

Non-financial Report 2020

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Letter from the Chairmen



Volker Kronseder
Chairman of the Supervisory Board



Christoph Klenk
Chairman of the Executive Board

Dear Readers,

Without a doubt, 2020 was an exceptional year. The COVID-19 pandemic and the resulting economic crisis have kept global value creation processes in their grip. Like so many other companies, KRONES, too, finds itself in an economically challenging situation since we rely heavily on exports of our products and services.

Despite all of the difficulties, KRONES remains committed to stability and continuity. Our company will master this crisis, even if painful measures such as staff reductions and cost-cutting programs were and are necessary to keep us competitive.

If the crisis has made one thing clear, it is the vital importance of business continuity: Our customers in the beverage and food industry want dependable partners on whom they can rely in difficult times and who, through good management, can guarantee operational continuity for years and decades to come. We as KRONES AG can do this because we have worked prudently, profitably, and with an eye to the future over the past years and decades. For us, this is real, lived sustainability – in the truest sense of the word.

Despite – or perhaps because of – COVID-19, this is certain: There's only one direction for KRONES to go and it is forward. Innovative technologies, digital solutions, and environmentally and socially responsible products and value creation processes are the triad of the future, in industrial machinery and equipment manufacturing as well. For that reason, we have taken the opportunity in 2020 to draft new sustainability goals. These goals show what we will focus on in terms of sustainability in the next ten years. Two goals in particular deserve special mention here: product sustainability and decarbonisation.

Our products are at the heart of our sustainability activities. We are accelerating the development of even more energy and media-efficient machines and lines in order to conserve valuable resources like water, electricity, and heat. At the same time, it is essential to minimize the amount of waste generated in the production, filling, and packaging of beverages and liquid foods. That is why we are taking a proactive approach to tackling the issue of food waste. Sustainable packaging is a key area of activity, in which we are dedicated to the research, development, and implementation of more eco-friendly primary and secondary packaging and likewise to improving our PET recycling systems – and thus contributing significantly to a circular economy.

With our new climate strategy, we are also sending a clear signal for climate protection. We are intensifying our existing measures to reduce emissions by cutting 80 percent of our operational emissions (Scope 1 and Scope 2) and 25 percent of our product-related emissions (Scope 3) by 2030. Our long-term goal is to become climate neutral.

Sustainable products and value creation processes are on our agenda. In this report, you will learn about the progress we made in 2020.

A handwritten signature in blue ink, appearing to read 'V. Kronseder'.

Volker Kronseder
Chairman of the Supervisory Board

A handwritten signature in blue ink, appearing to read 'C. Klenk'.

Christoph Klenk
Chairman of the Executive Board

Our business model

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. More information about KRONES' business model can be found in the group management report beginning on page 35 of the Annual Report.

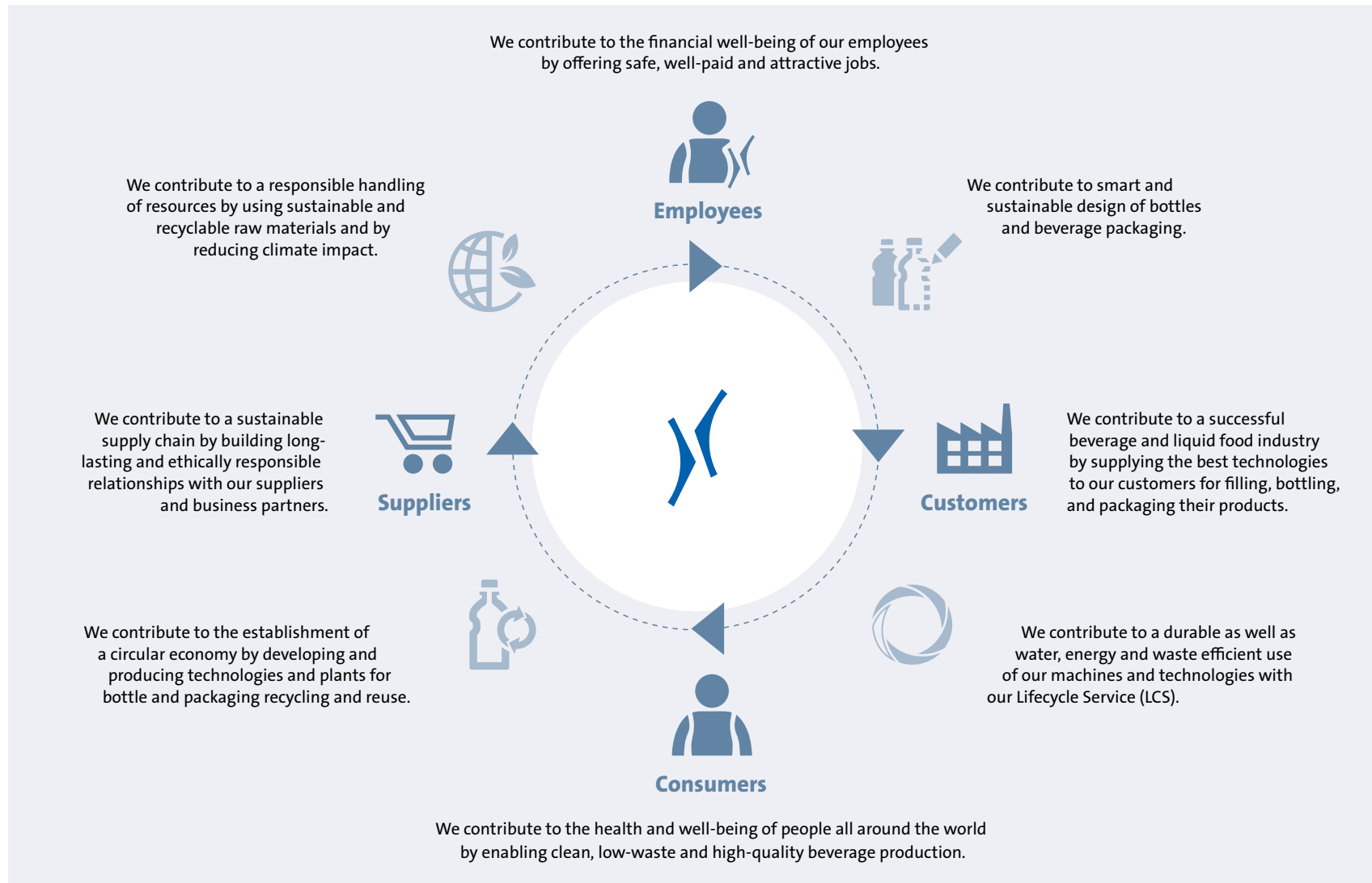


Major markets and competitive position

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 generates around 49.8% of its revenue in industrialised countries and around 50.2% in the rapidly growing emerging markets.

Besides a few large companies that are part of a corporate group, KRONES competes with a number of 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 with KRONES for orders on their home market. With our global service portfolio, which enables us to provide fast service to customers on-site, KRONES is truly a full-service supplier and thus in a very strong position competitively.

Sustainable value creation at KRONES



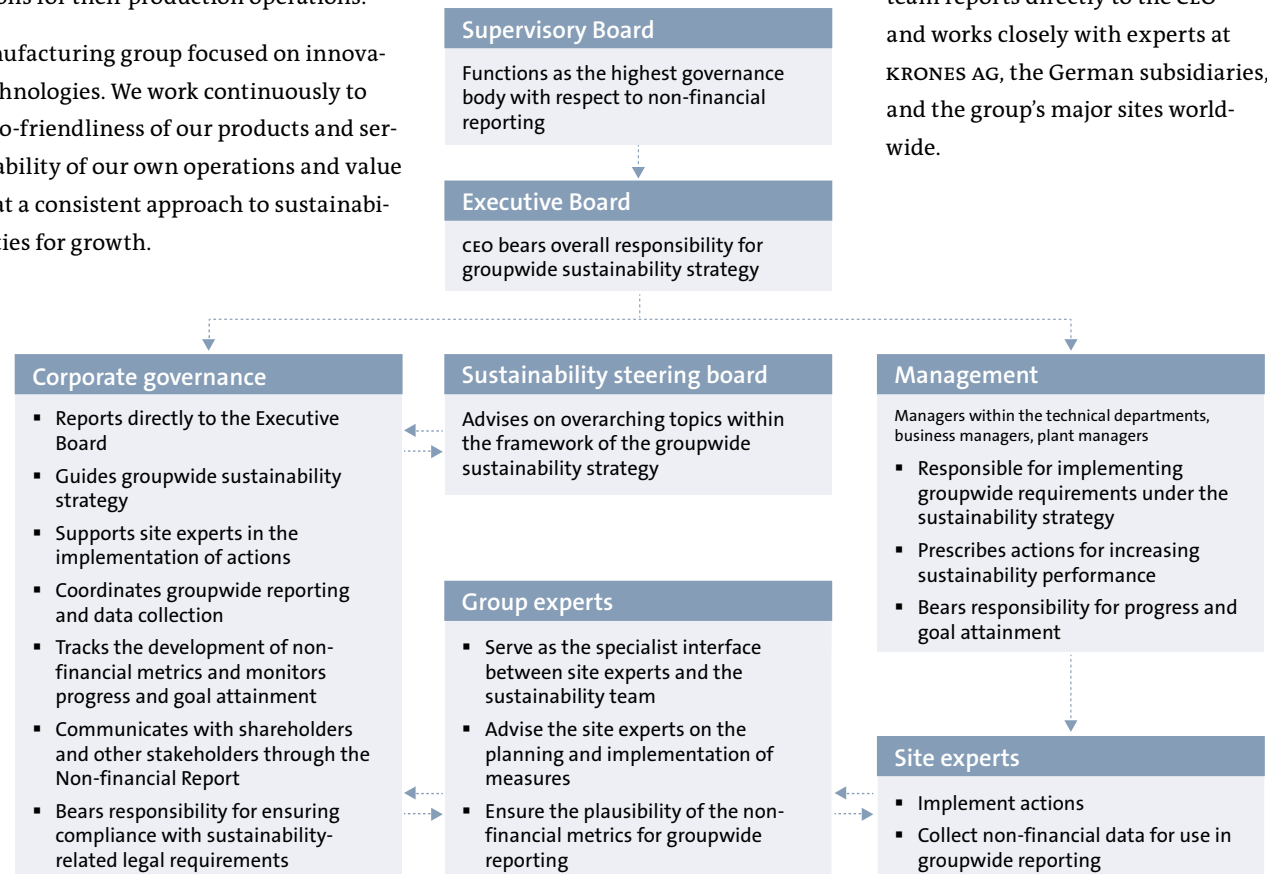
Our approach

As a systems supplier to the food and beverage industry, the KRONES Group has committed to delivering efficient, environmentally friendly technologies for producing safe, high-quality beverages. Consumers are making sustainability part of their buying choices more than ever before, and so our customers depend on us to provide sustainable solutions for their production operations.

We are a machinery and equipment manufacturing group focused on innovative solutions and high-performance technologies. We work continuously to improve the efficiency, longevity, and eco-friendliness of our products and services. We are also increasing the sustainability of our own operations and value creation processes. We firmly believe that a consistent approach to sustainability will help us leverage new opportunities for growth.

KRONES AG's sustainability team is the central point of contact and coordinates sustainability efforts across the KRONES Group. As part of the Corporate Governance office, the team serves as the meeting point for all sustainability-related information and activities from the various departments. The sustainability

team reports directly to the CEO and works closely with experts at KRONES AG, the German subsidiaries, and the group's major sites worldwide.



Our sustainability topics

The materiality matrix serves as the fundamental guide for sustainability management within the KRONES Group. The matrix applies equally to KRONES AG. It is based on a groupwide materiality analysis conducted in 2019 and identifies the key areas of activity with respect to sustainability. The analysis largely follows Global Reporting Initiative criteria and the definition of materiality under Sections 315b III and 289c III of the German Commercial Code (HGB).

Representatives of top management and key stakeholders evaluated an extensive list of topics and categorized them in clusters. The UN Sustainable Development Goals (SDGs) served as a frame of reference. The 2019 materiality analysis and the resulting matrix were approved by the Executive Board. The analysis is reviewed every three years. In addition to that review process, we continuously track changes in the importance and relevance of existing and future sustainability topics for our business and our stakeholders internally.



Market

- 1 Product sustainability
- 2 Innovation
- 3 Customer matters

Environment

- 4 Decarbonisation
- 5 Resource conservation

Society

- 6 Community engagement
- 7 Data protection

Employees

- 8 Employee satisfaction
- 9 Health and safety
- 10 Diversity

Ethics

- 11 Compliance
- 12 Human rights
- 13 Sustainable supply chain

Our goals

In 2020, analogous to the material sustainability topics, KRONES developed and adopted new goals for the company's sustainable development through 2030. Unless noted otherwise, the new goals use the year 2020 as a baseline and apply across the group. Quantitative goals on which no group data is available for the

baseline and current years will be presented in this report using KRONES AG data and indicated as such. The goals are to be reviewed as needed based on new materiality analyses, legal and regulatory requirements, and stakeholder interests.



Ethics

- Pursue a zero-tolerance policy with respect to compliance and human rights violations.
- Increase the material efficiency and sustainability of our raw materials.
- Evaluate 100% of our critical suppliers against sustainability criteria.

Employees

- Motivate our employees to do their best work by offering an attractive working environment with plenty of opportunity for personal development.
- Step up our efforts to promote diversity in our workforce.
- Reduce the number of work-related accidents and resulting lost days by 30%.

Market

- Bring our products' energy and media consumption to the lowest possible level.
- Enable our customers to achieve zero waste production.
- Contribute to a sustainable packaging economy.

Environment

- Reduce our corporate carbon footprint (scope 1 and scope 2) by 80% (baseline: 2019).
- Reduce our product carbon footprint (scope 3) by 25% (baseline: 2019).
- Reduce both hazardous waste generation and drinking water consumption by 10%.

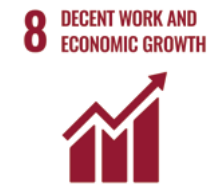
Society

- Give 0.01% to 0.02% of our prior-year revenue back to stakeholders in the form of charitable donations and sponsoring.
- Ensure the confidentiality, availability, and integrity of our employees' and business partners' data.
- Establish a state-of-the-art IT security architecture for all KRONES products.

Our influence on SDGs

The United Nations Sustainable Development Goals (SDGs) are considered the most important set of global targets for sustainable development. The 17 goals were published in September 2015 as part of the UN's 2030 Agenda. They articulate the key challenges and resolutions of a global sustainability policy and thus serve as a guide for the sustainable development of society, culture, and economy.

Because it is part of global value chains, the KRONES Group also influences economic, environmental, and social developments – sometimes directly and materially and sometimes only indirectly and to a small extent. When assessing sustainability topics for materiality in 2019, we made the impact on SDGs a key factor. We held a stakeholder workshop with representatives from administration, trade associations, academia, and our employees in which we discussed the global SDGs on which the KRONES Group is already having an impact and which ones will need to be addressed in the future. The results of the workshop were part of our materiality analysis and have also been incorporated into our strategic planning of sustainability-related activities.



Our network

We believe that we are stronger when we work together. The KRONES Group has been a member of the UN Global Compact since 2012. We collaborate with companies within our industry under a diverse range of sustainability-focused project groups of the German Engineering Federation (VDMA) and are an

official partner to the VDMA's Blue Competence Sustainability Initiative. Our climate strategy 2030 has been officially validated by the Science Based Targets initiative. We ensure transparency towards customers, investors, and analysts by participating in recognised ratings and audits.

We are part of



We are taking action in



We report to



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Product sustainability



Goals

- Bring energy and media consumption to the lowest possible levels: Deliver energy-efficient, resource-friendly production systems that optimise and reduce consumption of and recycle energy, water, and other media.
- Enable our customers to achieve zero waste production: The system generates no waste streams since raw materials and supplies are used or reused completely in the making of the end product.
- Contribute to a sustainable packaging economy: Our lines can handle all types of sustainable packaging. Both virgin materials – including those from bio-based sources – and up to 100 percent recycled material can be processed without loss of efficiency. At the same time, we support the establishment of a circular economy with our own technologies.

As an innovative technology group, we don't just respond to the market – we actively shape it. One area on which our efforts focus is the sustainability of our products and solutions. With machines and services that are energy-efficient and environmentally friendly and likewise promote a circular economy, we help our customers not only to meet their respective environmental performance and climate protection targets. We also seek to incentivise taking the consumption and production of food and beverages in a sustainable direction.

In particular, we offer energy and media-efficient machines and lines, eco-friendly packaging concepts, closed-loop systems that support the transition to a circular economy, and solutions that help reduce water and food waste.

For many years, our enviro sustainability programme for machinery and equipment, whose aims include increasing energy efficiency, has been a cornerstone of our product sustainability. Under KRONES' new climate strategy, we have also set a new and ambitious sustainability goal: To reduce our Scope 3 greenhouse gas emissions by 25 percent (from a 2019 baseline) by 2030. A large share of our Scope 3 emissions is released during the operation of our machines and lines at our customers' facilities. Therefore, the focus of our Scope 3 emissions target is on further increasing our machines' and lines' energy efficiency – since that is the most powerful lever we and our customers have for effectively optimising these emissions.



