

Sustainability  
is a team effort

## 2015 Highlights

- KRONES increased value creation by 9.4% to €1,136 million, of which €919 million went to employees.
- At the end of 2015, 70% of our machines had been evaluated under the rigorous criteria of our enviro 1.0 or enviro 2.0 programmes.
- Energy consumption came to 36.8 MWh per €1m in revenue, a reduction of 4.9%.
- We employed 3,579 people at our international sites in 2015. That is 9.1% more than in the previous year.
- 66% of our charitable donations and sponsoring budget went towards social causes, the rest towards civic, academic/scientific, and athletic projects or events.

		2015	2014	Change
Revenue	€ million	3,173.5	2,953.4	+7.5%
EBT	€ million	223.3	191.8	+16.4%
Consolidated net income	€ million	156.3	135.7	+15.2%
Value added	€ million	1,136	1,038	+9.4%
Capital expenditure for PP&E and intangible assets	€ million	102.6	94.6	+8.5%
Equity	€ million	1,110.7	988.5	+12.4%
Total CO <sub>2</sub> emissions (Scope 1, Scope 2)	metric tonnes	38,164	35,310	+8.1%
Total CO <sub>2</sub> emissions per € 1 million in revenue (Scope 1, Scope 2)	metric tonnes	12.00	11.95	+0.42%
Water consumption	m <sup>3</sup>	131,043	115,948	+13.1%
Water consumption per € 1 million in revenue	m <sup>3</sup>	41	39	+5.1%
Total waste generated	metric tonnes	17,508	16,099	+8.8%
Total waste generated per € 1 million in revenue	metric tonnes	5.52	5.45	+1.3%
Employees at 31 December				
Worldwide		13,346	12,624	+722
Germany		9,767	9,344	+423
Outside Germany		3,579	3,280	+299
Employee turnover rate	%	1.8	1.7	+5.9%
Women in the workforce	%	13.6	13.6	±0%

## Sustainability is a team effort

Working together towards long-term goals inspires, fosters communication, and – not least – offers great potential for success. We believe that sustainability is one of the most valuable goals we can strive to achieve. It ensures the continued viability of the environment in which we live, reflects our values, and safeguards our future. KRONES' commitment to sustainability extends beyond our company and our employees into our interactions with customers and suppliers. Our obligation to doing business sustainably goes all the way back to the company's earliest days.

Going forward, we continue to rely on our team as they collaborate with our customers to develop sustainable solutions. The KRONES Sustainability Report provides an overview of our team's accomplishments so far.

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This Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. It fulfils the criteria of the “Core” option.

The reporting period is from 1 January 2015 to 31 December 2015. The previous report was published in May 2015 for the year 2014. The Sustainability Report is published annually.



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Dear readers,

Continuity and teamwork are essential aspects of KRONES' approach to sustainability. Our unyielding dedication to three equally important factors – high customer satisfaction, innovation, and strong financial performance – has been crucial to our commercial success and sustainable business development. But our attention to the big picture and to ensuring that our actions honour our environmental, social, and civic responsibilities also plays an important role. We are once again documenting these efforts in our Sustainability Report for the year 2015. This report covers all of the key issues relating to corporate social responsibility specific to our company.

Our corporate responsibility and the policies with which we meet it are guided by the ten principles of the UN Global Compact, of which we have been a member since 2012. Our Code of Conduct carries these principles into our day-to-day business practices. In 2011, we developed the Value programme in order to prepare for the challenges of the future and set clear priorities with respect to our company's long-term strategy. The strategic goals at the programme's heart are profitability, growth, innovation, and quality. Applied to our company's sustainability, they make international growth and securing jobs at our international sites key pillars of our strategy in the short and medium terms. For this reason, innovative developments within our machinery portfolio and investment in training and continuing education for employees at our international sites are high priorities.

All of our activities are aimed at cultivating and maintaining close, long-term partnerships with our customers, the most important factor for our company's own long-term success. Even after we have put our plants into operation, we continue to support our customers with made-to-measure packages that help ensure optimal performance across the entire value chain. That enables our customers to use our machines for a very long time and thus contribute to resource conservation.

We observe our business environment very carefully and derive our strategies from current trends. What trends do we expect to influence our business model? With respect to our sustainability strategy, three are especially salient: world population growth and continued urbanisation, rising prosperity of the middle class, and changes in production resulting from digitalisation. We will take all three trends into careful account in our long-range forecasting and planning and in the development of our products.

The first trend, global population growth, ensures that packaged beverages will remain a popular product for consumers worldwide and an indispensable part of urban lifestyles. For this reason, we expect demand for our machines and lines to increase steadily in the years ahead. In developing solutions for markets with



*Customised packages give our customers targeted support to ensure their machines' and lines' longevity.*

high population growth, we will of course take into account prevailing local factors such as family types and forms and living conditions. It helps to be able to draw on direct input from our local employees and quickly access information on the demands that will be placed on our equipment in the regions. That is one of the many reasons we are developing strong local sites and further promoting our group's internationalisation. With it, we are securing quick access to the markets and their requirements.

The second trend, rising prosperity among the middle classes, is also driving our company's development. These groups are especially receptive of new products and packaging types. Of course, our machines have to meet the needs of the individual markets. To this end, we are continually assessing and evolving our design and research activities to make our range of machinery more and more modular.

The third key issue is digitalisation. We see enormous potential here for shaping our customers' future production processes. We will work intensively on all aspects of digitalisation with the ultimate goal of supporting our customers' sustainable business models with new technology solutions.

*Digitalisation offers great potential for making our customers' production processes more sustainable.*

Sustainability is always a team effort. KRONES owes its excellent position to the hard work of our entire team – our people. And I'm not referring only to our achievement of economic targets but also to the concerted efforts to enhance efficiency, shared responsibility for conserving resources, and the excellent collaboration between our sites in Germany and around the world. When looking back over the past year, I would like to point out, as our business results demonstrate, that we are progressively nearing our Value targets. Other highlights include our decision to further develop our Taicang site, where we will continue to strengthen the high standards at our Chinese plant, and our establishment in 2015 of a CO<sub>2</sub> reduction target for our German sites. These measures – and, of course, the myriad others reported here – will continue to demand our full attention. None of these goals can be achieved without great continued effort, which is exemplified by the continual improvement of our enviro programme.

I am certain that our team is up to the challenges of the present and the future. I would like to thank all of our employees for their contributions and achievements thus far and for their ongoing commitment and great loyalty to our company. Once again in 2015, we have demonstrated what great things a competent, deeply committed team can accomplish in terms of corporate sustainability.



Christoph Klenk  
CEO



KRONES COMPACT

Our customers understand that we deliver holistic solutions and support, from stand-alone machines to complete factories. For us, that means going above and beyond building machines and lines to discussing strategic questions with customers and offering and selling real solutions. Of course, that also includes addressing matters like resource conservation and reducing media consumption.

At KRONES, it's never just about numbers. It's also about people. But numbers and improved profitability are essential to continuity. They provide the strong foundation we need to grow in the best interest of our employees, customers, and shareholders. And growth also means investment in the research and development of sustainable products.

Whether we're talking about innovative production concepts, line efficiency, reducing costs, or sustainable energy concepts, we look at our customers' needs and expectations and offer the best fit in systems and solutions. As a partner with an international presence, we collaborate with our customers to develop sustainable, long-term strategies for beverage production and for filling, packaging, and logistics.

Rainulf Diepold  
Sales and Marketing

Michael Andersen  
CFO  
Finance, controlling,  
strategic purchasing

Christoph Klenk  
CEO  
HR, communication, quality,  
information management





KRONES stands by its customers throughout their lines' entire life cycle. We have developed a broad, global network to directly provide our customers with all of the services they will need as long as their machines and lines are in operation. In that way, we ensure our machines' longevity and sustainability.

Markus Tischer  
International Operations and Services

Every new and evolving development is designed with sustainability in mind to ensure that our customers always receive sustainable, resource-saving products. Our enviro 2.0 management system and every stage of our product development process ensure powerful improvements that save energy and resources and reduce costs.

Thomas Ricker  
Bottling and Packaging Equipment

As part of our push towards internationalisation, we are developing processes to decentralise the handling of projects. This effort includes using the country-specific engineering capabilities available at our production sites in the regions to manufacture our machines and lines and even procure components locally. Thus, we are building on our long-term cooperation with our offices worldwide.

Ralf Goldbrunner  
Plants and Components

KRONES delivers complete plants from a single source to customers in the beverage industry. Our unique mix of expertise enables us to keep our customers' investment and operating costs low. Of equal importance, we ensure that our customers can reliably produce their products at the highest level of quality.

We deliver not only all of the machines and lines necessary for producing, filling, and packaging beverages. We also provide complete logistics systems, supply and disposal systems, and state-of-the-art IT solutions that manage and document all production processes. We always strive to ensure that all buildings are customised to optimally meet our customers' specific production criteria.

The model of a complete beverage plant below provides a brief overlook of our offerings.

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

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

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

KRONES incorporates a comprehensive project planning phase in which we not only design the ideal layout of the production halls but also tailor buildings such as administration **4** and laboratories **5** to the customer's specific requirements.

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



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

KRONES' subsidiary SYSKRON delivers fully automated high-bay warehouses **8** that ensure highly efficient material flows.

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

In the beverage industry, the diversity of products is growing and volumes per item are shrinking. Order-picking and distribution **10** have to accommodate. KRONES offers solutions that are precisely tailored to these needs.

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

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



KRONES develops, plans, manufactures, and installs machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries.

The KRONES Group is organised in three segments:

■ **Machines and lines for product filling and decoration**

This is KRONES' biggest segment, offering machinery and systems for labelling, filling, inspection, bottle washing, and PET bottle production.

■ **Machines and lines for beverage production/process technology**

This segment comprises brewhouse and filtration technology for the brewing industry and the complete production of non-alcoholic beverages, ready-to-drink teas, and alcoholic mixed drinks.

■ **Machines and lines for the compact class**

In the Compact Class segment, KRONES subsidiaries KOSME and GERNEP offer a product range of filling and labelling technology similar to that of our "machines and lines for product filling and decoration" segment, but for the lower output range.

KRONES posted revenue of over €3.17 billion and generated net income of €156.3 million in 2015. The company generated 88% of revenue outside Germany in 2015.

At 31 December 2015, the KRONES Group employed 13,346 people. The company's headquarters and largest production site is Neutraubling, Germany. Production also takes place at plants in Nittenau, Flensburg, Freising, and Rosenheim, Germany. In addition, KRONES has a network of around 40 companies outside Germany that offer a variety of products and services for the entire life of a line. The subsidiary KOSME manufactures its products in Italy and Austria.

*With its three operating segments, KRONES holds a leading position in the market as a full-service supplier.*

*KRONES generated the highest revenue in the company's history, over three billion euros, in 2015.*

*KRONES is committed to producing its new machinery Germany. Because exports make up a large share of the company's revenue, KRONES is steadily expanding its workforce at sites worldwide.*

#### Key figures for the KRONES Group

		2015	2014
Revenue	€ million	3,174	2,953
Export share	%	88	90
Earnings before taxes	€ million	223	192
Consolidated net income	€ million	156	136
Earnings per share	€	4.98	4.30
Total assets	€ million	2,707	2,428
Equity	€ million	1,111	989
Employees (at 31 December)		13,346	12,624
In Germany		9,767	9,344
Outside Germany		3,579	3,280
Dividend per share	€	1.45*	1.25

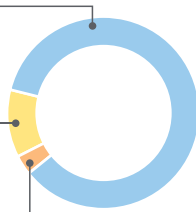
\* As per proposal for the appropriation of retained earnings

### KRONES Group – Share of consolidated revenue

Machines and lines  
for product filling  
and decoration  
85.3% (€2,705.9 million)

Machines and lines  
for beverage production/  
process technology  
11.3% (€358.7 million)

Machines and lines  
for the compact class  
3.4% (€108.9 million)

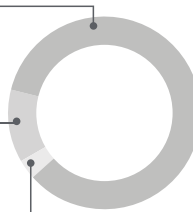


Revenue in 2015: €3,173.5 million

Machines and lines  
for product filling  
and decoration  
84.4% (€2,492.7 million)

Machines and lines  
for beverage production/  
process technology  
12.1% (€358.7 million)

Machines and lines  
for the compact class  
3.5% (€102.0 million)



Revenue in 2014: €2,953.4 million

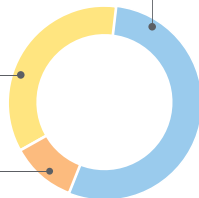
*Our core segment contributed 85.3% of consolidated revenue in the reporting period.*

### KRONES Group – Revenue by industry

Non-alcoholic beverages  
54.3%

Alcoholic beverages  
34.8%

Food, chemicals,  
pharmaceuticals,  
cosmetics 10.9%

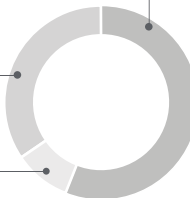


Revenue 2015: €3,173.5 million

Non-alcoholic beverages  
56.0%

Alcoholic beverages  
34.4%

Food, chemicals,  
pharmaceuticals,  
cosmetics 9.6%



Revenue 2014: €2,953.4 million

### KRONES Group revenue by region

	31 Dec 2015		31 Dec 2014		Change %
	€ million	%	€ million	%	
Germany	382.3	12.0	282.1	9.6	+ 35.6
Central Europe (excluding Germany)	152.8	4.8	163.3	5.5	- 6.4
Western Europe	513.3	16.2	450.8	15.2	+ 13.9
Eastern Europe	90.5	2.9	87.7	3.0	+ 3.2
Russia, Central Asia (CIS)	82.2	2.6	108.5	3.7	- 24.2
Middle East/Africa	431.8	13.6	422.8	14.3	+ 2.1
Asia-Pacific	489.9	15.4	532.7	18.0	- 8.1
China	289.1	9.1	258.6	8.8	+ 11.8
North and Central America	437.5	13.8	274.0	9.3	+ 59.7
South America/Mexico	304.1	9.6	372.9	12.6	- 18.4
<b>Total</b>	<b>3,173.5</b>	<b>100.0</b>	<b>2,953.4</b>	<b>100.0</b>	<b>+ 7.5</b>

*KRONES' revenue was more or less evenly split between the emerging markets and the mature markets in 2015.*

*More figures and information about our business development are in the 2015 Annual Report.*

## Legal form

Stock corporation under German law (Aktiengesellschaft, AG)

## Executive Board

**Christoph Klenk**, CEO, Human Resources, Communication, Quality, Information Management

**Michael Andersen**, CFO, Finance, Controlling, Strategic Purchasing

**Rainulf Diepold**, Sales and Marketing

**Thomas Ricker**, Bottling and Packaging Equipment

**Markus Tischer**, International Operations and Services

**Ralf Goldbrunner**, Plants and Components

In addition, each of the group companies is the responsibility of two members of the Executive Board.

## Supervisory Board

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

The Supervisory Board appoints the members of the Executive Board and approves important corporate decisions.

The structure of the remuneration system for the Executive Board was discussed in detail and determined by the Supervisory Board on the basis of the recommendations contained in the German Corporate Governance Code. Details can be found on pages 136 to 141 of KRONES' 2015 Annual Report.

## Shares

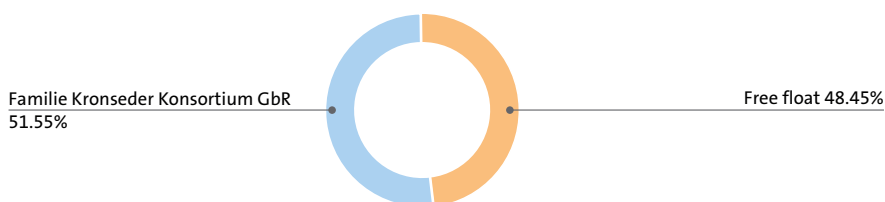
KRONES shares are no par value ordinary bearer shares. Each share carries one vote. The stock has been listed and available for trading on all German stock exchanges since 29 October 1984. KRONES' share capital of €40.0 million is divided into 31,593,072 shares. KRONES is included in the MDAX share index,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

*Inclusion of Executive Board Chairman Christoph Klenk in the CSR Committee ensures that KRONES AG's highest decision-making body is directly responsible for economic, environmental, and social performance.*

*Information on shareholder rights pursuant to Section 121 (3) Sentence 3 Number 3 of the German Stock Corporation Act (AktG) can be found at [http://www.krones.com/downloads/160426\\_Erlaeut\\_Akt\\_Recht\\_e.pdf](http://www.krones.com/downloads/160426_Erlaeut_Akt_Recht_e.pdf).*

*In addition, information on how shareholders can exercise their voting rights is available (in German only) at [http://www.krones.com/downloads/eVollmacht\\_Krones\\_2016-160513.pdf](http://www.krones.com/downloads/eVollmacht_Krones_2016-160513.pdf)*

KRONES Group – Shareholder structure as of December 2015



*The Kronseder family consortium retains a 51.55% stake and remains a stable majority shareholder of KRONES AG. The free float (those shares not held by the family) comes to 48.45%.*

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

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



### **KRONES' mission statement**

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

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

### **Profitable growth**

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

### **Global network**

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

All strategic decisions are aimed at ensuring the company's sustainable development. Even when optimising profits and cash flow in the short term, we still keep sustainability sharply in focus. This makes KRONES a dependable partner for our customers, employees, shareholders, and suppliers. Our financial strength gives us independence. We use resources wisely in order to safeguard this freedom for the long term.

Our sites around the world form a global value chain that serves as the very foundation of our success. Each of our core modules is built at only one site, with exceptional cost-effectiveness. These sites concentrate our expertise and experience in the relevant technology. To secure this advantage for the long term, KRONES offers attractive working conditions, promising training opportunities, and plenty of room for individual development at all of our sites worldwide. Transparent hierarchies, appreciative leadership, and clear goals inform our corporate culture. To stay agile and competitive going forward, we keep our structures lean and efficient.

### Fair and forthright interactions

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

**KRONES – We do more.**

### KRONES Code of Conduct

#### Ensuring that our employees' actions are ethical and lawful

KRONES has been a constant in the beverage and packaging machinery market for many years. We strive to maintain the solid reputation we have earned and further develop our position as market leader.

To accomplish this and to transparently document our social and civic responsibility, we have developed our Code of Conduct on the basis of our mission statement. It is intended to ensure that our actions are always lawful, ethical, and responsible, both within and outside the company. The clear, unequivocal rules laid out in the Code of Conduct are binding for all KRONES employees – including the Executive Board, management, and every member of our staff worldwide. The provisions of the Code of Conduct form an integral part of every employment contract at KRONES. All employees within the KRONES Group abide by local national laws in their implementation of the Code of Conduct.

In this way, we can be certain that our employees act in accordance with clear rules that are easy to understand and follow and therefore serve as a guide for one's daily work. Compliance with laws, standards, policies, and guidelines company-wide is thus assured. All employees are expected to not only comply with the guidelines in the Code of Conduct in a formal sense but to live and breathe them. That engenders the culture of openness and compliance that informs our activities daily. To communicate this expectation credibly and reliably, both within and outside the company, we systematically investigate and take disciplinary action on violations of the Code of Conduct.

*The Code of Conduct is available online at [http://www.krones.com/downloads/CoCo\\_2016\\_en.pdf](http://www.krones.com/downloads/CoCo_2016_en.pdf).*



## KRONES' Suppliers' Code

### Responsibility is also an important factor within our value chain

Our high standards of ethical, sustainable action are not limited to our own workforce. We also seek to bring these standards into our suppliers' realm of consciousness. For that reason, we prefer to work with suppliers that are also committed to ethical, sustainable business practices. Our Suppliers' Code is integral to our communication with suppliers on this topic. It is binding for all suppliers and subcontractors. It is part of our general terms and conditions of doing business and therefore a provision of every contract.

Our Suppliers' Code covers working conditions and human rights, workers' health and safety, environmental impact and resource conservation, and ethical practices in all business processes. Knowledge of and compliance with the Suppliers' Code is reviewed as part of our quality assurance audits.

In addition, KRONES requests documentation of third-party certifications when establishing any new supplier relationships. From this, we can see what sort of standards a potential supplier holds itself to. The request for existing certifications is part of the initial self-disclosure within the supplier registration and selection process.

## Corporate Governance

### Ensuring responsible corporate governance

KRONES is committed to corporate social responsibility and follows the recommendations of the German Corporate Governance Code ("the Code"). The Executive Board and the Supervisory Board report on Corporate Governance in accordance with Item 3.10 of the Code. The German Corporate Governance Code contains essential statutory regulations for the management and supervision (governance) of German listed companies as well as internationally and nationally recognised standards for good and responsible corporate governance.

*The Suppliers' Code can be found at [www.krones.com/downloads/krones-supplier-code\\_en.pdf](http://www.krones.com/downloads/krones-supplier-code_en.pdf)*

*Details can be found on pages 146 to 151 of our 2015 Annual Report and on KRONES AG's website.*

Our Compliance Management System provides oversight of proper business practices within our company. It helps ensure the ethics and integrity of all of our business activities as required under our Code of Conduct. Our aim is to ensure a uniform, comprehensive, and comprehensible understanding of corporate governance and compliance at all of our group sites.

Our Code of Conduct and Suppliers' Code, together with the established body of standards and policies, form the basis for all activities within the KRONES Group. All business processes must be conducted in accordance with the law and our own voluntary standards. First and foremost, it is crucial that our employees understand the importance of ensuring that all activities are lawful and transparent. In other words, we foster a vibrant culture of compliance. Apart from compliance with laws, regulations, and all internal and external policies and directives, the processes that make up our Compliance Management System also cover fulfilment of all contractual and voluntary commitments. Integration of all compliance activities, such as processes relating to customs and foreign trade, quality management, and the processes relating to all aspects of our procurement strategies, is established and clearly defined within our organisational structure. The compliance team and department heads develop principles and standards of conduct in accordance with specific procedures. All policies are reviewed and approved by the department heads and the Executive Board as a whole. Compliance with the policy is then monitored on a regular basis as part of day-to-day operations. In 2015, no significant fines or non-monetary sanctions were issued for non-compliance with laws and regulations.

### Clear structures for an effective compliance system

The Compliance Management team reports directly to the Chief Financial Officer and consists of the Compliance Officer and the Compliance Committee. By integrating this comprehensive, effective, and transparent system into our group structure, we are establishing standards of compliance that apply uniformly across all levels of the company and at all of the company's sites worldwide. As is the case for other areas, we foster a culture of trust with respect to compliance. That means that the first place an employee should turn with questions or concerns relating to ethical, lawful behaviour or other compliance-related matters is his or her immediate superior. As an alternative or in addition, such matters can be taken to the human resources department at our German sites or, at our international sites, to the Compliance representative or the Compliance Officer. As a further option, we launched a Compliance help desk in 2015. This central point of contact can be used to inquire about corporate governance topics and compliance as well as to report possible violations of laws or rules within the KRONES Group's activities. The help desk, which is available in Germany and abroad, maintains absolute confidentiality.

*Our Compliance system is based on a culture of trust. Employees are encouraged to discuss questions relating to proper behaviour with their immediate superiors as the first point of contact.*

## Actions taken in 2015

The major components of the compliance system are prevention, detection, and response. Actions derived from these components were launched at KRONES AG in 2013 and 2014. Under “prevention”, we conducted a comprehensive training programme on compliance and the Code of Conduct. It is designed as in-person training for management-level employees, members of our finance and accounting team, and employees who are exposed to increased risk by virtue of their responsibilities. All other employees are trained in an e-learning environment or by group leaders. At our sites outside Germany, the managing directors and management-level employees of the offices visited also received in-person training. E-learning was provided for all other employees. To date, 12,232 employees have received compliance training.

Because employees log on to the course with their personal employee ID number, successful completion is verified. Results are linked back to the HR department. In order to pass the test that is integrated into the programme, employees must earn a score of at least 75%. Otherwise, the employee must retake the e-course. Minimum time periods for working through each topic ensure that the chapters are read thoroughly. Since the start of 2015, the international offices have also been made familiar with the requirements of the compliance system. The roll-out of the compliance system at our international sites began with an inventory of conditions on-site and applicability of the e-learning programme. In addition to the e-learning programme launch at the designated sites, on-site Compliance representatives were appointed. The compliance structures and the e-learning programme will be rolled out at all remaining sites in 2016.

## Fostering vigilance with respect to compliance

Ongoing employee education is an important part of our compliance strategy. In 2016, we will be focusing on the anti-corruption programme that was adopted in 2015 and the new policy on situations with corruption risk. The training is mandatory for all employees who have contact with partners outside the company and will be given to around 1,500 employees in 2016. In addition to this training, further policies are available against which employees can review their own actions. A colour-coded system enables employees to quickly check whether specific actions are permissible. Certain target groups whose duties expose them to higher risk with respect to compliance receive special training. In particular, these are employees in sales, purchasing, and service. Beginning in the fourth quarter of 2016, we will offer a refresher course for employees to renew their awareness of important compliance-related issues.

