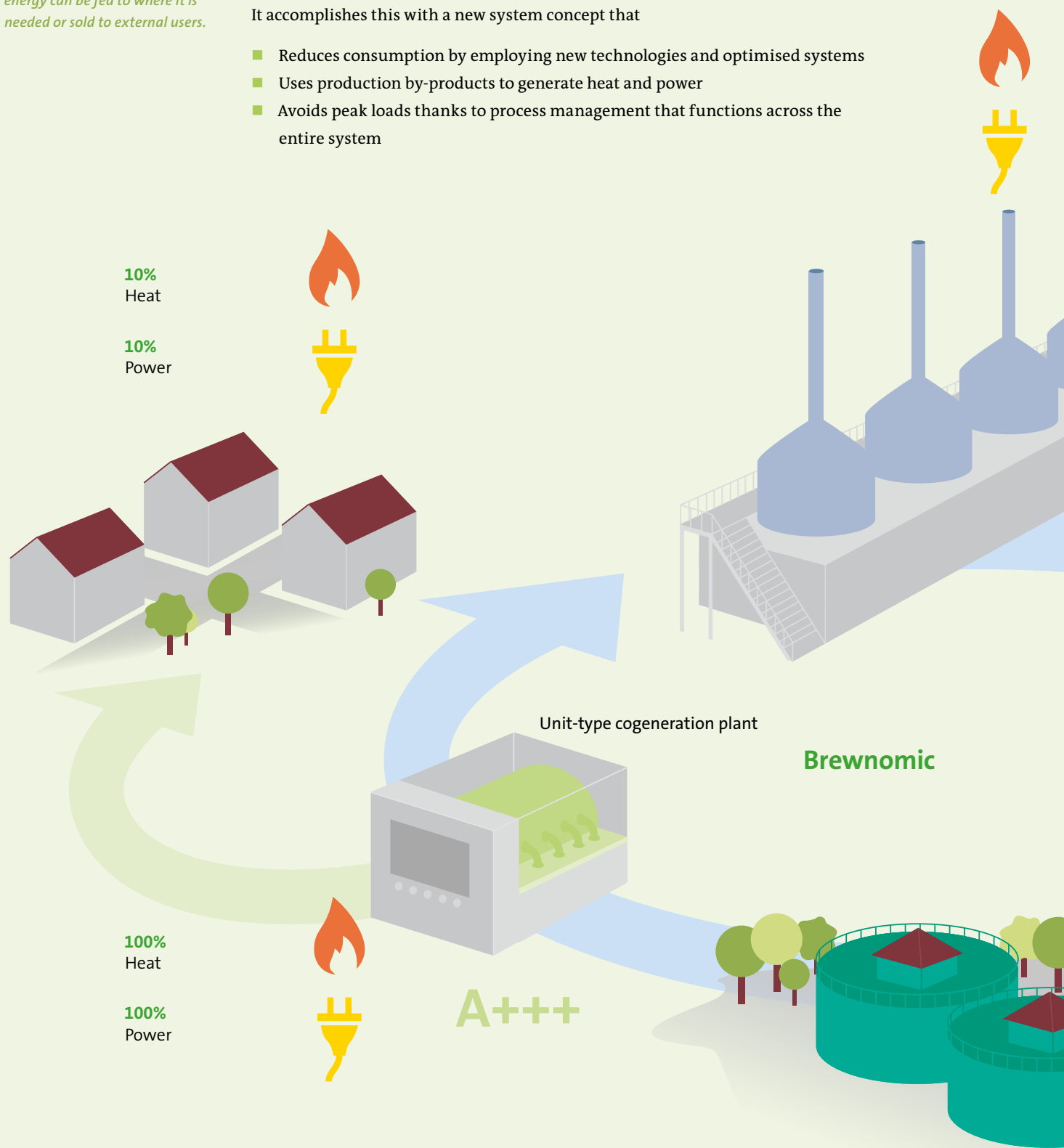


Brewnomic is an energy self-sufficient brewery, supplying its own power by utilising residual materials from the brewing process. Surplus thermal and electrical energy can be fed to where it is needed or sold to external users.