Organisation

Product sustainability touches on many aspects ranging from design, development, and engineering to the manufacturing and installation of our products. At the heart of these processes, two key roles coordinate product sustainability: Corporate Research and Development and enviro. Strategic portfolio planning and the continued development of new and existing KRONES products fall under the purview of Corporate Research and Development (CRD). Environmental compatibility is one of four key value drivers under which development projects are initiated and prioritised. The enviro sustainability programme, which uses a certified management system to systematically guide the entire product development process in a sustainable direction, identifies and drives product-relevant sustainability factors.

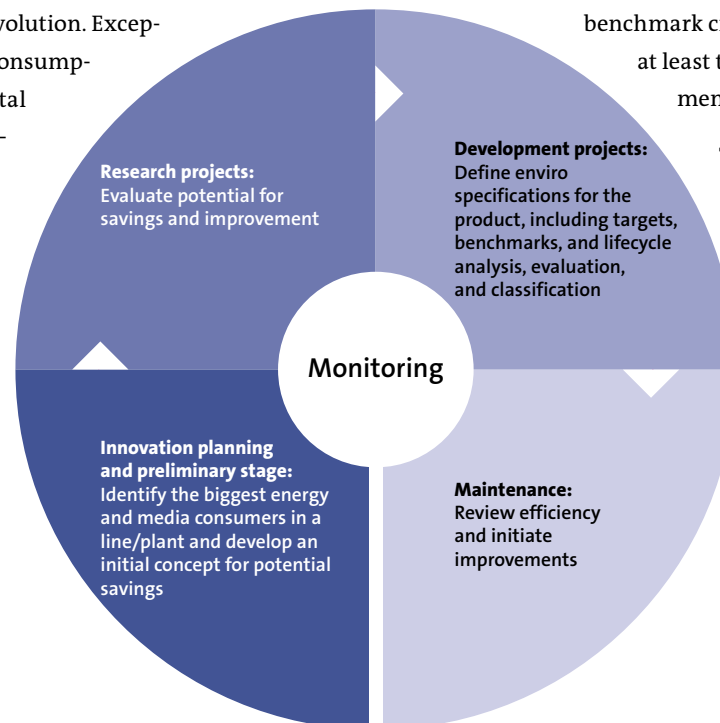


Actions and processes

Our products' energy and media consumption

The enviro sustainability programme is a key driver for reducing energy and media consumption. It was developed in collaboration with TÜV SÜD and focuses on energy and media consumption and the overall eco-friendliness of KRONES machines, lines, and solutions. The processes that guide the development and classification of enviro machines and systems are laid out in the enviro management system, which covers the entire product development process. Most KRONES-branded products undergo a special enviro review aimed at ensuring their continual evolution. Exceptions are those products for which energy consumption, media consumption, and environmental compatibility do not play a significant role – such as services, IT solutions, and a few custom machines.

To ensure that new developments are guided by the principles of environmental sustainability, we make enviro part of the product development process right from the beginning. Ongoing development projects are managed by way of milestones so that enviro requirements are incorporated into the decision-making process.



The sustainability programme is a powerful driver of innovation for numerous KRONES products. Many of the technological options initially developed or selected for enviro products become part of the machines' standard configuration in the medium term. In that way, the enviro programme improves the energy and media efficiency and environmental compatibility of our product portfolio.

Before a KRONES machine can bear the enviro label, its energy and media efficiency and environmentally friendly operation must be proven in a prescribed, well-documented testing procedure. To ensure the testing procedure's objectivity, a mandatory benchmark has been defined for each enviro-relevant aspect of a product, such as compressed air or eco-friendliness. The benchmark criteria ensure that the enviro products conform at least to the EME (Energy and Media Efficiency Environmental Sustainability) standard defined by TÜV SÜD.

The enviro management system and the associated testing procedure have obtained third-party verification from TÜV SÜD. To maintain the certification, an external monitoring audit must be performed annually. Recertification must be done every three years. The most recent recertification was done in 2018.

Reducing water and food waste

Nobody can or should afford to use resources negligently or wastefully. That is especially true of food and water, which are so vital to life. And yet, such waste happens and is contributing to climate change. That is why our innovation work focuses on conserving precious water and reducing production-related food waste.

For example, in 2020 we launched a can filler fitted into a particularly small cleanroom. As a result, it requires an exceptionally small amount of cleaning media. At the same time, its closed-loop water system additionally reduces water consumption. We continue to focus heavily on further developing our aseptic systems. Thanks to features like compressed air recycling systems, they, too, operate with a high level of energy and media efficiency. By embedding container production and filling into an end-to-end sterile process chain, they give even highly sensitive products a long shelf life. And our fully automated intralogistics systems ensure that consumer products are delivered at the ideal time – so they are as fresh as possible for as long as possible at the point of sale.

Sustainable packaging solutions and contributions to a circular economy

The debate about plastics continues to keep the industry on its toes. And though the tone is becoming more moderate and arguments more nuanced, in many markets it certainly makes sense to explore alternatives proactively, particularly in regions that are considering banning single-use plastics or have already introduced such legislation.

■ enviro design

For this reason, we have expanded our enviro sustainability programme. Under enviro design, innovative packaging concepts from development are now also evaluated according to objective criteria that have been determined in collaboration with TÜV SÜD. The aim is to minimize the various

environmental impacts of food and beverage containers. That includes not only reducing greenhouse gas emissions but also preserving ecosystems and biodiversity.

■ Circular economy

Processes, projects, and actions relating to the circular economy and environmentally sustainable use of plastics are underway at numerous points across the KRONES Group and include a multitude of products. Rather than list them individually, we would like to highlight one solution that incorporates the entire KRONES plastics lifecycle and won the German Packaging Award 2020 in the “Sustainability” category.

The “3 Circles” beverage bottle features a design and lifecycle developed entirely in accordance with sustainability criteria. It is made of 100% recycled PET and is also fully recyclable. Instead of labels, which normally cannot be recycled, the design uses digital direct printing. The printing inks dissolve in the recycling process, leaving no residues, so the bottle material can be fully recycled into food packaging for subsequent lifecycles. The bottle comes with a tethered cap that remains firmly attached to the body of the bottle after opening and thus meets the requirements of EU directive 2019/904.

The technologies for producing, decorating, and recycling the bottle are already available as standard products within the KRONES Group. The recycled raw material, the specially designed preform, and the container and decoration with environmentally friendly ink are all self-produced. Thus, “3 Circles” is a ready-for-market all-round concept for the sustainable packaging of beverages that can be put to immediate commercial use in the beverage industry.



Results

In 2020, we finalised the enviro design criteria. We have also launched a software-based solution that allows us to establish meaningful environmental performance reports for individual packaging solutions. We likewise made progress in enviro monitoring: With the help of a metric introduced in 2020, we can now assess the market penetration of enviro machines and systems and promote it in a targeted manner.

We received the German Packaging Award 2020 in the “Sustainability” category for our “3 Circles” integrated packaging concept.

In 2020, we joined the European Circular Economy Stakeholder Platform. The joint initiative of the European Commission and the European Economic and Social Committee (EESC) brings together companies and initiatives that seek to promote a circular economy in Europe. In joining the platform, KRONES has entered into a self-imposed commitment to the following eight targets:



KRONES' commitment on the European Circular Economy Stakeholder Platform

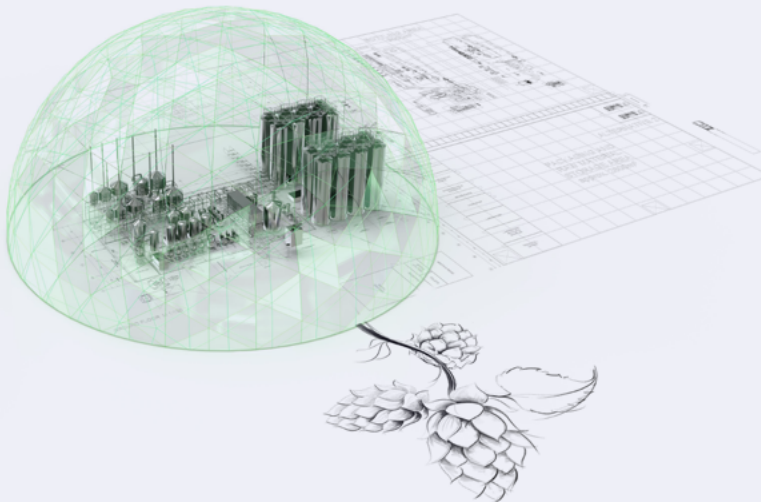
- **rPET compatibility:** By 2025, it will be possible on all new PET bottling lines to handle bottles made of up to 100 per cent high-grade recycle without any impairment to production quality, efficiency or efficacy.
- **Plastic-free secondary packaging:** By 2022, KRONES will offer alternative secondary-packaging solutions containing no single-use plastics whatsoever for all multipack formats in common use.
- **Support for recyclable packaging design:** KRONES uses its technological expertise to support clients in designing forms of packaging that are optimally suited for recycling.
- **Changing over from linear production to circular economy:** Clients get the support they need in order to achieve optimum results on existing lines, too, when handling recycled and/or renewable materials.
- **Permanently attached closures:** Equipment is already available that enables tethered caps (i.e., closures permanently attached to the bottle) to be used.
- **Sustainable labelling:** For optimum recycling results, KRONES' portfolio includes packaging solutions where labels can be removed from the empty container without any problems. The long-term goal is to recycle the labels together with the containers – or do entirely without a separate material for container decoration.
- **Investing in recycling:** Upgrading KRONES' solutions for material recycling of packaging plastics (solid/flexible, PET, polyolefins, and PS) is further progressed by continually investing in the relevant research and development projects.
- **Beyond PET packaging:** Above and beyond conventional PET solutions, KRONES is proactively pursuing development projects connected with disruptive technologies that take beverages to the consumer in innovative ways (packaging-free solutions, paper bottle).

Product sustainability



On their way to an energy self-sufficient brewery

Ustersbacher Brewery has for many years been working to systematically implement the KRONES Brewnomic concept. And in so doing, the family enterprise is fulfilling an ambitious dream, one step at a time: to build an energy self-sufficient brewery. The summer of 2020 saw the completion of the last (for now) of many measures: the installation and commissioning of a CO₂ recovery system from KRONES. The system recovers 300 kilograms of CO₂ per hour and saves up to 800 metric tonnes of CO₂ per year. Ustersbacher uses the recaptured CO₂ in the filling process for beer and soft drinks. In addition, the cooling energy released when the CO₂ is vaporized is fed into the central refrigeration unit, thus reducing the refrigeration plant's consumption of electrical energy. The refrigeration system in turn uses CO₂ for CO₂ liquefaction since, in a closed loop system, it is currently deemed the most environmentally friendly refrigerant.



Saving water from going down the drain

Every litre of beer or soft drink takes three times its volume in water to produce. In order to change that, we developed the HydroCircle, a new, integrated concept for recycling production wastewater to new process water. It covers all production process steps that generate wastewater and reduces water consumption by as much as 80 percent overall. Its most important elements include:

- All waste process water generated in production is fed into a central storage reservoir by way of a drainage network.
- From there, any solids are screened out and then the wastewater is neutralised in a collection tank.
- Biological wastewater treatment follows. This is an aerobic process that can, if necessary, be supplemented by an anaerobic treatment process. The latter is recommended for large volumes of wastewater or high contaminant loads. The resulting biogas can, in turn, be used in a combined heat and power plant or directly for heat generation.
- The next step involves preparing the residue-free water to be used once again as process water. Ultrafiltration and reverse osmosis are used to remove even the smallest particles, such as microorganisms or salts, from the water.
- Finally, the water is disinfected and stabilised with chlorine dioxide, after which it is ready for use in production.

Innovation



Goal

Develop products and services that not only precisely meet our customers' specifications but also anticipate and shape upcoming changes in the market to our customers' benefit.

Innovation within the KRONES Group is the cornerstone of our long-term success. Besides continuously maintaining and further developing our existing portfolio, we attach great importance to opening up new opportunities for high-performance, sustainable production for our customers. Whether it's exploring promising technologies that have not yet been used in the food and beverage industry or developing products that expand the horizon of possibilities for our customers, our focus is on digitalisation solutions and powerful complete systems.



Organisation

Germany is KRONES' development and innovation headquarters. The Corporate Research and Development department there develops our overarching innovation strategy, which applies to KRONES AG as a whole and also serves as an important guide for development work performed by subsidiaries.

Strategic and operational responsibility for innovation lies with the Head of Corporate Research and Development, who reports directly to the Executive Board. Because innovation is so critically important to the KRONES Group,

defining our innovation strategy and tracking its implementation is done in close collaboration with the entire Executive Board. KRONES Innovation Board, which was launched in December 2019 and convenes every two months, serves as the central platform for this collaboration.

In order to make us even stronger and more effective for the future, we are also preparing to establish an international governance structure. By decentralizing part of our development work and placing it on an international footing, we can respond to our customers' highly individual local requirements in an even more targeted manner.



Actions and processes

Innovation cycle

Each innovation cycle takes four years. That is because the drinktec trade fair occurs every four years. As the premier trade fair for beverage technology worldwide, drinktec is the biggest stage for KRONES to demonstrate its innovative power.

The fair is not only a platform for presenting new products. It is also an opportunity for the company to speak directly with customers and other fair visitors and gain important input that we then inject into the further development of the exhibited machines and systems and into our innovation planning.

Innovation process

The innovation process follows a top-down approach: Based on global megatrends and the resulting challenges and opportunities for our customers, we have defined twelve value drivers that can be grouped into four key categories: safe and secure, affordable, flexible, and environmentally friendly.

Since these value drivers reflect our customers' priorities, they lie at the centre of all our activities. They serve us as both a catalyst and a corrective: A catalyst because we derive new development projects directly from them; a corrective because we continually review and prioritise all potential and ongoing projects aimed at further development within our existing portfolio against these value drivers.

One of our greatest challenges is to keep our highly diverse portfolio of individual solutions up to date with the latest technology while at the same time developing innovative new end-to-end solutions. In order to manage both tasks with the greatest possible efficiency, we have defined overarching R&D programs that bundle development projects that complement each other to form an integrated line solution. This promotes continuous, interdisciplinary exchange between the individual project teams.

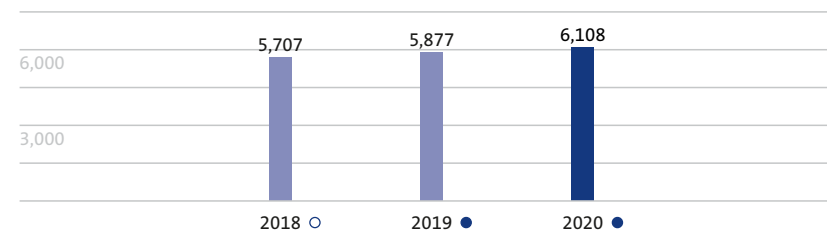
Innovation Lab

Particularly for disruptive innovations, it is essential to widen our horizons, take on new perspectives, and think outside the box. That is why we established the KRONES Innovation Lab in 2016 and have continued to expand it ever since. We specifically opted to locate the Innovation Lab at Regensburg's Tech Base, which is adjacent to both the University of Regensburg and the East Bavarian University of Applied Science (OTH). The proximity to students and researchers at two universities enables us to build an innovation network that extends beyond the KRONES Group and provides valuable input from the outside. Most of the Innovation Lab staff are students in a diverse range of specialisations: Within the context of internships, student traineeships, and thesis-writing projects, they explore topics of the future that are relevant to KRONES, scout technologies, and sketch out potential change scenarios for our markets and products.

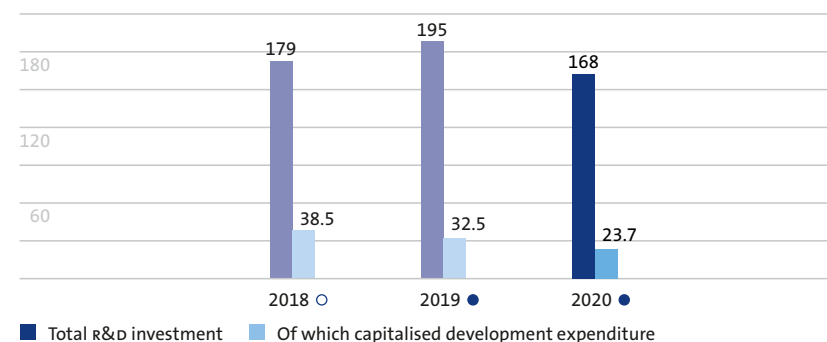
Results

One of the central priorities of our innovation work is digitalisation. The immediate impact of the COVID-19 pandemic has confirmed that we were right to choose this focus. When the first contact and travel restrictions were imposed, we were able to offer our customers practical alternatives for many consulting and support services that would otherwise have been performed in person, such as virtual Factory Acceptance Tests and remote technical support.