Spot checks at the national and international levels enable us to verify compliance with major group policies. In order to ensure a high level of compliance among our suppliers, logistics partners, and agents, we are launching due-diligence audits on these business partners, starting with web-based research.

*No incidents of corruption are known to have occurred in 2015. Employees who are at higher risk in this regard because of their duties and responsibilities are provided with the anti-corruption policy as a guideline for avoiding such risk. No legal actions were initiated for anti-competitive behaviour, anti-trust, or monopoly practices.*

Compliance training

- Consulting/ advice
- Risk analysis
- Codes
- Policies and directives
- Training etc.

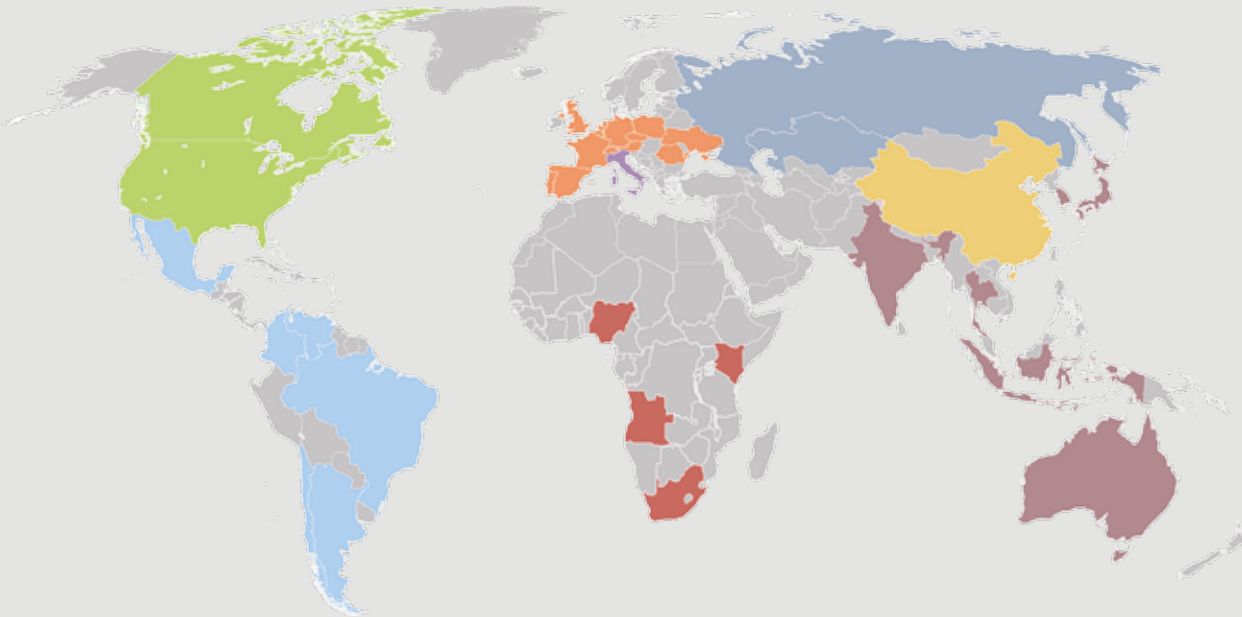


- Lessons learned
- Findings are translated into new actions
- Management of compliance incidents

- Standard audit coordination/parameters for internal review
- Compliance review – spot checks

*“Prevent” accounted for around 60% of the Compliance team’s work volume in 2015, as they worked to establish a uniform understanding of compliance worldwide. “Detect” entails detailed reviews of processes in an effort to identify potential for optimisation in business transactions and derive standards of conduct. This area accounted for around 25% of the workload in 2015. “Respond” is directly linked to activities relating to issues and current needs arising from day-to-day operations and made up around 15% of the workload.*

Compliance worldwide – introduction of compliance activities in the regions



- Europe
- Italy
- South Africa/Nigeria/Kenya/Angola
- USA/Canada
- China
- Asia-Pacific
- South America/Mexico
- Russia/Kazakhstan

*The roll-out of compliance activities at our international sites, which was planned for 2015, has begun. Starting in late 2015, e-learning measures were launched at designated sites. In 2016, the focus will be on Europe and Russia. Any remaining companies will be covered in 2017. The e-learning programme is available in German, English, Portuguese, and Chinese. Spanish and Russian versions are planned for 2016.*



Our Compliance Team – Compliance Officer Welf Kramer, Gudrun Meyer-Gruber (right) and Katrin Dziewit (left) – stands ready to address questions and concerns relating to compliance for all KRONES sites worldwide. They are supported by the local Compliance representatives in our LCS Centres worldwide.

KRONES AG's CSR Committee includes representatives from internal departments as well as participants from outside the company. As a result, KRONES' activities relating to sustainability are informed by the perspectives of various stakeholder groups. The Committee serves in an advisory capacity to the Executive Board.

The company's most senior decision-making body is directly included in the CSR Committee's activities. The CEO is a member of the Committee and participates in its meetings, which take place on a regular basis. Sustainability topics coming from the Supervisory Board reach the company's most senior decision-maker by way of the CEO and another member of the CSR Committee. The Executive Board team decides on the continued evolution of the CSR strategy.

The Committee draws on topic-specific support from specialists in the individual departments and maintains direct dialogue with the departments. The decisions and guidance derived from these discussions are effected by the Executive Board at the recommendation of the CSR Committee.

The CSR Committee met three times in 2015. In addition to these formal meetings, five workshops were held on the topics of environment, labour practices, and society. Individual members of the CSR Committee participated in these workshops. Three CSR Committee meetings are planned for the year 2016.

## Focal points of the CSR Committee's work

### Key topics in developing sustainability performance

- Customers are demanding more and more information about our sustainability performance, often requesting it from the CSR Team by way of customer-specific surveys. In addition, KRONES continues to use various sustainability platforms to present our activities. Our customers have access to these platforms.
- We are seeing from the various sustainability channels that customers and analysts want more information about our supply chain with respect to human resources and human rights. We are taking this need into account by expanding the information we ask our suppliers to provide in their self-disclosures.
- In our CSR reporting for the year 2014, we expanded our coverage of environmental topics. One example is the first-time presentation of emissions resulting from sea freight.
- The Committee discussed whether to seek recertification under a SMETA Ethical Trade Audit and prepared documentation ahead of the Executive Board's decision.
- The department members responsible for CSR reviewed and discussed the key aspects of the company's approach to sustainability in preparation for GRI G4 reporting. The CSR Committee and the Executive Board approved the new materiality matrix.

*The key aspects of our sustainability performance are presented in the GRI Content Index at the end of this report.*

## Projects overview

Departmental specialists presented their sustainability-related activities. The following topics were covered:

- Compliance
- Building expertise in Africa and China
- Strategy for the continued roll-out of the Integrated Management System (IMS)
- Progress on implementation of process model assessment under enviro 2.0

## Decisions reached on the topic of social engagement

- The new charitable giving and sponsorship policy and its roll-out at the group level were discussed.
- The Committee was informed about the holiday campaign, which was run again in our Neutraubling plant last year and expanded to the Rosenheim and Flensburg plants.

## Workshop results

The five CSR workshops yielded numerous ideas for developing our sustainability-related activities. Key concepts included generational change and diversity, the expansion of sustainability reporting to include our international sites, and the continuation of the enviro 2.0 programme.

- Generational change in the workforce: HR activities must always take into account changing motivations for employment and demands for work-life balance.
- Developing diversity remains a topic that must be managed under the individual purview of our various offices so that regional conditions can be taken into account. The Committee determined the following areas of focus with respect to diversity: equal opportunity for women and men, international workforce, considering all age groups, and respecting the needs of persons with disabilities.
- Expanding our reporting to international sites is a focus because it allows us to better take into account regional requirements for sustainability reporting, for example in India and the USA.
- Many ideas were generated regarding the further evolution of enviro 2.0 to continuously improve our sustainable machinery portfolio.

The Committee will discuss these topics in greater depth and detail with the departments in 2016 in order to derive possible actions.

*Activities relating to environmental factors include the ongoing implementation of the Value programme and the targets derived from it. Information on the progress of the Value programme is part of our financial reporting.*



#### KRONES AG's CSR Committee:

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

From left to right:

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

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

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

**Volker Kronseder**, until the end of December 2015, Chairman of the Executive Board of KRONES AG, bundles all of the Committee's initiatives and represents shareholders on the CSR Committee.

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

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

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

**Ingrid Reuschl**, Head of Public Relations and Web Solutions, Corporate Communications, is responsible for all issues relating to Corporate Social Responsibility within KRONES AG and reports on these topics to the CEO.

**Nico Irrgang**, Public Relations, Corporate Communications, supports department heads on all CSR activities.

Not pictured:

**Philipp Graf von und zu Lerchenfeld**, Member of the German Bundestag, advises the CSR Committee on all questions relating to political topics.



KRONES is committed to sustainability in all of its business practices. This commitment informs our activities with respect to economic, environmental, and social factors. We joined the UN Global Compact in 2012 and have made its ten principles the imperative basis for action within our company. The principles of the UN Global Compact are integrated into our Code of Conduct and our Suppliers' Code. We stand for high transparency and are registered on various platforms that focus on measuring a diverse range of parameters relating to companies' sustainability performance. We provide information to CDP, ecovadis, and Sedex. These platforms are an important source of information for customers and investors to assess our CSR activities.

Our actions are guided by the precautionary approach. We ensure this by means of detailed risk analysis, which underlies all decision-making on product development and the development of our production sites.

Our overarching corporate strategy, Value, also serves as the basis for defining our CSR strategy. The four pillars of Value – quality, profitability, growth, and innovation – cover all sustainability-related tasks. Thus, our master strategy takes into account topics relating to economic, environmental, and social responsibility topics.

Our employees are crucial to successful implementation of our Value strategy. With their innovative ideas, steady focus on customer needs, and high level of dedication, they enable us to strengthen and expand on our position worldwide. For this reason, we will continue to ensure that our people have a secure, suitable framework in which to operate. In the medium term, our CSR strategy with respect to labour practices and decent work is aimed at further developing the framework for our employees at our sites worldwide (see pages 100 to 127).

Offering a range of products that meet the highest sustainability criteria is another key component of our strategy. With the enviro programme, we offer our customers "best-in-class" machines and lines that operate as efficiently as currently possible with respect to resource and media consumption. This programme has been implemented across our entire product development process and offers reliable guidance for building eco-efficient machines. Certification of this management system enables us to apply standardised processes to the development of environmentally friendly machines (pages 56 to 69).



*All activities within our sustainability policy are directly related to the ten principles of the UN Global Compact. We are committed to these principles, which can be found online at [www.krones.com/en/responsibility/global-compact.php](http://www.krones.com/en/responsibility/global-compact.php)*

This environmental awareness is also alive and strong within our production sites. Conserving resources and reducing energy consumption are the main points. By defining a CO<sub>2</sub> reduction target, we have committed to taking responsibility for countering the possible consequences of climate change as a company. The CO<sub>2</sub> reduction target applies to direct and indirect energy-related emissions and aims to reduce these emissions by 30% to 40% per €1 million in revenue using 2010 as the base year. We also look at other indirect (Scope 3) emissions (pages 78 to 97).

Our society-related activities are constantly evolving. We see ourselves as a partner within our business environment and take our stakeholders' concerns into account. We will define further actions to take in this regard to further expand our involvement in the community and increase communication with stakeholders (pages 130 to 139).

Our sustainability efforts are based on the targets defined by the CSR Teams. Our annual CSR Report presents our CSR activities and the annual progress report required as part of our membership in the UN Global Compact. The CSR Teams review and, as needed, adjust the topics and aspects covered in our CSR Report on a regular basis. The CSR Report is reviewed and approved by the Executive Board prior to publication.

### **Evolution of sustainability topics**

We will review the ideas generated in the newly established CSR workshops on an ongoing basis, consult on them internally and integrate them into our strategy. This process still needs some fine tuning. We were able to integrate a broad, dedicated team of experts into the first round of workshops. That enables us to cast the CSR Teams' net even more broadly and integrate technical departments and their suggestions in a purposeful manner.

In 2016, in accordance with an Executive Board decision, we will prepare for expanding our CSR activities to our international sites and introduce the sustainability reporting guidelines there. Additional actions taken as part of our CSR efforts are described in the "Goals and actions" section of each chapter of this report.

## Big social picture as basis for detailed strategy

*Mr. Gerlach, how important are CSR topics in the Supervisory Board's development of strategies?*

Issues relating to sustainable business strategy are part of the training courses we attend on a regular basis in order to keep our Supervisory Board work up-to-date. Together with the Executive Board, we regularly take time to look at KRONES' overall strategy outside the traditional Supervisory Board meetings. We ask ourselves how the company is developing. Looking at societal changes and the associated environmental issues as well as the markets gives us a central theme that carries over into and guides our traditional Supervisory Board meetings. Looking at the big social picture is essential for our detailed strategy and investment plans. For example, for developing our machinery portfolio, where the enviro sustainability programme was already playing a role back in 2008. More recent decisions, like the decision to establish a production site in China, have also been based on societal developments worldwide.

*How does the Supervisory Board take environmental and social aspects into account alongside enterprise value and the company's share price when making decisions?*

Of course, there's no question that ensuring the company's commercial success is imperative. That is the most

crucial requirement. But how we get there depends in part on how we allow social, citizenship issues to influence our strategy for ensuring the company's long-term success. For every investment in our buildings and infrastructure, we have asked ourselves, "What do we build and how do we build?" Of course, we also ask similar questions with respect to our engagements abroad. As the Supervisory Board, we cannot afford to – and we will not – operate in cheap markets. So, we set market benchmarks compared with the local market at each of our offices abroad, for instance on labour standards. We have nothing to hide here.

When we were preparing for our engagement in China, representatives of the region put these same questions to us.

So, we can certainly expect that an international company's activities will be examined very closely by local authorities and, in turn, contribute to the region's continued development.

*How does the Supervisory Board monitor the company's progress on CSR topics?*

The Supervisory Board establishes strategy. Implementation is then up to the individual levels of the company. All relevant topics are communicated – and brought to our attention – in this way. We get regular progress reports on the various topics. In general, I would say that CSR topics still have to grow and become rooted in society. Take our enviro programme, which we unveiled back in 2008. It's just now gradually gaining a



**Klaus Gerlach**  
Member of the Supervisory Board

foothold in the market. I also see gradual changes in the integration of women at the management level. Personally, I'd say that the push from policymakers can drive the continued growth of women in management. It can happen! Nevertheless, I think there has to be a way to establish these ideas faster.

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

**CSR Committee**

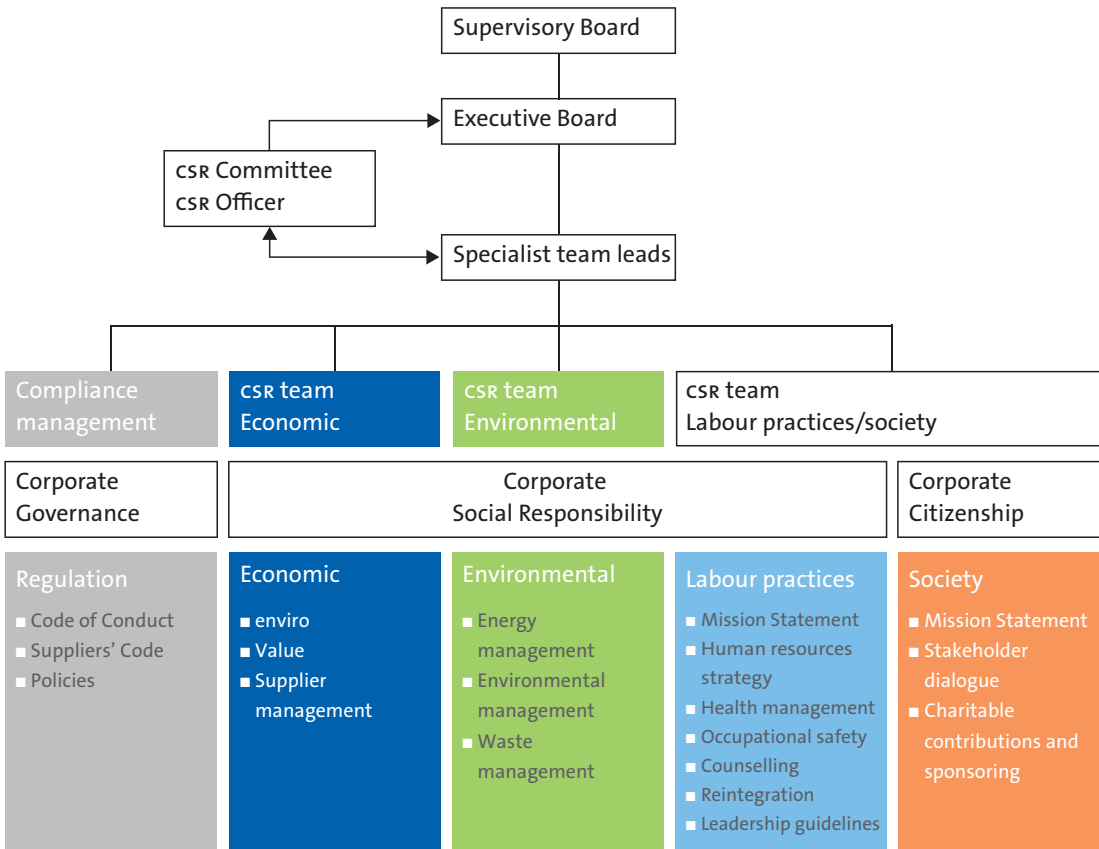
The CSR Committee is the most important body for implementing and realising the company’s sustainability strategy. The Committee’s task is to inspire and initiate action in the various areas. The Committee also drafts policies and guidelines for all aspects of the sustainability strategy. By monitoring and overseeing our pursuit of CSR objectives, the CSR Committee is able to steer developments and intervene where necessary.

**CSR specialist teams**

Representatives from various departments make up the individual CSR specialist teams, which deal with the economic, environmental, and labour practices/society aspects. They work out goals and actions for their respective area of responsibility and identify potential for continually improving our sustainability performance. If necessary, the CSR Officer brings the proposals to the CSR Committee, where the proposals are reviewed with respect to company-wide applicability and implementation.

*The CSR Committee meets once each quarter to discuss current CSR strategy matters. In this way, the Chairman of the Executive Board receives regular reports and information on current topics relating to the company’s sustainability performance.*

*By including CSR topics in our integrated management system, we are ensuring that our processes are followed in a standardised, traceable manner.*





With the 2015 CSR Report, KRONES is reporting in accordance with Version 4 of the Global Reporting Initiative (GRI) Guidelines for the first time. This standard prompted us to reframe the questions of materiality, report boundaries, and data measurement techniques for the various topics.

As a result, we have adjusted some of the report content in several stages. First, we informed the technical departments of the new requirements relating to the data to be measured. Then we reviewed our materiality matrix and determined the impact of the individual aspects both internally and outside the company. From this, we established a direct link between the aspects in the GRI Guidelines and the issues that are material to our company, thus defining the indicators on which we would report.

### Report content and boundaries

Another step was the expansion of reporting to include data from sites abroad – as far as possible given the existing methods for data measurement. In particular, in the area of labour practices and decent work, we are already in full compliance with many of the new standard's indicators. In certain cases, we do not go into great detail. That is in part an effort to maintain a good overview of the information and in part because we view some issues as not relevant. For example, we do not deem it relevant to show a breakdown of employee turnover by age group at the international sites or of accident rates by gender. Measurement of the accident rate relates more to job description at KRONES than gender.

We have defined our significant locations of operation on the basis of regional definitions that are known worldwide. Consequently, our reporting on sites in Germany now summarises all sites – much like in our financial reporting. We provide information specific to the different plants in only a few individual cases. One such example is our reporting of contaminant loads in waste water from installations subject to licensing since the individual plants are subject to different specific limits. In our presentation of human resources figures, we no longer report the subsidiaries KOSME, KONPLAN, and MAINTEC separately. Instead, we have integrated their figures into the total number of employees at our European sites.

*The Sustainability Report covers all production sites in Germany and thus around 75% of our employees. Some individual portions of this report include expanded report boundaries – the “Products” section covers 100% of our company's offerings. Many human resources figures also cover 100% of employees. The extent of coverage is indicated for each of the individual charts and tables.*

## Basis for measurement and intensity data

Another factor that prompted changes to the presentation compared with the previous year is a change in the measurement base. For example, we have until now presented all fathers on parental leave within the data for fathers taking parental leave. Now and going forward, only the share of fathers taking more than 30 days parental leave will be presented. That has resulted in a significant change from the previously reported figure. For the presentation of accident statistics, we have decided to continue to use the data collected in accordance with OHSAS instead of the measurement method recommended in the GRI Guidelines because the OHSAS figures are also part of our IMS certification and are used internationally.

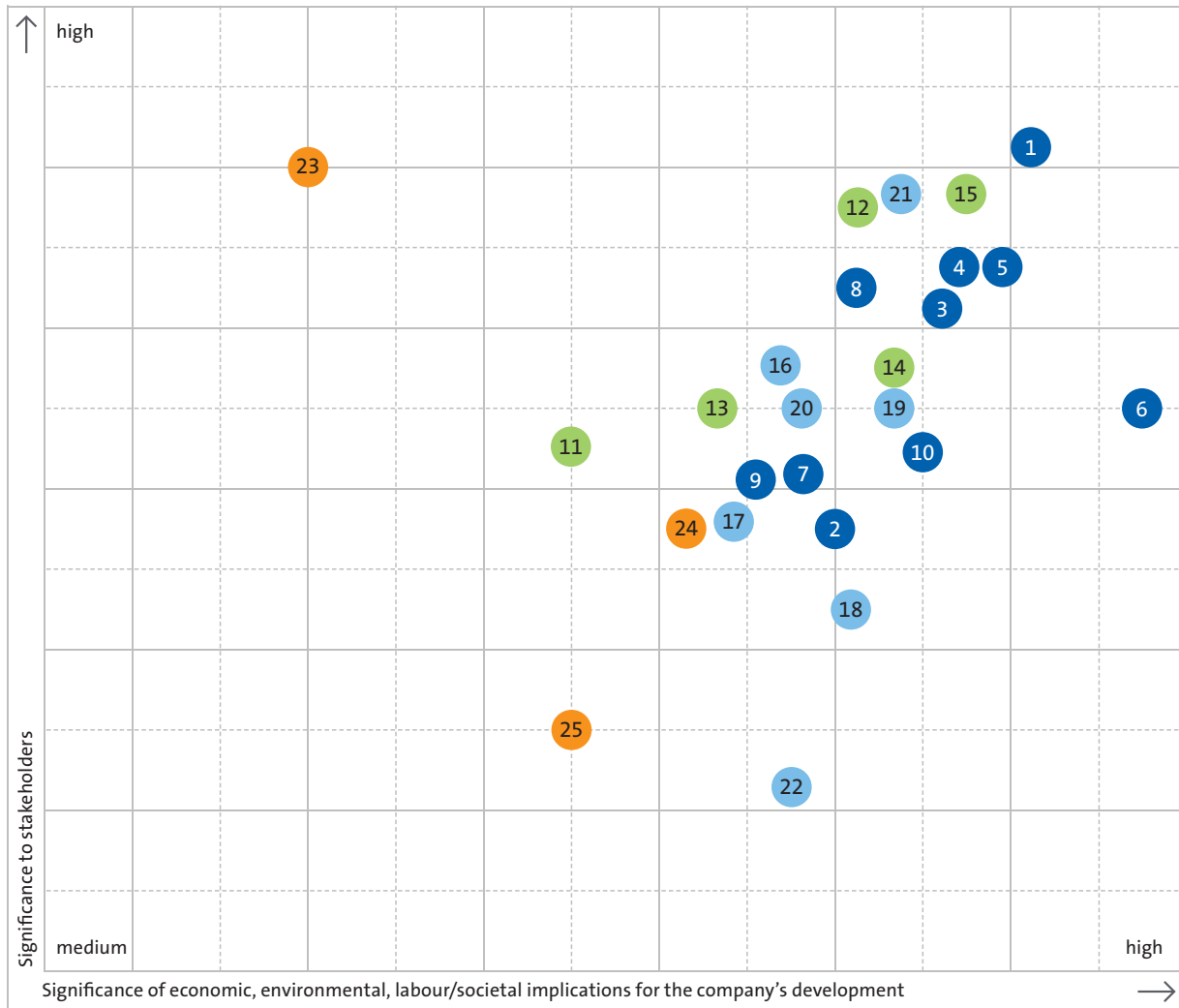
The data on indirect CO<sub>2</sub> emissions arising from business travel are collected from the CO<sub>2</sub> emissions data provided by airlines and vehicle manufacturers as a factor of kilometres travelled. For our data on freight forwarding logistics, we use the basis defined in the previous year by Hapag Lloyd's EcoCalc CO<sub>2</sub> calculator and plug in the data from 2015. That enables us to deliver an estimate of our CO<sub>2</sub> emissions from freight forwarding. We do not cover data on road-only forwarding – for instance in regions without sea access. That applies to around 25% of our load volume.