The idea behind the Brewnomic is an energy-independent, carbon-neutral brewery that operates entirely without fossil fuels, instead generating enough heat and power from the residual products left over at the end of the brewing process to power the entire brewing process.

It accomplishes this with a new system concept that

- Reduces consumption by employing new technologies and optimised systems
- Uses production by-products to generate heat and power
- Avoids peak loads thanks to process management that functions across the entire system



KRONES' Brewnomic development project is based on a simulation of a brewing and bottling process that has been validated using measurements taken during final acceptance of a line. The concept integrates

- The EquiTherm energy recovery system
- A cascaded low-temperature energy storage system
- An innovative cogeneration plant
- A new bottling concept that operates at a higher temperature
- Filtration media that can be converted into energy
- Improved concepts for generating and supplying media

The simulation shows what heat and power savings can be achieved. The integrated cogeneration plant features high efficiency and very high admission and return temperatures. That makes it possible to directly substitute boiler output. With these building blocks, KRONES is making an energy self-sufficient, carbon-neutral brewery and sustainable beer production possible.



Goals	Actions	Target date
Establish an energy management system	<ul style="list-style-type: none"> ■ Measure energy data <ul style="list-style-type: none"> □ <i>Fleshing out the details of how much data is to be collected; ongoing expansion in connection with restructuring and construction projects</i> 	ongoing
	<ul style="list-style-type: none"> ■ Establish performance indicators <ul style="list-style-type: none"> □ <i>Monitoring energy consumption based on performance indicators</i> 	ongoing
Conserve energy	<ul style="list-style-type: none"> ■ Replace hall lighting with LED technology (action plan for reducing CO₂ emissions) <ul style="list-style-type: none"> □ <i>Setting priorities</i> □ <i>Replacing existing hall lighting with LEDs in stages</i> 	complete 2020
	<ul style="list-style-type: none"> ■ Need-appropriate, efficient operation of drives, power units (action plan for reducing CO₂ emissions) <ul style="list-style-type: none"> □ <i>Incorporating applicable systems</i> 	in progress
	<ul style="list-style-type: none"> ■ Optimise compressed air supply 40 bar/8 bar (action plan for reducing CO₂ emissions) <ul style="list-style-type: none"> □ <i>Developing an action plan for preventing leaks</i> □ <i>Replacing individual systems with compressor fitted with efficiency motor; integration into central compressed air network</i> 	2020 in progress
	<ul style="list-style-type: none"> ■ Optimise cooling supply (action plan for reducing CO₂ emissions) <ul style="list-style-type: none"> □ <i>Central cooling unit to replace decentralised units</i> □ <i>Developing an energy concept</i> 	in progress in progress
Product optimisations through the enviro programme	<ul style="list-style-type: none"> ■ Continually improve energy and media efficiency and environmental compatibility in our machinery portfolio <ul style="list-style-type: none"> □ <i>Continuous monitoring by enviro Officer</i> 	ongoing
	<ul style="list-style-type: none"> ■ Evolve EquiTherm series for combined heating and cooling <ul style="list-style-type: none"> □ <i>Assessment of EquiTherm Coldfill has begun, EquiTherm Brew successfully launched</i> 	complete
enviro 2.0	<ul style="list-style-type: none"> ■ Optimise the portfolio of enviro products <ul style="list-style-type: none"> □ <i>Enviro assessment of our machinery portfolio</i> □ <i>1. Transition lubricants to H1 in bottling and packaging technology and soft drinks, dairy, and water</i> □ <i>2. enviro optimisations in the modules</i> 	ongoing ongoing ongoing
	<ul style="list-style-type: none"> ■ Further develop the enviro system <ul style="list-style-type: none"> □ <i>tÜV sÜD certification of systems</i> □ <i>Take enviro topics into account early in the product development process</i> 	complete complete
	<ul style="list-style-type: none"> ■ Strengthen communication and enviro brand <ul style="list-style-type: none"> □ <i>Step up communication of the added value that enviro offers customers</i> 	ongoing



