

## **Koenig & Bauer AG, Würzburg, Germany**

### **United Nations Global Compact Communication on Progress 2021/22**

Participation in the United Nations Global Compact – the world’s largest corporate responsibility initiative – helps Koenig & Bauer anchor sustainability in its corporate strategy. It also provides the appropriate framework for our long-standing commitment to responsible and ethically correct business operations. With this Communication on Progress, Koenig & Bauer fulfills its commitment to demonstrate which guidelines and measures it is taking to improve its performance within the areas of human rights, labor standards, environmental protection and anti-corruption, and to ensure that the 10 basic principles of the Global Compact are respected not only today, but also in the future, in strategic decisions as well as in daily work.

In the following paragraphs, we list examples of commitments and management systems that serve to ensure compliance with the 10 Principles, measures we have taken, and results we were able to achieve in the 2021/22 reporting period. Furthermore, Koenig & Bauer has identified seven of the United Nations’ 17 Sustainable Development Goals (SDGs) as priorities and is addressing them with strategic sustainability initiatives. In particular, the Group’s diverse sustainability activities are targeted at the following SDGs: “3 - Good health and well-being”, “4 - Quality education”, “5 - Gender equality”, “8 - Decent work and economic growth”, “12 - Responsible consumption and production”, “13 - Climate action” and “17 - Partnerships for the goals”. We see our scope for influence and for making a difference in these goals.

Würzburg, July 2022

Koenig & Bauer AG  
Dr Andreas Pleßke, CEO

#### **Human rights and labor standards**

PRINCIPLE 1: Support for human rights

PRINCIPLE 2: Elimination of human rights abuses

PRINCIPLE 3: Freedom of association and the right to collective bargaining

PRINCIPLE 4: Elimination of all forms of forced labor

PRINCIPLE 5: Abolition of child labor

PRINCIPLE 6: Elimination of discrimination

## Commitments and management systems

Certified health and safety standards at the main sites in accordance with ISO 45001

Active representation through the works council and collective agreements are also fundamental for high employee satisfaction at Koenig & Bauer

Guideline for corporate policy based on the United Nations Framework on Business and Human Rights ("Protect, Respect and Remedy")

Terms and conditions of purchase

Code of Conduct for Suppliers

## Measures 2021/22

Koenig & Bauer provides good working conditions for employees offering high standards of occupational health and safety with permanent unfolding of various occupational safety measures. Dedusting, extraction and solvent distillation plants as well as improved sound insulation in the production and assembly halls reduce workplace emissions such as noise, dust and odor. Supply air systems ensure fresh air at a controlled temperature directly at the workplace. In the reporting period, several measures are being taken to achieve further improvements in safety and ergonomics. Regular checks and consultations are held to monitor compliance with health and safety regulations and to make recommendations for optimizing work processes

Continuous update of the hazard assessments. Regular instruction and training seek to raise employees' awareness of any hazards that may arise

In the course of the reporting period, extensive analyses of workplace accidents are performed as a basis for defining preventive measures for reducing these incidents. At the same time, the monthly report on accident frequency rates by business unit and department facilitates the development of targeted responses. Potential hazards are addressed and highlighted in special monthly campaigns

Continuous offers from the occupational health management relating to workplace health promotion and prevention. Individual counselling and training sessions are used to teach employees health skills and encourage them to work in a health-conscious manner

Active representation through the works council allows industrial action or strikes to be avoided, as it is possible to reach a consensus between differing interests. All topics of relevance that appear in statutory regulations or collective agreements are discussed at length between members of group management and corresponding employee representatives. In addition, Koenig & Bauer regularly shares transparent information on planned changes

Cosmopolitanism and tolerance are core components of Koenig & Bauer's corporate policy. At its Radebeul site it supports the association "Business for a Cosmopolitan Saxony" by taking specific measures to assist and promote the integration of newcomers and immigrants in the local economy. Refugees who have fled their

country for political or religious reasons are completing vocational training at Koenig & Bauer or have started work directly and are now part of the regular workforce. In the reporting period, twins from Afghanistan begin vocational training to become mechatronics technicians at the Koenig & Bauer plant in Radebeul