For intensity data, which is increasingly demanded, we use revenue as the reference metric – that is, per €1 million in revenue – since it best enables us to show the intensities relative to increased production volume and their impact. In certain cases, we use production area as the reference metric because it is relevant for presenting energy consumption.

## Scope of the report: Fulfillment of the “Core” option

For the general standard disclosure of our CSR activities, we have opted to use the more compact, bullet-point-style “Core” option. In addition, we have used the new guidelines to begin presenting the activities of our most senior decision-making body and highest governance body in expanded form. Here, we refer to our Annual Report for certain details. This is indicated in the GRI Content Index. We are submitting this year's CSR Report under the “Core” option because we cannot yet fulfil all of the indicators required for the “Comprehensive” option.

As in years past, we will have the report audited by a third-party organisation as part of the annual monitoring audit on our Integrated Management System. The Executive Board has supported this measure. Information about the auditing organisation can be found in the GRI Content Index and on the inside back cover of this report.



- Economic
- Environmental
- Labour practices
- Society

As in previous years, the technical departments reviewed the material aspects in our sustainability activities. This was done as part of the kick-off of our CSR reporting. We reviewed the current matrix in a two-stage process and asked about additional aspects. That was followed by a candid discussion of the proposals in the kick-off meeting and a vote on their inclusion. As a result, some points were reshuffled, others were consolidated, and new aspects were added such as “clear contract terms”, “transparent supply chain”, and “improved stakeholder dialogue”. In addition, an opinion poll was taken on whether the impact of these aspects is within the company, outside the company, or both. The results indicated that most of the aspects have an impact both within and outside the company. In addition to this content work, we reorganised the materiality matrix and arranged the numbering of the aspects thematically.



No.	Topic	Internal	Both	External	Impact
1	Technological leadership		X		Long-term business success
2	Lean manufacturing (TPM)		X		Long-term business success
3	Clear, transparent relationships with customers		X		Assurance of compliance with standards
4	Long-term, personalised relationships with customers		X		Long-term business success
5	Fast, individual service for all KRONES customers			X	Increased customer loyalty
6	Responding flexibly to market changes		X		Long-term business success
7	Regional suppliers in LCS Centres		X		Fast response in project handling and execution
8	Clear contract terms		X		Transparent business processes
9	Transparent supply chain		X		Assurance of compliance with standards
10	Dutiful conduct and compliance with regulations and laws	X			Long-term business success
11	Programmes to ensure long-lived machines (LCS)			X	Increased customer loyalty and improved resource conservation
12	Energy and media conservation in production operations		X		Improved resource conservation
13	Reducing pollution and hazardous materials		X		Reduced environmental impact
14	Optimum utilisation of production materials (waste and material efficiency)	X			Improved resource conservation
15	Energy and media efficiency and environmental sustainability of products		X		Improved resource conservation
16	Qualification/continuing education and training of employees worldwide	X			Highly skilled employees at all sites
17	Balanced employee structure (diversity)	X			Greater intercultural competence
18	Effective health management	X			Healthy employees
19	Effective occupational safety management		X		Continually low incidence of work-related accidents
20	Attractive and fair working conditions at construction sites		X		Strengthening employer brand
21	Attractive and fair working conditions worldwide	X			Long-term employee loyalty
22	Increased employee loyalty worldwide	X			Strengthening employer brand
23	Improved stakeholder dialogue		X		Quick identification of action items
24	Use of industry knowledge and research findings	X			Future-oriented products and technologies
25	Sustainable charitable giving and sponsoring concepts		X		Taking on social responsibility

Who are our stakeholders?	Customers	Shareholders	Employees
<p><b>What is the significance of this stakeholder relationship?</b></p>	<p>Continuous, constructive dialogue with our customers is indispensable to our long-term success.</p>	<p>Our shareholders' trust is the foundation for continuity in our business policy and provides a secure basis for action.</p>	<p>The specialist expertise and dedication of our employees is the key factor for ensuring that we maintain a strong position on the market.</p>
<p><b>What do these stakeholders expect from KRONES?</b></p>	<ul style="list-style-type: none"> <li>■ High-performance, high-quality products</li> <li>■ Flexible machine and line concepts</li> <li>■ Individual solutions for their specific tasks</li> </ul>	<ul style="list-style-type: none"> <li>■ Clear information about the company's strategic orientation</li> <li>■ Continuous attention to economic targets to maintain value</li> <li>■ Adherence to all rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>■ Dependable, fair conditions for all aspects of employment</li> <li>■ Diverse options for continuing education</li> <li>■ Communicative culture</li> </ul>
<p><b>What does KRONES contribute to this stakeholder relationship?</b></p>	<ul style="list-style-type: none"> <li>■ Close contact and intensive consulting</li> <li>■ Extensive development programmes for innovative product concepts</li> <li>■ Comprehensive portfolio of solutions: one-stop shopping</li> <li>■ Global presence</li> </ul>	<ul style="list-style-type: none"> <li>■ Continuous, close contact with investors</li> <li>■ Long-term development horizons</li> <li>■ Intensive attention to trends and market opportunities</li> </ul>	<ul style="list-style-type: none"> <li>■ Close collaboration between company management and employee representatives</li> <li>■ Long-term corporate strategy with clear communication of development process (KRONES inside, KRONES world)</li> <li>■ Broad programme for flexible workplace and work-life balance</li> </ul>

We are engaged in an ongoing dialogue with our stakeholders, which we continue to shape through focus activities. The different groups are included in our programmes to varying degrees.

Suppliers	Scientists and academics	NGOs/Associations/Policy	The general public/Media	Cultural institutions
Fast access to high-quality materials and services from our suppliers is crucial to the performance of our production processes.	Close communication with research institutions provides us with new ideas and insights for innovative solutions.	Memberships in trade associations enable us to contribute to opinion-making on industry-specific topics and share with other members of the industry.	Positive public perception of our company in the region and nationwide/worldwide enhances our appeal as an employer and strengthens our presence at our business locations as well as in the eyes of customers.	By promoting cultural projects, we are supporting our company's positive public image.
<ul style="list-style-type: none"> <li>■ Dependable, fair conditions for supply contracts</li> <li>■ Timely payment</li> <li>■ Trust-based cooperation/healthy management of errors</li> </ul>	<ul style="list-style-type: none"> <li>■ Exchange between academia and practice</li> <li>■ Financial support of research projects</li> <li>■ Promotion of young talent</li> </ul>	<ul style="list-style-type: none"> <li>■ Participation in exchange across industries through involvement in associations' work</li> <li>■ Support in the development of norms and standards</li> <li>■ Presence as regional employer and support in the development of local infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>■ Information about the company</li> <li>■ Culture of openness</li> <li>■ Presentation of industry-specific topics</li> </ul>	<ul style="list-style-type: none"> <li>■ Awareness of cultural issues and involvement in projects</li> <li>■ Financial support of projects</li> </ul>
<ul style="list-style-type: none"> <li>■ Long-term supply contracts</li> <li>■ Efficient organisation for processing deliveries and payment</li> <li>■ Support through Quality Management organisation</li> </ul>	<ul style="list-style-type: none"> <li>■ KRONES employees' participation in symposia – reports from the field</li> <li>■ Awarding research assignments</li> <li>■ Offering internships and thesis-writing opportunities</li> </ul>	<ul style="list-style-type: none"> <li>■ Membership and board involvement in the trade association for food processing and packaging machinery (Fachverband Nahrungsmittelmaschinen und Verpackungsmaschinen) within the German Engineering Federation (VDMA e.V.)</li> <li>■ Participation in industry-specific media events</li> <li>■ Active participation in standards organisations</li> <li>■ Informing policy-makers through plant tours</li> </ul>	<ul style="list-style-type: none"> <li>■ Information on the company for the public and within the company (KRONES magazine, Annual Report, KRONES world)</li> <li>■ Providing information about the company through social media channels</li> <li>■ Up-to-date information on KRONES' website</li> </ul>	<ul style="list-style-type: none"> <li>■ Support of projects with concrete local relevance</li> </ul>

Goals	Actions	Target date
Sensitise and motivate our employees with respect to sustainability and responsible action	<ul style="list-style-type: none"> <li>■ Regular articles on CSR in the employee magazine KRONES world               <ul style="list-style-type: none"> <li>□ <i>Topics integrated into editorial calendar</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Annual sustainability report               <ul style="list-style-type: none"> <li>□ <i>Sustainability Report 2014 in accordance with GRI Guidelines, Version 3.1</i></li> <li>□ <i>First steps taken towards preparing Sustainability Report 2015 in accordance with GRI Guidelines, Version 4</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Update the “sustainability” section of our Intranet</li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Action plan changed, CSR Workshops launched for labour practices, society, environment</li> </ul>	<b>complete</b>
Include the LCS Centres in our sustainability reporting	<ul style="list-style-type: none"> <li>■ Provide information on requirements under GRI Guidelines               <ul style="list-style-type: none"> <li>□ <i>Data survey on selected indicators is being expanded and made more detailed</i></li> </ul> </li> </ul>	<b>2016</b>
	<ul style="list-style-type: none"> <li>■ Sensitise plant managers</li> </ul>	<b>2016</b>
	<ul style="list-style-type: none"> <li>■ Training and education at the sites</li> </ul>	<b>2016–2017</b>
Further develop CSR strategy	<ul style="list-style-type: none"> <li>■ Develop sustainability topics relevant to the company and prepare action plan               <ul style="list-style-type: none"> <li>□ <i>Ongoing CSR Workshop series with the departments</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>□ <i>Ongoing CSR Workshop series with the departments</i></li> </ul>	<b>ongoing</b>
Improve our sustainability rating	<ul style="list-style-type: none"> <li>■ Communicate with analysts, investors, and customers on sustainable investment               <ul style="list-style-type: none"> <li>□ <i>Participating in customer events and providing information about sustainability activities</i></li> <li>□ <i>Increasing communication with analysts</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>□ <i>Participating in customer events and providing information about sustainability activities</i></li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>□ <i>Increasing communication with analysts</i></li> </ul>	<b>ongoing</b>
Launch KRONES Intranet at our sites worldwide	<ul style="list-style-type: none"> <li>■ Roll out Intranet group-wide               <ul style="list-style-type: none"> <li>□ <i>Intranet is used worldwide, also for regional topics</i></li> </ul> </li> </ul>	<b>ongoing</b>



Value added  
(€ million)

1,136

Wages and salaries,  
social security  
contributions, and  
post-employment  
benefits (€ million)

919

Taxes paid  
(€ million)

67.1

Dividends  
to shareholders  
(€ million)

39.5

## Economic responsibility:

### Focus on profitable growth

KRONES is positioned as a full-service supplier to the liquid food market. We aim to be a one-stop shop for our customers, covering everything from beverage production to filling to distribution. Demand for packaged beverages will continue to increase, driven by megatrends like rising standards of living in the emerging markets, urbanisation, and increasing diversity of packaging. Thus, the market in which KRONES operates is growing at a relatively stable rate of between 4% and 5% each year.

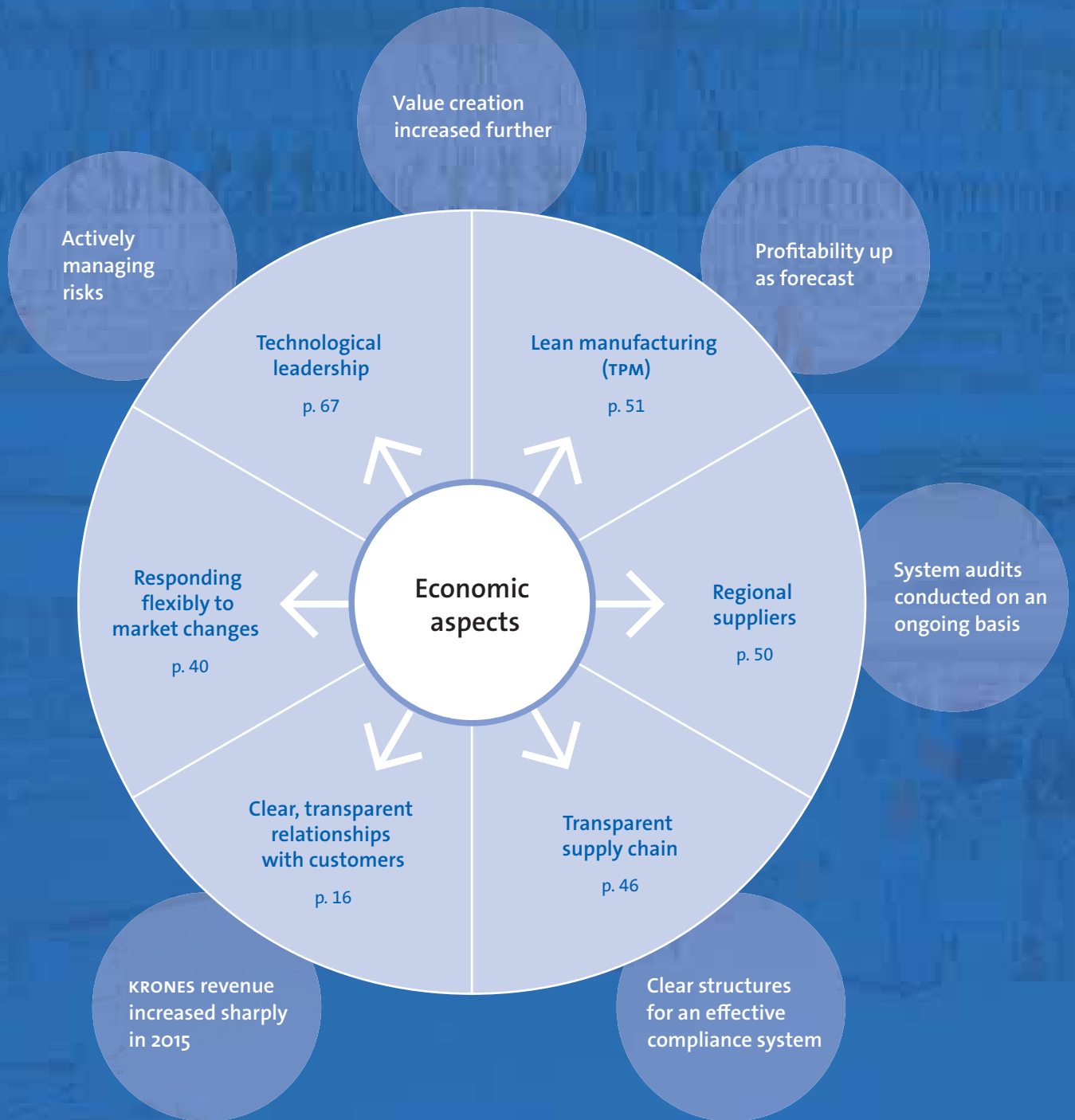
#### Systematically implementing Value

In 2011, we launched our Value strategy programme, whose four pillars are innovation, growth, profitability, and quality, in an effort to seize the opportunities our market offers. We made further considerable progress with Value in 2015. The excellent development of our core segment, machines and lines for product filling and decoration, and the turnaround at KOSME in Italy following the site's restructuring in 2014 were positive forces here. Conversely, we are less satisfied with the development of our second-largest segment, machines and lines for beverage production/process technology. At the end of 2015, we defined an action plan for strengthening the segment's profitability for the long term.

#### Responding flexibly to market demands

Despite the achievements made under our Value strategy programme, we still have a lot of work to do. Just as we see many opportunities, we also have many challenges to overcome. The volatile global economy and crises in individual countries and regions continue to shape the world in which we operate. The number of competitors in our attractive market is not shrinking but our customer base is – as individual customers (beverage producers) become larger by way of mergers and acquisitions. For this reason, we do not expect prices to improve in the short term. Moreover, the increasing digitalisation and integration of production will forever change our market and its business models. As a result, we must become more flexible, faster, and more regionally focussed. The Value strategy programme and our new corporate structure, which was rolled out in early 2015, will support this effort.





## KRONES revenue increased sharply in 2015

KRONES operates in markets with stable growth that are not much affected by economic cycles. Overall, KRONES' revenue is well balanced. We generated 53.2% of consolidated revenue in the emerging markets in the reporting period (previous year: 60.4%). The mature markets (Germany, Western and Central Europe, and North and Central America) contributed 46.8% to consolidated revenue in 2015 (previous year: 39.6%). Revenue in North and Central America, Western Europe, and China increased more than overall revenue. Business in Russia and South America declined as expected due to the regions' very weak economies.

*The company was able to take advantage of the positive market environment and considerably expand its business in 2015 thanks to its broad range of products and services and strong international presence. Revenue increased 7.5% year-on-year from €2,953.4 million to €3,173.5 million.*

➔ With that, we exceeded our growth target of 4% for 2015. Revenue from both individual machines and complete filling and packaging lines improved year-on-year in 2015. KRONES' services business continued to grow steadily, fuelled in part by the progressive expansion of our LCS business worldwide in the reporting period.

## Profitability up as forecast

*KRONES improved profitability as forecast thanks to good capacity utilisation and increased efficiency overall as a result of the Value strategy programme. As expected, prices yielded no positive effects on highly competitive markets.*

➔ At €223.3 million, earnings before taxes (EBT) were up 16.4% on the year-earlier period. The EBT margin, the ratio of earnings before taxes to revenue, advanced from 6.5% in the previous year to 7.0%. Thus, KRONES has met its EBT margin target for 2015. The company also achieved the medium-term EBT margin target set under the Value strategy programme.

➔ After taxes, consolidated net income was up 15.2% to €156.3 million in the reporting period. Earnings per share rose from €4.30 in the previous year to €4.98.

*7/7/20 remains our goal. The KRONES team accepts the challenges and intends to seize the opportunities the market presents. Thus, we are standing by our medium-term target of 7/7/20:*

- 5% to 7% revenue growth per year on average
- 7% EBT margin (pre-tax return on sales)
- 20% ROCE (return on capital employed)

➔ We achieved our EBT margin target of 7.0% in 2015. At 7.5%, revenue growth surpassed our target range of 5% to 7% percent on average. At 17.7%, ROCE exceeded our forecast for 2015. In order to achieve our 20% target and continue to grow profitably in the medium term, we have to work hard on increasing earnings and revenue and further implementing actions under the Value programme in all three segments.

➤ In process technology, we are introducing a raft of measures that was developed in late 2015 to significantly strengthen profitability. Our goal is to offer regionally-specific products at competitive prices. To achieve this, we are improving important processes such as quote preparation, order processing, and project management. KRONES is also considerably reducing its depth of value creation, relying instead on an international supplier network. We also intend to establish international hubs that will allow us to respond to customer needs more quickly and cost-effectively. They can also serve as bases from which to expand our after-sales business and implement smaller-scale projects such as expanding or upgrading existing lines. The measures will be completed by 2017.

### Value creation increased further

*The value added calculation presented here shows the KRONES Group's contributions to the economy and society. It shows the value created by the company and how that value is distributed. A company's value added is calculated by deducting the expenses for production – that is, cost of goods and services purchased, depreciation and amortisation on non-current assets, and other operating expenses – from total operating performance (including other income and own work capitalised). KRONES generated €1,136 million in value added in 2015 (previous year: €1,038 million).*

*In 2015, KRONES received around €51,000 in government subsidies.*

➤ The lion's share of value added at KRONES (80.9% or €919 million) went towards our employees. Besides wages and salaries (€767 million), KRONES spent €152 million on social security contributions, pension plans, and employee benefits. Another €67.1 million or 5.9% of value added went to the state in the form of tax payments. The company distributed €39.5 million in dividends to its shareholders. In the year under review, €110.4 million in value added remained within the company and is available for investment in future growth.

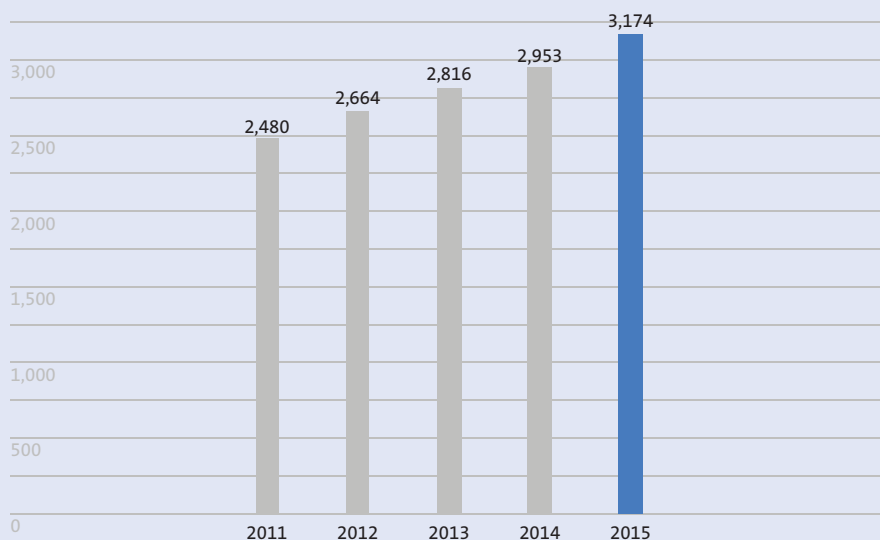
*Leading technology and services are essential to achieving sustainable value added. That is why the company invests in new plant and equipment and in the development of new products and services.*

➤ The company invested €102.6 million in property, plant and equipment and intangible assets last year (previous year: €94.6 million). We increased investment in both intangible assets (€43.0 million) and property, plant and equipment (€59.6 million) year-on-year in 2015 as forecast. In 2015, KRONES invested heavily in information technology and new production facilities.

*In order to share the company's success with shareholders, KRONES' policy is to pay out 25% to 30% of consolidated profit in the form of dividends.*

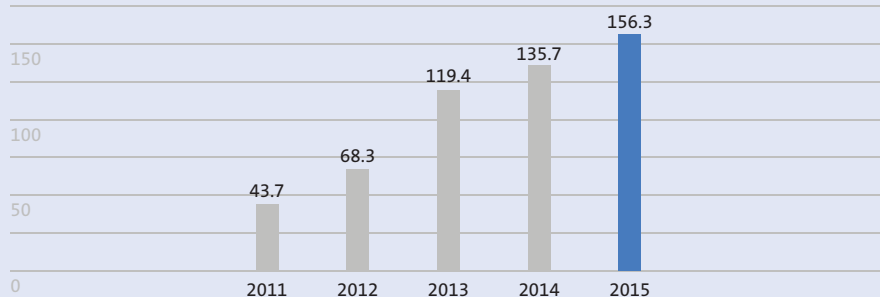
➤ In June 2015, KRONES paid its shareholders a dividend of €1.25 per share for the financial year 2014. The payout corresponds to 29% of consolidated net income for 2014. The total payout to shareholders for the reporting period was €39.5 million.