Goals	Actions	Target date
Environmentally responsible behaviour among employees	<ul style="list-style-type: none"> ■ Involve employees with concrete guidelines for environmentally responsible behaviour <ul style="list-style-type: none"> □ <i>Incorporating ideas from Brainpool employee innovation portal</i> 	ongoing
Conserve resources	<ul style="list-style-type: none"> ■ Recycling – further analyse possibilities for recycling <ul style="list-style-type: none"> □ <i>Projects launched for improved use of materials, e.g. sheet metal and piping/tubing</i> □ <i>Preventing raw materials consumption</i> □ <i>Verifying measures taken to improve material efficiency; new cleaning system installed in the Rosenheim plant which extends the service life of media used</i> ■ Reduce the amount of waste generated <ul style="list-style-type: none"> □ <i>Increased sorting and separation of materials at on-site collection station</i> □ <i>Training documentation has been designed to improve education and motivation of employees</i> □ <i>Intensified sorting and separation of waste materials</i> 	in progress in progress in progress ongoing in progress in progress
Reduce emissions	<ul style="list-style-type: none"> ■ Reduce coolant emissions <ul style="list-style-type: none"> □ <i>Additional measurements are being taken</i> □ <i>Continuous monitoring of coolant emissions</i> ■ Reduce PU foam containing climate-relevant greenhouse gases <ul style="list-style-type: none"> □ <i>Conversion partially complete; climate-relevant greenhouse gases still present</i> □ <i>Reviewing transition to other production processes</i> ■ Reduce CO₂ emissions by 30% to 40% for KRONES AG <ul style="list-style-type: none"> □ <i>Action plan adopted</i> 	in progress in progress ongoing ongoing 2020
Reduce emissions due to work-related travel	<ul style="list-style-type: none"> ■ Develop a new mobility concept for business travel within Germany <ul style="list-style-type: none"> □ <i>Roll-out among service technicians</i> ■ Determine downstream Scope 3 emissions <ul style="list-style-type: none"> □ <i>Initial contact made with freight carriers</i> 	in progress in progress



42 nd Ordinance for the Implementation of the Federal Immission Protection Act (BImSchV)	Ordinance aimed at ensuring that the state of the art of technology is used and lays out technical and organizational requirements for the construction and operation of cooling systems, cooling towers, and wet scrubber systems. The ordinance is a precautionary regulation intended to protect health and the environment.
CDP (Carbon Disclosure Project)	Non-profit organisation providing a standardised system for measuring, analysing, and comparing environmental data for companies and communities worldwide.
Corporate governance	Responsible corporate management and supervision that is oriented toward long-term value creation.
Corporate social responsibility	Voluntary corporate initiative to take responsibility for the company's effects on social welfare and to integrate environmental aspects above and beyond legal requirements.
GRI (Global Reporting Initiative)	An international network that supports companies in their efforts to measure, understand, and report on their performance with respect to sustainability. GRI has established a reporting framework that serves as a guideline for companies and is free of charge. GRI reporting relies on transparency and aims to provide standardised, comparable information.
Integrated management system (IMS)	A single system that incorporates the requirements and specifications from various areas such as quality, environment, occupational safety, and security into a uniform structure and documents the methods used for oversight
OHSAS	OHSAS 18001 (Occupational Health and Safety Assessment Series) is used in many countries as the basis for certification of management systems for occupational safety. The structure of OHSAS 18001 is closely based on the ISO 9001 and ISO 14001 standards and can be used as part of an integrated management system.
SMETA (SEDEX Members Ethical Trade Audit)	Audit procedure that comprises good practices for conducting ethical trade audits and reducing duplication of effort in auditing. The documents enable auditors to conduct standardised audits that will be accepted by multiple retailers and brands.
Sustainability	Fundamental concept for shaping economic, political, and social developments so as to meet the needs of the present-day generation while keeping ecological, social, and economic structures intact for future generations.
Total Cost of Ownership (TCO)	Takes into all costs associated with an investment, including all expenses that arise during its use over its entire service life such as energy costs and maintenance and repair costs.
UN Global Compact	The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.
Value chain	The value of a product or service consists not only of the product or service itself. In some cases, it may consist of many various components that are produced along the stages of value creation. Several stages of value creation constitute a value chain.
Value creation calculation	The value created is determined by subtracting from the company's performance (sales revenues and other income) the advance payments necessary for bought-in goods and materials, depreciation and amortisation, and other expenditures. The origination of the value creation is set against its use.