KRONES AG – Number of registered patents and utility models



KRONES AG – Expenditure for research and development (€ million)



Innovation

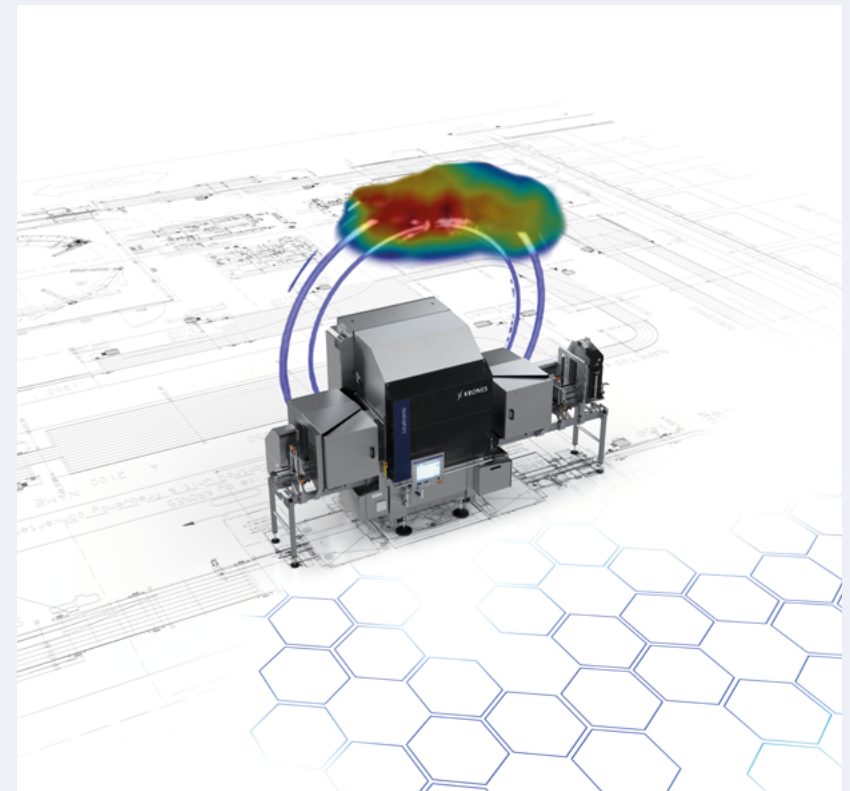


Two examples of many

drinktec 2022 will be the next big opportunity for us to present our latest innovations to an international audience of experts. Among the many new developments that demonstrate our innovative power are Vetron and Linatronic AI:

Vetron makes it possible to fill carbonated or oxygen-sensitive beverages in ultra-lightweight, resource-saving PET bottles. The system applies a wafer-thin coating of silicon dioxide – a naturally occurring substance that is also used to make glass – to the inner surface of newly produced bottles. The barrier coating is about 30 nanometres thick and ensures that even ultra-lightweight, material-saving PET bottles remain gas-tight. As a result, beverages do not lose carbonation or take up oxygen from outside the bottle. And that has a significant impact on product quality and shelf life. When it comes to recycling the PET bottles, the silicon dioxide coating can simply be washed from the bottle material with no residue. Thus, Vetron offers beverage producers a particularly sustainable, resource-friendly option for manufacturing gas-tight beverage bottles since they can dramatically reduce the amount of PET used in bottle production and completely eliminate the use of non-recyclable multilayer bottles.

With **Linatronic AI**, our developers have rung in a new era in inspection technology. Anyone who works with empty bottle inspectors knows that not every bottle that is rejected before filling actually has a defect. Often, the offending “particles” are simply water droplets or a bit of foam still clinging to the bottle after cleaning. Since conventional systems can’t always distinguish these from contaminants or damage with 100 percent certainty, they tend to err on the side of caution and reject the container. As a result, in every production shift, countless perfectly usable bottles land in the trash. Not so



with the Linatronic AI: The first of its kind worldwide, it employs deep learning software to automatically detect and classify anomalies, making it much smarter and more efficient than its conventional peers.

Customer matters



Goal



Deliver good quality by continually optimising our processes and products and providing the best possible customer care, ensuring fast, individualised service. Our commitment to quality and the work of our customer service team are directly reflected in our economic key performance indicators such as order intake and consolidated revenue. More details about these figures can be found beginning on page 66 of our Annual Report.

Our customers' success is the benchmark against which our company is measured. We strive to provide companies in the food and beverage industry with everything they need to be successful on the market – from production equipment to individual services all the way through to future-proof digitalisation solutions. Just as with our products themselves, we also aim for sustainability in our collaboration with their users. We maintain partnerships with many of our customers that go back several years or even decades and span generations. In everything we do for and with our customers, we strive to achieve the required quality, maximum profitability, and minimum risk – for everyone involved.



Organisation

Quality Management and Sales are the two main interfaces in the many subprocesses involved in meeting our customers' needs. Quality officers in the respective organisational units promote a focus on product quality throughout

the group. The overarching organisational and content-related coordination and governance is handled centrally by Corporate Quality Management. In order to serve our customers in the various regions of the world with flexibility and swiftness, we transfer considerable responsibility to the group's individual sales divisions and regions. The overarching strategic management lies with General Sales Management and Marketing, which in turn reports directly to the Chief Sales Officer.



Actions and processes

Quality guidelines

Corporate Quality Management establishes binding quality guidelines for the group. To ensure that the quality specifications are implemented, Corporate Quality Management, in collaboration with the heads of Quality in the product areas, carries out regular audits and initiates appropriate measures in response to deviations.

Quality measures

Personal feedback – both from our customers and our employees – is an important source of quality-related information. This information is systematically incorporated into product development via defined processes. Regular processes are in place for analysing tips and occurrences and for deriving appropriate measures. Milestone meetings ("Activity Groups" for research and development and product maintenance) are used to ensure improvement and compliance with product quality specifications.

In addition, a number of systematic tools and methods are used along the entire value chain to ensure and optimise product quality. These include:

- Continuous Improvement Process (CIP) in all product-relevant areas
- Error messaging system in technical support
- Ideas management system for all KRONES AG employees
- Regular quality circles
- PDCA (Plan, Do, Check, Act) in product-relevant and other selected administrative departments
- Feedback process in commissioning and on-site assembly
- Quality gates and work orders in project handling and execution
- Groupwide root-cause analysis
- Audits

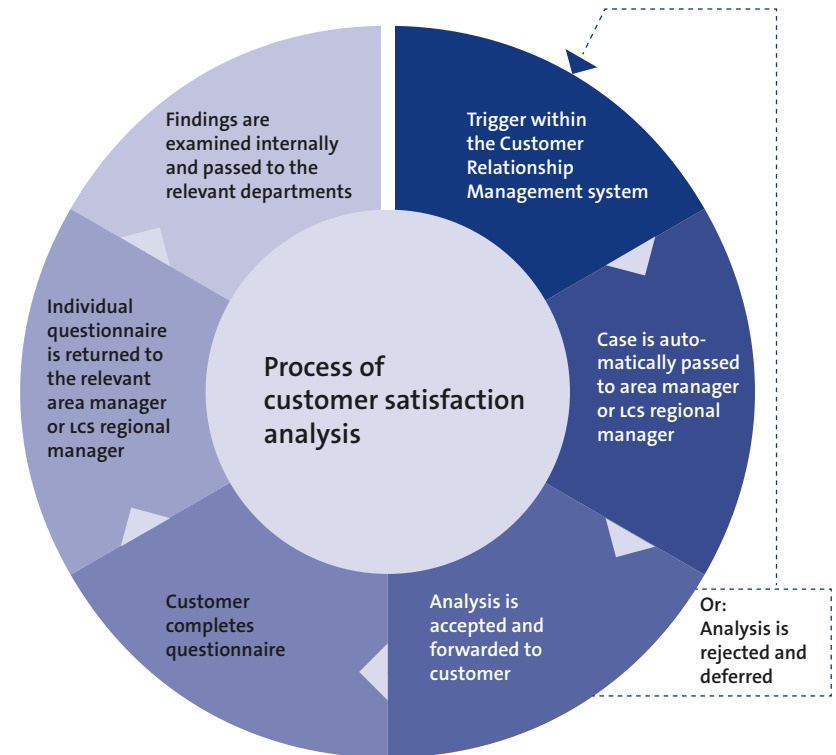


As part of our supplier management process (see page 59), we continually assess the quality of incoming products and systematically implement optimisation measures if our quality specifications are not met.

Customer satisfaction analysis

We use questionnaires to determine how well we have met our customers' expectations: Through parameters like satisfaction, loyalty, and project fulfilment, we can generate an individual satisfaction index for each customer with a colour-coded system of categorisation. The process for the analysis is automated and clearly structured by way of our customer relationship management (CRM) system. The analysis process begins the moment a new machinery or retrofit project is completed.

The results of the individual surveys are not only for our sales organisation but rather primarily for the respective project leads and persons responsible within the entire group. The area managers and LCS regional managers pass the information gained from the surveys to the persons responsible for the respective projects at our offices and subsidiaries and to colleagues in the Product Lines. Corporate Quality Management then incorporates any quality-related findings into the many optimisation measures for product and process quality.



Results

For our management of product and project quality, Corporate Quality Management, in collaboration with the heads of Quality in the product areas, collects and analyses a variety of quality metrics and uses them as the basis for developing new and existing processes and products. Two important metrics in this area are the number of error messages and audits.

In our customer satisfaction analysis for 2020, we received a total of 411 completed feedback surveys from customers (previous year: 424). That is a response rate of 10.6 percent (previous year: 11.6).



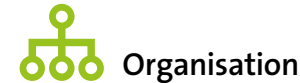
Decarbonisation



Goal

Reduce the KRONES Group's corporate carbon footprint by cutting Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030. Lower the group's Scope 3 emissions by 25 percent by 2030, with a focus on shrinking our product carbon footprint. Both goals use 2019 as the base year, partly because energy consumption figures for 2020 do not lend themselves well to comparison due to the impact of the COVID-19 crisis. Above and beyond these goals, we aim to make our own business processes climate neutral in the long term.

The KRONES Group emits greenhouse gases along its value chain and has a responsibility to do its part to protect the earth's climate. Our existing emission reduction target expired this year. Under it, we had aimed to reduce energy-related CO₂ emissions within KRONES AG by 30 to 40 percent per €1 million in revenue between 2010 and 2020. We achieved that target ahead of schedule, by the end of 2017. In 2020, we defined and formally communicated new climate goals: Our new climate strategy now focuses on all major KRONES Group production sites worldwide. Instead of a relative reduction, we are now seeking to lower our greenhouse gas emissions in absolute terms. For the first time, we have also formally communicated a target for Scope 3 emissions, which focuses on shrinking our product carbon footprint – with technologies and solutions designed to generate the lowest possible emissions while still delivering powerful performance to our customers. The new climate strategy has been officially validated by the *Science Based Targets* initiative.



Organisation

The reduction targets were adopted by Executive Board resolution. Overarching coordination is the responsibility of an interdisciplinary project group made up of representatives from Corporate Governance, Corporate Development, and Corporate Production and Logistics. In monthly meetings, the progress of ongoing measures is analysed and further steps are defined. Reporting to the Executive Board is done on an ad hoc basis. For the groupwide implementation of the climate strategy, the members of the project group work closely with experts from the production sites and subsidiaries worldwide. Data collection and implementation of measures are the local responsibility of the international sites involved, while data validation and coordination of measures are carried out centrally.



Actions and processes

Reducing Scope 1 emissions

To reduce emissions within our own site boundaries, we worked on two main areas in the reporting period: building efficiency and e-mobility within our vehicle fleet.

In terms of building efficiency, we continue to rigorously monitor projects started under the previous emissions target. Our efforts to reduce energy consumption are still focused on the following areas:

- Lighting
- Compressed air
- Pump systems and motors
- Air conditioning and cooling water installations
- Heating
- Ventilation systems

In the field of e-mobility, plans have been underway since mid-2020 to significantly increase the share of electric cars in our own vehicle fleet and to establish the necessary infrastructure of charging stations at the relevant locations. The associated measures have been initiated as part of an internal project.

Reducing Scope 2 emissions

Intelligent energy management, sustainable energy supply, and the expansion of our own renewable power and heat generation capacities are the pillars of our efforts to reduce indirect, energy-related greenhouse gas emissions.

Since we regard generating our own electricity from renewable sources as a great opportunity, we are looking into suitable concepts for several locations. With the planning phase for a new photovoltaic plant in Neutraubling completed in 2020, the commissioning is scheduled for 2021.

Since KRONES AG currently still purchases conventional electricity on the market, we have been actively exploring options for sourcing green electricity since announcing the new climate strategy. We see this as a major lever for reducing our Scope 2 emissions.

Reducing Scope 3 emissions

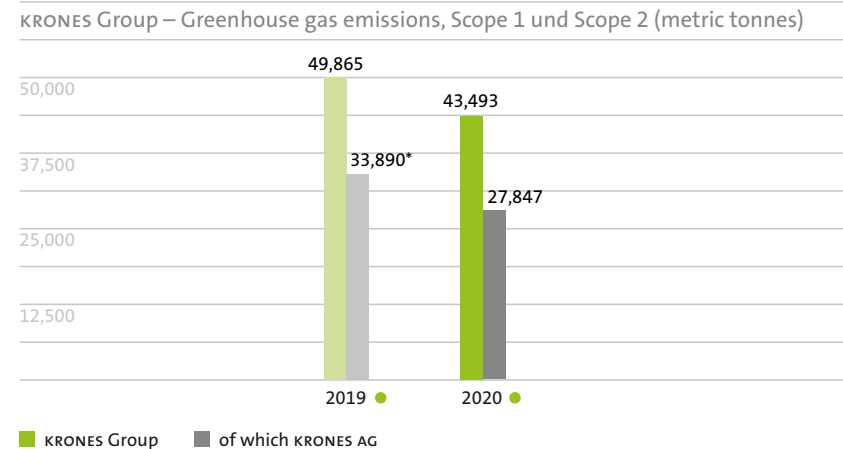
An analysis of our upstream and downstream value chain revealed that the majority of our Scope 3 emissions are related to our machinery and equipment. We will therefore focus heavily on our own products when it comes to Scope 3. Although we have achieved substantial and consistent results under the enviro program, we do not want to leave the remaining potential for reduction untapped. You can read more about this in the “Product sustainability” section on page 13 and 14.



Results

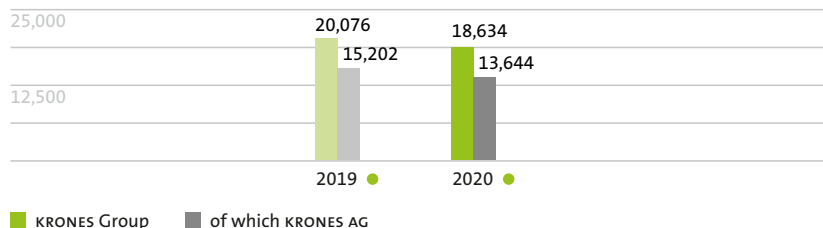
We continued to systematically implement the groupwide rollout of data collection and management processes relating to energy and emissions in 2020. With the software-driven data collection processes for Scope 1 and Scope 2 emissions successfully installed, the way is now clear for us to pursue our new climate strategy across the group.

To provide objective verification for ourselves and our stakeholders, we had our climate strategy reviewed by the Science Based Targets initiative (SBTi). The result confirms that we have chosen the right path: According to SBTi, our targets help limit global warming from the greenhouse effect to 1.5 degrees Celsius. They have therefore been deemed to be ambitious and effective – and officially declared a *Science Based Target*.



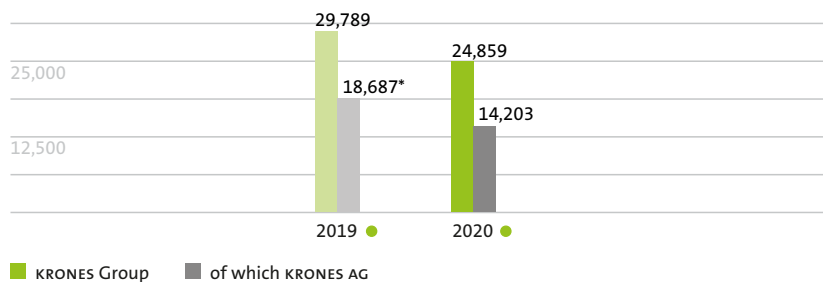
* The figure differs from the one printed in our 2019 Non-financial Report because of a change in calculation methodology from lower heating values (LHV) or net calorific value to higher heating values (HHV) or gross calorific value, the inclusion of Scope 1 vehicle emissions, and the adjustment of the scope to include all production locations.

KRONES Group – Greenhouse gas emissions, Scope 1 (metric tonnes)



* The figure differs from the one printed in our 2019 Non-financial Report because of a change in calculation methodology from lower heating values (LHV) or net calorific value to higher heating values (HHV) or gross calorific value, the inclusion of Scope 1 vehicle emissions, and the adjustment of the scope to include all production locations.

KRONES Group – Greenhouse gas emissions, Scope 2 (metric tonnes)



* The figure differs from the one printed in our 2019 Non-financial Report because of the adjustment of the scope to include all production locations.