KRONES Group – Revenue (€ million)



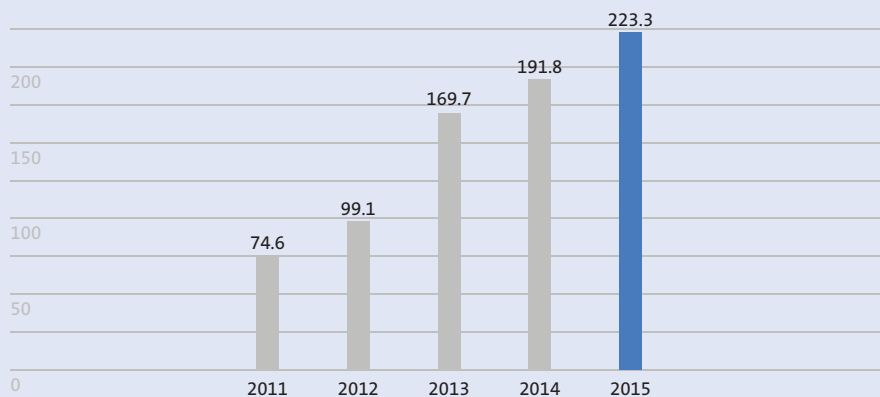
*KRONES' revenue passed the €3 billion mark for the first time in 2015.*

KRONES Group – Net income (€ million)



*After taxes, consolidated net income was up 15.2% to €156.3 million in the reporting period.*

KRONES Group – EBT (€ million)

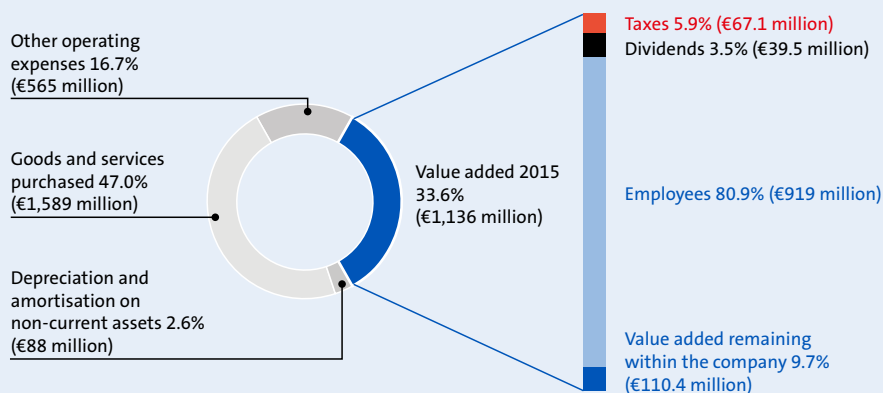


*At €223.3 million, earnings before taxes (EBT) were up 16.4% on the year-earlier period.*

	Original forecast April 2015	Updated forecast July 2015	Actual value 2015	Forecast for 2016
Revenue growth	+ 4%	+ 4%	+ 7.5%	+ 3%
EBT margin	6.8%	7.0%	7.0%	7.0%
ROCE (liabilities side)	17%	17%	17.7%	18%

*KRONES met or exceeded all targets for key financial performance indicators for the group in 2015. The company expects revenue and earnings to increase further in 2016.*

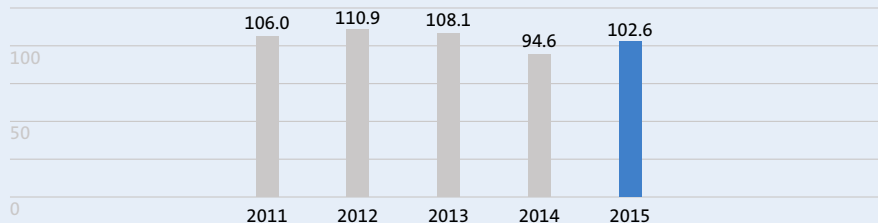
#### KRONES Group – Value added calculation



Total operating performance, including other income, 2015: €3,378 million (100%)

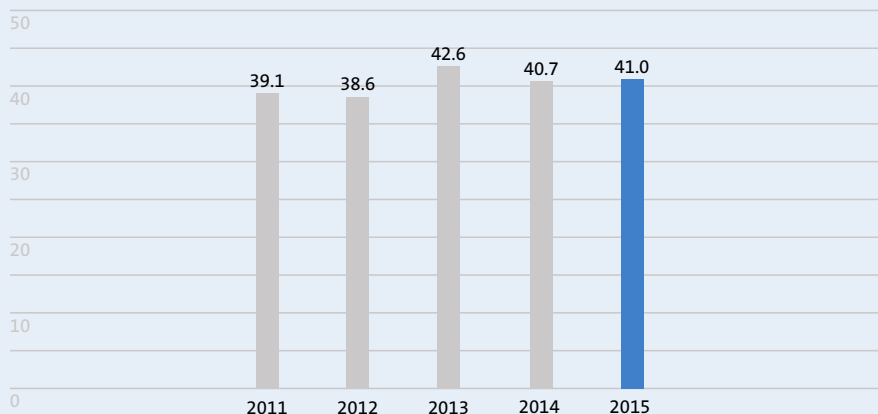
*KRONES increased value added from €1,038 million in the previous year to €1,136 million in 2015. Of this, 80.9% went to our employees in the form of wages, salaries, social security contributions, retirement benefits, and other benefits. KRONES paid out €39.5 million in dividends to shareholders in 2015. That corresponds to 29% of consolidated net income for 2014.*

#### KRONES Group – Capital expenditure for PP&E and intangible assets (€ million)



*We increased investment in both intangible assets (€43.0 million) and property, plant and equipment (€59.6 million) year-on-year in 2015 as forecast.*

#### KRONES Group – Equity ratio (%)



*KRONES had net cash and cash equivalents (cash and cash equivalents less bank debt) totalling €364.6 million at the reporting date for 2015 (previous year: €336.4 million). Due to the high consolidated net income, equity increased from €988.5 million to €1,110.7 million in 2015. At the end of 2015, the equity ratio came to 41.0%, which is higher than the year-earlier figure of 40.7%.*

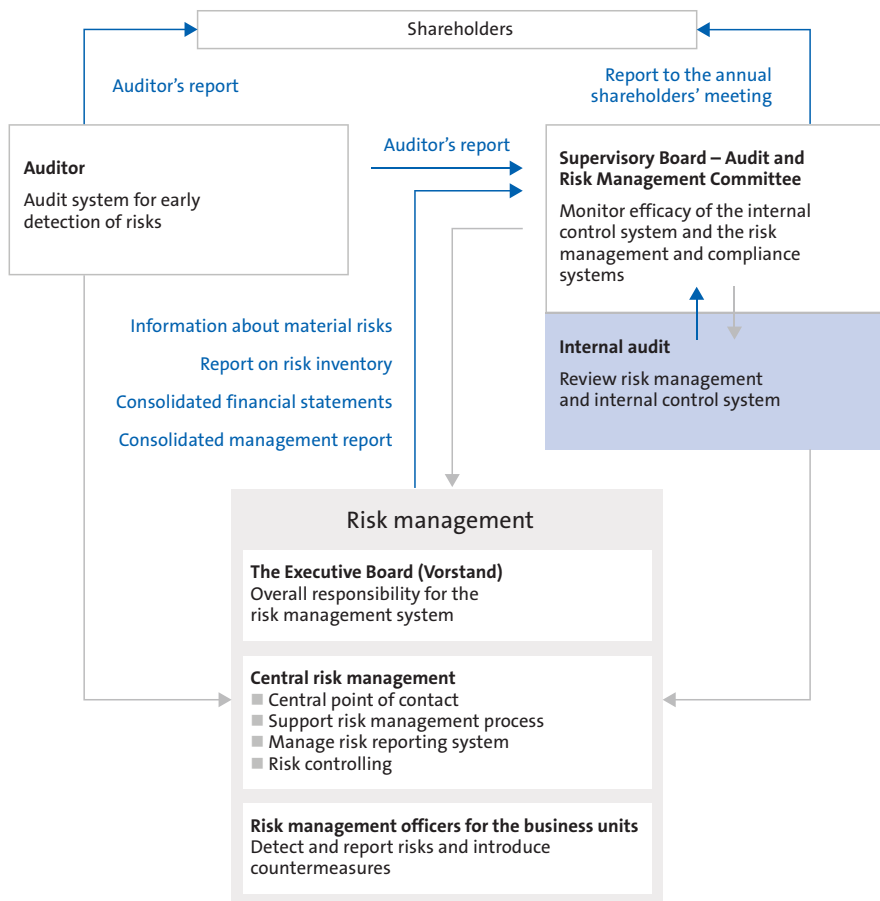
KRONES is exposed to a variety of risks inherent to doing business globally. We monitor all significant business processes to identify such risks early and to actively manage and limit them. In developing our corporate strategy, we also identify, analyse, and unlock opportunities. However, unlike risks, business opportunities are not documented within our risk management system.

KRONES' risk management system consists of an internal control system with which we record, analyse, and assess all relevant risks. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information, and control.

We assess risks on the basis of the likelihood of an event and its potential financial impact and categorise them as low, medium, or high. We are continually expanding and improving our multi-stage risk management system, which consists of the following modules: risk analysis, risk monitoring, and risk planning and control. Details on risk management and the risk categories can be found in the risk and opportunity report in our 2015 Annual Report (pages 116 to 127).

*In essence, risks are defined as possible negative deviation from our earnings forecast for the 2016 financial year. Opportunities are possible positive deviations from our earnings forecast for the 2016 financial year.*

KRONES Group – Risk management organisation



*KRONES' risk management system is continually monitored and re-viewed. Competences and areas of responsibility are clearly assigned.*

*At present, we do not foresee any physical, regulatory, market, cost, or legal risks worldwide that could arise from climate change.*

*Opportunities arise from growing demand among our customers for resource-saving machines and lines.*



KRONES produces the majority of its machines and lines in Germany – in Neutraubling, Nittenau, Rosenheim, Flensburg, and Freising. The subsidiary KOSME produces in Austria and Italy. KRONES manufactures spare parts at its Lifecycle Service (LCS) Centres in Franklin (USA), Taicang (China), and São Paulo (Brazil). In addition to the seven strategically located LCS Centres, the company also has a global network of service and sales offices.

We manufacture precision, high-performance machines. Consistently high quality in our raw materials and third-party components is very important to us. Flexible, on-time delivery of materials is also important for the reputation of KRONES machines on the market. Of course, comparing prices is also an essential part of our procurement policy. Orderly, well-managed processes across the entire supply chain are an essential part of how we operate at KRONES. For this reason, we focus on close, long-standing relationships with our suppliers, to ensure that we can count on the materials being of high quality.

To ensure the stability of processes in this regard, we have incorporated the individual order processes into dedicated policies and codes which apply internally and externally. These policies and codes are: the Code of Conduct, the Suppliers' Code, our audit policy, and our procurement policy, to which we are in the process of adding a policy on supplier management in 2016. Process maps within our process model and the codes and policies listed above include specific provisions for auditing our suppliers and supply channels. In this way, KRONES ensures a verified procurement process.

### Suppliers thoroughly audited

Our supplier selection process uses a self-assessment form to gain an initial overview of suppliers' capabilities, with questions on all relevant aspects of their product range, technical qualifications, and current certifications. This self-assessment form also requests that prospective suppliers confirm that they meet the requirements laid out in our Suppliers' Code. It also collects information on whether a prospective supplier has an environmental management system, environmental guidelines, and an occupational health and safety management system. We also ask whether suppliers audit their own suppliers with respect to certifications and compliance with specific standards. In this way, our procurement decisions also take into consideration issues further up the supply chain.



Our central purchasing department bears responsibility for strategic procurement, for the organisation and execution of our procurement processes, across the entire KRONES Group. Our procurement policy, which describes all process flows and accountability, applies to 100% of our purchasing. Our purchasing activities take into account all legal requirements and standards that are relevant with respect to our suppliers. The self-declarations we require from suppliers and service providers enable us to ensure compliance with all laws and standards, including the core labour standards of the ILO (International Labour Organisation), as explicitly specified in our Suppliers' Code.

*No complaints were filed regarding human rights or environmental impacts in 2015.*

### System audits: key aspect in the vetting of suppliers

We conduct on-site system audits on all potential new suppliers before establishing a supplier relationship. The procedure for system audits is laid out in our audit policy and is carried out in close collaboration between our purchasing department and our quality management team. For the selection, qualification, and development of suppliers, risk analysis on their environmental impact is done on the basis of the self-disclosure form and in the subsequent stages of qualification as part of the system audit. We also conduct renewal audits, particularly on strategically important suppliers. We perform construction site inspections to evaluate the situation at construction sites worldwide and the subcontractors working there.



## Transparent supply chain

Our supply chain includes nearly 1,700 suppliers from whom we place orders in excess of €50,000. Each day, we send out around 2,500 orders, which added up to around 611,000 orders in 2015. We characterise our supply chain by

- our suppliers' locations and
- the volume of purchasing through local suppliers.

The four most important raw materials we use are stainless steel, steel, aluminium, and plastic.

*Potential new suppliers must complete a self-assessment form before they are added to our supplier database, giving us a strong base of information for our selection process.*

➔ Assessment of the self-disclosure forms is currently done using a spreadsheet programme. Selection criteria include company size, product range, manufacturing technologies used, certifications, and licensing. In 2015, we sent out 177 self-disclosure forms. The response rate was 75%. Of these, 13 suppliers were added to our supplier pool or invited to send us samples.

➔ We expect the introduction of the SLC (Supplier Lifecycle Collaboration) tool to simplify administration, analysis, and usability of supplier information. The software programme stores all supplier information centrally so that it is available to everyone involved, at every stage of the business relationship. Alongside other advantages relating to supplier management, this ensures that suppliers must read and confirm their understanding of the content of the Suppliers' Code before we place our first order with them.

➔ We expect the SLC tool to provide up-to-date information about all certifications our suppliers have obtained, in particular ISO 14001 and ISO 50001 certifications.

*According to information from one of our suppliers, the share of recycled material in stainless steel is around 90%.*

## System audits conducted on an ongoing basis

*Performing audits in accordance with the provisions of our audit policy enables us to ensure consistently high security in our work with our suppliers. The audits are based on self-declaration forms completed by suppliers and subcontractors and verify that claims made on the forms are consistent with reality.*

➔ Evaluation of the self-disclosures with respect to human rights and environmental issues is based on the guidance provided in questionnaire 9 of DIN EN ISO 14001 and survey 10 from the OHSAS certification materials. We also evaluate responses to the question on exclusion of countries on our self-disclosure form.

➔ In 2015, we conducted 42 system audits and five renewal audits on strategically important suppliers. We also performed 14 weld audits on suppliers.

➔ Service provider (subcontractor) audits relate to the activities of suppliers and service providers at construction sites worldwide. We conducted 29 such audits in 2015. Our quality management team evaluates the quality of suppliers and service providers at construction sites. The inspectors communicate obvious occupational safety issues to the foremen responsible, who then ensure that appropriate actions are taken. In the event of violations of occupational safety and health principles, the quality assurance inspectors address the situation immediately, directly with the person(s) involved. In some cases, the inspector will prohibit continued work until the matter is resolved with the construction site manager.

➔ We conducted 39 product audits relating to third-party machines.

*We launched a systematic risk analysis process for procurement activities in collaboration with our Compliance Officer. In this way, we are ensuring that our suppliers offer a high level of security with respect to country risk, cultural aspects, and currency risk.*

➔ Since the end of 2015, new suppliers are subject to a risk analysis on these aspects.

➔ Focused risk assessment with respect to environmental performance is currently not done.

*In 2015, we terminated supply relationships with 43 suppliers. That is equivalent to 2.5% of our supplier pool. Reasons for the terminations included our effort to scale back the number of supplier relationships, supplier insolvency, or continued delivery or quality problems.*

KRONES' increased internationalisation has also changed the demands placed on procurement management. The LCS Centres – such as the LCS Centre in Franklin, Wisconsin/USA – already purchase up to 37% of their materials from local suppliers.

*Our strategy is to expand our activities from Germany to our international sites, focusing on a local approach that utilises local suppliers in the respective economic regions. We plan to increase this local sourcing in the future.*

➔ Our intention going forward is to establish local engineering capacities at our LCS Centres for parts and assemblies that are currently designed and built in Germany. The parts needed for this will also be purchased locally. Implementing this plan will take until 2020.

*The conflict materials listed in the Dodd-Frank Act are not material to KRONES since they are not used or included in our products.*



Besides sustainability, lean manufacturing (TPM) is, of course, also a significant aspect of KRONES' business strategy. It forms an integral part of the "Profitability" pillar of the Value strategy programme. TPM covers everything from continuous evaluation of our materials consumption and potential for optimisation to possible improvements in production methods resulting from the use of new laser-based manufacturing processes to continuous consumables monitoring. Improved manufacturing processes and optimisation of the commissioning process also allows us to increase efficiency.

*All manufacturing sites seek to identify potential for improvement on a regular basis in order to achieve a high level of cost-effectiveness. As users of large machining centres, we are in regular communication with suppliers about optimising their machines.*

- ➔ All new investments are reviewed for possible energy savings and efficiency improvements.
- ➔ Close cooperation with suppliers and tool tests in operation enable us to make ongoing improvements and keep pace with the state of the art.

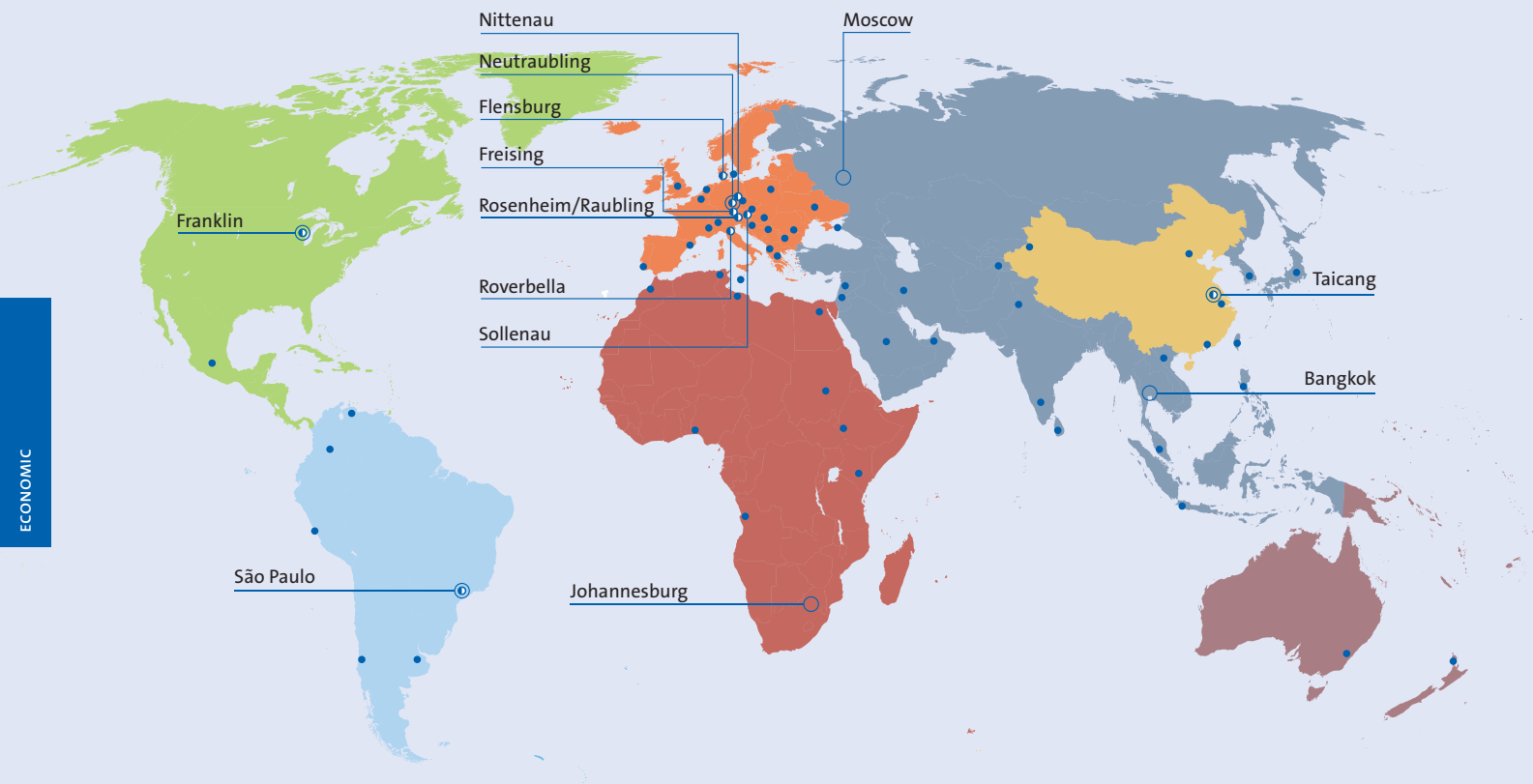
*The interaction between people and machines and optimal use of materials and energy are ongoing considerations when structuring assembly capacities. All efforts are aimed at supporting employees with improved processes so that they can fully devote their work to the product.*

- ➔ Module manufacturing at our Rosenheim site enables just-in-time and just-in-sequence production, so that materials are available at workstations right when they are needed. It also helps streamline processes. That enables us to significantly reduce manufacturing planning times.
- ➔ Incorporating a high-bay warehouse system at our Rosenheim site has revolutionised the order-picking process for parts within our own manufacturing process.

*Fast, simple workflows are also the subject of improvement suggestions submitted by our employees. Our "Brainpool" is the portal through which we collect ideas and suggestions. In all, we received 2,885 suggestions for improvements within the company through the Brainpool.*

- ➔ In 2015, our employees submitted 1,680 ideas that are relevant to CSR. Around 70% of the ideas relate to streamlining and optimising processes.

KRONES Group – Production sites, LCS Centres, and offices

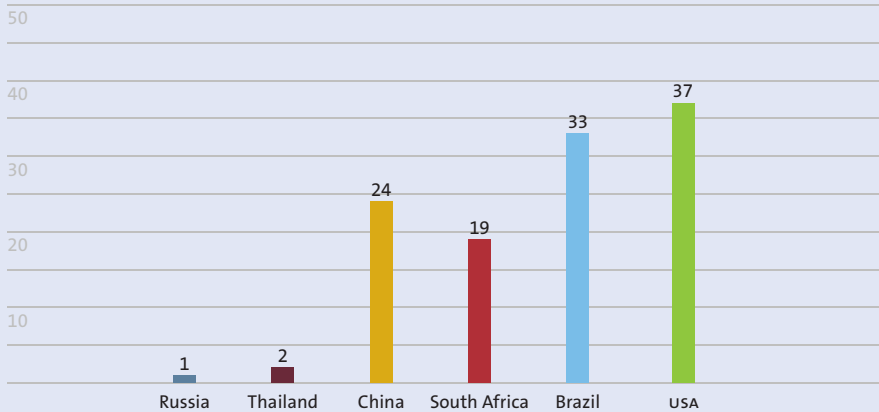


- Office/representative office
- Production facility
- LCS Centre

*KRONES produces the majority of its machines and lines in Germany – in Neutraubling, Nittenau, Rosenheim, Flensburg, and Freising. The subsidiary kosme produces in Austria and Italy. Spare parts are manufactured*

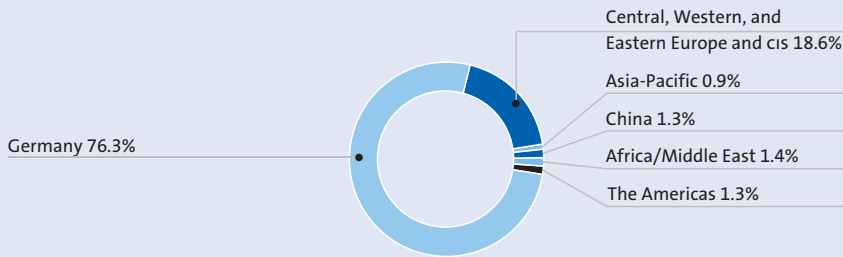
*at the Lifecycle Service (LCS) Centres in Franklin (USA), Taicang (China), and São Paulo (Brazil). In addition to the seven LCS Centres, we also have a global network of service and sales offices.*

KRONES Group – Products and services purchased locally by the LCS Centres worldwide in 2015 (%)



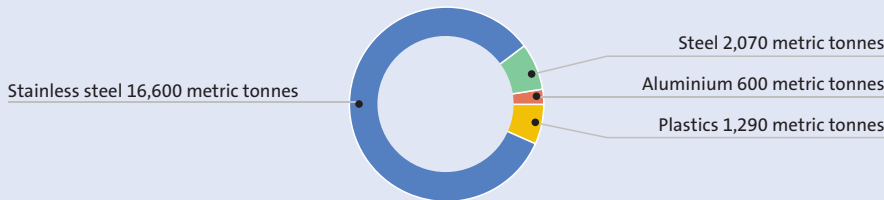
*The share of spending on local suppliers by the individual KRONES LCS Centres varies from 1% to 37%.*

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



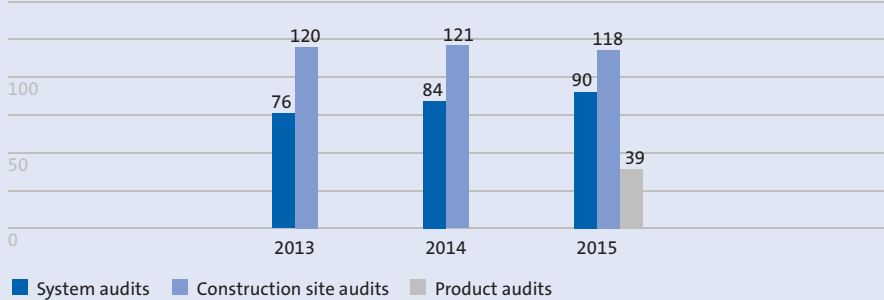
More than three-quarters of our purchasing volume is sourced from Germany. In that way, we ensure that a major share of the materials we use meet the high standards of German law with respect to occupational safety and health and decent work. Countries in which the contract value of our orders is less than 0.1% account for 0.2% of our total purchasing volume.