Scope and standards

TÜV SÜD Management Service GmbH has been engaged to provide external assurance on this Sustainability Report. The assurance process was conducted in accordance with the following guidelines and standards:

- Global Reporting Initiative – G4 Sustainability Reporting Guidelines 2013 (GRI G4)
- AA 1000 standards for the general principles and methodology for evaluation and review
- ISO 14001 – specification for environmental management systems, BS OHSAS 18001 – specification for occupational health and safety management systems

In addition, wherever aspects relating to management systems are involved, the auditing methods used are in accordance with ISO 17021.

Audit process and depth

For our audit of the report, we reviewed documents and conducted interviews with persons in key positions and at various levels of the company, including management, middle management, employees, and employee representatives.

Our review was conducted on the basis of Global Reporting Initiative – G4 Sustainability Reporting Guidelines 2013 (GRI G4).

The objective of the audit was to:

- Review the reliability of the sustainability performance data and CSR-related information from KRONES AG

The following aspects were examined in spot checks:

- Stakeholder process and CSR materiality matrix
- Evaluation of the materiality criteria
- Review of the data and records underlying the reporting
- Appropriate and balanced presentation of performance in the selection of performance indicators
- Role of CSR performance indicators with respect to decision-making process

We audited the identification of relevant stakeholder groups, the method used to collect and consolidate data for this report, the existing management systems, and the internal control and monitoring functions.

Economic and financial data were not audited. Instead, they were assessed in comparison with the information contained in the audited 2017 Annual Report. We also compared statements made in this report against the 2017 Non-financial Report for KRONES AG.

However, unlike the reports cited above, only the following sites were included in this audit:

- KRONES AG, Böhmerwaldstrasse 5, 93073 Neutraubling, Germany
- KRONES AG, Nittenau plant, Heideweg 34–36, 93149 Nittenau, Germany
- KRONES AG, Steinecker plant, Raiffeisenstrasse 30, 85356 Freising, Germany
- KRONES AG, Rosenheim plant, Äussere Münchner Strasse 104, 83026 Rosenheim, Germany
- KRONES AG, Flensburg plant, Schäferweg 9, 24941 Flensburg, Germany

Level of assurance & materiality threshold

The opinion expressed in this audit report is based on a “limited level of assurance” and a materiality threshold derived from the auditor’s expert evaluation.

Conclusion/validation

Based on our audit, we conclude that KRONES AG has not omitted any material aspects from the report and the reporting process delivers reliable CSR-relevant data and information. Availability of this report to the general public is guaranteed.

This report provides a comprehensive, accurate, and proper presentation of performance on the basis of reliable, reasonably documented information.

TÜV SÜD Management Service GmbH
Munich, 30 May 2018



Dipl.-Ing. Wolfgang Brandl
Corporate Social Responsibility Auditor
Environmental Auditor



Dipl.-Ing. Ulrich Wegner
Head of the Certification Body
Environmental Auditor

**Responsibilities**

KRONES AG is solely responsible for the content of this report and for selection of the topics. TÜV SÜD Management Service GmbH’s responsibility was to review the correctness and credibility of the information and to confirm whether the requirements have been met.

KRONES AG

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This English language report is a translation of the original German KRONES AG Nachhaltigkeitsbericht 2017.

In case of discrepancies the German text shall prevail.

This Sustainability Report 2017 is also available in German. We would be happy to mail you a copy on request. You can also find it in the Responsibility section at krones.com.