The selection of and cooperation with business partners are subject to initial and ongoing reviews. As part of the digitalized compliance check, business partners express their commitment to the code of business conduct and receive compulsory training on Koenig & Bauer's compliance standards. The purchasing conditions impose on external business partners a duty to respect employee rights and to observe labor law. The code of conduct for suppliers included in the terms and conditions of purchase also stipulates the observance of statutory and contractual quality and safety standards as well as environmental requirements particularly in connection with the use and processing of hazardous substances. Suppliers particularly undertake to refrain from using child labor and to avoid any form of discrimination

Koenig & Bauer makes sure to offer all employees equal opportunities. The company wants to additionally consolidate equal opportunities as the basis for personnel decisions. Respectful and responsible interaction with each other and the prevention of all forms of discrimination are an integral part of its corporate culture. Koenig & Bauer wants to ensure discrimination-free workplaces for employees regardless of gender, age, disability, religion, origin or sexual orientation and promote inclusiveness. People with restricted mobility also have a place in Koenig & Bauer's regular workforce

### Achievements 2021/22

Setting the strategic ESG goal: minimization of workplace accidents

An important core objective is to promote the health of our individual employees, to eliminate work-related hazards and to minimize the number of workplace accidents. Alongside expansion of our health management activities, goal-oriented training sessions, advice, and safety briefings are expected to sharpen the employees' awareness for potential hazards

Setting the strategic ESG goal: continued promotion of diversity

Continuing to strengthen the already high degree of diversity that Koenig & Bauer has achieved in terms of gender, age, internationality and background experience is another important objective. Particular emphasis is placed on the current focus project to establish a level playing field for women

At the end of 2021, the proportion of women stood at 25% at the first management level and at 12.5% at the second management level below the Management Board at Koenig & Bauer AG. These ratios had stood at 14.3% and 6.7%, respectively, one year prior to this

Setting the strategic ESG goal: increase in activities against racism and discrimination

To supplement the commitment to diversity as an element of our corporate culture, there were further activities to support the fight against racism and discrimination

Setting the strategic ESG goal: sustainability along the supply chain

The incorporation of the topic of sustainability into Koenig & Bauer's purchasing process and the observance of comprehensive due diligence obligations demonstrate the commitment to preservation and the protection of the environment and, as the Koenig & Bauer Group, we take our responsibility towards society seriously

Comprehensive organizational measures were implemented to ensure the occupational safety of all employees, particularly during the Covid-19 pandemic. These include:

Optimization of the flexible work offer

Travel restrictions and safety and hygiene measures at all Koenig & Bauer sites

## **Environmental protection**

PRINCIPLE 7: Preventive environmental protection

PRINCIPLE 8: Promoting greater responsibility for the environment

PRINCIPLE 9: Dissemination of environmentally friendly technologies

## Commitments and management systems

Environment certification according to ISO 14001

Quality certification according to ISO 9001

Energy management system according to ISO 50001

Koenig & Bauer waste guideline

Koenig & Bauer climate protection target: CO2 neutral by 2030

Koenig & Bauer is planning to reduce CO2 emissions (scopes 1 and 2) in its production plants by 75% by 2025 – compared to the reference year 2019 – and aims to achieve CO2 neutrality by 2030

Koenig & Bauer strategic ESG goal: Sustainability enabler for the customers by supporting them as a technology partner in their efforts to reduce their ecological footprints

## Measures 2021/22

A permanent focus of Koenig & Bauer's work is on minimizing the consumption of energy and resources in production as well as on reducing workplace emissions. Koenig & Bauer is consistently investing in efficient technologies and equipment to this end. In Q1 2022, decision for an investment in two new induction melting

furnaces and adjunct technologies for optimization within the limits of the current permit with more energy efficiency

Koenig & Bauer is focusing on pursuing some projects to improve its carbon footprint. By 2024 at the latest, the transition to almost carbon-neutral district heating generated with green energy will be completed at the Radebeul site. The supplier GETEC predominantly uses biomass from wood pellets and solar thermal energy to generate heat for district heating. Along with the photovoltaic arrays that have already been installed on the facilities in Radebeul and Mödling, there are plans for further expansion of the company's own power generation capacity. The location in Lausanne currently plans to cater to around 20% of its base load power requirements using a photovoltaic array that the property owner has installed on the roof. At the Würzburg and Radebeul locations, the potential for in-house power generation using photovoltaic arrays and other green sources of energy is being examined