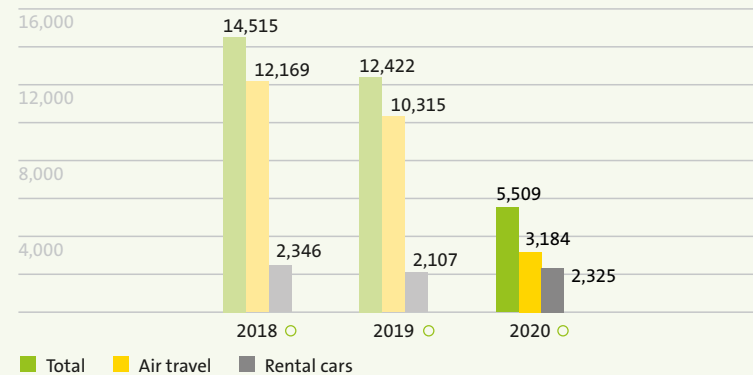
The emissions are measured using the market-based method. Wherever market-based emissions factors were not available for certain locations, we have used the generally recognised location-based emission factors.

KRONES AG – Contribution of completed measures in the areas of energy efficiency, own generation, and energy procurement to reducing Scope 1 and Scope 2 emissions (metric tonnes)

2020	Energy savings (kWh)	Emissions reduction (t)	Emissions reduction (%)
Energy efficiency	764,790	298	0.60
Own generation	0	0	0
Energy procurement	0	0	0

The absolute and percentage reductions reported here relate to improvements made under climate strategy actions compared with the base year 2019 and serve help us review the efficacy of measures in the respective categories. The emissions reduction reported here was calculated using location-based emission factors.

KRONES AG – Greenhouse gas emissions resulting from work-related travel (metric tonnes)



Resource conservation



Goal

Reduce both hazardous waste generation and drinking water consumption at our production sites by 10% by 2030.

Conserving resources, closing loops: With our solutions, we are already making a major contribution to the sustainability of our customers' production. But our own operations also consume water and generate waste. Reusing the latter is in the interest of our disposal service providers for economic reasons alone. After all, we work almost exclusively with high-quality materials whose waste can be profitably reused or recycled.

In addition, we also generate hazardous waste that is difficult to recycle or that poses a potential risk to people and the environment. Although they account for a very small share compared to the rest, our own environmental management focuses precisely on these types of waste because they entail a disproportionately higher level of responsibility.

Just as in the operation of our products, we also use water-saving processes in their creation. Because even though there is no acute water shortage at any of our production sites, in this age of climate change, we have an obligation to use this resource wisely.



Organisation

ISO-14001 certification for KRONES AG and our largest production sites in China, the US, and Brazil has for several years provided a solid framework for our environmental management. Nevertheless, we will not content ourselves with the goals that we have already achieved. We have therefore decided to establish our own management system, which not only commits us to more demanding sustainability performance, but also systematically steers us toward it. Central coordination of water and waste targets is the responsibility of Corporate Safety and Security, which oversees environmental management at KRONES AG. The implementation of corresponding measures at the sites is the responsibility of the respective local environmental management.



Actions and processes

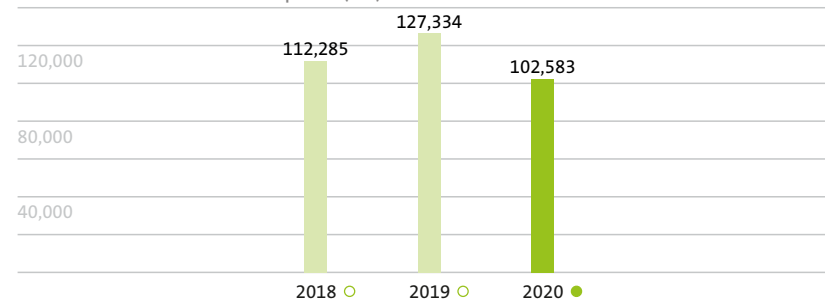
The exceptional economic situation triggered by the COVID-19 pandemic brought our efforts to set up the new management system to a virtual standstill. Factors such as staff reductions, short-time working and a slump in sales simply left no room for further strategic development in this area in 2020. Because we nevertheless want to stick to the goals formulated above, we have used the forced break to define the elements that will have to be rolled out successively in the coming months:

- Establish basic organisational structures at all relevant production and service sites – this primarily concerns those subsidiaries that are not ISO 14001-certified
- Staff the new positions created in this process
- Establish transparent and systematic communication between all relevant locations with clearly defined reporting lines
- Collect qualitative data on the waste and material flows generated at the respective sites
- Identify existing regional data collection processes and resource protection targets
- Harmonise the identified processes and goals across the group, taking into account any local specifics that may exist – for example, due to legal requirements, etc.
- Collect quantitative data on waste generated and drinking water consumed at the respective sites
- Define more realistic reduction targets and corresponding measures for each site
- Monitor ongoing measures and milestones achieved in a transparent manner

Results

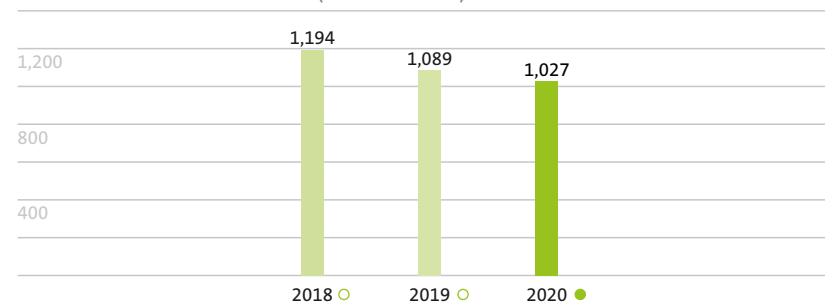
Until we can report meaningful groupwide figures for the targets we have set for water consumption and hazardous waste generation, we are monitoring our figures for KRONES AG, which still accounts for the lion's share of the group's production and manufacturing processes.

KRONES AG – Water consumption (m³)



The figures presented here relate to the operation of machinery and equipment as well as buildings at KRONES ag sites. In collecting this data, we have included 100 % of the energy consumed by our own buildings. Leased buildings are only partially included since some are leased at a flat rate and these buildings are generally shared with other users.

KRONES AG – Hazardous waste (metric tonnes)



Community engagement



Goal

Give between 0.01% and 0.02% of our prior-year consolidated revenue back to stakeholders each year in the form of charitable donations and sponsoring.

The KRONES Group maintains over 100 sites around the world and is thus an integral part of many local communities. The cities and counties in and near which our plants and sales offices are located are the lifeblood of our business activities. That is why we support clubs, organizations, events, and initiatives that pursue charitable purposes local to our sites in Germany. Our sites and subsidiaries outside Germany also have the freedom to actively support their local communities.

Our charitable giving and sponsorship strategy is laid out in our groupwide charitable giving and sponsorship policy, whose aims are to

- Ensure that funds contributed achieve the greatest possible benefit to the respective beneficiaries and
- Support projects that are aligned with the company's values and interests.



Organisation

The Corporate Governance office bears overall accountability for and handles the central organisation and documentation of our charitable giving and sponsorship activities. Within KRONES AG, the charitable giving and sponsorship committee serves as the central decision-making and advisory body for contributions. For handling donation requests, the committee consists of six members, one each from Corporate Governance, Communication, Executive Assistant, Financial Accounting, Human Resources, and Sales. In other KRONES Group companies, plant or company management serves as the central decision-making body. Contributions are granted in accordance with a clearly defined, transparent process. The respective decision-makers review all requests for their merit in accordance with the charitable giving and sponsorship strategy. This assessment is done on the basis of a uniform set of criteria, which in turn is based on the binding charitable giving and sponsorship policy. The policy is also an integral part of KRONES' anti-corruption programme.



Actions and processes

Sponsorship priorities

In general, KRONES' engagement focuses on three areas:

- Education, science and research
- Culture and sports
- Social welfare and the environment

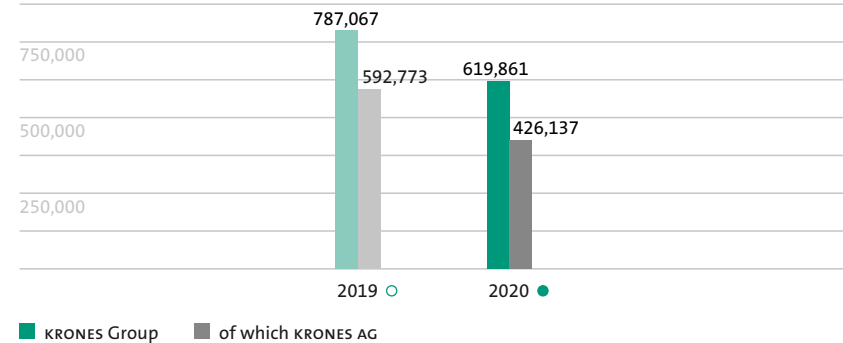
Recipients of charitable contributions – whether monetary or in-kind donations – may be individuals, groups of individuals, or organisations. However, KRONES does not support political parties or political organisations. Preference is given to supporting projects and organisations in which KRONES employees can be actively involved or which have a regional relevance to one of the company's sites. Sports clubs or events will only receive support if, in addition to the sporting aspect, they serve a charitable purpose or are open to KRONES employees' active participation in the charitable purpose. Sponsorship activities cover the same areas as our charitable giving, but with the addition of events that are relevant to our business.

Controlling und monitoring

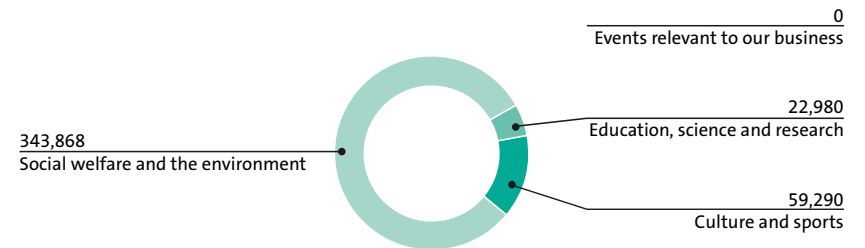
We regularly review and assess sponsorship activities to determine whether and to what extent they served the expected purpose. The review consists of media analyses and surveys that are specifically designed for employees, customers, and event organisers and are distributed to a random sampling of respondents after KRONES-sponsored events. Our aim is to clearly and transparently document the concrete benefits of the sponsorship activity – for the recipient and for KRONES. Due to the COVID-19 pandemic, many of the events planned for sponsorship in 2020 could not be held. As a result, the volume of potential activities for evaluation was correspondingly low.

Results

KRONES Group – Expenditure for charitable contributions and sponsoring (€)



KRONES AG – Expenditure for charitable contributions and sponsoring, by area (€)



Community engagement



Helping working parents

In order to support employees with children, KRONES AG launched an initiative to open its own day care centre adjacent to our premises in Neutraubling back in 2006. After consideration of a number of options, a parents' initiative registered as a non-profit association was chosen as the sponsorship model. Since its establishment, the association's members have consisted almost exclusively of KRONES employees. KRONES AG provided the funding for the establishment of the Kroki day care centre.

Since its opening in 2008, the centre has provided full-time care for children aged four months to six years. Spaces are allocated according to specific, transparent criteria that are posted on the centre's website. Under these criteria, preference is given to children of KRONES employees and single parents, among others.

As a company-subsidised day care centre, Kroki can expect annual financial contributions from KRONES AG. The amount is determined according to current need. These contributions ensure that the day care centre can fulfil its pedagogical goal: to offer the children holistic support of "head, heart and hand".



Employees make Christmas wishes come true

It's a holiday tradition: In collaboration with the District Department of Youth Services in Regensburg, KRONES' Neutraubling location has conducted an annual Christmas gift drive since 2014. Wishlist tags are distributed to several children's homes in the Regensburg region. Each of the resident children and young people get to fill out two tags, each with a personal Christmas wish.

The tags are then hung on a Christmas tree that is erected in a central location on the KRONES premises. Employees can pick a tag from the tree and then purchase the gift to fulfil the wish. KRONES AG handles all of the logistics – from designing the wish tags to monitoring the gifts submitted by employees all the way through to delivering the festive packages to the kids.

The response by KRONES staff was so enthusiastic from year one that the project has since been expanded each year. Now, besides children and youth in children's homes, we are also giving gifts to kids in foster care as well as to refugee children. Other sites – the Flensburg, Rosenheim, and Nittenau plants as well as subsidiaries SYSKRON and SYSTEM LOGISTICS – have taken on the Neutraubling model and conduct similar campaigns in their communities.

In 2020, at the Neutraubling plant alone, 650 wish tags were fulfilled. In order to accommodate the contact restrictions imposed due to the coronavirus and still enable those employees who were working from home to participate equally, the wish tags were made available via an online system specially created by KRONES for the first time.

Data protection



Goals

- Ensure the confidentiality, availability, and integrity of our employees' and business partners' data by installing centralised management systems for information security and data protection that are aligned with international standards and assigned local responsibility.
- Establish a state-of-the-art IT security architecture for all KRONES products that conforms to current and future regulations, represents the state of the art, and meets customers' requirements.

Protecting personal data as well as information and information-processing systems is a key concern for KRONES. Every one of our employees strives and is obligated to maintain seamless, state-of-the-art information security across our entire organisation – for internal data and systems and for the products and services we deliver to our customers. That is essential to our ability to maintain trusting business partnerships and to ensure uninterrupted operation of our own IT.

Management systems for information security and data protection that are aligned with international standards form the basis on which we achieve our goals. While their strategic definition and content are determined centrally for the entire group, responsibility for their operational implementation rests at the local level, with the individual group companies.



Organisation

Strategic and operational responsibility for data protection and information security is bundled in the role of Corporate Data Protection Officer and Corporate Information Security Officer, who reports directly to the CEO. In regions where additional data protection officers are required by law, that role has been established in the respective subsidiaries. These officers know the group's core data protection requirements as well as the laws and regulations of their respective regions. In addition, all departments within KRONES AG that regularly handle personal data and all subsidiaries that are headquartered in an EU Member State have their own data protection coordinators. We have also established a comprehensive network of local accountability to further ensure information security. Specifically, this network consists of local information security officers in the individual regions and companies.



Actions and processes

Guidelines and certification

The EU's General Data Protection Regulation (GDPR) serves as the main regulatory basis for our data protection efforts. The provisions of the GDPR are reflected in the KRONES Group's corporate data protection policy and complemented by additional local rules and regulations for the individual countries.

We also have established a groupwide information security policy to ensure the security of information. It builds on ISO 27001 and serves as the foundation for the company's efforts to protect all information above and beyond the requirements of the law, especially our own business secrets and sensitive information from and about our business partners. Both policies are subject to regular review and updated as needed.

In order to increase information security relating to products in a targeted, systematic manner, the centralised, interdisciplinary Product Security Incident Response Team (PSIRT) – has formulated eight cyber security principles, which are applied to new KRONES products and services. They have already been implemented in our inspection technology product line, which is especially relevant to information security, and will be rolled out successively across the remaining product lines.

KRONES' Information Security Management System (ISMS) is ISO 27001 certified for all IT services that are provided centrally for the group. The certification and associated audits are being expanded in stages. Following the entire KRONES AG organisation and the two companies in Franklin, Wisconsin (USA), and Bangalore, India, the KRONES Centre in Bangkok, Thailand, joined the ranks of certified locations in 2020. Next in line is the Centre in São Paulo, Brazil, for whose ISMS certification preparations are currently underway.

Continuous improvement process

A continuous process for systematically improving information security within the group is an integral part of the Information Security Management System (ISMS). The process includes regular penetration and vulnerability testing as well as annual risk analyses, each with an internal and an external audit. The latter is performed by TÜV SÜD and is necessary in order to maintain ISO 27001 certification.

The analyses and audits cover actual incidents as well as potential risk events. Existing security policies are reviewed for their effectiveness and adapted or added to as needed. Changes or additions may relate to all factors – human, organisational, and technical – and can therefore range from employee awareness campaigns to fundamental changes to our IT infrastructure. Besides the periodic audits, a groupwide whistleblowing system serves as an important means to identify and counteract potential security risks on an ongoing basis.

Results

As detailed above, we expanded our ISMS certification to the KRONES Centre Thailand – and thus yet another large group company – in 2020. The groupwide network of international data protection coordinators was also expanded and supplemented by additional data protection officers in various regions. A quarterly Cyber Security Conference has been set up for targeted information sharing.

In line with the EU General Data Protection Regulation (GDPR), we have defined corresponding data protection processes and measures for our locations outside the EU. The rollout was completed as planned at the end of 2020. In this context, we have also developed a group-wide contract system for data exchange and rolled it out to all companies.

The time frame for establishing a Security Operation Centre (SOC) had to be extended because of the COVID-19 pandemic. The requisite formal preparations have nevertheless been made. Recruiting is currently underway to meet the staffing needs for the SOC.

The coronavirus has also put us behind our original schedule for technical security testing. Various test activities have been completed; we are making good progress with regard to KRONES AG and its subsidiary SYSKRON. The next step is to optimise the international coordination between the participating companies and make it more efficient.

Data protection



Well prepared for the unexpected

The coronavirus pandemic certainly put our IT and information security to the test. In order to prevent possible chains of infection, the crisis team decided in mid-March to reduce in-person staff to the greatest extent possible and to switch to mobile working on a large scale. Within a few days, more than 7,000 employees at our German locations alone left their regular workplace to work permanently from home or otherwise remotely.