KRONES AG – Key raw materials sourced in 2015



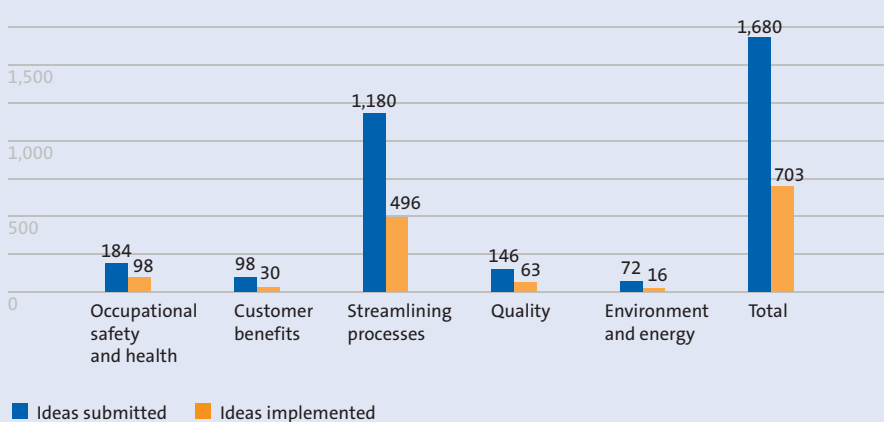
In all, we purchased a total of 20,560 metric tonnes of the raw materials stainless steel, steel, plastic, and aluminium in 2015.

KRONES Group – System audits conducted prior to contracting with a supplier/construction site audits



We conducted 90 system audits prior to contracting with prospective suppliers in 2015. In addition, we performed 118 construction site audits, in which we inspected and reviewed our subcontractors on site at construction sites.

KRONES AG – CSR related idea submissions



In all, we received 1,680 ideas from employees that have a direct connection with sustainability in our operations. Around 40% of these ideas were implemented.

ECONOMIC

Lubricant consumption  
on a Variseal manifold



1.2 kg/  
year

Savings over standard  
quad ring manifold



80%

\* Average consumption on a quad ring manifold: 7.2 kg/year



Share of Modulfill  
fillers sold with Variseal  
manifold

50%

Share of our machinery  
portfolio that has been  
assessed under enviro  
2.0 and enviro 1.0

70%

## Our product range:

### Contributing to resource conservation

Technology leadership across our customers' entire value chain is the most important aspect of KRONES' business model. Producers of beverages and food products worldwide use our machines and lines. For this reason, we have to take a vast array of different conditions, circumstances, and technical standards into account when we develop our machines. Local infrastructures also vary widely from one region to the next, as does the availability of resources.

The individual needs of our customers must also be taken into account. They want increased machine efficiency and, depending on the local environment, also the lowest possible resource consumption. In some regions, a machine's water consumption is a critical criterion while in others energy consumption is given more weight. In others still, both might be given equal importance.

Not only our customers but we, too, want our machines to be as resource-efficient as possible. That is our contribution in the bigger economic picture, reducing resource consumption and the use of substances that harm the environment. This approach secures the basis of our business and our market shares for the long term. However, we also have to conclude that this strategy sometimes requires components or assemblies whose price can impact the overall price of the machine.

#### enviro 2.0 management approach certified

Our enviro 2.0 management approach to designing resource-friendly machines is the body of rules and standards that governs our entire product development process. This management approach is certified by TÜV SÜD and audited on a regular basis. In addition, a voluntary commitment to offer energy and media-efficient products on the market is an integral part of the "Innovation" component of the Value strategy programme and therefore defined as a strategic target by our company's leadership.

In addition, our efforts are guided by the provisions of the law in the target markets and our own commitment to delivering machines that meet the highest safety standards. We incorporate the safety codes of nations worldwide into our development processes.

When building our machines, we continually look for ways to achieve a high level of resource efficiency. These efforts are based on the laws and regulations applicable to each production site. Another guideline for our German production sites is the CO<sub>2</sub> reduction target that we set in 2015. Our employees play a crucial role in improving our processes with respect to conserving media and materials. They contribute well-founded improvement suggestions from their own day-to-day experience through our "Brainpool" portal.

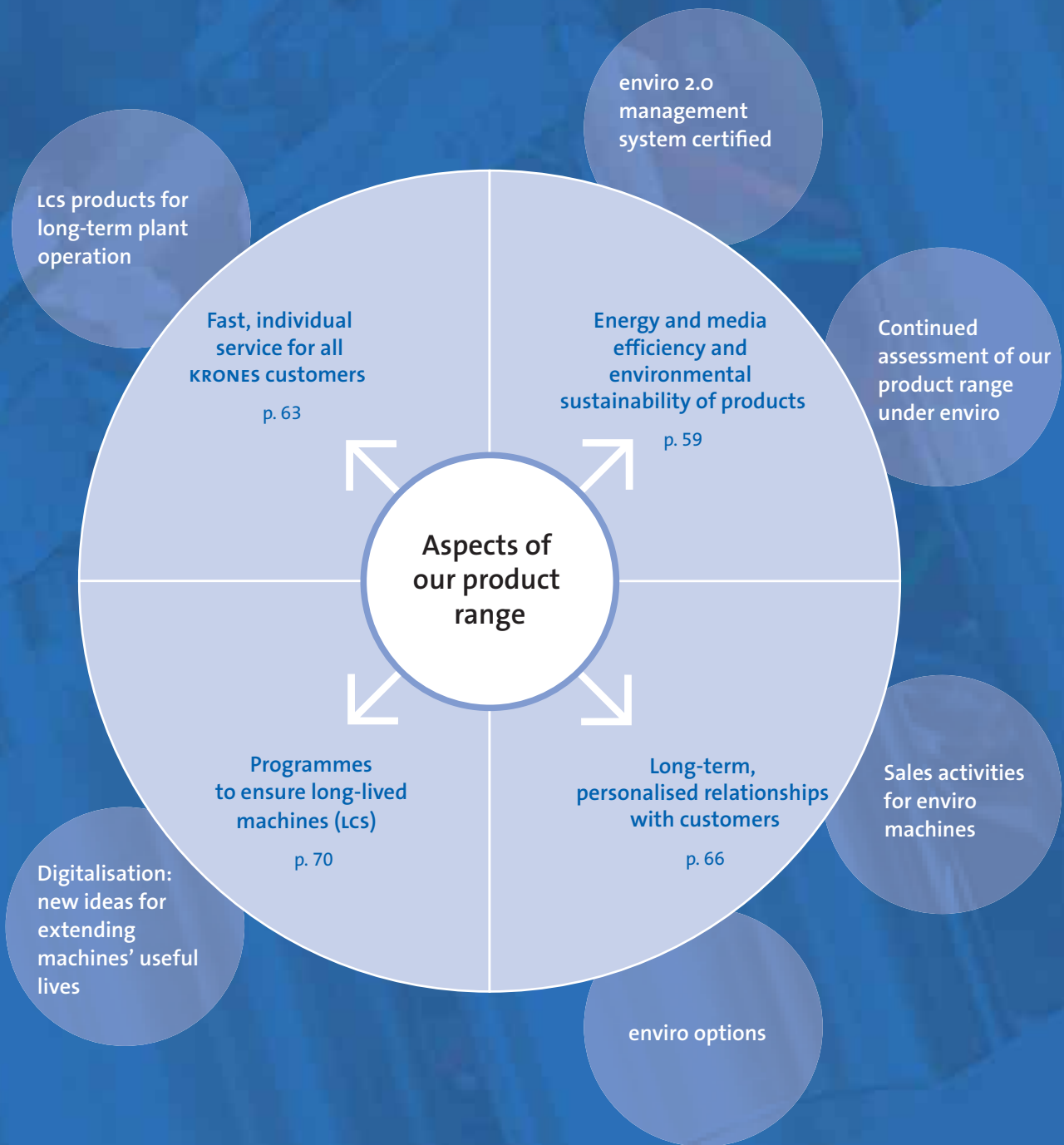
Around 2,100 KRONES employees work continually to develop new machines, lines, and services. KRONES has for years invested approximately 5% of consolidated revenue in research and development. Including capitalised development expenditure, KRONES spent €164 million on research and development in 2015 (previous year: €149 million). We secure our innovations with patents. At 31 December 2015, we held 4,450 patents and utility models, nearly 20% more than in the previous year.

### Conserving resources – An integral part of our development activities

Our research and development team takes a targeted approach to designing resource-friendly products. The individual measures are included in the “Bottling and Packaging Equipment” and “Plants and Components” divisions’ strategic monitoring. Products for optimising and extending the useful lives of KRONES machines and lines are offered under the KRONES LCS (Lifecycle Service) brand. These offerings are part of our International Operations and Services division and monitored there. Resource-conservation efforts within our production flows are planned and implemented by the relevant plant managers.

The processes defined in our enviro manual ensure compliance with all requirements. In addition, status reports within the strategic monitoring system show what progress has been made in assessing enviro process models. In every product area, an enviro point person supports the design teams in applying the guidelines and reviews the solutions. In the future, our sales team will be able to analyse enviro criteria within our quotation tool. That will enable us to review how well these machines do on the market.

*KRONES currently does not use any products or materials that are based on nanotechnology in its machines and lines.*



enviro is our certified management system for methods and processes. It specifies targets and guidelines for assessing energy and media efficiency and environmental compatibility. The steps defined within the enviro manual underlie all work on developing new products and continually improving existing products.

The process ensures that every design step is in full compliance with legal requirements and that the materials used are reviewed for environmental compatibility and occupational safety.

*To facilitate consistent review of KRONES machines according to enviro criteria, we have implemented enviro 2.0 process model assessments as a management process. These processes are compiled in the enviro manual. The manual is updated and amended continually so that it always reflects current requirements for an enviro-compliant design process.*

- ➔ In May 2015, we obtained certification from TÜV SÜD and can now extend the pilot programme to all product groups.
- ➔ The enviro manual governs the entire product development process and lays out all work flows for developing resource-friendly processes.
- ➔ The enviro standard also includes a review of the supplies that may be used in enviro machines. The permissible products are compiled in a “whitelist” which our product developers can access through KRONES inside.

### Continued assessment of our product range under enviro

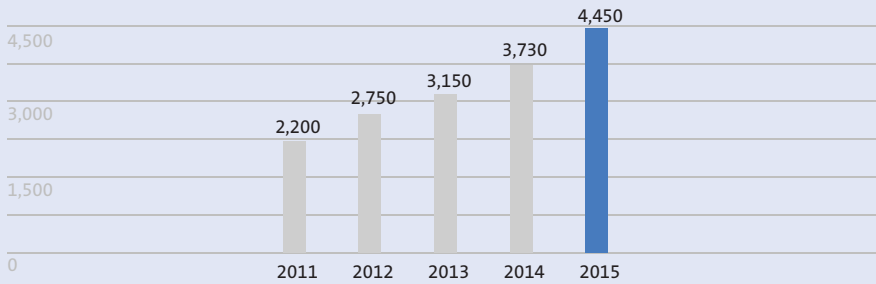
*The assessment of KRONES products in accordance with enviro criteria continued in 2015. Because of the transition from enviro 1.0 to enviro 2.0, we have reassessed 36% of the machine series that had already been assessed under enviro 1.0.*

- ➔ At the end of 2015, we had not yet assessed 16% of our machines. Another 14% of machines will not be part of the enviro process because they are special-order, laboratory, or third-party machines.

*The enviro management system also includes a training programme that assists employees in their work within the enviro process.*

- ➔ A multi-stage training programme on enviro 2.0 was also conducted in 2015 and provided KRONES employees with a high level of information about designing sustainable machines and lines in accordance with our enviro criteria.
- ➔ The training courses are offered through the KRONES training portal and are recommended to employees as purposeful, goal-oriented continuing education within the scope of our competence management (career development) reviews.

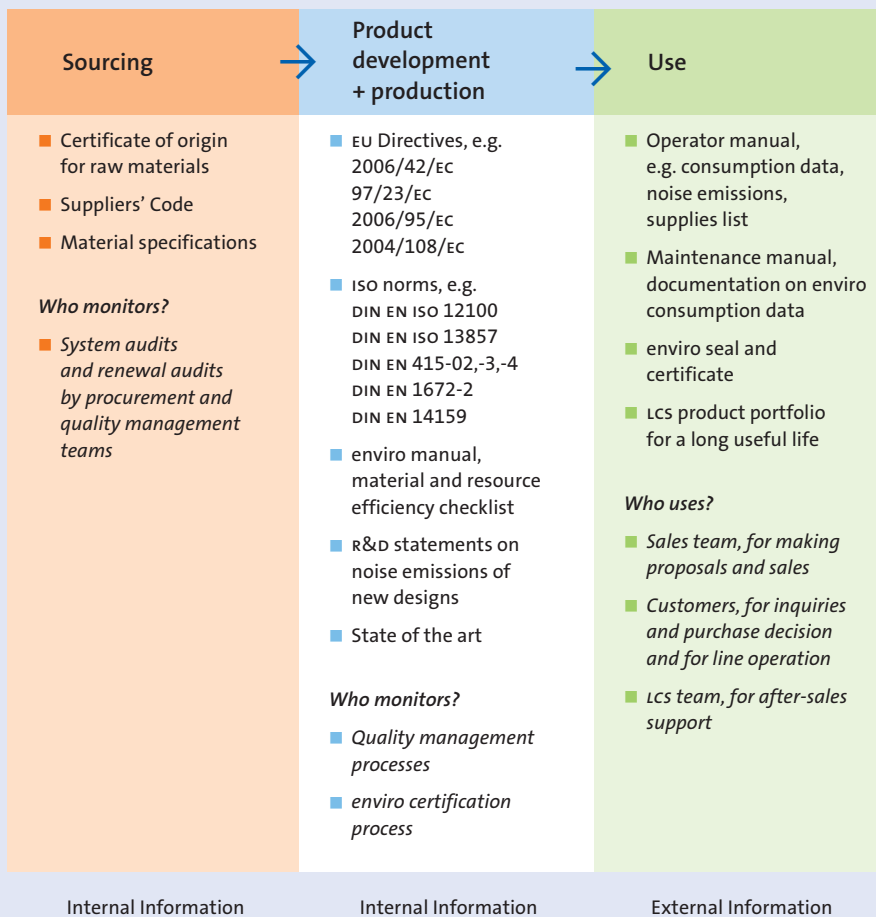
KRONES Group – Registered patents and utility models



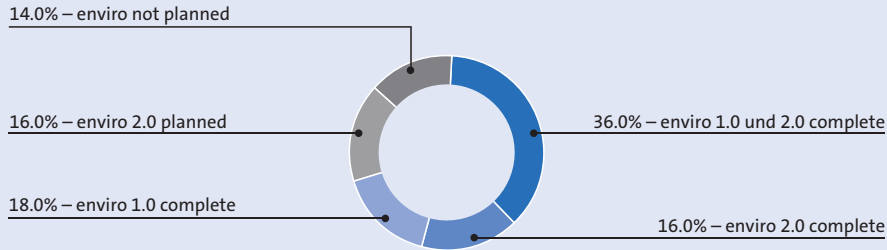
*KRONES is a highly innovative company, holding 4,450 patents in 2015. That is almost 20% more than in the previous year.*

Fundamentals and information about product design and development

*Tools and practical guidelines ensure sustainable products and machines and lines with high safety standards.*

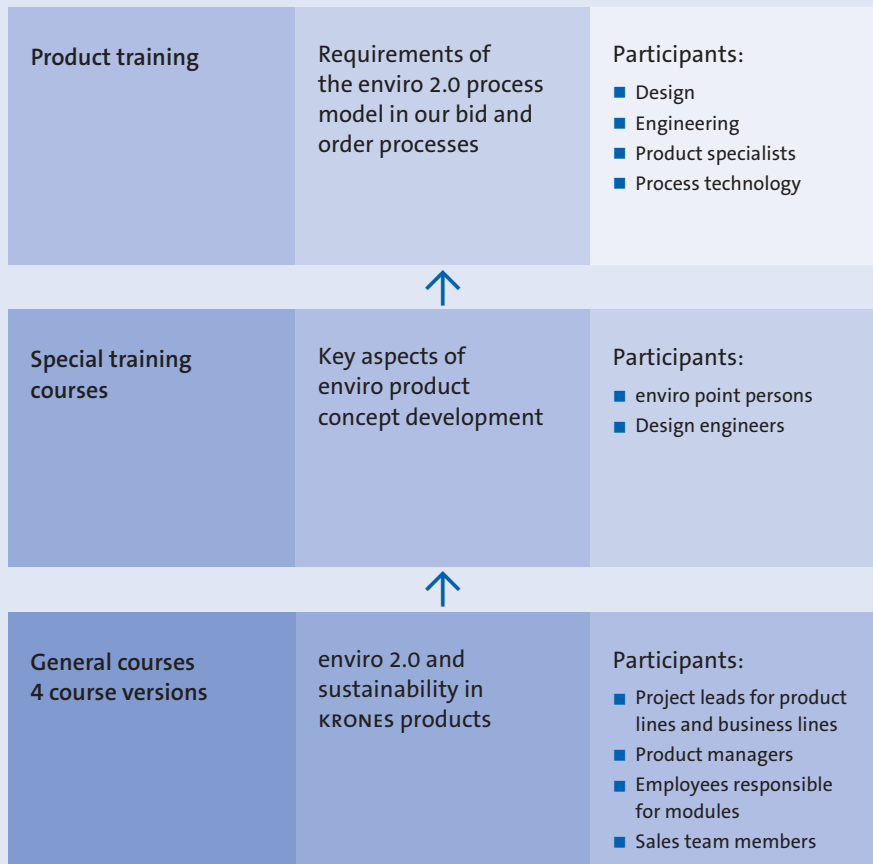


enviro 2.0 – Revenue-weighted



*Progress on enviro assessment of our machinery portfolio: Last year, the enviro 2.0 process was carried out on 52% of our machines. Combined with the machines that are still assessed only on the basis of enviro 1.0, that means 70% of our entire range of machinery has undergone the enviro process.*

Training programmes on enviro product design



*Training on designing resource-friendly machines in accordance with enviro criteria: In 2015, we trained around 150 employees under this training framework.*

## Every KRONES machines is subject to the enviro process



**Walter Pöppel**, Head of Engineering,  
Corporate Research and Development

### *Mr. Pöppel, how does the enviro process model assessment influence the product development process?*

Every product development process is executed in accordance with the design procedures laid out in the enviro manual. The enviro point persons in the business lines and the enviro Officer conduct internal audits to verify whether enviro criteria have been met. We have a number of different feedback loops for monitoring. Colour-coding in our communication with the business lines makes it clear when individual criteria are not met and need to be optimised. So, resource and media-efficient design is

consistently rooted in the system. The enviro point persons serve as advisors, supporting the process of designing products in accordance with enviro requirements. For employees responsible for modules, flags are included in the product structure to make it immediately clear, even on order-specific design projects, whether machine configuration affects enviro-relevant criteria.

### *So, does that mean all machines are designed as enviro machines?*

In certain cases, we will have to create option packages for incorporating enviro solutions into our machine portfolio because some customers have defined standard conditions that we must fulfil. For now, it will remain a matter of configuration, whether the enviro machine is the standard or a standard machine is offered with enviro options. For 2016, we plan to configure an entire plant in accordance with enviro criteria so that we can market complete enviro-compliant lines.

### *How do you design machines to ensure long useful lives?*

The longevity of our machines is based on our validated processes and the resulting components. We use calculation tools and simulation programmes to support our design processes. These enable us to identify the loads placed on components and assemblies during operation. And that enables us to make further improvements to future machine designs.

### *How does KRONES guarantee compliance with the various safety standards that apply to machines worldwide?*

First, we manufacture our machines in compliance with CE marking standards. Conformity with the Machinery Directive is required. This safety standard is recognised worldwide and serves as the basis for our production processes. For each individual machine within the EU, the head of the product line confirms that the conditions of the Machinery Directive have been met. To provide the greatest possible support in the product development process, we have appointed a CE coordinator for each business line, who carries out the conformity assessments. Of course, any additional standards that apply in certain countries are also complied with. Key accounts often have their own additional standards.

For the various safety rules and standards worldwide, we have developed a framework in which we want to make country-specific requirements available through a software programme so that the individuals working on order fulfilment only see the safety requirements that are relevant to the current project. We intend to extend this project into the production halls, where our employees working on machine assembly can also call up the safety requirements specific to the order. This information can also be accessed directly in the system for installation jobs.



## Sales activities for energy-efficient machines

Reducing resource and media consumption has increasingly gained a foothold in the consciousness of our customers in recent years. When we first launched our enviro machines in 2008, only a few customers were able to appreciate the potential benefits of these machines and their impact on energy consumption in production. Since 2012, we have seen sharp growth in interest in these solutions.

*We provide amortisation calculations for these energy and resource-efficient machines to our customers so that they are fully informed of the potential. The calculations enable users to see how long it will take for the resource-saving equipment to pay for the added cost.*

➔ Target amortisation periods for enviro options are figured on a customer-specific basis depending on consumption data and the cost of media employed. As a rule, we try to have the equipment amortise in periods ranging from less than four years to five years in order to make it easier for customers to choose the enviro option.

*To simplify the process of preparing quotations for enviro machines and therefore make it easier for our sales team to utilise the enviro machinery programme, we have integrated the characteristics of enviro machines into our bid configuration system.*

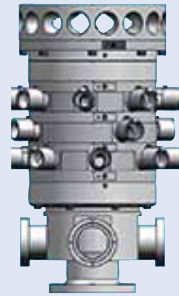
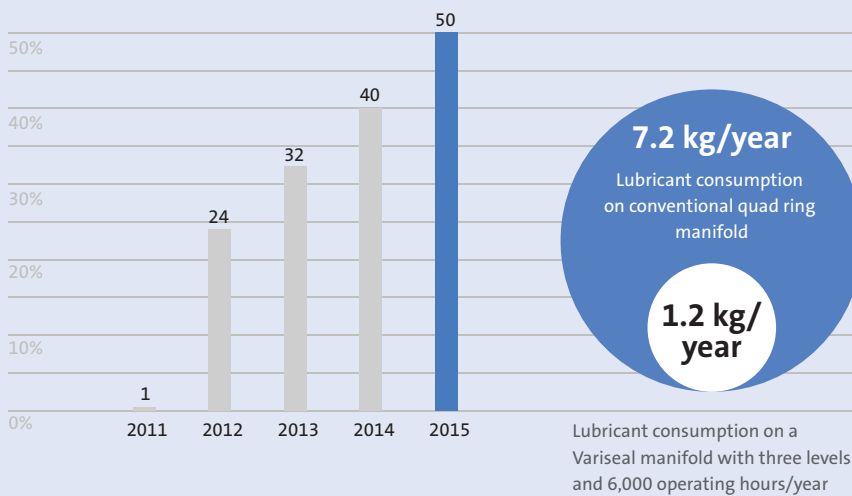
➔ In 2015, we stored the enviro characteristics for seven process models in our bid preparation system. Product specialists can now directly incorporate the enviro characteristics as part of the standardised bid preparation process.

➔ We expect the number of bids prepared for enviro machines with these process models to increase this year and in subsequent years.

*In the environment-related CSR workshops held in 2015, it was apparent that we need to more effectively showcase enviro machines and their benefits on various platforms.*

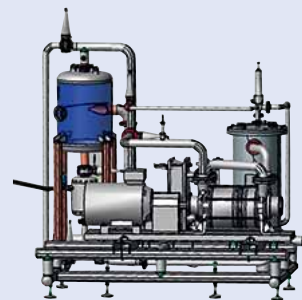
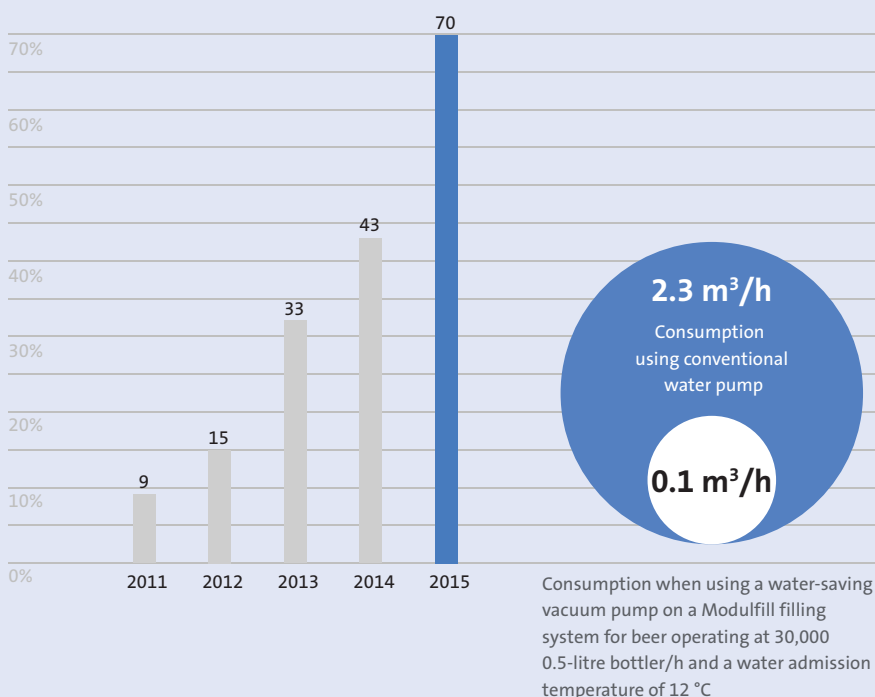
➔ We have launched initial efforts to improve communication with stakeholders. We plan to publish regular reports on our resource-friendly enviro machines in our customer and employee magazines.