A number of measures are incentivizing employees to reduce CO<sub>2</sub> emissions on their daily commute to work. The planned upgrade of the electric charging infrastructure in employee car parks is one such activity

Another direct contribution to climate protection can be made by means of sustainable travel management. Restrictions in business travel to a limited number of participants and important occasions is a significant sustainability lever. In addition, the carbon footprint of every business trip can be significantly improved by means of targeted travel planning including the selection of the method of transport. In the reporting period, Koenig & Bauer has modified the Group Policy on Company Travel to reflect this strong commitment to more sustainable business trips

Energy savings at the plants are a further important pillar of Koenig & Bauer's sustainability activities. In addition to replacing transformer stations and ventilation technology, this is being aided by the modernization of production and distribution systems for electricity, compressed air and heat at the Würzburg and Radebeul sites. Another component in its efforts to reduce electricity consumption while simultaneously improving working conditions is the accelerated replacement of lighting systems with highly efficient, automatically controlled LED technology at the plants

With regard to its products, Koenig & Bauer views sustainability and climate protection as part of its responsibility towards future generations. Specifically, this is already opening up a wide range of opportunities for placing new products, equipment options and services on the market. Accordingly, Koenig & Bauer pays attention to energy and resource efficiency in the production process and in the operation of the presses and equipment when developing and designing its products. A further focus is placed on minimizing noise, dust, odor and carbon emissions during the production and utilization of its presses as well as the use of environment-friendly substrates and consumables in the printing, finishing and postpress processes. When considering the environmental impact of the products, Koenig & Bauer also takes account of the recyclability of the equipment. The components made of steel and grey cast iron are fully recyclable

Responsible use of resources also includes sustainable waste management. Koenig & Bauer avoids waste as far as possible, while waste that cannot be avoided is disposed of correctly in accordance with the legal requirements. With disposal activities, a distinction is drawn between hazardous and non-hazardous materials and between waste recycling and removal. The remeltable metal waste generated in metal-cutting activities in Würzburg is an important raw material in foundry operations

### Achievements 2021/22

Reduction in Scope 1 and Scope 2 CO<sub>2</sub> emissions by 58.5%

Koenig & Bauer has made significant progress towards its sustainability objectives in 2021 which intend to implement carbon-neutral operations in all its production plants by 2030. Now that all its power is being purchased from renewable energy sources, the Scope 1 and Scope 2 CO<sub>2</sub> emissions in 2021 have already been reduced by 58.5% at the Group's major production sites in Würzburg and Radebeul in comparison to the base year 2019. After recording 20,561.5 tons in CO<sub>2</sub> emissions over the reference period, this figure fell to 8,530.7 tons of CO<sub>2</sub> in the financial year 2021

The combined approach of smarter furnace technology and heat recovery leads to a significant reduction in electricity and gas consumption, e.g. saving 1,050 MWh gas annually. Finally, around 8% of natural gas consumption at the Würzburg site will be substituted by using waste heat after installing the new furnace in the foundry at the end of 2022

Koenig & Bauer has incorporated energy-saving technologies in its products to lower carbon emissions in industrial printing. The VariDryBlue drying system is one example for an energy-efficient solution. Energy requirements for drying water-based dispersion coating can be reduced by 22%. This is done by using the hot air twice in the dryer modules

In banknote printing, Koenig & Bauer has developed a system for reducing the carbon emissions of intaglio presses by lowering power requirements. Intaglio presses require a wiping solution which must be pre-heated before use. On the other hand, some parts must be cooled by means of thermoregulation. In order to conserve and reuse energy, a power-saving unit has been developed to harness the synergistic effects between thermoregulation and the provision of a preheated wiping solution. This solution in combination with compressed air saves approximately 83 kW per hour during operation of the intaglio printing press. If all intaglio presses in operation were to use this system, the carbon footprint of banknote printing could be reduced by around 45,000 tons of carbon dioxide per year