Daily use of Microsoft Teams, before and after the start of the COVID-19 pandemic*

- Meetings: from 500 to 3,000
- Calls: from 1,500 to 22,700
- Chats: from 70,000 to 205,000

External access to the KRONES network*

- VPN dial-ins using Windows 7:
700 from Germany, 300 from subsidiaries outside Germany
- VPN dial-ins using Windows 10:
4,200 from Germany, 720 from subsidiaries outside Germany
- Citrix: 2,050 worldwide

The fact that business operations could continue without major impairment despite this disruption can be attributed to the responsiveness of our in-house information management. Almost overnight, the dial-in capacities via VPN and

Citrix were increased on such a scale that 14,000 employees worldwide could access the KRONES network from outside – while maintaining all the necessary security standards.

“The fact that this was possible at all is thanks to the excellent preparatory work that has been done for years at KRONES,” says Thomas Nowey, Corporate Data Protection Officer and Corporate Information Security Officer. “Our group is on very solid footing here. The investments made over the years in a secure infrastructure have paid off in the coronavirus crisis.”



* Peak: 2 April 2020

Employee satisfaction



Goal

Motivate our employees to do their best work by offering an attractive working environment that we continually improve, with a focus on working hours and on promoting personal development and good health and well-being. We enable people at KRONES to use their potential and further develop their capabilities – both within the tasks at hand and with a view to future responsibilities. Our aim is to promote independent, solution-oriented action that contributes to the company's success and to employees' personal development.

The KRONES Group's human resources strategy aims to maintain consistently high levels of competence, motivation, and qualification among employees. From our perspective, that requires three essential elements: recruiting the right people, gaining the loyalty of high performers and high potentials, and providing sustainable, purposeful training and development opportunities.

In 2020, the COVID-19 pandemic added to the already challenging market conditions. In particular, the restrictions placed on the hospitality industry and the cancellation of events led to a slump in revenue – at first among our customers and then, as a direct consequence, within our company. For this reason, the last year required us more than ever to equip the group with a human resources policy that effectively addresses current and future developments. Information on workforce adjustments can be found on page 37.



Organisation

The KRONES Group consists of many individual companies that operate in very different regions of the world, each with a unique set of challenges. Thus, the individual companies must have sufficient strategic and organisational freedom to align their human resources management with their needs and adapt to local circumstances.

At the organisation's core is KRONES AG, which charts the course for the overarching human resources policy across the group and defines the key features of external employer branding and internal corporate culture. Overall responsibility lies with the Head of Human Resources, who reports directly to the CEO. Communication and operational cooperation between the parent company and its international subsidiaries takes place on an as-needed basis and individually for each region.



Actions and processes

Recruiting the right people

KRONES AG uses a wide variety of channels to engage with potential applicants. Besides the corporate website and social media activities, these include in particular collaboration with schools and universities as well as participation in recruitment fairs. Nearly all of the latter were held virtually this year due to coronavirus restrictions.

With the exception of some German subsidiaries, the other group companies manage and organise their recruiting activities independently. In this way, we not only keep processes and processing times streamlined; we also ensure above all that the respective HR managers on site can best tailor their recruiting measures to the conditions of the regional labour market and to the requirements of the relevant target groups. For example, KRONES South Africa has had success using the local recruiting platform PNET in the last four years, whereas our Chinese subsidiary is increasingly using the regional social media service WeChat and also maintains a partnership with the Wuhan Brewery School. Meanwhile, KRONES INC. is deeply involved in the local social and business communities in Milwaukee – including as co-founder of the Franklin Business Park Consortium and as a member of the board of the Master Brewers Association.

The regional locations can draw on the resources of the parent company for creating and distributing the corresponding communication materials. That ranges from creating appropriate visuals to running support campaigns on the group's centrally managed social media channels.

Uniform selection procedures apply worldwide for the appointment of senior management up to Management Level 2, thus guaranteeing international comparability. They are the responsibility of KRONES AG. In 2020 because of the coronavirus, the assessment centres for international leadership positions were moved to a virtual format as an option and conducted successfully. This alternative will be used more and more in the future.

Although our staff requirements are largely covered at present, competing for suitably skilled people will remain a major concern for us going forward. Therefore, our Employer Branding and Recruiting team is using the current lull in hiring to optimise its recruitment channels. For instance, the online job board that was newly launched last year is currently being rolled out to

several subsidiaries. We have also adapted the applicant management system to the group structures and published a newly designed career section on the corporate website.

Due primarily to disruptions caused by COVID-19, the focus of our recruiting work changed fundamentally in 2020. On the one hand, we focused on filling any open positions internally to offset workforce reductions and on reskilling and upskilling employees through a voluntary programme (see page 37). On the other hand, we sought to maintain our network, which includes partnerships with schools and universities. Our recruiting methods also had to adapt: Most interviews have been moved to a virtual format, and assessment centres are also held online wherever possible.

Gain the loyalty of high performers and high potentials:

The work culture within the KRONES Group is based on the fundamental values of fairness and appreciation, which is manifest in many actions. Within KRONES AG, these range from the framework collective agreement for the metalworking union, which KRONES applies in the form of a recognition agreement with the metalworkers' union, to the many and diverse benefits offered to employees. We also sent a clear signal of stability and continuity in December 2017 when we adopted a company agreement on job security that applies through 2022.

Following KRONES AG's example, the subsidiaries also endeavour to ensure that their organisational culture and the benefits they offer are based on appreciative, fair, and motivating principles. For example, our Taicang location recognises the achievements of its workforce in regular, elaborate employee appreciation events. KRONES INC. in the USA supports employees who pursue a university degree by reimbursing tuition expenses.

¹ The corresponding company agreement applies to employees and apprentices at all KRONES AG locations and to the subsidiaries KIC KRONES, EVOGUARD, and ECOMAC.



The resolute commitment of all locations throughout the course of the COVID-19 pandemic also deserves special mention. Besides the swift and un-bureaucratic deployment of mobile working across the entire KRONES Group, numerous individual measures were taken worldwide to make the work environment as safe and employee-friendly as possible. Read more on this topic at the end of this section.

Training and continuing education

Because of the high expectations KRONES has of its employees, needs-based staff development programmes are a high priority. That begins with vocational training and carries over across each employee's entire career.

The expanded training and continuing education programming mentioned in our previous report has since become a regular part of our offerings. For example, the first round of Profil 21 students will complete the new option of taking their international service technician qualification to the master craftsman level in early 2021. Given the successful launch of training programmes that combine vocational or professional schooling with practical, on-the-job training following the German model at several KRONES sites worldwide, we plan to implement the same model at our newly opened plant in Debrecen, Hungary, starting in 2020.

KRONES AG spent around one million euros on the training and continuing education of employees in the reporting period. We continually review and adapt the entire range of training opportunities to meet current and future needs. While the need for e-learning was already growing steadily before the coronavirus pandemic, it has increased even more now that mobile working has been implemented across the board. For this reason, in 2020 we took various elements from existing classroom training courses and made them

available to our employees online, both as traditional e-learning courses and as virtual training in which the trainer presents the content live and is available to speak with participants. The most stringent hygiene practices have been implemented in all in-person events since the pandemic began. Due to the circumstances created by COVID-19 and increased mobile working, a new training series on remote leadership was offered especially for our managers. The content is available as "learning nuggets" in the form of short videos that can be accessed quickly and easily around the clock. In addition, those interested can join a virtual exchange with a specialist on this topic within the framework of scheduled Q&A sessions.

At the international level, we focused on advancing three key themes in 2020. One was moving our professional development programme for management employees to a virtual platform, with offerings for new and experienced leaders and corresponding assessment and development centres. Other international priorities were the training programmes in project management and for our service staff. The trainings for these target groups are created in close collaboration with the respective departments and subsidiaries. That has allowed us to respond very specifically to the needs of the different regions.

As within KRONES AG, our international locations also largely shifted their training and continuing education programming to a digital environment. For KRONES INC. in the USA, SuccessFactors/Skillsoft learning management systems (LMS) software proved especially helpful. Originally put in place to allow field staff to take advantage of training offerings, it has made it possible for all of the site's employees to continue developing their technical and personal skills throughout the pandemic regardless of their current work location.

Short-time working and staff reductions due to COVID-19

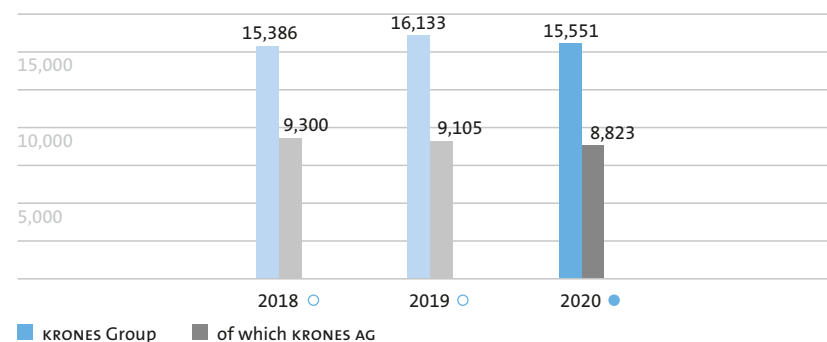
The economic impact of the coronavirus pandemic forced us to take extraordinary HR measures such as short-time working and workforce reductions in 2020. The declared aim in applying these measures was to cope with the strained business situation and thus secure as many jobs as possible in the long term. A large part of the workforce moved to short-time working for many months – and often worked remotely – in 2020. A decision was also taken to reduce staffing levels, since in addition to temporary under-utilisation in some areas of the company a long-term surplus of staff was also becoming apparent.

In order to avoid lay-offs, we put together a package of measures to make the necessary adjustment of human resources socially responsible. In a voluntary programme offered across KRONES AG, we gave employees whose personal circumstances allowed it the opportunity to leave the company through an early retirement programme or a severance agreement at attractive conditions. In the latter case, we actively support the departing employees in their further life and career planning: For up to twelve months, they can use the services of an external personnel consulting agency free of charge – depending on their individual needs, that may take the form of a personal situation analysis, career consulting, or job interview preparation. By the end of the year 2020, around 400 employees had chosen to participate in the voluntary programme.

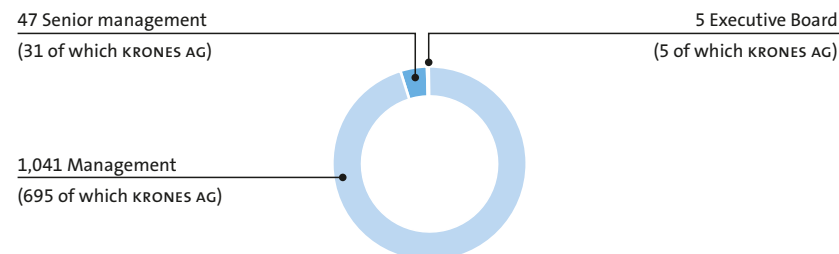
Results

In terms of gaining the loyalty of high performers and high potentials, we had planned a number of projects for the year 2020 and had already begun to implement some of them. However, the COVID-19 pandemic forced us to postpone their further implementation. The same applies to various elements of the professional development programme for management employees.

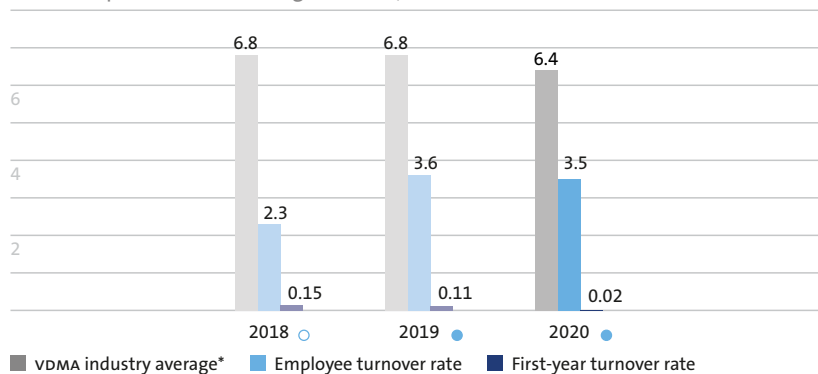
KRONES Group – Employees (employees covered by and exempt from collective agreements)



KRONES Group – Management structure in 2020

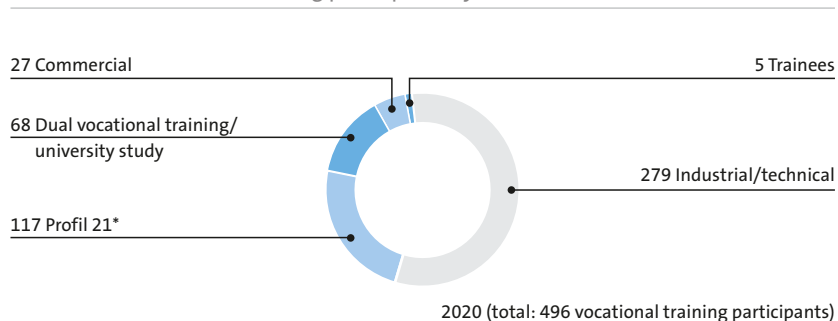


KRONES AG – Employee turnover and first-year turnover (% , employees covered by and exempt from collective agreements)



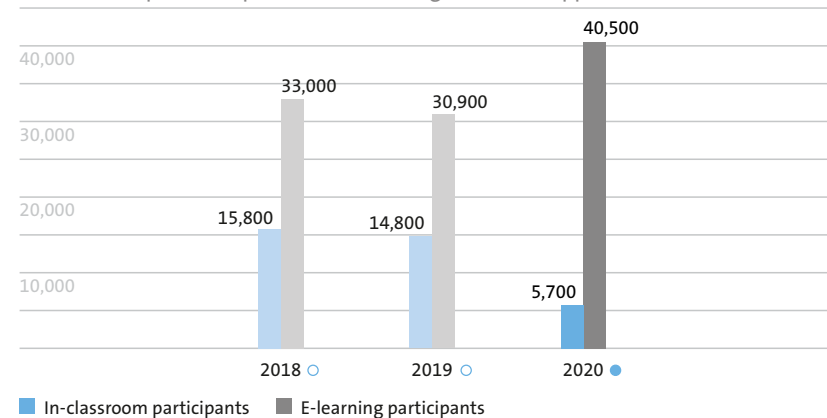
* The German Engineering Federation (VDMA) measures average employee turnover among companies in the machinery sector on a three-year cycle. The figures above are based on the 2019 measurement.

KRONES AG – Vocational training participants by field in 2020

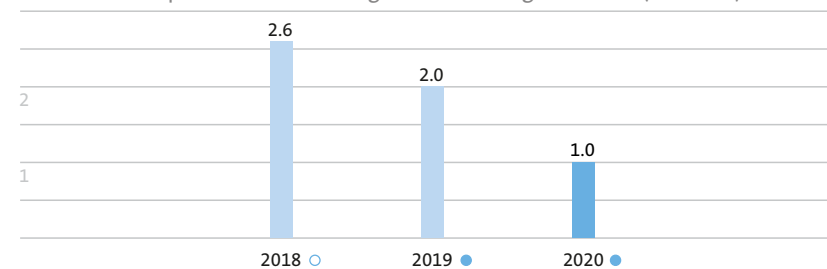


* Profil 21 includes both professional and technical training which gives graduates two separate qualifications at both the journeyman and master craftsman levels.

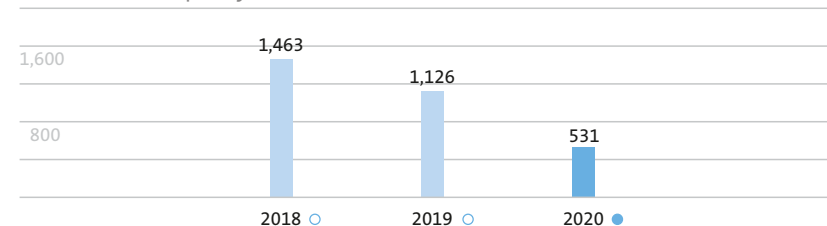
KRONES Group – Participation in continuing education opportunities



KRONES AG – Expenditure for training and continuing education (€ million)



KRONES AG – Temporary workers



Employee satisfaction



Standing together while keeping apart

Fast, unbureaucratic action: Throughout the COVID-19 pandemic, all KRONES locations have had to take measures to protect their personnel. Many went above and beyond the legally mandated measures, as these examples show:

- **USA:** Added ten paid sick days in addition to the legally mandated seven and offered unpaid leave with guaranteed job security for all employees who are unable to return to work after using these 17 sick days for personal reasons relating to the coronavirus



- **UK:** The general management personally called each employee to discuss the current business situation, inform them about the measures taken with respect to COVID-19, and get employees' feedback
- **Brazil:** Increased hygiene and safety precautions to protect employees such as regular temperature checks and preparation of COVID-19 information materials that are available in English from our central offices into Portuguese, Brazil's official language
- **Italy:** Field staff activities were shut down for several weeks, particularly in Service
- **Hungary:** A special commuter bus service was set up for production employees who cannot work remotely
- **Nigeria:** Employees are provided with the equipment needed to work from home
- **China:** Fast, targeted delivery of information to employees via the WeChat social media platform and increased hygiene and safety precautions to protect employees such as regular temperature checks
- **Thailand:** Bridging the legally mandated closing days by reducing hours and taking days off to prevent loss of income; setting up a dedicated web application to register via QR code when entering the premises

Detailed information on centrally coordinated coronavirus measures and to measures undertaken within KRONES can be found in the "Health and safety" section of this report beginning on page 40.