Modulfill, with Variseal manifold, share of machines sold (%)



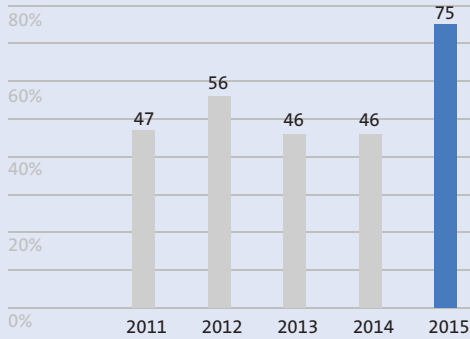
From 2011 to 2015, the share of Variseal manifolds, an enviro component, rose to around 50% of the total volume of Modulfill filler sold. In other words, around half of all customers purchasing a Modulfill are opting for a manifold with no-lube gaskets and, thus, to reduce lubricant consumption by around 80%. The manifold is the means by which the media are fed into the filler's product tanks. This rotary part is one of the most important parts of the filling system and is also subject to the most wear and tear.

Modulfill with water-saving vacuum pump, share of machines sold (%)

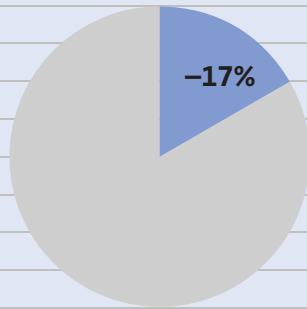


Around 70% of customers opted to use a vacuum pump with a water-saving feature in the Modulfill filling system in 2015. With it, they were able to reduce the system's water consumption to 5% of the original level.

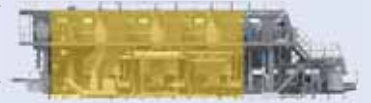
Double-end bottle washer with insulation, share of machines sold (%)



Reduction in heat consumption



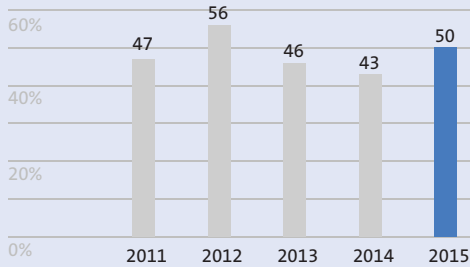
Heat savings on a double-end bottle washer running at 30,000 bottles/h with insulation.



*As the example shows, the use of insulation can significantly reduce heat consumption on a bottle washer. This user achieved savings of 17%.*

*Around 75% of customers opted to use insulation when configuring their double-end bottle washer in 2015.*

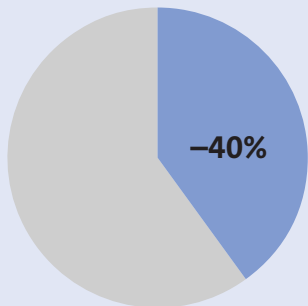
Double-end bottle washer with insulation and heat recovery, share of machines sold (%)



*The double-end bottle washer designed with insulation and heat recovery makes a considerable contribution to saving resources. Savings come to around 40% in terms of heat consumption and around 30% for water.*

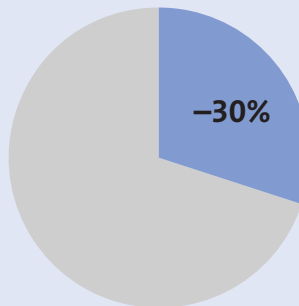
*In 2015, 50% of our customers buying a double-end bottle washer chose to use both insulation and heat recovery.*

Reduction in heat consumption



Heat savings on a double-end bottle washer with insulation and heat recovery running at 30,000 bottles/h

Reduction in water consumption



Water savings on a double-end bottle washer with heat recovery running at 30,000 bottles/h

## enviro options have improved the market presence of enviro technology



**Klaus Holler**, Head of Sales Europe

*Mr. Holler, how much awareness is there among customers of enviro machines and their benefits?*

When we talk with customers, it becomes apparent that many don't know much about enviro and enviro machines. We have to work on our market communication and how the topic is presented.

We have to step up communication of enviro's purpose. We need to show customers the competitive and economic advantages that they stand to gain from resource-friendly production.

But – and this is the crux of the matter – that requires that customers be interested in conserving resources – not simply looking at the lowest cost of initial investment but wanting to achieve a low total cost of ownership (TCO).

*What share of customers is asking for eco-efficient machines?*

Some of our key accounts operating globally have made voluntary commitments to reduce their carbon footprint. In their case, incorporating our enviro machines is really essential to building the production lines of the future. But, as I see it, the marketing power of eco-friendly production is often overlooked. Consumers are definitely looking for products that are made in an environmentally friendly process. So, eco-efficient machines could help boost sales and generate additional savings. In some cases, customers can also tap into incentive programmes or lower-interest rate financing. All-in-all, I see an increase in the share of requests for resource-friendly machines in recent years.

*Are certain groups of customers more interested in environmentally friendly machines than others?*

As a matter of principle, saving money in the long term by spending a little more in the short term should be of interest to all customers. The brewing industry is very energy-intensive and we receive more inquiries from brewers because the

potential savings are more obvious.

Customers that take a TCO approach also have a clearer view of enviro machines' potential. Many customers tell us that our machines actually save even more media than we promise. That means our TCO calculations tend to be more conservative, erring on the side of caution. Maybe we should tighten up our guarantee claims, bringing them up closer to the actual levels of savings achieved.

*How could KRONES better market the enviro machinery portfolio?*

Having a base version of machines with enviro options is the best way to go. In some cases, our high enviro standards put us in second place against competitors, especially for customers for whom consumption data isn't a priority. When we prepare bids, we go with the machine that makes the most economic sense – a compromise between energy savings and pricing in order to ensure that our bid can compare with others.

Especially given how diverse our markets are, it makes sense to use components that yield the biggest advantage in the respective target country. In some countries, electricity is practically free, in other parts of the world, water scarcity is a real problem that can't be ignored. So, we have to be selective in preparing our bids and include appropriate enviro options.

## Selected innovations

The innovations presented here clearly show how enviro assessment is shaping the design process. All of these machines were developed in accordance with enviro criteria. Individual solutions such as the LinaFlex Pro tunnel pasteuriser with an internal cleaning process were assessed under enviro 1.0 while the majority of the machines already have a process model assessed under enviro 2.0. In the case of the modular compact brewery One2Brew, we hope to be able to do a system assessment, which we are currently coordinating with TÜV SÜD. On the other hand, the LavaClassic Plus bottle washer was designed for markets where energy consumption is not a priority because energy costs are so low.

### DosaFlex

DosaFlex revolutionises aseptic dosing. This innovation from our process technology segment doses solid components such as fruit bits, fibres, or grains into liquid beverages in a process that is gentle, precise, and affordable. Until now, these sensitive particles have been heated in the UHT unit along with the liquid part of the beverage. DosaFlex adds the solids, which have been produced under aseptic conditions, to the juice flow just before filling, thus sparing them thermal stress. That reduces damage to the particles and increases product quality. The system's highly accurate dosing also reduces costs. Until now, it was customary to overdose the expensive solids to ensure desired concentrations in the bottled product. DosaFlex eliminates the need for overdosing.



### Craftmate

We developed the Craftmate as an inexpensive can filler for low output applications. It is specifically designed to meet the needs and expectations of smaller breweries and is therefore also ideally suited for the booming craft beer market. The machine handles between 6,000 and 18,000 cans per hour depending on container size and beverage. The Craftmate has 24 filling valves and is intentionally designed to be simpler in certain points than KRONES' high-speed can fillers. The Craftmate is highly versatile. Not only does it fill cans of different sizes and shapes, it can also fill both beer and carbonated drinks.





### Contiform 3 Pro

KRONES has further improved its stretch blow-moulder, which produces plastic (PET) bottles by inflating PET blanks. To reflect the changes, we have added “Pro” to the Contiform 3 name, making it Contiform 3 Pro. “Pro” stands for “progress”, as in energy cost savings of up to 8%. With the Contiform 3 Pro, the base reflectors in the heating unit can be adjusted to match the length of the preforms, thus reducing the space to be heated and lowering energy consumption. The machine’s automated blowing process assistant ensures that the blowing module uses only as much compressed air as is absolutely necessary. That cuts compressed air consumption by as much as 30%. The machine’s output has increased to as many as 2,300 containers per hour per blowing station. Other benefits that the Contiform 3 Pro offers customers include faster blow-mould changeovers, easier operation, and simplified cleaning.



### One2Brew

One2Brew is a turnkey compact brewery with which customers can make their first brew just eleven months after the kick-off meeting. A comparable project with a standard project plan would take 18 months to implement. The brewery’s process areas are divided into functional units, which are delivered pre-assembled and connected to build a complete plant on-site in a “plug-and-play” process. All systems and components as well as the brewery layout are standardised, considerably reducing the costly, time-consuming processes of engineering, manufacturing, and assembly. In addition, the compact brewery, which can produce 300,000 hectolitres per year, has a small footprint. The real kicker: Plug-and-play operation means that the entire brewery can easily be dismantled, shipped, and reassembled at a different location.



### LavaClassic Plus

The LavaClassic Plus bottle washer removes coarser dirt and impurities from heavily soiled bottles at an early stage. This is particularly useful in the emerging markets, where returnable containers often come back to the plant very heavily soiled. The “Plus” version of the LavaClassic has an additional, powerful pretreatment zone to handle every type of soiling. Light dirt particles are removed by way of a belt while heavier particles that sink to the bottom of the machine are removed by way of a “dirt lock”. Sand is separated from the liquids and removed in a separate module. The benefits for customers: The main section of the bottle washer is protected, prolonging its useful life, and manual cleaning requirements are reduced.



### LinaFlex Pro

We developed the LinaFlex Pro CLEAR (cleaning, long-life, efficient, automated, and regenerative) system to enable fully automatic cleaning of our LinaFlex tunnel pasteuriser while the machine is in operation. The system saves customers downtimes as well as resources and energy. No biocides are used and recirculation reduces water consumption. Similarly, the energy-intensive process of boiling out the machine, standard procedure until now, can be dispensed with. Because the system removes foreign particles and glass fragments from the process water, wear parts last longer. The LinaFlex Pro CLEAR system reduces ongoing operating costs while ensuring the highest quality pasteurisation.



KRONES LCS (Lifecycle Service) comprises all after-sales services for KRONES machines and lines. In 2015, KRONES developed the “Partner for Performance” service concept, which we presented for the first time at the BrauBeviale trade fair in November. Partner for Performance stands for KRONES’ intention to help each of our customers achieve their goals. The concept includes five product groups that address our customers’ different needs: Profitable Performance, Tailor-made Performance, Efficient Performance, Cost-saving Performance, and Secure Performance.

Digitalisation is driving innovation in Lifecycle Service. The digitisation of industry is opening up a wide range of opportunities for KRONES to even better support customers. Our LCS portfolio already offers products that offer deep data integration and generate significant advantages in day-to-day operation.

### Digitalisation: New ideas for extending machines’ useful lives

*Maintenance strategy has a major influence on the cost of operating a KRONES line. Condition-based maintenance (CBM) achieves the best balance between system availability and cost. With OSAT (On Site Assessment Tool), KRONES offers a tool for a high-quality technical inspection and subsequent overhaul as well as documentation of any work done.*

➔ This tool is a mobile application technicians on site can use to plug inspection and overhaul results into the KRONES system online for immediate further processing. The result is faster processes, improved inspection and overhaul quality, and thus better machine performance.

*KRONES supports customers with maintenance planning. In addition to maintenance planning software, KRONES delivers machine-specific data that enable our customers to plan ahead to replace the right part at the right time.*

➔ Continuous collection of machine data on site and analysis of the data will enable us to detect and resolve many issues before they cause unscheduled downtimes. Such predictive maintenance significantly reduces downtimes between scheduled maintenance work.

*When KRONES delivers new machines, they are at the highest level of technology. However, over these systems’ lifetimes, technology continues to advance and new solutions are developed. Many of these innovations can be integrated into existing lines as upgrades. In this way, improved energy and media efficiency or reduced employee workloads can be achieved even on older machines.*

➔ Around 270 upgrades are currently available for our products. As data integration increases, KRONES will be able to take an even more targeted approach to informing customers about possible upgrades. We will then automatically offer technical innovations when we do scheduled overhauls. That puts the machines at the latest state of the art once the overhaul is complete. We will also make customers aware of suitable upgrades through our online shop.



Partner for  
Performance

*Lifecycle Service offerings are available through the KRONES LCS Centres worldwide. As a result, customers everywhere can use the services for their machines in every stage of their machine’s lifecycle.*



## LCS products for long-lived plants

*Mr. Müller, what options are there for extending a machine's useful life?*

The LCS team's strategy is based on in-house product development. We align our product range very closely to customer response. Besides maintenance contracts and preventive maintenance, we offer solutions from our new machinery business that can be used in machines that have already been in operation for many years. That increases these machines' performance and brings them up to the current state of the art. In this way, operators can still benefit from technological developments.

*How much do your customers value long-lived machines?*

Customers can take several different approaches. Some want to always have the very latest, most technologically advanced equipment while others want to run their equipment for as long as possible. In markets with fast innovation cycles, a line has to pay for itself quickly. Machines have to amortise in two to three years and then operate for about ten years before being replaced. In other markets, like brewing, the range of products and containers is very stable over a long period. So, customers will keep their lines a lot longer, even more than 15 years. The same is true of the other brewing equipment, like tanks.

*Do these strategies apply to specific markets worldwide?*

No. How long a line is kept in operation varies depending on a customer's business model. We find companies in mature markets that want to get as much time as possible out of their equipment. They undertake a number of measures to extend their machines' useful lives. But even companies in the emerging markets are interested in growing their business on long-lived equipment. In both of these cases, Lifecycle Service offers products and services to meet their needs.

*What do you do for customers whose lines have already been in operation for longer than 15 years?*

We always guarantee the availability of parts, even after very long operating lives. We will even manufacture parts for customers. Another option is to send parts that have reached the end of their lives back to KRONES to be refurbished in-house and brought up to the latest state of the art. We offer these service packages for a majority of our machines.

We consult with existing customers on a regular basis, informing them which actions it makes sense to take at what time in order to keep the machine in good shape. That can also happen as part of a line inspection. This service from KRONES LCS is a targeted, manufacturer-independent analysis of the entire line. In other words, we don't just look

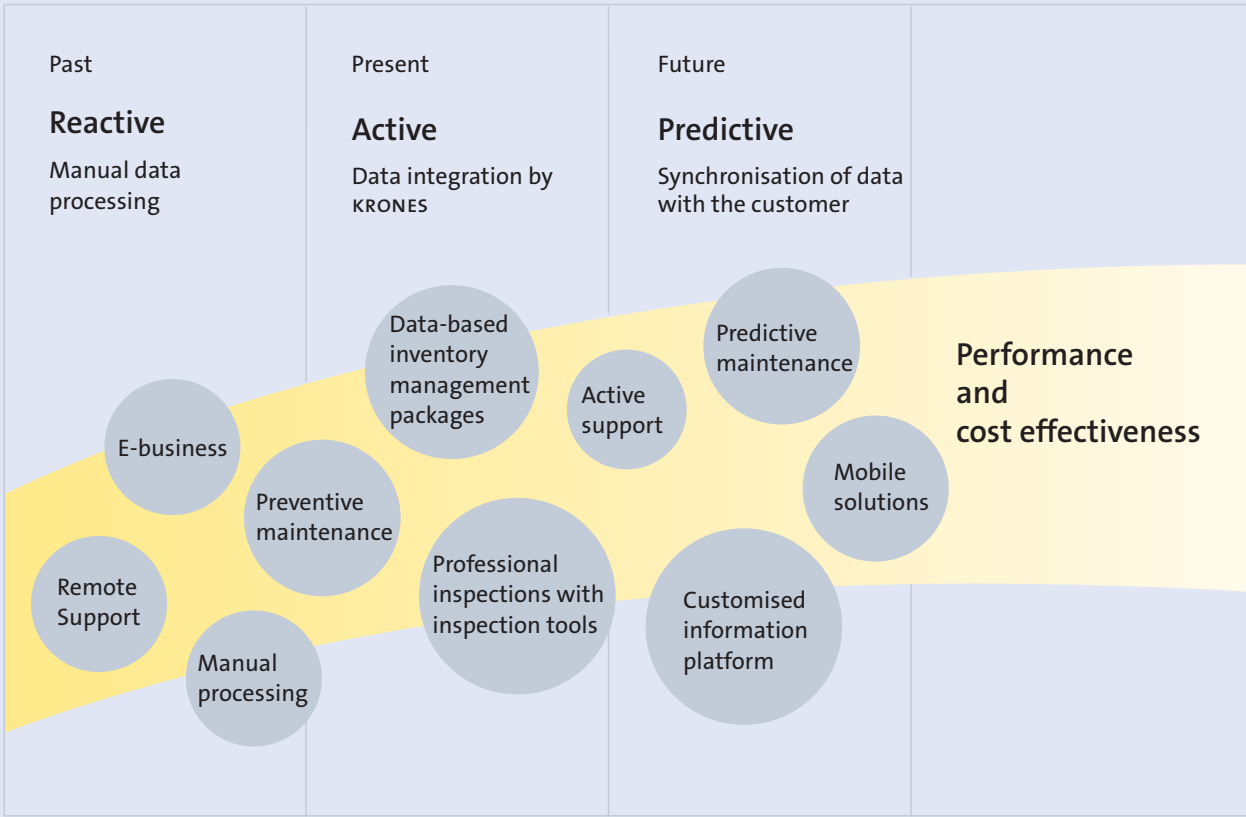


**Andreas Müller**  
Head of Sales Lifecycle Service

at individual machines. We look at the whole picture. This is necessary because the risk of an unscheduled downtime increases the longer a machine or line has been in operation.

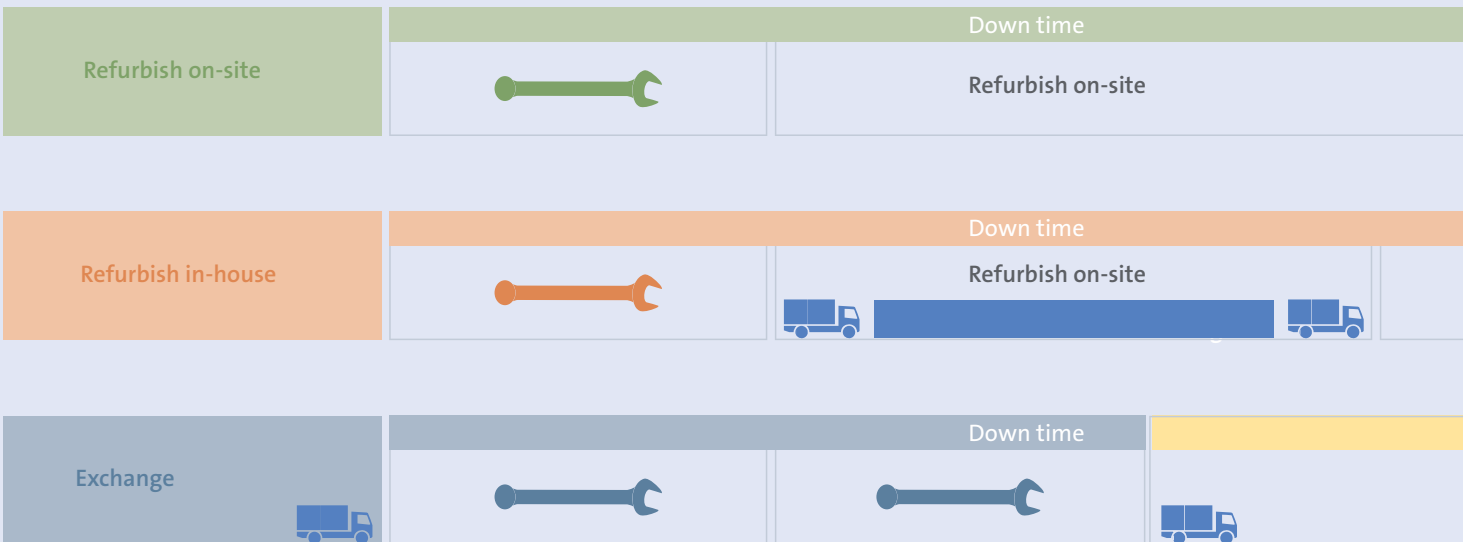
*What options do customers have at the end of a machine's useful life?*

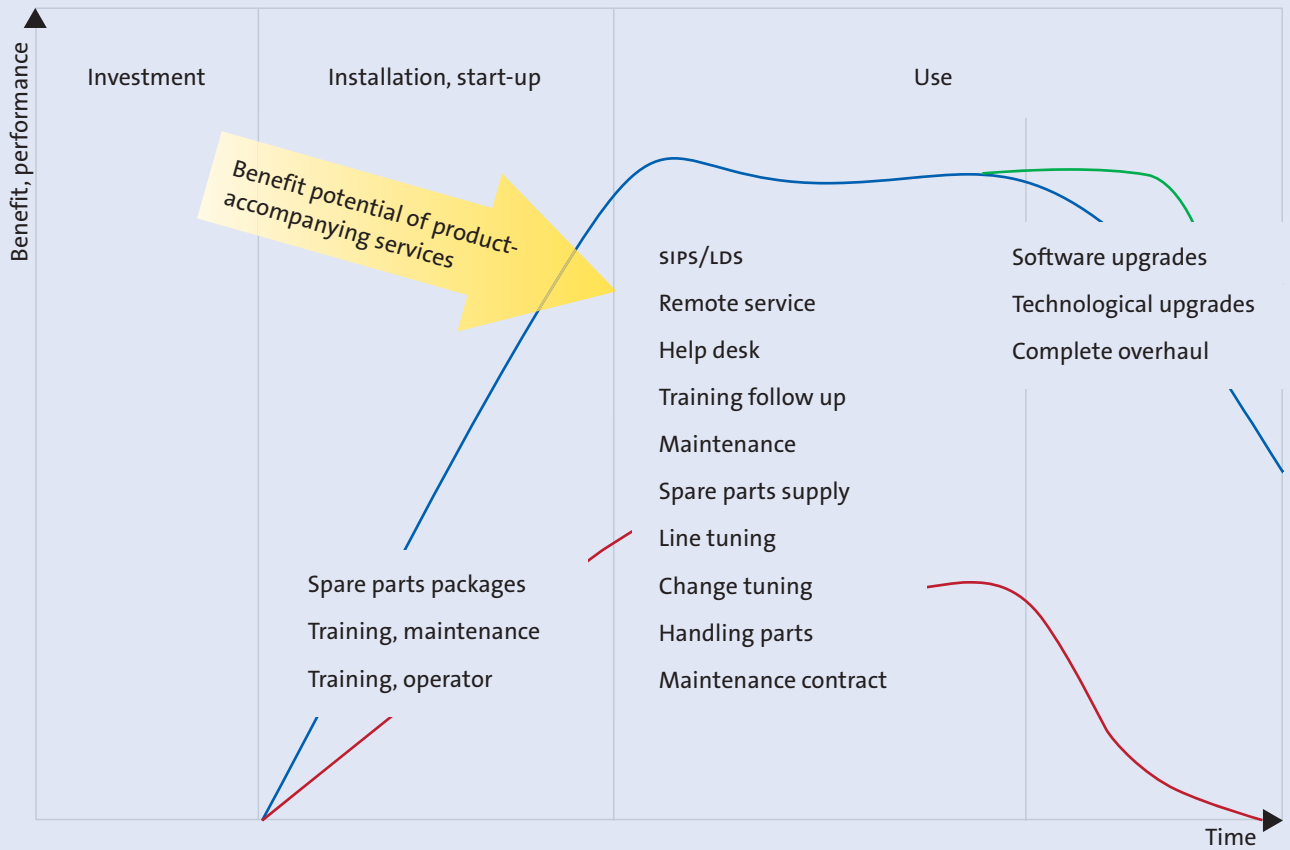
We help our customers resell their machines on the used machinery market. This job is handled by our subsidiary ecomac, which completely refurbishes the machine and then markets it on the used market. Some customers sell their used machines directly themselves.