Banknote printing presses are as a rule equipped with conventional UV lamps for curing the inks during or at the end of the printing process. As an alternative to this, Koenig & Bauer offers UV-LED systems. This does away with the need for air extraction and lowers energy consumption by roughly 45% per press. In addition, UV LED lamps have a far longer service life, do not contain any mercury and do not give off any ozone. If all of Koenig & Bauer's banknote customers were to use this new LED technology, carbon emissions could be reduced by around 10,000 tons a year

Further innovative solutions in banknote printing permit greater resource efficiency through lower waste and a reduction of up to 25% in ink consumption on the intaglio printing presses. Ink consumption is optimized by aligning the paper to the length and position of the printing plate. The size of the stencil, which has a direct bearing on ink consumption, can be reduced significantly without impairing the print quality. If all intaglio banknote printing machines were equipped with this technology, around 2,500 tons of ink would be saved annually, while 5,000 tons of waste and the associated carbon emissions would be avoided. A current project is also making it possible to apply ink in the printing process only where it is needed. This reduces ink consumption by a further 25% to up to 50%

Separate sustainability section of Koenig & Bauer's website

## **Anti-corruption measures**

### **PRINCIPLE 10: Combating corruption**

#### Commitments and management systems

Compliance management system

Corporate compliance manual (combines business code of conduct, compliance rules and the main Group policies)

Corporate compliance guidelines

Corporate compliance trainings

Founding member of the Banknote Ethics Initiative (BnEI)

Establishing the KBA-NotaSys Integrity Fund, which sponsors international projects relating to the ongoing development of compliance processes and practices

#### Measures 2021/22

Compliance communication in various formats (communicated via the Intranet, the compliance officers at the subsidiaries or individual messages) especially to inform employees

13 online training sessions on the main aspects of compliance and the code of conduct are currently available throughout the Group. Available in several languages, they are mandatory for every new employee. The use of an IT process with the Koenig & Bauer Campus training management system, which is based on SuccessFactors, automatically ensures that training is held in cycles determined by risk criteria applicable to the employee's specific position

Starting the process of creating a new, updated compliance manual

Contents and activities of the compliance organization are reviewed on the basis of a compliance plan adopted in consultation with the Management Board and the Supervisory Board's Audit Committee at the beginning of each year

A regular compliance risk analysis forms the basis for the organization and processes. In addition to monitoring changes in the law and reported compliance risks, one component of the risk assessment entails the continuous sharing of information on the internal processes of the Group companies

All subsidiaries additionally submitted for the first time in the financial year 2021 a standardized report on their compliance situation as part of the fixed agenda of the meetings of the relevant supervisory bodies (e.g. boards, shareholder assemblies, supervisory boards, governance bodies)

The established, internal whistle-blower system is currently being replaced by a new online platform that will continue to ensure that potential compliance violations can be reported anonymously by employees and additionally also by third parties in contrast to the previous system. Under the Group policy, all suspicions are followed up consistently and, if necessary, disciplinary or legal action taken. This applies equally to reports by the media or authorities of any violations by Koenig & Bauer companies. In such cases, cooperation is sought to clarify the circumstances. Koenig & Bauer complies in full with any notification or cooperation duties

The preventive CMS measures are complemented by a regular review of their effectiveness to identify potential for improvement. In particular, internal and external compliance assessments are carried out periodically at Koenig & Bauer AG and its subsidiaries for this purpose

### Achievements 2021/22

7,541 compliance trainings courses had been completed in the financial year 2021, about two third were directly related to anti-corruption precautions. Compliance is a key topic covered by e-learning online sessions at the Koenig & Bauer Campus

Due to the Covid-19 pandemic, only a small number of face-to-face training sessions were held in the financial year 2021

Tones from the top in various Group companies on the contents of the anti-corruption guidelines

The ongoing analysis of possible compliance risks is a decisive prerequisite for the Koenig & Bauer's ability to continue meeting the high standards of rule-compliant business conduct and integrity in the future. The analyses conducted in the individual business units in the financial year 2021 did not indicate any new compliance risks, nor were any suspected compliance violations confirmed

Separate compliance section of Koenig & Bauer's website

Code of Conduct of the Koenig & Bauer Group for suppliers and business partners on the compliance website



Access for employees and third parties to the whistleblower system on the compliance website