Health and safety



Goal

Reduce both the number of work-related accidents and the number of lost days following workplace accidents per one million hours worked within the KRONES Group by 30% (compared with the base year 2020).

Within the KRONES Group, two departments are responsible for the health and safety of our employees: Occupational Safety Management and Occupational Health Management. Our aim is to promote the health of KRONES employees and thus their ability to perform their work, to prevent work hazards, and to keep the number of work-related accidents as low as possible. The underlying strategies rely heavily on prevention. We must be proactive in identifying potential risks and hazards so that we can develop and implement effective countermeasures.



Organisation

Occupational safety management

At KRONES AG, the Head of Corporate Safety and Security leads our occupational safety efforts. In organisational terms, this role is subordinated to the Head of Human Resources and Social Affairs. However, with respect to occupational safety management, it reports directly to the CEO. Our activities relating to occupational safety meet the internationally recognised ISO 45001 standard. They have been expanded to cover all of KRONES AG as well as the sites in the USA, Brazil, and China, which are also certified under our Integrated Management System (IMS).

Occupational health management

Health management is part of the HR Health Management organisational unit, which is also subordinated to the Head of Human Resources and Social Affairs. The team plans actions and coordinates the interdisciplinary collaboration between HR, the in-house medical service, Counselling Service, the Occupational Safety and Health team, Works Council, and the company health insurance fund (KRONES BKK). Our activities are currently still focused on KRONES AG sites.



Actions and processes

Occupational safety management

The concrete process steps involved in ensuring occupational safety are based directly on the needs of the respective sites and departments. These needs are determined based on regular workplace inspections and continuously updated hazard assessments. In 2020, the exceptional situation created by COVID-19 resulted in a high and constantly changing need for suitable safety precautions across the board (see timeline on pages 44 and 45).

When conducting workplace inspections and preparing and updating hazard assessments, the occupational safety specialists work closely with managers and, if necessary, other employees. The resulting measures are systematically documented and continuously tracked. Their status is regularly reported to management. In the course of the coronavirus pandemic, the frequency and depth of the inspections was reduced in order to comply with physical distancing requirements. However, they remained just as systematic as ever.



The following processes and preventative actions applied company-wide:

1.1 Consistent communication

As in the previous years, pre-committees were formed in 2020 in addition to the Workplace Safety Committees that are required by law. In the pre-committees, the Workplace Safety Specialists bring together the managers and Safety Officers directly responsible for various areas within the company to discuss matters relating to employee safety and to resolve any issues that arise. The Workplace Safety Specialists then bring selected topics and ideas from these meetings to the respective Workplace Safety Committees.

1.2 Machine safety

Our occupational safety management includes two preventive process steps that ensure the safety of production machines that are purchased new. First, through defined minimum requirements that are integrated as mandatory criteria in the centralised technical specifications that our Purchasing department uses as the standard for ordering; second, through rigorous safety testing that all newly purchased production machines must undergo before they are put into operation.

1.3 Groupwide rollout

Our occupational safety management is currently being rolled out successively to the entire KRONES Group. For this purpose, we established a unified data structure based on a non-financial reporting policy in 2019. We will build on that, consolidating our occupational safety management groupwide in order to establish an even more effective system of preventive and corrective measures.

Occupational health management

Developments in the world of work such as demographic change, longer working lives, and rising expectations of employees' flexibility and ability to work under pressure present new challenges for companies and their employees. Our occupational health management programme aims to maintain and

improve the physical and emotional health of our employees, which in turn helps improve employability, motivation, and productivity.

2.1 Status quo analyses

KRONES AG's health management policy is based on the PDCA (Plan, Do, Check, Act) cycle, which uses two main data sources: detailed analysis of employee disablement and needs analyses based on employee surveys. Together, the cumulative results of the analyses serve as the basis for developing targeted health interventions. In that way, we are able to ensure that our occupational health management activities are aligned to best meet our employees' needs.

2.2 Promoting good health and preventing illness

Courses and training on promoting good health and preventing illness at our Rosenheim, Nittenau, and Neutraubling plants form the heart of our prevention efforts. The content of our health offerings primarily covers back health, movement/exercise, relaxation, preventing stress, and eating a healthy, balanced diet. Our workplace wellness programmes include short (15-minute) and intensive (45 to 60-minute) units on the various topics. Internal communications on specific health topics like colon cancer prevention serve as an important tool for raising awareness among employees about their health and thus helping them remain healthy. In 2019, we established a new standard prevention policy – including descriptions of processes – that now serves as the basis for our health promotion efforts. In 2020, our prevention programmes took place until groupwide coronavirus measures went into effect. The introduction of mobile working across the company and the physical distancing requirements forced us to postpone our wellness programmes until further notice or move them online. We were, however, able to conduct our long-established programme for apprentices as usual, with the addition of a stringent hygiene protocol. For the first time, awareness-raising measures aimed at preventing addiction ("Drug Stop") were also integrated into the 2020 workshop series for apprentices.

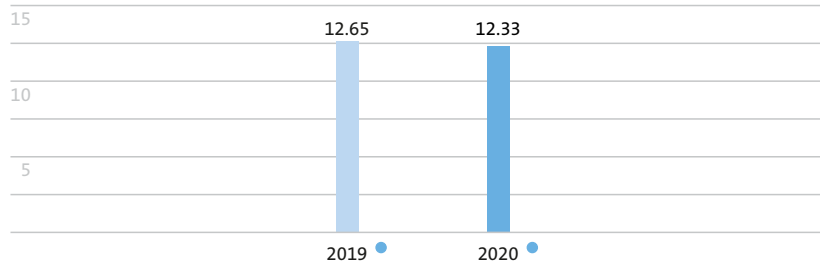


Results

Occupational safety management

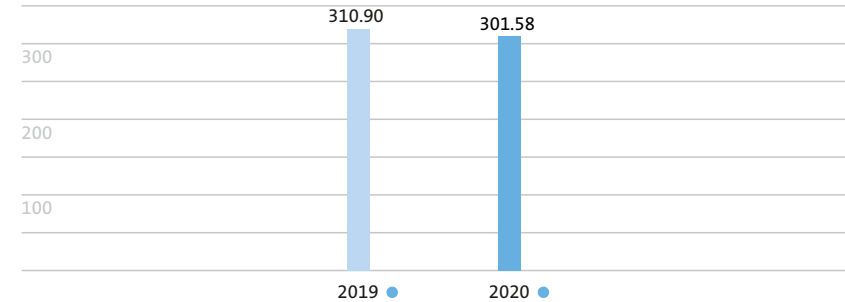
In 2020, the effectiveness of our occupational safety management was reviewed on the basis of quarterly reports to management. The reports included accident statistics, lost days, and costs associated with accidents.

KRONES AG – Workplace accidents per 1 million hours worked



This figure is based on employees covered by and exempt from collective agreements, apprentices, trainees, interns, and working students at KRONES AG and does not include temporary workers or contractors. It only includes the number of workplace accidents (excluding commuting accidents) in the current calendar year.

KRONES AG – Lost days following workplace accidents per 1 million hours worked



This figure is based on employees covered by and exempt from collective agreements, apprentices, trainees, interns, and working students at KRONES AG and does not include temporary workers or contractors. Lost days from 1 January 2020 to 31 December 2020 are calculated from the first day lost as a result of the accident and are attributed to the accident. Lost days include every full calendar day (including holidays and weekends if these are included in the certification of the person's incapacity for work). Lost days resulting during the calendar year from earlier workplace accidents are also included in the calculation.

The international rollout to gradually consolidate our occupational safety management was put on hold to accommodate the more urgent measures aimed at slowing the spread of the COVID-19 pandemic.

In terms of occupational safety, we continued to implement the system for assessing hazards in 2020 and expanded it to cover additional hazard groups. Back health was a particular need requiring action. Defining and implementing preventive measures was taken over by Occupational Health Management in the next phase.

Occupational health management

Because of the COVID-19 pandemic, Occupational Health Management was forced to cancel planned in-person workplace wellness programmes. The only exception was the series of workshops for apprentices, which took place later than planned and under stringent safety precautions. In order to adequately support our employees in these difficult times, we made available several on-line sessions as well as informational offerings. For instance, in a very short time frame and in collaboration with HR Services, Corporate Development Lean and Process Excellence, Information Management, and the company health insurance fund (KRONES BKK), we published a new information page within the KRONES intranet containing information and resources on all aspects of mobile working. In addition, we gave employees access to a sort of market place for online services on exercise, nutrition, and relaxation through the *krones.machtfit.de* portal.



Using the occasion of Occupational Safety Management's hazard assessment, we developed measures aimed at preventing musculoskeletal injuries to the back in relevant areas of the newly built hall for control cabinet production. These measures included further workplace inspections together with Works Council leadership to gain a comprehensive picture of the status quo. The analysis focused on the working environment, available tools and materials, prescribed work processes, and employees' individual assessment of these conditions. A series of relational and behavioural optimisation measures were derived directly from these findings and put into practice in 2020.

We continued to work on defining metrics for monitoring employee health in 2020. A suitable system for expanding the corresponding management policy was developed. However, its implementation was delayed to accommodate acute coronavirus measures.

The process of assessing stress-related hazards will be revamped and conducted in collaboration with an external specialist in the future. The planned process will be piloted in our Nittenau and Rosenheim plants in 2021.

Health and safety



We set the right course in the first few weeks

In the “Year of COVID-19” 2020, we placed a sharper focus than ever on the health and safety of KRONES employees. Close monitoring of the initial outbreak in China and the pre-emptive establishment of a crisis team, from which specific task forces were then created, have to this day enabled the group and its employees to navigate the various stages of the pandemic.

A brief timeline of the actions taken shows that and how we set the right course in the crucial first weeks of the pandemic:

Beginning 28 January

The in-house medical service monitors developments in China and publishes regular updates on case numbers on the intranet.

29 January

The first guidelines for preventing COVID-19 infection are published on the intranet.

Beginning 25 February

The crisis management team is convened to discuss the current situation and initiate appropriate measures. The team includes the Executive Board as well as representatives from Human Resources, Information Management, the in-house medical service, Security, Communications, and Corporate Governance. Meetings are held daily, including weekends. In addition, task forces are assigned for IT, customer communication, supply chain, production, and service activities.



27 February

The Executive Board publishes a notice to employees on the intranet, stating that, among other things, work-related travel to high-risk areas is prohibited and a 14-day quarantine is required for anyone returning from such areas, effective immediately.

28 February

A central platform for COVID-19 information goes live on the intranet. The first coronavirus-related hygiene measures are put in place in the German plants. They include safe dispensing of utensils in the cafeterias, regular disinfection of door handles and railings, and the addition of signage bearing the new hygiene guidelines.



Health and safety



1 March

In order to keep employees informed about the current situation even outside working hours, the *corona.krones.com* website is launched to complement the COVID-19 on the intranet platform. The new website is accessible only to KRONES employees – but also from their personal devices.



6 March

Employees are instructed to quarantine for 14 days upon returning from personal travel to high-risk areas.

Beginning 10 March

A continually updated list of countries and their current inbound and outbound travel restrictions is made available to employees.

16 March

Shift models that include a time buffer between shifts are implemented in production. All employees with office jobs move to mobile working.

18 March

To further improve physical distancing, the premises are divided into zones. In addition, a campaign is launched to recall service technicians from the field. Regardless of the status of a construction site, everyone is asked to return home.

The group's coronavirus measures continue to this day and are adapted as needed based on the current situation. There is no question for KRONES: Fighting the pandemic is a community responsibility. That is why, from the very beginning, we have shared our knowledge and experience openly with others – institutions, authorities, and other companies alike. We also were able to put our technological expertise to use in several public service projects. For example, we produced nearly a million containers for disinfectant to supply medical institutions, and our subsidiary KIC KRONES, which specialises in consumables, quickly organised and implemented a corresponding supply chain that included customers and suppliers. Three million litres of disinfectant were produced, filled into containers, and delivered to clinics and governmental institutions on behalf of the Bavarian Ministry of Economic Affairs in this collaborative effort.

Diversity



Goal

Promote diversity within our workforce. With targeted programmes, worldwide talent pools, international thematic communities, and measures aimed at establishing balanced age structures, we seek to connect employees of diverse age groups, genders, nationalities, and career fields and thus inject more flexibility, creativity, and efficiency into our processes.

Diversity is an important topic for KRONES and our stakeholders. KRONES signed the Diversity Charter in 2010, thus expressing the company's unequivocal commitment to promoting diversity within the group.

Fairness and mutual respect are among the core values that we not only live by within the group but also want to convey with pride to outside world. For this reason, we address the topic in very clear terms in our mission statement, which applies across the group and is available to the public on our corporate website.

We are a multinational corporation in which a diversity of cultures, languages, and ways of life come together on equal footing. We are fair and forthright in our interactions, accept responsibility, and make critical decisions. Honesty and transparency 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.



Organisation

For us, Diversity is not an end in itself but rather the very basis of our success. Without our group network of over 100 sites in 55 countries, we would not be able to deliver the quality and speed that our customers rightly expect from us. Maintaining this diversity is an important building block for our future as a business. That is why we have intentionally refrained from establishing a one-size-fits-all diversity policy down to the individual measures across the group. Defining and managing such policies centrally would mean relegating the unique needs of our individual sites in favour of constraints that, though intended to promote diversity, would actually restrict it. Thus, rather than subordinating the companies to a central diversity management, we encourage them to promote diversity as best fits their local circumstances, albeit in keeping with the groupwide emphasis on gender, age structure, and international/cultural diversity.



Projects and processes

Promoting a balanced age structure

Different life stages entail different needs and challenges. For that reason, we emphasise the importance of supporting employees of all age groups with suitable measures.

We aim to offer young talents stable and motivating prospects for their future careers. That is why we maintain our broad range of vocational training opportunities and once again hired all of our graduating trainees within KRONES AG in 2020, despite the continued difficult economic situation.



Flexible working hours and increased use of mobile working as well as – sometimes temporary – part-time employment enable employees who need to care for children or other family members to reconcile family and work.

As in Germany as a whole, the average age of KRONES AG employees is moving gradually upwards. We take that fact into account by offering targeted options for older employees, such as partial retirement, a model that has come into increased use to do the current need for staff reductions (see page 37). By offering attractive conditions under this voluntary programme, we aim to make the transition to a new life stage as easy as possible for participants. It is also our way of expressing our deep appreciation of long-time employees.

Promoting gender diversity

Like many other technically oriented companies, we too are faced with the fact that the majority of applications we receive come from male candidates. We are taking a variety of measures in an effort to nevertheless establish a balanced gender profile in our workforce.

We publish regular contributions on our social media channels, employee newsletter, and corporate blog to counter gender stereotypes, for example, with portraits of female employees following a variety of training and career paths. As a member of the “Frauen führen” women’s leadership network, we also maintain active dialog with partner companies. Through it, we not only gain important insights into how we can specifically promote women in the company but also gladly share our own experiences.

Equality also plays a central role for our non-German locations, as this example from the US shows: As an equal opportunity employer, our US subsidiary KRONES INC. bases all of its hiring and promotion decisions exclusively on qualifications and performance criteria and reports demographic data on its workforce to the Equal Employment Opportunity Commission of the US government annually.

Promoting cultural diversity

International diversity has played an important role at KRONES since its founding. But with the increasing globalisation of the economy as a whole, this topic has become considerably more important.

For us, driving internationalisation is not just a matter of creating an ever-tighter global corporate network. To remain competitive and ensure our future growth, it is essential that we not only assign operational activities to the regional sites but that we also entrust them with strategic responsibilities. Likewise, when setting up our manufacturing facility in Debrecen, Hungary, we attached considerable importance to ensuring the plant’s independence from the beginning, for instance by establishing regional management with extensive scope for decision-making, building new processes that are adapted to the specific local circumstances, and enabling local HR specialists to do their recruiting autonomously.

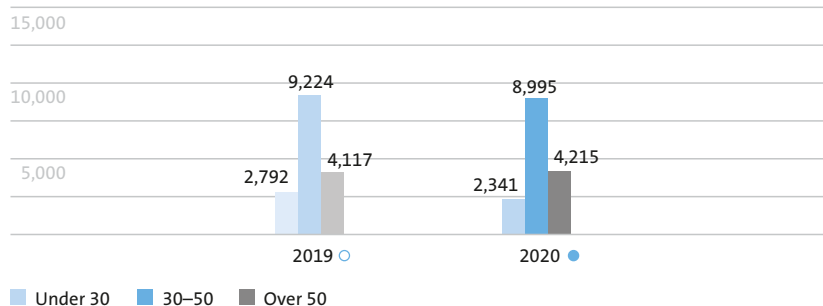
In 2012, the Across Borders programme was launched to promote international exchange within the world of KRONES. The program is open to employees throughout the entire group and allows them to move their workplace to a different location for six months based on their qualifications and the company’s respective resource needs. The responsible HR partners coordinate not only the deployment abroad. They also support participants in all matters relating to preparations and execution – from intercultural training to finding housing to bringing family members along or organising temporary returns home. Due to acute cost-cutting measures, the programme was halted beginning in mid-2019. The COVID-19 crisis prevented us from restarting it as planned in 2020. It is scheduled to resume in 2021.