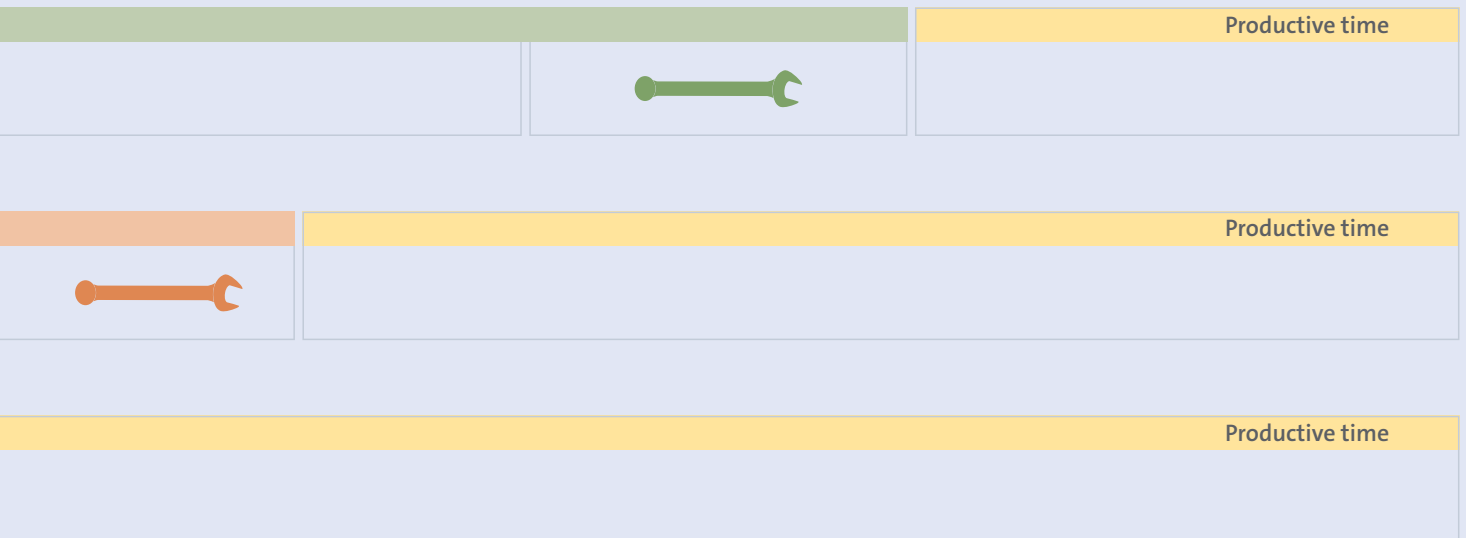
Above: Supporting customers throughout a machine's or line's useful life

Below: Users of KRONES machines have three options when parts reach the end of their useful lives.





*Above: Supporting customers throughout a machine's or line's useful life*



Goals	Actions	Target date
Product optimisations through enviro programme	<ul style="list-style-type: none"> <li>■ Continually improve energy and media efficiency and environmental compatibility in our machinery portfolio               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Continuous monitoring by enviro Officer</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Evolve EquiTherm series for combined heating and cooling               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Assessment of EquiTherm Coldfill has begun, EquiTherm Brew successfully launched</i></li> </ul> </li> </ul>	<b>2015</b>
Increase order quality	<ul style="list-style-type: none"> <li>■ Make quotation system faster and more transparent               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Continuing introduction of Q-Gate system in SAP IT landscape and ongoing improvements to existing system</i></li> </ul> </li> </ul>	<b>complete</b>
enviro 2.0	<ul style="list-style-type: none"> <li>■ Assess machine series under enviro               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>enviro assessment of our machinery portfolio</i></li> <li><input type="checkbox"/> <i>Integration into SAP quotation tool</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Further develop enviro system assessment               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>tüv süd certification</i></li> </ul> </li> </ul>	<b>2016</b>
	<ul style="list-style-type: none"> <li>■ Strengthen communication and enviro brand               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Step up communication of the added value that enviro offers customers</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Implement “Value” strategy programme with defined programmes and initiatives               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Continually improving key performance indicators (see KRONES Group annual report), KPIs per end of 2015</i></li> </ul> </li> </ul>	<b>ongoing</b>
Increase profitability, bring EBT margin up to approx. 7% Value targets: 7+/7+/20+	<ul style="list-style-type: none"> <li>■ Implement “Value” strategy programme with defined programmes and initiatives               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Continually improving key performance indicators (see KRONES Group annual report), KPIs per end of 2015</i></li> </ul> </li> </ul>	<b>ongoing</b>
Introduce a CRM system across our entire sales organisation	<ul style="list-style-type: none"> <li>■ Define key performance indicators and factors for assessing customer satisfaction data               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Project started, customer satisfaction analysis in progress in various areas, results being interpreted, and recommendations for action being developed</i></li> </ul> </li> </ul>	<b>in progress</b>
Update the integrated management system (IMS)	<ul style="list-style-type: none"> <li>■ Transfer certification type from “Community” to “Matrix”. Merge the two certifications for domestic plants and LCS Centres               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Certification audit slated for Q2 2015</i></li> </ul> </li> </ul>	<b>2015</b>
	<ul style="list-style-type: none"> <li>■ Transition to revised ISO 9001:2015 and ISO 14001:2015               <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>Complete by 2018</i></li> </ul> </li> </ul>	<b>2018</b>

ErgoBloc L

KRONES



Energy consumed  
KRONES AG  
(mwh)

116,609

Electricity consumed  
KRONES AG  
(mwh)

62,835

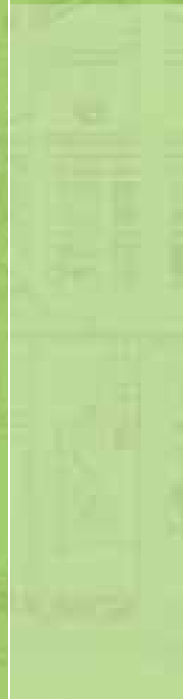
Electricity from  
renewables  
(mwh)

18,826



CO<sub>2</sub> emissions  
from electrical power  
(metric tonnes)

26,005



Environmental impact and resource conservation are major factors for our products but also within our production sites. Low resource consumption and environmentally friendly production are a high priority within our sustainability policy. The careful use of materials and raw materials is part of that. KRONES takes its role as a responsible partner to industry and society seriously and actively strives to reduce consumption of raw materials and energy. One key reason these aspects are important is that they enable us to reduce costs. Thus, the environment benefits and the company benefits. We earmark an annual budget for capital expenditure related to energy efficiency.

Our Code of Conduct clearly prescribes responsible use of materials and resources in our activities worldwide. This self-imposed obligation is in addition to the legal framework in Germany and at our international locations. Our Value programme provides further underpinnings for our treatment of environmental topics. It establishes that our company's forward-thinking model is also based on high profitability. That makes conserving resources imperative. We added to these general guidelines when, in 2015, we made a voluntary commitment to reduce our CO<sub>2</sub> emissions from energy consumption. Under it, we aim to permanently reduce our CO<sub>2</sub> emissions per €1 million in revenue by 30% to 40% compared with a 2010 baseline by 2020.

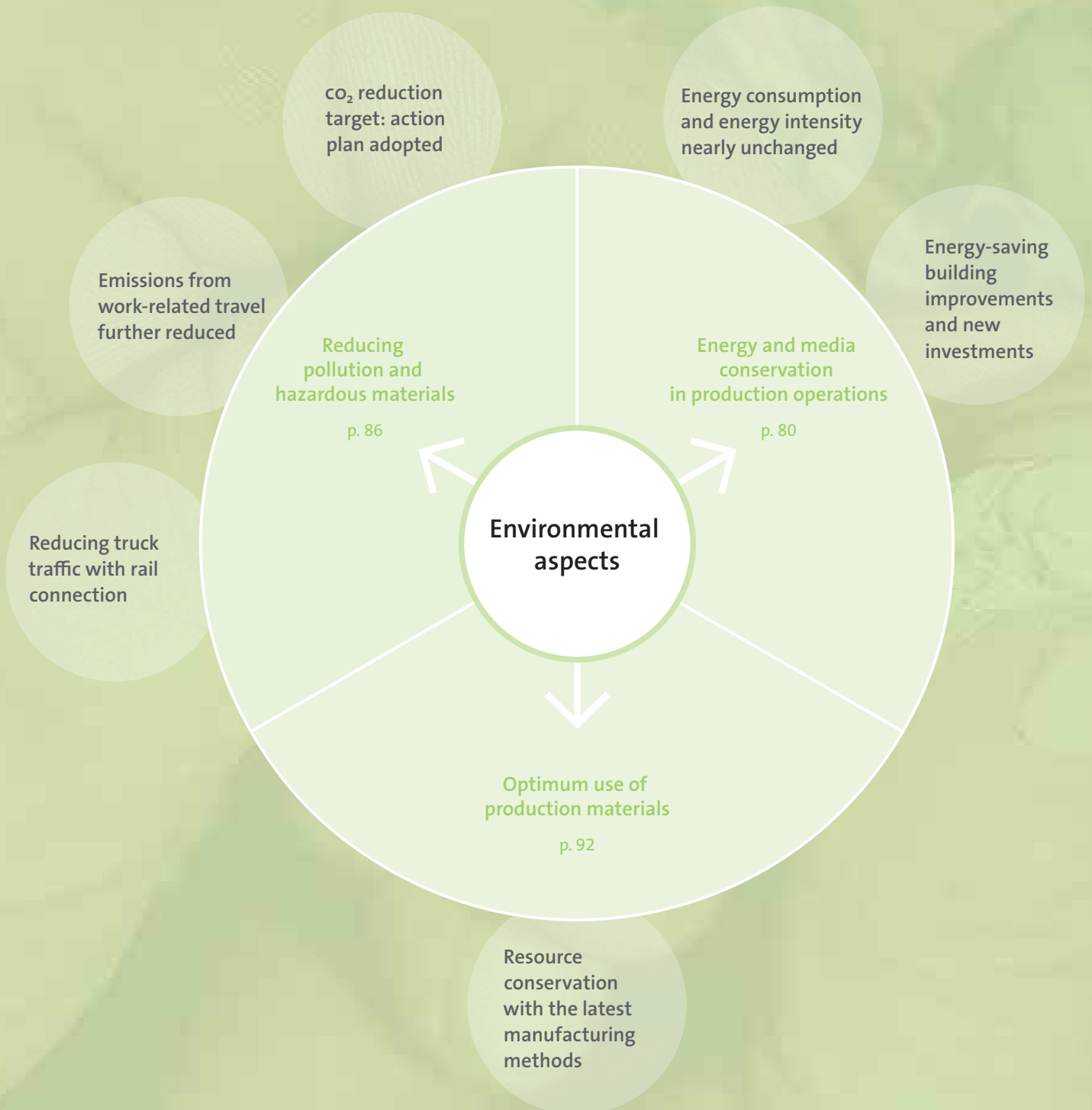
### Part of our daily work: Efficiency efforts relating to our energy supply

Our plant managers and Building Engineering Services team implement measures on their own responsibility. Efficiency measures are part of our daily efforts to continually ensure a high level of cost-effectiveness in our energy supply. In addition, environmental protection officers for topics such as water conservancy, pollution control, and waste and the central point person for matters relating to energy supply are also part of the process. Our specialist team for distribution logistics handles environmental issues relating to travel management and freight forwarding. In 2015, we conducted two workshops on environmental topics for the first time, in which we collected new ideas for developing our environment-related initiatives. Our employees are also called upon to contribute improvement suggestions of all kinds by way of the Brainpool portal. Suggestions for improving our environmental performance are also submitted through this platform.

Monitoring environmental performance indicators enables us to measure our progress. We participate in the CDP ranking and therefore submit to external review. In addition, adjustments needed in various areas are proposed within the CSR Committee and brought to the company's leadership.

*In 2015, we did not pay any fines or incur non-monetary sanctions for non-compliance with environmental laws or regulations.*





Energy consumption in our plants remained largely unchanged in 2015. The absolute figure is up slightly but relative to revenue, consumption is actually down, which translates to an increase in efficiency. Thus, we achieved our aim of continuous improvement.

*Because the company expanded the total physical space of some sites in Germany through the leasing, new construction, or expansion of additional office and production space, warehouses, and social areas, there are limits to how well consumption figures from the previous year can be compared with figures for the reporting period.*

⇒ To show the impact of this expansion on our energy consumption figures, we use an additional indicator that relates heating energy consumption to total area in our production facilities.

⇒ Because of the expansion, we cannot put a specific number on the reductions in electricity consumption. Nevertheless, the fact that electricity consumption is flat despite a 3.2% increase in area at some sites can be viewed as a relative reduction in consumption.

⇒ Newly added areas – such as the new dining hall – will be equipped with state-of-the-art LED lighting, which will help keep electricity consumption steady.

## Energy-saving building improvements and new investments

*The increase in natural gas consumption can be attributed to the addition of a fourth module to our cogeneration plants, which we also use as backup power supply for our sprinkler system.*

⇒ Operating the cogeneration (combined heat and power, CHP) plants requires 25% more primary energy. The systems have an efficiency of 75%.

⇒ The CHP plants are an important building block for our electrical power supply. In 2015, we generated 26% of our power supply with CHP at our Neutraubling site.

*Replacing the skylights in some of our production areas at our Neutraubling site resulted in heating energy savings of around 13%.*

⇒ For 2016, we plan to replace more roofing (approx. 1,400 m<sup>2</sup>) in other production areas.

*Key figures on our cogeneration plants for 2015:*

*33% electricity production  
42% heat production  
25% efficiency losses*

*We take energy conservation into account when evaluating all new investments in our machining centres in production. It is an important criterion guiding our decision-making alongside increasing efficiency. We invested in state-of-the-art machining technology at our Rosenheim plant in 2015.*

- ⇒ The new laser machining centre uses 35% less electrical power despite a 20% increase in output.
- ⇒ The higher efficiency of new milling equipment is evident in the 55% reduction in input power and improved flexibility.

### Energy consumption and energy intensity nearly unchanged

Total energy consumption in Germany in 2015 came to 116,644 MWh. That is a year-on-year increase of 2%. Relative to revenue, it is a reduction of 4.9%.

*This consumption data includes electricity generated in our own CHP plants, where we use natural gas to produce a large share of the heating needed at our Neutraubling site and around one-quarter of the electricity used on site.*

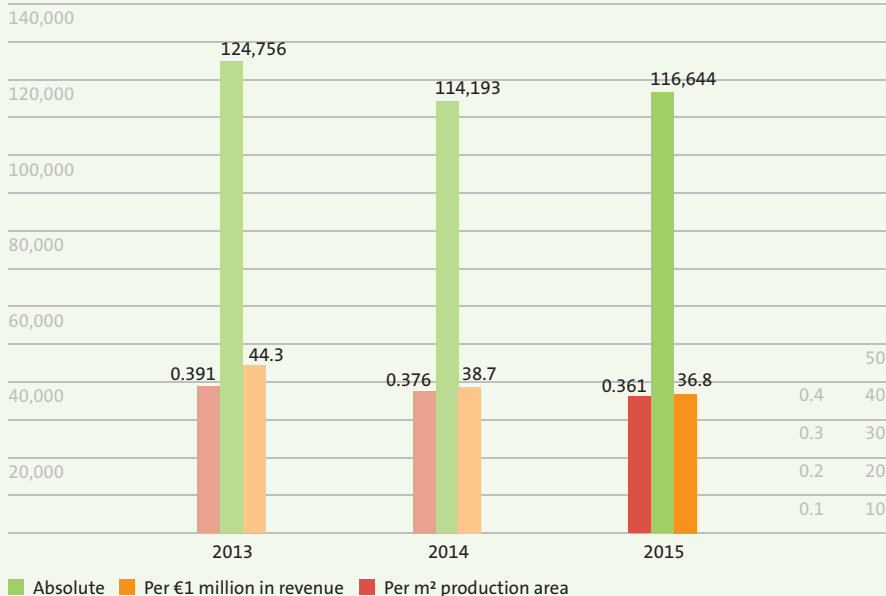
- ⇒ The increase in heating oil consumption can be attributed to the newly leased areas and in some cases to the heating of construction sites during renovation work on our plants. In all, our use of primary energy sources with respect to the energy we draw from external sources is largely unchanged.

*The figure for electricity consumption includes power supplied by the local utilities as well as power generated in the company's own CHP plant in Neutraubling.*

- ⇒ We generated 10,321 MWh of electrical power on site in 2015, a share of 16% of the total electrical power consumed (previous year: 13%). The share of externally generated electrical power was reduced by 2.9% to 52,547 MWh (previous year: 54,099 MWh).

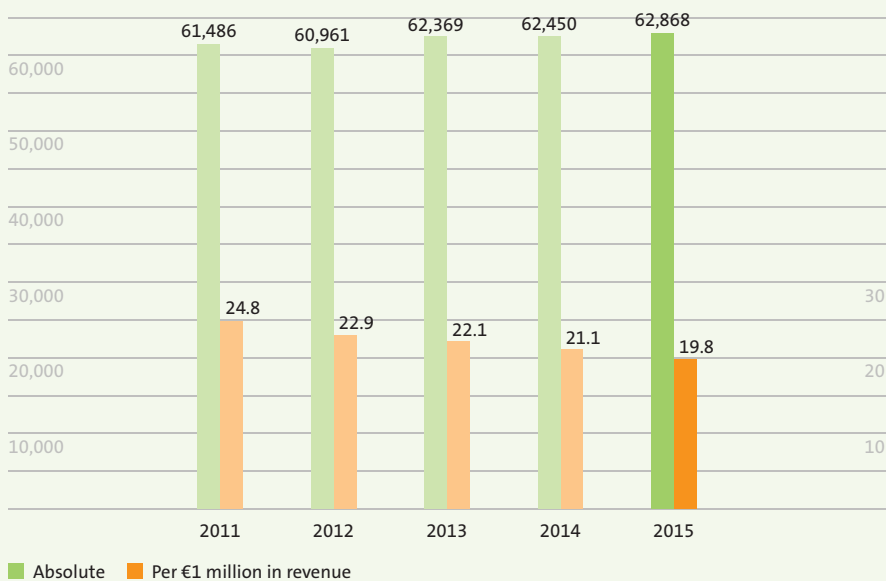
*Heating our Rosenheim plant is 100% carbon neutral and uses no primary energy from the local utilities' power generation. The Nittenau plant uses district heating, 100% of which is generated using biogas. The Freising and Flensburg plants are heated using district heating from local utilities.*

KRONES AG – Energy consumption (absolute mwh, mwh per €1 million in revenue, and mwh per m<sup>2</sup> production area)



Over the past three years, energy consumption is down. Energy consumption per €1 million in revenue and per m<sup>2</sup> production area both trended steadily lower.

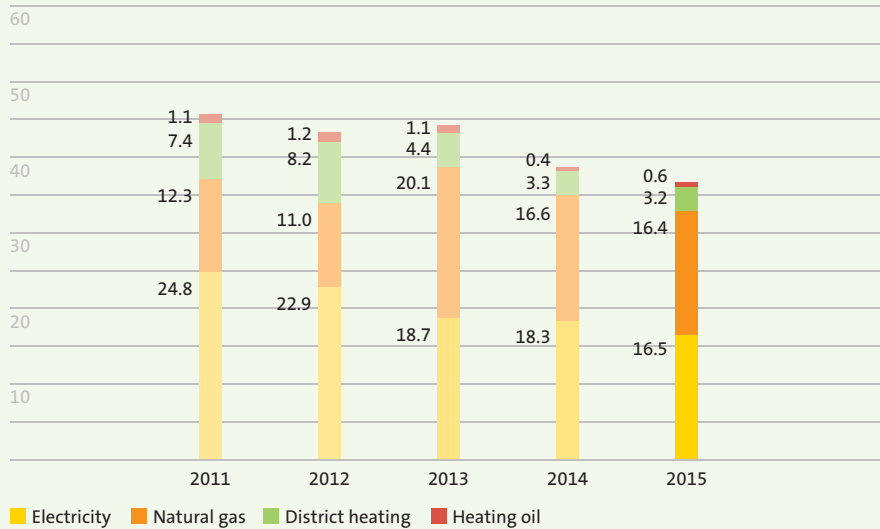
KRONES AG – Electricity consumption (absolute mwh and mwh per €1 million in revenue)



Absolute electricity consumption was nearly unchanged for the third year in a row despite higher production volumes. Per €1 million in revenue, that is a reduction of 6.2%.

According to our energy utilities, we drew 18,827 mwh of electrical power from renewable resources. On average, that corresponds to a 35.8% share of total energy drawn (previous year: 40.5%).

KRONES AG – Energy drawn from external sources – electricity, natural gas, district heating, and heating oil (mwh per €1 million in revenue)



*Energy drawn from external sources in Germany trended steadily downward relative to revenue. Consumption of all energy sources was lower, with the exception of heating oil, which can be attributed to the heating of construction sites while specific work was done on those areas of the plants and to the leasing of additional property that is heated by heating oil.*

## Water consumption

Water consumption from the municipal water supply came to 131,043 m<sup>3</sup> in 2015. Relative to the increase in revenue, that is a 5.1% increase in water consumption. Consumption per €1 million in revenue came to 41 m<sup>3</sup> in 2015. We withdrew 1,048,391 m<sup>3</sup> of groundwater for the water cycle we use for cooling buildings at our Neutraubling plant (previous year: 1,275,380 m<sup>3</sup>). That volume was returned in its entirety. The volume discharged into the public network largely equals the volume withdrawn, less any losses due to diversion, disposal, or evaporation.

*There were no incidents of significant spills of water pollutants in 2015.*

*Compared with the previous year, production volume was higher, especially in filling technology, the construction of water treatment systems at our Neutraubling plant, and production at our Freising plant.*

- ⇒ We note an increase in water consumption at both our Neutraubling and Freising plants for 2015, which relates to the large-volume tanks produced there.
- ⇒ Multiple ongoing tests and filling tests are also factors contributing to higher water consumption.

*A damaged pipe in the Neutraubling plant is another factor that caused an increase in water consumption.*

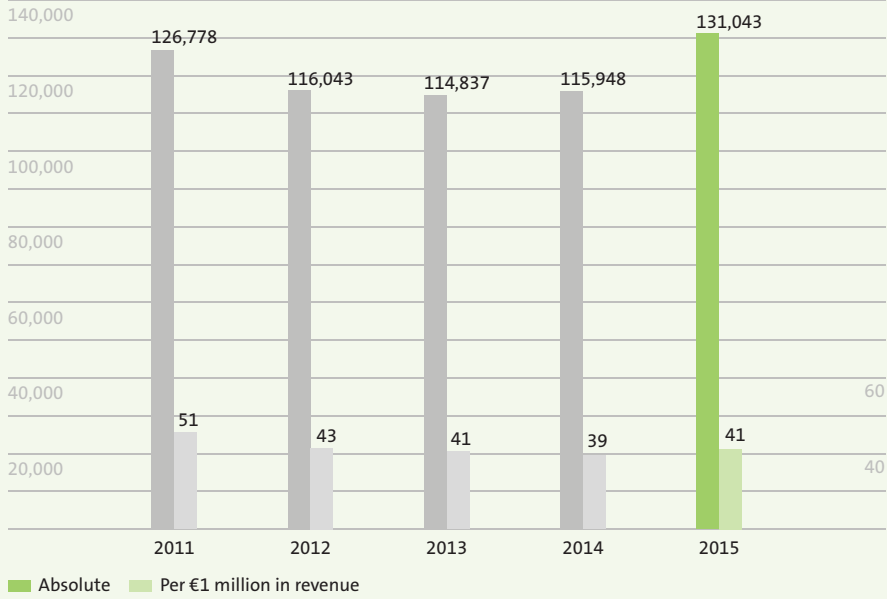
- ⇒ Water consumption in this production area is expected to return to a lower level in 2016.

The volume of waste water from installations that are subject to licensing came to 4,071 m<sup>3</sup>, an increase of 5.9%. This waste water is treated, either in internal physical/chemical processes or in neutralisation systems.