Our subsidiary IPS in the United Arab Emirates is the leader within the group when it comes to multiculturalism: Its workforce of just 223 employees represents 34 different nationalities!

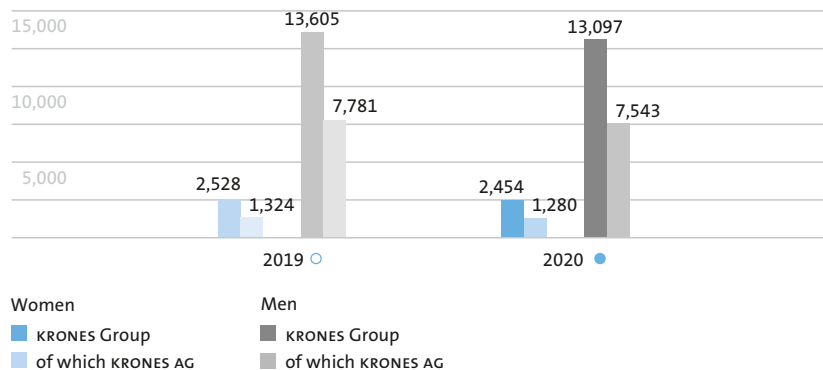


Results

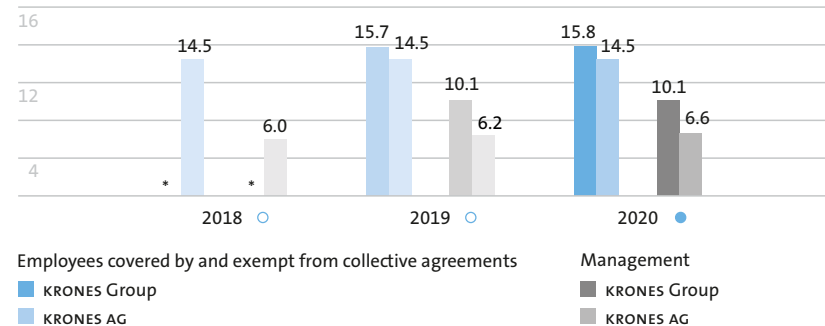
KRONES Group – Age structure



KRONES Group – Gender ratio

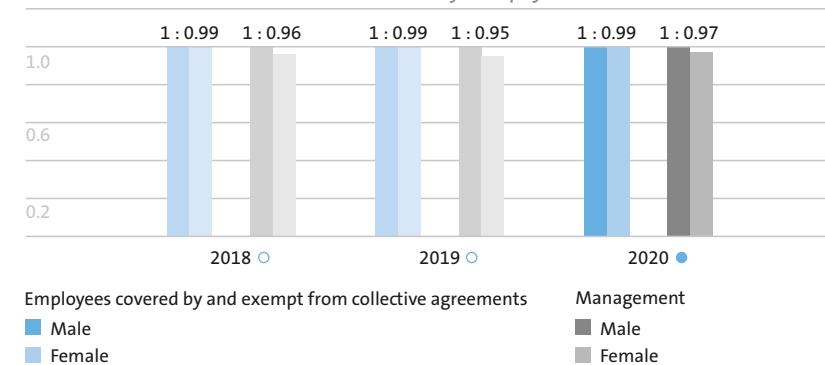


KRONES Group – Gender ratio: Share of women (%)



* Due to a lack of data from some subsidiaries, no solid numbers were available for 2018.

KRONES AG – Gender ratio 2020 – Base salary and pay of men to women



Diversity



Women's network at SYSKRON

In August 2019, the SYSKRON FEM network was formed at SYSKRON GMBH, the KRONES Group's digitalisation specialist. The name is a play on the word "female" and the acronym for "finite element method", which gets quite a bit of use at KRONES.

"We want to offer women at KRONES a platform for inspiration, continuing development, sharing, discussion, and mutual encouragement – through internal or external input," explains SYSKRON FEM founder Ann-Kathrin Greitner about the idea behind the network. Greitner is a project manager and an active advocate for equality both at work and in her personal life. Even though workplace discrimination isn't an issue at her job, she nevertheless sees room for improvement, especially when it comes to breaking stereotypical mindsets and behaviours.

In a team that represents a wide range of specialisations – including working students, team assistants, managers, data scientists, and UI/UX specialists – the network addresses issues and measures aimed at supporting and expanding diversity in all areas of the company. In January 2020, the network also launched a mentoring programme. Female employees



of all ages are invited to participate and develop specific skills with the support of a more senior employee of either gender.



Fighting discrimination at KRONES South Africa

The KRONES Centre South Africa operates in strict accordance with the provisions and aims of the Broad-Based Black Economic Empowerment (B-BBEE for short) programme and has installed an advisory committee for that purpose. The members are appointed by the employees, whom they represent as they address all matters relating to equal treatment. The committee brings employees' concerns to the management and also works with the management to develop and initiate suitable measures for establishing and maintaining equal opportunity for all employees. Quarterly Employment Equity Reports on the effectiveness of the anti-discrimination measures are submitted to the government. Measures taken under the B-BBEE resulted in a positive development over the last four years alone: Not only has the share of black employees increased from 40 percent in 2016 to 70 percent in 2020, the company's management is now also 50 percent black.

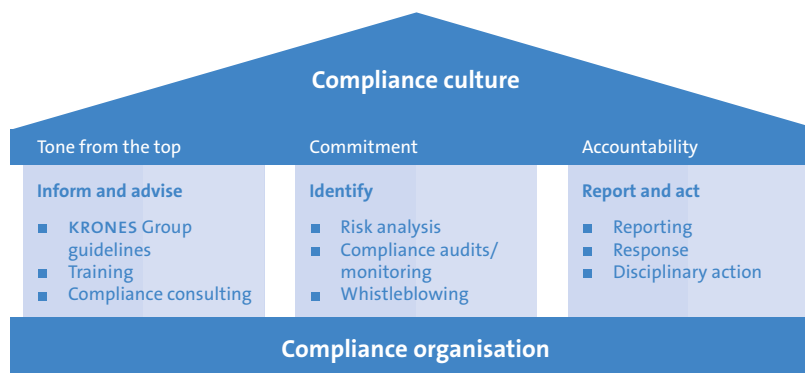
Compliance



Goal

Pursue a zero-tolerance policy for compliance violations and raise awareness across the board through effective compliance management – consisting of guidelines, risk analyses, measures, remedial action, and reporting.

Within the KRONES Group, compliance stands as an umbrella term for conduct that is in keeping with the law and regulations. However, the rules that apply within the company go beyond the requirements of the law. They also include internal policies and moral values and norms that are aligned with KRONES' own ethics and are manifest in KRONES' Code of Conduct. The material aspects relevant to our understanding of compliance can be summarised as follows:



In general, KRONES' compliance management aims to create a culture of integrity throughout the entire group and thus minimise compliance risks as much as possible.



Organisation

Strategic and operational responsibility for compliance management rests with the Head of Corporate Governance at KRONES AG and an office of the same name at the group level. Establishing this organisational basis for compliance yields advantages in terms of close, fast communication with other corporate governance-related areas such as sustainability. To support the office operationally, additional Compliance Officers have been appointed in all of KRONES' sales regions. These officers know the group's central compliance requirements as well as the laws and regulations of their respective regions. This knowledge enables them to advise and support local employees on all aspects of compliance. A governance committee also supports the Head of Corporate Governance in an advisory capacity. The committee is made up of representatives of all Executive Board areas of responsibility.



Actions and processes

Inform and advise

Various groupwide communication channels are used to convey information to employees depending on the topic and target group.

Codes and guidelines

The KRONES Code of Conduct serves as the basis of the Compliance Management System. It was developed with the clear goal of ensuring compliance with laws, standards, policies, and guidelines company-wide and thus creating a working environment characterised by integrity, respect, and fair and responsible conduct. At the same time, the Code of Conduct serves to establish a reliable compliance culture and encourage employees to report irregularities. It applies to and is binding for all bodies and every employee within the company. In the interest of all employees, violations are systematically investigated and disciplinary action taken. In our revision of the Code, we have systematically added to each chapter concrete examples and actions that individual employees can take. That makes it easier for employees to implement the principles of conduct across the group. Like the Code of Conduct, the Supplier Code, which was revised in 2020, covers the company's central compliance rules for service providers and suppliers.

Supplementary compliance guidelines, which also apply across the group, make concrete the fundamental normative principles of the Code of Conduct for specific applications, such as fair and proper competition and fighting corruption and money laundering.

Training programme

We provide mandatory training programmes as part of our efforts to establish a culture of compliance throughout the entire company. For employees with a PC workstation, this training consists of comprehensive basic e-learning on the reasons, scope, and specific content of KRONES' compliance culture. As of 2019, employees must also complete a refresher e-learning course every two years. For employees without a PC workstation, instruction is the responsibility of the respective managers.

A second training series is dedicated to the topic of anti-corruption and is designed especially for employees in Sales and Purchasing. This training is also an e-learning course. Participation in and completion of all training courses are the responsibility of the respective managers and are documented accordingly.

Identify

Risk analysis

The compliance risk analysis covers risks relating to the following:

- Governance
- Active and passive corruption
- Cartels
- Health, safety, security, and environment
- Money laundering
- Fraud



The results of this risk analysis are aggregated at the level of the business areas and the regions and visualised on a risk overview developed specifically for each business area and region. The results are also bundled into our groupwide risk analysis. Additional compliance-related risks may be addressed by the individual departments or may already be part of the general groupwide risk analysis.

Due to the travel restrictions imposed in response to the COVID-19 pandemic, planned risk analyses involving first-time on-site visits had to be postponed on short notice, and the focus shifted to the compliance reviews that had been planned for 2020, which were done virtually.

■ Due diligence audits

In order to meet a number of national and international regulatory requirements, due diligence audits are conducted on customers, agents, suppliers, and third-party payers. That gives the group a tool for process-integrated monitoring of business partners in high-risk countries for compliance incidents, provided that the necessary data is publicly accessible. Any findings trigger an in-depth due diligence audit by Corporate Governance, in which additional sources of information are tapped in order to plausibility check and assess the finding.

Report and act

Besides regular standard audits, the Head of Corporate Governance conducts spot checks – particularly of processes with increased compliance risk such as the reporting of travel expenses – to verify the effectiveness of our compliance culture. If he detects a suspected or actual compliance incident, “report and act” kicks in. It involves case management and disciplinary action. Knowledge gained through this process is used to develop and implement new actions as necessary and reasonable.

■ Reporting

Clear lines of reporting apply to compliance. The Compliance Officers in the regions report to the Head of Corporate Governance, who in turn reports to the Supervisory Board’s Audit and Risk Committee once a year. The Head of Corporate Governance also regularly reports to the Executive Board and the governance committee in the latter’s quarterly meetings, presenting developments in the past quarter and further plans. The committee offers opinions in an advisory capacity.

■ Help desk and KRONES Integrity

Group employees seeking information about compliance-related matters or wishing to report possible violations can speak with their immediate superior or use any of three additional channels:

- Contact the Compliance Officer, the Head of Corporate Governance, or his team directly
- Call the telephone help desk or email compliance@krones.com
- Submit a report through the KRONES Integrity online portal

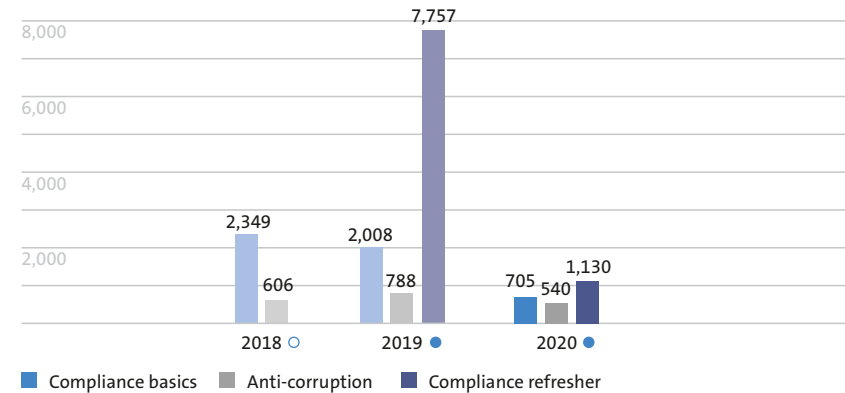
The KRONES Integrity online portal is available to group employees and to third parties who identify compliance gaps relating to KRONES. It can be accessed via a direct link from the Responsibility/Compliance section of the KRONES website. To ensure the highest levels of access protection and data protection for users and to ensure encrypted content and a secure connection, the system is operated by an independent third-party provider. The whistleblower can decide whether to give the tip anonymously or with contact information.

The growing number of submissions received through KRONES Integrity suggests broad acceptance of the system among employees. Each tip received is followed up on with due diligence and in accordance with a pre-defined procedure. Individual reports can also result in deeper investigations, depending on their content and scope. As reports have increased, so too has the number of special investigations. All compliance-related matters and tips that are brought to the help desk or KRONES Integrity are documented for further processing and evaluation.

Results

The groupwide rollout of the refresher e-learning course that had been announced could only be partially completed because of COVID-19 restrictions. It was largely completed among the German subsidiaries, but had to be postponed for the sites outside Germany.

KRONES Group – Compliance training (in-person and e-learning)



The compliance basics course is mandatory for every new employee and every new manager within the KRONES Group. It must be completed within the first three months of employment and may be taken as an e-learning course, instruction from a manager, or an in-classroom course. The anti-corruption training is relevant for employees who have regular third-party contact with customers, suppliers, and government offices. The refresher training was implemented throughout KRONES AG in 2019 and will be successively rolled out worldwide. It serves to remind employees of the basics and is to be repeated every two years. The decrease in training participants in 2020 resulted in part from the postponement of compliance rollouts necessitated by the coronavirus and in part from the fact that there were fewer new hires in the KRONES Group in 2020.

Human rights



Goal

Pursue a zero-tolerance policy for human rights violations and raise awareness across the board through effective human rights management – consisting of guidelines, risk analyses, measures, remedial action, and reporting.

Fairness, mutual respect, and tolerance are fundamental values that inform the KRONES Group's culture. Every member of the group is expected to honour these values and use them as a guide for their own actions. That expectation is clearly and unequivocally stated in the KRONES mission statement, our Code of Conduct, and our leadership principles, which apply across the group.

Because we do business globally, we consider human rights due diligence imperative along our entire value chain. We base our human rights due diligence primarily on the following guidance:

- UN Global Compact
- International Labour Organisation (ILO)
- Base Code of the Ethical Trading Initiative (ETI)
- OECD Guidance



Organisation

Under KRONES' Code of Conduct, all employees – particularly those in managerial roles – are responsible for ensuring that human rights standards are upheld at every point along our value chain. The strategic management of our human rights policy and the operational steering, implementation, and monitoring of measures and processes in the KRONES Group are incumbent upon the Corporate Governance office. Affected departments such as Compliance, HR, Purchasing, Supplier Management, and Sales are drawn into the process as needed – for instance, if a possible human rights violation is reported.



Actions and processes

Group policy on human rights and labour standards

In 2020, a "Human rights and labour standards" policy was created to establish uniform minimum standards for sustainable, fair working conditions in our own operating and work processes across the group. The provisions of the policy cover topics such as formal employment relationships, fighting discrimination at work, and health and safety and define a basic set of rules that apply in every one of the KRONES Group's establishments unless other legal or regulatory provisions go beyond them. The policy applies to all employees within the KRONES Group, although managers and supervisors in particular – especially department heads, managing directors, and plant managers – bear responsibility for compliance with human rights due diligence in their teams and at their sites. The human rights and labour standards policy will be communicated at all locations and subsidiaries in the financial year 2021.

Human rights in the Code of Conduct und Supplier Code

In order to ensure that human rights due diligence in our company's value chain is lastingly communicated to all relevant parties, the topic of respect for human rights is a central chapter of both the Code of Conduct and the Supplier Code of the KRONES Group. The two documents describe and prescribe standards of conduct. They use fictional examples to clarify what a human rights violation might look like. The Codes also obligate all group employees and suppliers to respect human rights and report any violations. The KRONES Code of Conduct and Supplier Code are binding documents across the group, and non-compliance of any kind or severity can result in disciplinary action. Above and beyond the policy, Code of Conduct, and Supplier Code, we also publish an annual statement on the UK Modern Slavery Act.

Human rights risk analysis

We conducted a two-part human rights risk analysis in 2019 to assess the likelihood of possible human rights violations within our value chain. Risks arising from our own business activities were analysed on the basis of the results of several social audits within KRONES AG and at major international locations. Human rights risks in the supply chain were the second field of investigation. The qualitative risk assessment of suppliers was based on an evaluation of information on country- and product-specific human rights risks from publicly accessible databases. First, the resulting assessments were applied to the largest suppliers by sales of the four main raw materials: stainless steel, steel, aluminium, and plastics. This risk assessment is supplemented by findings from the due diligence audits (see page 52), which may also provide indications of possible human rights violations in the supply chain. The findings of both risk analyses have been incorporated into the regular groupwide risk management reporting process and will in future also be taken into account in existing HR, purchasing, and audit processes.

**Human rights-related questionnaires and audits**

In our processes for sustainable supply chain management, surveys and audits are the key means for checking compliance with provisions relating to human rights and labour law (see page 59). As part of the supplier vetting process, certain supplier groups are asked specifically about human rights topics using standardised questionnaires. In the quality audits for supplier management, aspects like contracts, working hours, and occupational safety are also included. In addition, in the financial year 2020, a social audit focused on human rights and labour standards was conducted on selected suppliers for the first time. We plan to continue to use this new audit format with selected suppliers.

Human rights within the KRONES Integrity reporting system

KRONES Integrity is an online portal through which employees, business partners, and third parties can submit tips about violations of laws or internal rules – either anonymously or with contact information. It can be accessed from the corporate website. It is also possible to clearly identify tips about human rights violations as such and thus for responders to handle them accordingly. Information submitted is reviewed by the relevant teams. If a violation has, in fact, occurred, suitable action is taken to remedy the situation as quickly as possible.





Results

Respecting human rights and labour standards has, of course, always been among KRONES' core values. In 2020, we were able to further refine our processes in human rights management. By completing our groupwide policy on human rights and labour standards, we have further embedded the principles of human rights due diligence in our internal operating and work processes – in addition to their existing establishment in the KRONES Code of Conduct. By updating the chapter on human rights in the KRONES Supplier Code and the introduction of a social audit with explicit coverage of human rights and labour standards, we will be scrutinising our supply chain more closely in the future.

Due to restrictions imposed as a result of the COVID-19 pandemic, we were not able to expand the methodology for assessing the risk of human rights violations to cover additional supplier groups. Expanding the Human Rights Management system and implementing additional measures in existing HR, purchasing, and audit processes are once again on the agenda for the coming year.

Human rights



Joining the industry dialogue on Economy and Human Rights

As an active member of the German Engineering Federation (VDMA), KRONES participates in the German federal government's NAP industry dialogue on Economy and Human Rights. Under the national action plan (NAP) of the same name, policymakers seek to increase accountability among export-oriented companies for the human rights situation in their value chains. Beginning in 2020, larger and mid-sized companies in the machinery sector have joined together to enter into a dialogue with stakeholders such as policymakers, associations, and NGOs on the topic of human rights due diligence. Their goal is to work together to develop implementation aids and establish concrete industry-wide solutions to improve the human rights situation in the upstream and downstream supply chains. The first official meetings of the industry dialogue will take place in 2021, once its preparation and establishment – in which KRONES has been involved as a peer group member for the last two years – are complete.

Sustainable supply chain



Goals

- Increase the material efficiency and sustainability of the raw materials used in the manufacture of our products.
- Evaluate 100% of our suppliers with purchasing volumes over €1,000,000 against sustainability criteria by 2030.

Sustainability is a duty that runs the entire length of our value chain. As the markets have become increasingly globalised, KRONES has steadily grown its global footprint through regional sourcing of materials, components, and services. Besides the strategic benefits like cost efficiency, closeness to customers, and increased use of the expertise of our employees worldwide, this has also yielded benefits in terms of sustainability, such as reduced transport distances. At the same time, the gradual relocation of supply chains to the regions also presents challenges in terms of sustainability and responsibility.



Organisation

Within the KRONES Group, procurement and supplier management are distributed across a network of central strategic functions and decentralised operating units. The starting and end points are the Product Lines, which act as internal customers that submit their needs for materials and services to the respective decentralised purchasing departments. As we gradually decentralise our procurement activities, more and more purchasing functions are delegated

to the regions and subsidiaries. The Corporate Procurement department, which reports directly to the Executive Board member responsible for Finance and Controlling, is the hub for all aspects of procurement management. Supplier Quality Management operates in parallel, driving the vetting, assessment, and development of suppliers.

In addition, our Supply Chain Governance Board meets quarterly to ensure the sustainability of our purchasing and supplier relationships. The board consists of management from Corporate Governance, Corporate Procurement und Supplier Quality Management, who focus specifically on ESG (Environmental, Social, and Governance) topics within the supply chain.



Actions and processes

Supplier Code and procurement policy are the foundation

KRONES' Supplier Code defines the company's requirements of business partners in terms of sustainability and social responsibility. It applies across the group, and suppliers are contractually bound through our general terms and conditions to comply with its provisions. Documented non-compliance with these rules is evaluated and appropriate measures – which may go as far as termination of the business relationship – are determined based on the severity of the violation.

The Supplier Code was revised in 2020 on the model of the new KRONES Code of Conduct. The provisions in the section on respect for human rights were tightened and a new chapter on quality, health and safety, and environment was added to the existing content. The sections on data protection and reporting channels in the event of violations were also upgraded.

Beyond the Supplier Code, key actions and processes are governed by a procurement policy that applies groupwide. KRONES AG and its subsidiaries implement the provisions of this policy, taking into account business- and region-specific considerations. Supplier management is done in six stages, each of which is a process in and of itself. The processes' objective is to establish transparency with respect to the performance, quality, and sustainability of KRONES suppliers.

Due diligence audits for identifying risks

As an additional process to ensure our due diligence in the supply chain, frequent corporate governance due diligence audits are conducted on existing and new suppliers. By way of an established online tool, the names of existing and new suppliers to the KRONES Group can be checked for any involvement in business related to legal, compliance, environmental, and human rights violations. The information in the tool is based on publicly available sources of all kinds. The resulting findings are first examined by experts from Corporate Governance and then – after an assessment of the case by the Supply Chain Governance Board – forwarded to the corresponding office within Procurement and Supplier Management. The due diligence audits make possible process-integrated monitoring of suppliers in high-risk countries and industries for possible violations of the principles of doing business sustainably and responsibly. The results are aggregated and used in the groupwide risk analysis.

Questionnaires as a tool for vetting suppliers and raising awareness

Besides assessments on the basis of publicly available information, we also let our business partners speak for themselves. During the registration process, potential suppliers are first asked to provide general information about their company. In this step, they must agree to uphold the KRONES' Supplier Code. Suppliers are then vetted on the basis of specific criteria depending on the product group. Topics relating to sustainability, such as environmental protection and occupational safety, are also made part of this process for certain

supplier groups through a standardised questionnaire. Suppliers are generally only approved after they have been completely vetted and deemed qualified.

The basic questionnaire, from which the specific versions for the different supplier groups are developed, was revised and was used in the standard processes of supplier management for the first time in 2020. In a first step, the questionnaire was expanded to include separate sections on human rights and compliance. Supplier Quality Management tracks the individual questionnaires while Corporate Governance takes care of evaluating the responses and documentation.

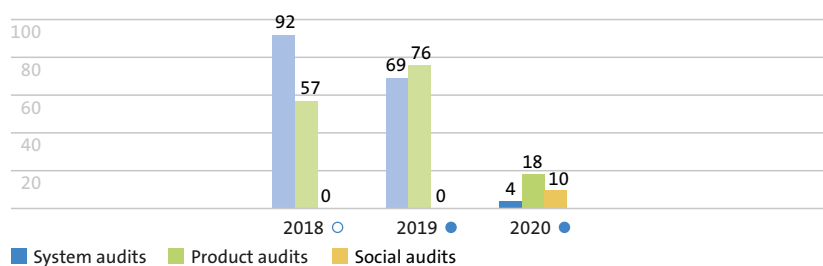
Risk-based audits for verifying effectiveness

Once a business relationship is established, suppliers are evaluated on a regular basis. Selected suppliers' environmental, occupational safety, and quality management are reviewed through risk-based product and system audits. The focus is on possible weaknesses, risks, and improvement potential of the audited management systems. Any necessary remedial actions are determined by the audited organisation and coordinated with those responsible for carrying out the actions. Purchasing, Quality Management, and the respective departments collaborate closely on the reviews that make up the audit.

Above and beyond the regular product and system audits, an additional social audit was conducted on selected suppliers in 2020. Because of travel restrictions and hygiene measures, the audit was done electronically. The audit, which covered the supplier group of our European contractors and installation service providers, focused specifically on topics relating to all aspects of human rights, working conditions, and hygiene standards – with special attention to preventing COVID-19 infection. Corporate Governance and Internal Audit were in charge of the social audit and plans to conduct on selected suppliers in addition to the existing supplier management audits in the future.

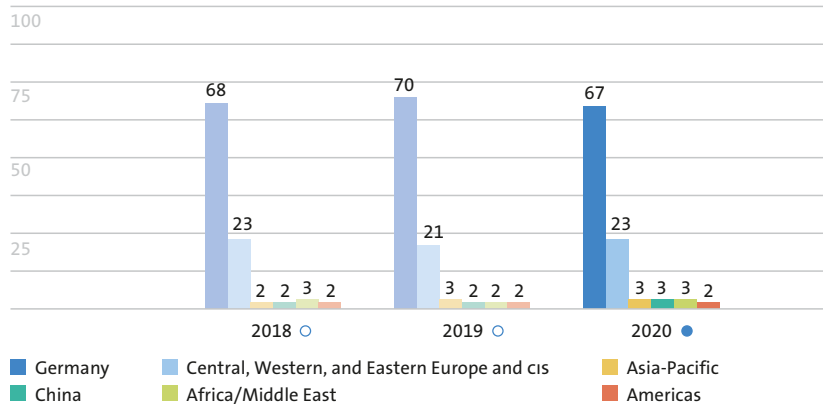
Results

KRONES AG – Number of system, product, and social audits on suppliers



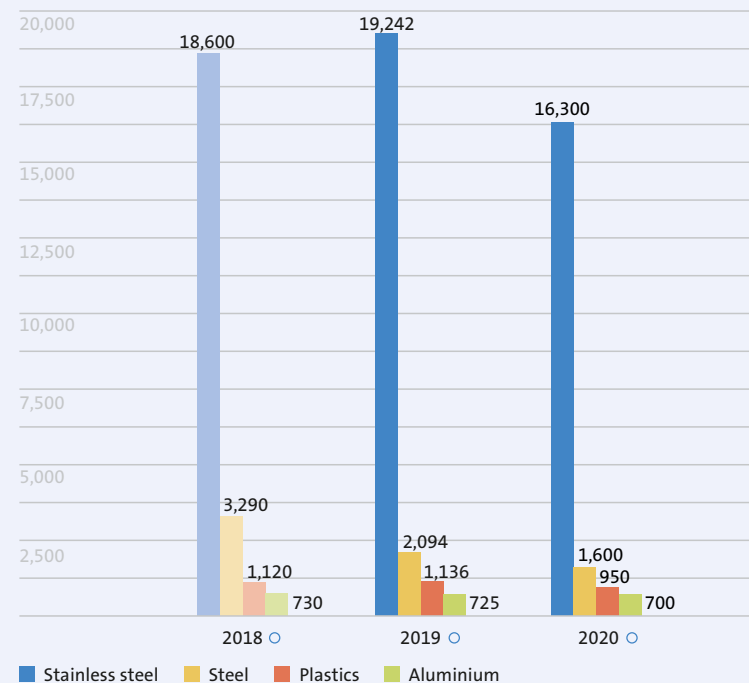
The low number of system and product audits compared to previous years can be attributed to travel restrictions imposed as a result of the covid-19 pandemic.

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



*Rounding may result in the presentation in the graphic totalling more or less than 100%.

KRONES AG – Key raw materials sourced (metric tonnes)



Data collected from KRONES AG's largest suppliers serves as the basis for calculating the raw material tonnages. In addition, the figures also include some estimated values, to present the sourced materials as fully as possible.

Sustainable supply chain



More eco-friendly spare parts shipping

More than a hundred metric tonnes of plastic per year: That's how much packaging material was previously required to get shipments from Lifecycle Service (LCS) in Neutraubling to our customers. KRONES and its logistics service provider DEUFOL agreed that was too much – and so they formed an interdisciplinary project team and changed the entire packaging process in 2020.

The first item on the to-do list was to find an alternative to the polyurethane foam padding that cushions and fixes the articles in the shipping box. Fourteen different products were tested in the search for a more environment-friendly solution. Ultimately only one eliminated all doubts: recycled paper. For the paper to offer the same protection for sensitive parts as PU foam does, it needs a special folding technique. The machines that master this industrial origami are customisations that were developed specifically for KRONES.

The same process was applied to the new air freight pallets. KRONES LCS had been using standard lightweight pallets made of compressed wood fibre. These are commonplace in the international movement of goods, but they have one disadvantage: when they are loaded, cavities are created between the pallet and the package. For safety reasons, these cavities have to be filled completely with plastic. Otherwise the consignment is not allowed into the aircraft. The team explored the entire market in its search for an alternative, but found nothing really convincing. So DEUFOL simply developed one itself: a pallet that doesn't result in any cavities and also weighs 1.7 kilograms less than its predecessor. Even the plastic adhesive tape that is used to seal the air freight packages was replaced with an environment-friendly alternative. The new tape is made of

one hundred percent recycled paper and uses an adhesive based on natural rubber. That enables the LCS Logistics Centre to save another 8,500 kilograms of plastic a year.

The project also included a revamping of processes in Goods Receiving: Instead of routinely disposing of incoming packaging as before, the colleagues in Goods Receiving are now sorting it and passing suitable materials on to Outgoing Goods for reuse.



3

OUR REPORT

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About this report

This report combines the separate consolidated non-financial report for the KRONES Group and the separate non-financial report for KRONES AG in accordance with Sections 315b and 315c of the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with Sections 289b through 289e HGB. For the sake of better readability, we will refer to it here simply as the “Non-financial Report”.


The Non-financial Report 2020 is publicly available at



KRONES’ website under *Company/Responsibility/Sustainability/Download*.

The Non-financial Report for the financial year 2020 has been reviewed by the Supervisory Board of KRONES AG.

In addition, by order of the Supervisory Board, this report has been audited by ERNST & YOUNG GMBH, Wirtschaftsprüfungsgesellschaft, under consideration of the International Standard on Assurance Engagements (ISAE) 3000 (Revised):

“Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by the International Auditing and Assurance Standards Board (IAASB) under a Limited Assurance Engagement with respect to the disclosures required by law under Sections 315b and 315c in conjunction with Sections 289b through 289e HGB. This report includes disclosures beyond those required by law. Any information that is unaudited is set against a shaded background and marked with a  symbol in the margin.

Key Facts about the Non-financial Report 2020

1 | 64

Medium

The Non-financial Report serves as the central means for transparently disclosing the sustainability performance of KRONES AG and the KRONES Group. It contains the key qualitative and quantitative non-financial information on sustainability topics that are material to the company.

Content

The content of this report relates to the financial year 2020 and has been derived directly from the KRONES Group's materiality matrix, which applies equally to KRONES AG. In developing the materiality analysis, we have taken into account the disclosure requirements of the German CSR Directive Implementation Act (CSR-RUG). In addition to the disclosures required under Section 289c (3) HGB and its definition of materiality, we also report on community engagement because it is relevant to our stakeholders.

Scope

German Accounting Standard 20 requires disclosure of the policies pursued by the parent entity with respect to reportable aspects and topics. In this report, we have clearly indicated which policies apply to KRONES AG and which apply across the group. We do not report on policies that apply only to individual subsidiaries. Information about the consolidated group can be found on page 136 of the KRONES Group Annual Report.



Content verification

Unless otherwise noted, all content, data, and figures are disclosures required under the German CSR Directive Implementation Act and have been audited for their accuracy. Details of the verification process can be found under the heading "About this report". Additional information is presented for some topics of material interest in order to lend added transparency for our stakeholders but is not subject to verification under the CSR Directive Implementation Act. These unaudited portions are clearly marked as separate from audited text and set against a shaded background. Unaudited prior-year figures are likewise marked as such.

Key performance indicators

We do not track key (management-related) non-financial performance indicators for the policies presented here.

Risks

In collaboration with Risk Management and with managers and experts from the various departments, we conducted a risk analysis with respect to the likelihood of an event and its potential negative impact on the reportable aspects. The analysis revealed no risks with a high likelihood of an event and severe negative impact with respect to the company's own business activity, business relationships, products, or services.

Alignment

We have based our presentation of policies on the Global Reporting Initiative's guidance. In preparing this report, we have not applied any one national or international sustainability reporting framework to its full extent. The existing frameworks are based on a definition of materiality that is not in keeping with the German CSR Directive Implementation Act.

The assurance engagement performed by ERNST & YOUNG (EY) relates exclusively to the German version of the KRONES non-financial report 2020. The following text is a translation of the original German Independent Auditor's Limited Assurance Report.

Independent Auditor's Limited Assurance Report

To KRONES AG, Neutraubling

We have performed a limited assurance engagement on the non-financial report of KRONES AG according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial report of the group according to § 315b HGB, for the reporting period from 1 January 2020 to 31 December 2020 (hereafter non-financial report). We have not included in the assurance engagement any information marked as unaudited by a coloured background and any disclosures for prior year marked by "o".

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between November 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of relevant documentation regarding the selection of topics for the non-financial report, the risk assessment and the concepts of KRONES AG and the KRONES Group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial report.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of KRONES AG for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. Our engagement did not include any information marked as unaudited by a coloured background and any disclosures for prior year marked by “o”.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with KRONES AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability



The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 17 March 2021

ERNST & YOUNG GMBH
Wirtschaftsprüfungsgesellschaft

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Audit opinion key

- *audited*
- *unaudited*

This English language report is a translation of the original German KRONES Konzern Nichtfinanzieller Bericht 2020. In case of discrepancies the German text shall prevail.

The original German report can be found on our website under the heading Sustainability.

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