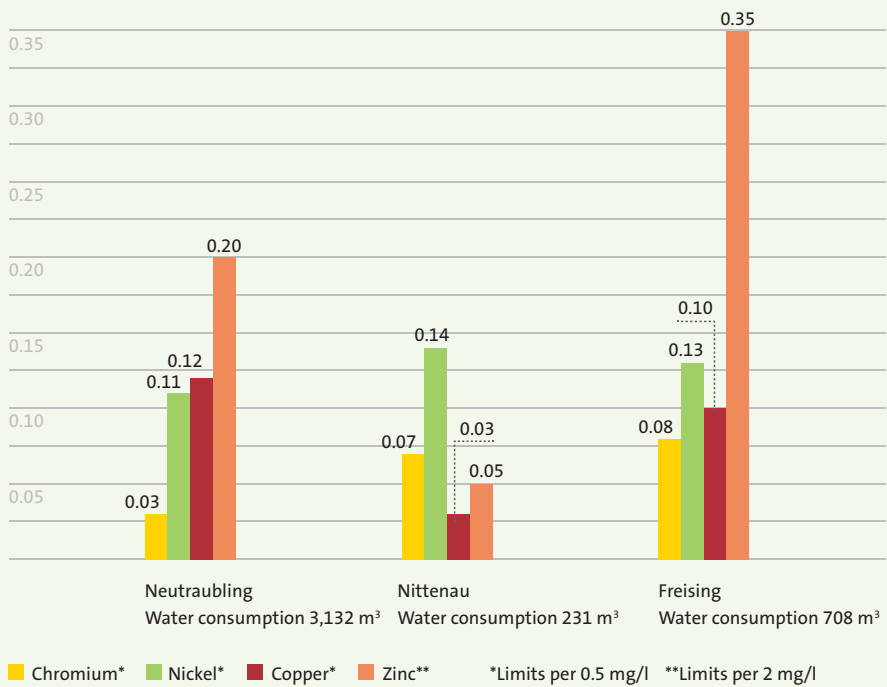
*The discharge of waste water from installations that are subject to licensing is tested under the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung] and subjected to external monitoring.*

- ⇒ Contaminant loads remain far below the defined limits.

KRONES AG – Water consumption (m<sup>3</sup> and m<sup>3</sup> per €1m in revenue)



KRONES AG – Components of waste water subject to mandatory treatment in 2015 (average mean contaminant load in mg/l)



*Our Rosenheim and Flensburg plants do not operate any installations subject to licensing that generate waste water requiring treatment.*

We aim to design our production operations and activities in such a way that reduces our environmental impact as much as possible. With respect to Scope 1 and Scope 2 emissions, we accomplish that by conserving energy and seeking ways to improve our production.

### CO<sub>2</sub> reduction target: Action plan adopted

*Our reduction target for greenhouse gases by 2020 uses 2010 as a baseline. We chose this base year because we can ensure a sufficiently reliable data set for all of the company's sites for 2010. Our reduction target relates to direct and indirect energy-related CO<sub>2</sub> emissions and does not include other greenhouse gases.*

⇒ An action plan for achieving this emissions target has been presented in the CSR Committee and adopted by the company's management. This action plan includes the installation of energy-efficient production hall lighting, savings in compressed air supply, pump systems, and ventilation. It also includes optimisation of our cold and cooling water systems, building improvements, and heating improvements.

⇒ Based on 2010, we reduced our direct and indirect energy-related greenhouse gas emissions per €1 million in revenue by 28.7%. The absolute figure for energy-related CO<sub>2</sub> emissions increased by 1,515 metric tonnes in the period from 2010 to 2015 because of changes in our utility providers' energy mix and the increase in area in our production facilities.

*We also review our production processes for potential to reduce other substances known to have an effect on climate.*

⇒ In these reviews, we look for places where we can further reduce emissions of such substances, R365 and R227ea, by employing alternative materials or production processes.

*In our Rosenheim plant, improved dosing and application methods in place since December 2015 have enabled us to reduce the amount of paint applied.*

⇒ We expect them to also reduce our emissions of VOCs. If this project is successful, we will expand the technology to the paint shops in the remaining KRONES plants.

*Other significant air emissions (NO<sub>x</sub>, SO<sub>x</sub>) are measured for individual machines and systems in accordance with the provisions of the German Emissions Control Act [Bundesimmissionsschutzgesetz]. No measurement was required for any of our plants under the Act in 2015. The values for previous measurements are presented in the prior year report.*



## Other indirect emissions

Work-related travel by our employees and freight forwarding of our machines and lines are currently the biggest sources of upstream and downstream emissions. That is due to our export-focused business model. A large share of sales and project planning activity is done from Germany for target regions.

For these activities, our employees travel by air, rail, and car. We determine the CO<sub>2</sub> emissions from travel on the basis of data provided by the respective carriers or vehicle manufacturers, with the exception of rail travel because Germany's rail provider's passenger travel is carbon neutral. Most of our machines and lines are produced in Germany and 74% are forwarded by rail and sea freight.

### Emissions from work-related travel further reduced

*With respect to work-related travel, we aimed to further reduce employee travel and pass some tasks on to employees at our international sites. As a result, we were able to reduce our CO<sub>2</sub> emissions resulting from work-related travel.*

⇒ By reducing the number of miles flown by employees by 1.6% year-on-year, we also reduced CO<sub>2</sub> emissions by 1.4%.

⇒ CO<sub>2</sub> emissions from our fleet of company cars and pool vehicles as well as vehicles belonging to our mobility services providers came in 4.1% lower than in 2014.

*Continuously reducing CO<sub>2</sub> emissions from our vehicle fleet was also a topic of negotiation with our mobility services provider.*

⇒ At the start of 2016, we set a cap for CO<sub>2</sub> emissions from our pool vehicles, which is binding for all vehicles used and therefore also influences our service provider's choice of vehicle models.

### Reducing truck traffic with rail connection

*For 2015 we had announced that we would further improve rail access for loads leaving our Neutraubling plant by building our own rail connection, eliminating the need for most of the truck transports to the container terminal in Regensburg.*

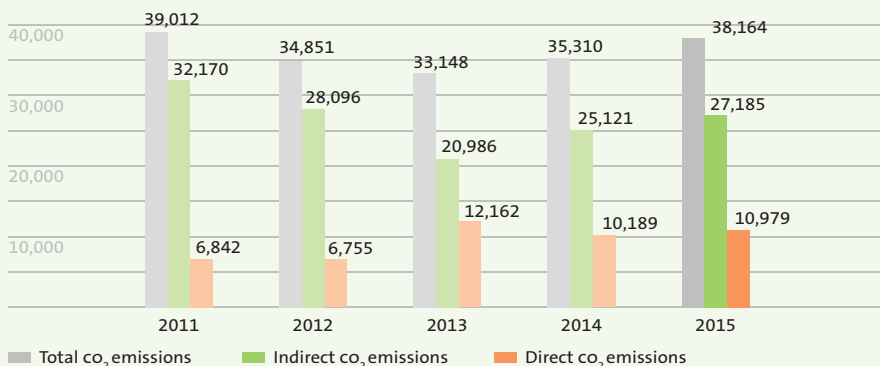
⇒ The new rail connection was completed in March 2016. Thus, a reduction in the number of road-to-rail transports from our Neutraubling plant will become apparent in the figures for road freight in 2016.

⇒ Based on initial calculations, we expect truck traffic at our Neutraubling site to be reduced by around 1,600 truckloads in 2016.

*Avoiding air freight as much as possible is a key factor in our efforts to reduce CO<sub>2</sub> emissions.*

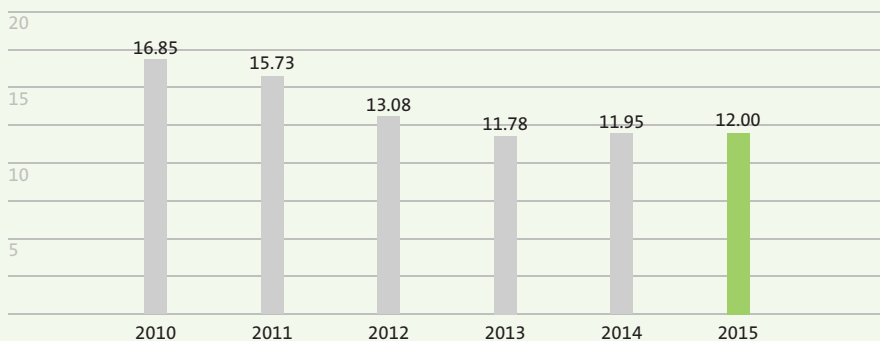
⇒ In 2015, we were able to keep the volume of outgoing air freight low, with 227 truckloads bound for the air cargo terminal (previous year: 206).

KRONES AG – Direct and indirect energy-related CO<sub>2</sub> emissions according to GRI calculation (metric tonnes)



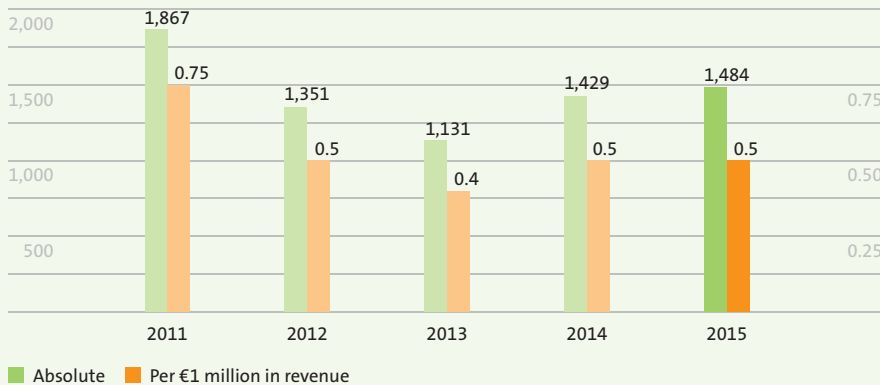
KRONES AG's direct and indirect energy-related emissions came to 38,164 metric tonnes in 2015.

KRONES AG – Direct and indirect energy-related emissions (metric tonnes per €1 million in revenue)



Our direct and indirect energy-related CO<sub>2</sub> emissions came to 12.0 metric tonnes per €1 million in revenue in 2015. That is a 28.7% reduction in direct and indirect energy-related greenhouse gas emissions per €1 million in revenue from 2010 levels.

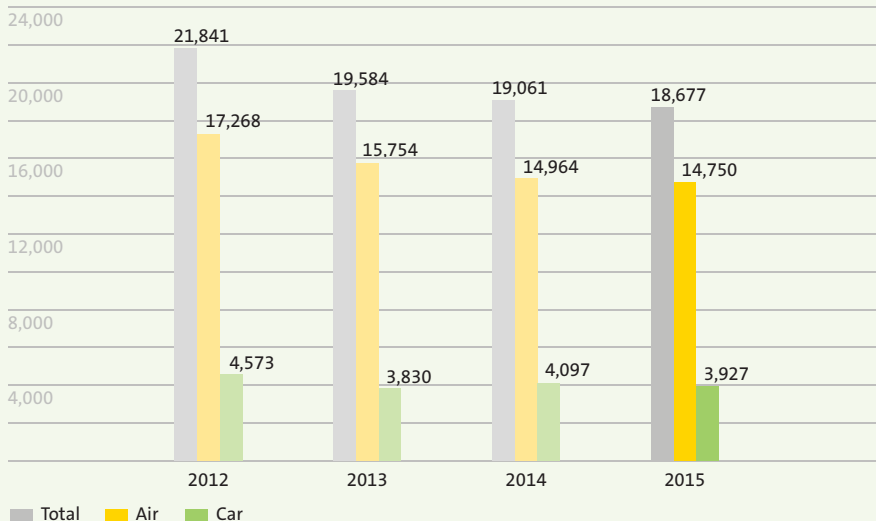
KRONES AG – Other greenhouse gas emissions, in CO<sub>2</sub> equivalents (metric tonnes)



The amounts of other relevant greenhouse gas emissions result from the use of R227ea and R365, which are used in our foam manufacturing.

VOC emissions from the paint shops in our German plants came to 11.9 metric tonnes in the reporting period.

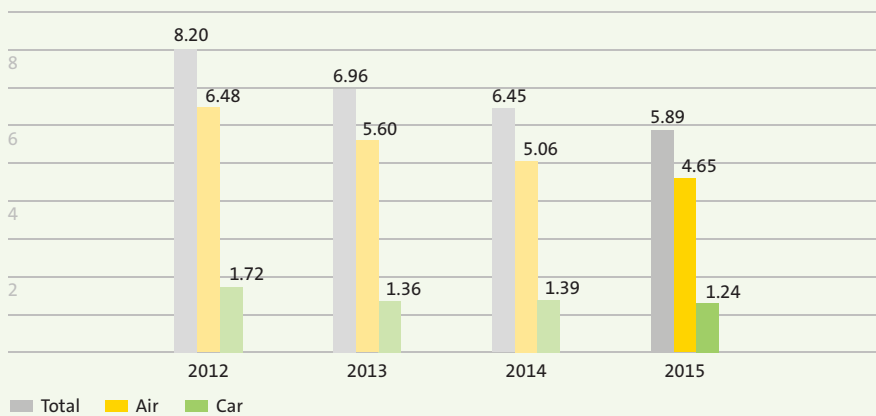
KRONES Group – CO<sub>2</sub> emissions resulting from work-related travel (metric tonnes)



CO<sub>2</sub> emissions from work-related travel have been reduced continually since 2012. We reduced them 2.0% year-on-year to 18,677 metric tonnes in the reporting period.

According to calculations by Deutsche Bahn, Germany's rail provider, rail travel by KRONES employees prevented 80 metric tonnes of emissions in 2015 that would have resulted if the employees had taken the same trips by car.

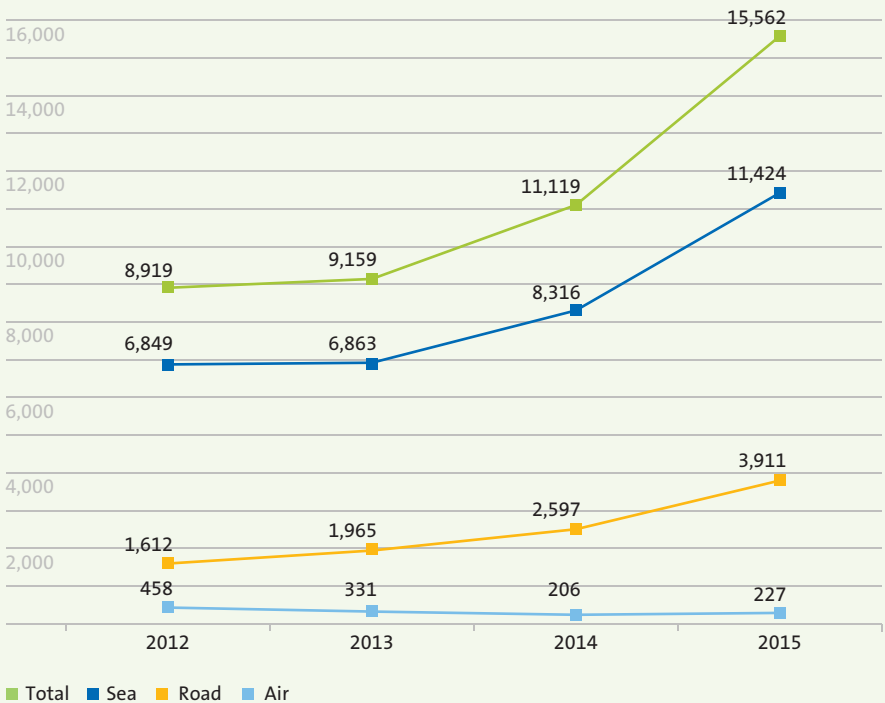
KRONES Group – CO<sub>2</sub> emissions resulting from work-related travel (metric tonnes per €1 million in revenue)



We reduced the specific value of CO<sub>2</sub> emissions resulting from work-related travel by 8.8%.

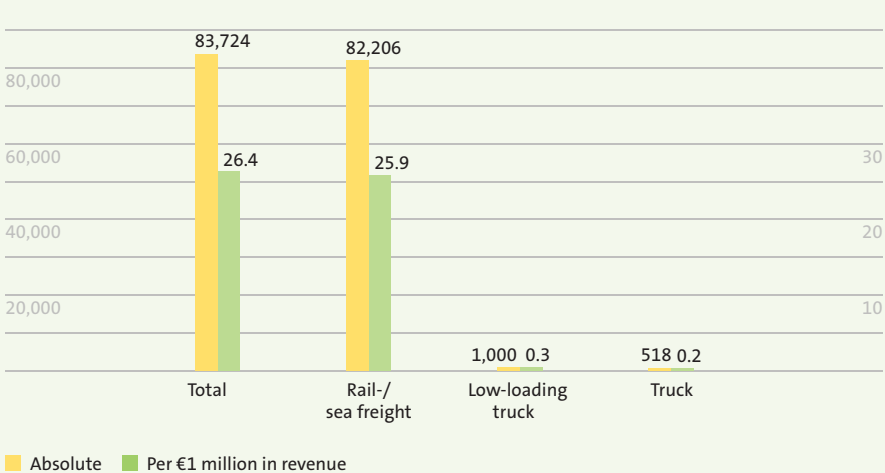
The emissions data for air travel relate to the KRONES Group. Emissions for car travel relate to KRONES Germany. Emissions for car travel at other sites worldwide are not currently measured and are therefore not included in this diagramme.

KRONES AG – Outgoing freight (truckloads)



The shipping volume increased in 2015 to 15,562 trucks, an increase of 39% over the previous year. The share of road freight rose 50% more than total shipping volume. That is due to our increased revenue in Central Europe. Shipments bound for these project locations are generally forwarded by road and the logistics often entail multiple partial shipments.

KRONES AG – CO<sub>2</sub> emissions, forwarding logistics and sea freight (metric tonnes and metric tonnes per €1 million in revenue)



The emissions from freight forwarding are estimates. According to these estimates, our increased business volume resulted in an increase in CO<sub>2</sub> emissions to 83,724 metric tonnes. That is based on a higher sea freight volume of 11,424 truckloads as compared with 8,316 truckloads in the previous year. That is an increase of 37.4%.

## CO<sub>2</sub> emissions cap for vehicle fleet

*Ms. Stuhldreher, what prompted KRONES to set a cap on CO<sub>2</sub> emissions from fleet vehicles?*

Our global presence necessitates a high volume of employee travel. The size of projects alone and the requisite contact with customers makes employee travel by air or car an inevitable part of our business model. So, we started looking for ways to mitigate our environmental impact despite this volume of travel. And we came up with the idea of establishing an upper limit for CO<sub>2</sub> emissions from our vehicle fleet. We had also received some suggestions along these lines from employees. That shows that our employees are thinking about the impact of their travel.

*How was the idea developed with the mobility service provider?*

Our mobility partner was very receptive to the idea and worked with us to craft a solution that is tailored to the demands we place on pool vehicles. To us, it was important that we use reliable, practical compact-class vehicles, not necessarily any specific brand. Our criteria included sufficient cargo space and other features that are essential for daily use. We also integrated fuel consumption and CO<sub>2</sub> emission limits into the criteria. Thus, as of March 2016, as vehicles are replaced on an ongoing basis, we will only be provided with vehicles that fall within these limits.



*How did you determine these upper limits for fuel consumption and CO<sub>2</sub> emissions?*

First, we drew up a list of requirements – what we need the cars to have or do. We then reviewed manufacturers of this vehicle class with respect to those requirements. We used the resulting data set to figure out an average, from which we then calculated our emissions limit. For fuel consumption, the limit is 3.725 litres per 100 kilometres. For emissions, it is 97.5 grams of CO<sub>2</sub> per kilometre, according to ECE consumption data. We defined a tolerance of +10% and made it part of our binding contract with the mobility service provider.

**Caroline Stuhldreher**, Central Production and Logistics, Forwarding Department, Travel Projects

Proper storage and disposal of waste is regulated in our ISO 14001-certified processes. Of the waste generated, 97.7% is reused, recycled, or recovered. Disposal methods include composting, reuse, recycling, incineration, or landfill, depending on the type of waste.

*KRONES AG did not ship internationally or transport any waste that is subject to the provisions of the Basel Convention in 2015.*

*In addition to efficiency gains with respect to processing times, our new investments in laser machining centres have yielded benefits in terms of material efficiency and a reduction in waste that must be disposed of.*

➔ At the end of 2015, a new laser machining centre went into operation at the Rosenheim plant. The potential for material savings at the Rosenheim plant is estimated to be around 5%.

*Improvements to production facilities usually also involve the use of materials and supplies.*

➔ The newly installed cleaning system for semi-finished products at the Rosenheim plant will reduce consumption of phosphate for conversion coating by more than 50%. We will continue to reduce the cycles for wash water exchange by a factor of four.

*Our people are important sources of inspiration for improving our use of resources. The Brainpool portal is used on an ongoing basis to propose ways to simplify and improve our manufacturing processes. Usually, employees submitting suggestions have their own workflows in mind but the changes they propose often result in significant material savings.*

➔ In 2015, for example, innovative ideas enabled us to achieve considerable material savings on one of our inspection models.

*A new collection station for waste and recyclables has been in operation at our Neutraubling plant since mid-2015. There, the different types of waste can be temporarily stored, properly and securely, until a suitable volume of the individual materials is reached for cost-effective disposal.*

➔ The collection station, with an area of around 360 m<sup>2</sup>, also offers facilities for storing environmentally harmful materials in accordance with current regulations.

## Resource conservation based on the latest manufacturing methods

*Dr. Schwarz, how can plant managers implement sustainable processes in manufacturing the parts for machine and line components?*

Examining material consumption is an important part of sustainable, resource-friendly manufacturing. We have three options here: review necessary material thickness, assess material selection, and explore possible alternatives. When reviewing the materials we use, we apply the finite element method (FEM) to ensure that materials meet all of our requirements with respect to function and safety in high-performance applications. Our engineers are continually picking up new ideas through continuing education measures on ways to improve designs with more sustainable material choices and alternative manufacturing techniques.

*How do you ensure that current developments and the latest state of the art are used in your manufacturing?*

To stay on top of things in terms of material selection and leveraging possible resource savings, we review our production drawings at regular intervals. That is especially imperative for parts with low inventory turnover. We look at annual consumption for semi-finished

product and group materials together. Of course, these efforts are initially motivated by the prospect of increasing cost-effectiveness but they also have a positive impact on waste and overall material consumption. For 2016, we expect to review around 800 drawings. One result of these activities could be that we develop material groups and, for example, group different pipe thicknesses for different machines together. That would certainly have an impact on the volume of waste.

*What manufacturing methods promise particular benefits in terms of increased efficiency in production?*

We are seeing considerable technical advantages in laser machining since we first implemented such machining centres in our production. New investments have enabled us to reduce the process steps involved in manufacturing semi-finished products in laser machining from five to just two, including bending and bevelling. That of course results in lower energy consumption. We are definitely seeing the possibilities for tighter nesting and lower waste when planning how materials will be laser machined for parts.

*Are efficiency gains – and resource savings – in production measurable?*

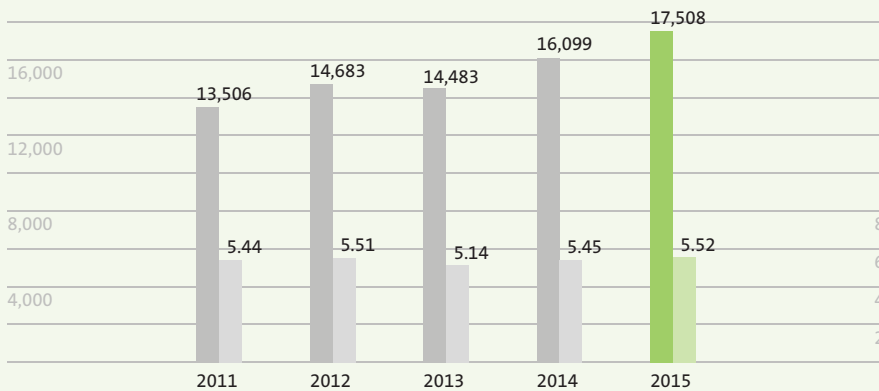
Continuous improvement is part of what we do every day. New construction projects in Rosenheim between 2011 and



**Dr. Helmut Schwarz**, Head of Business Line Packaging Technology

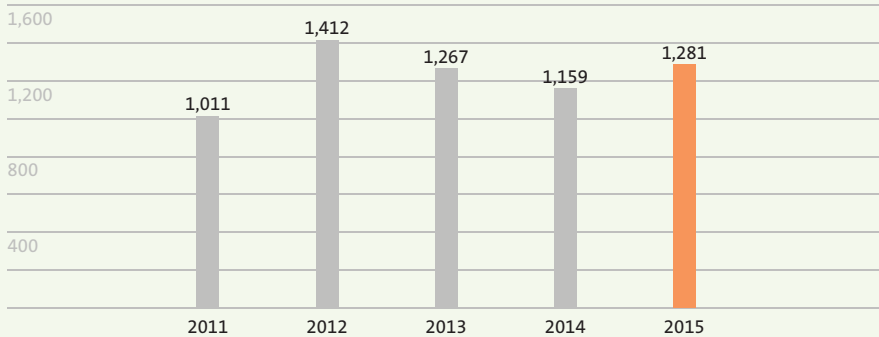
2016 enabled us to really speed up the rate at which our products pass through the individual stages of production. We also utilised the expertise of KRONES' own intralogistics specialists to completely redesign our material flows. The result? We were able to improve process flows so that employees could now fully dedicate their time and energy at work to the product instead of dealing with obtaining the materials they need.

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



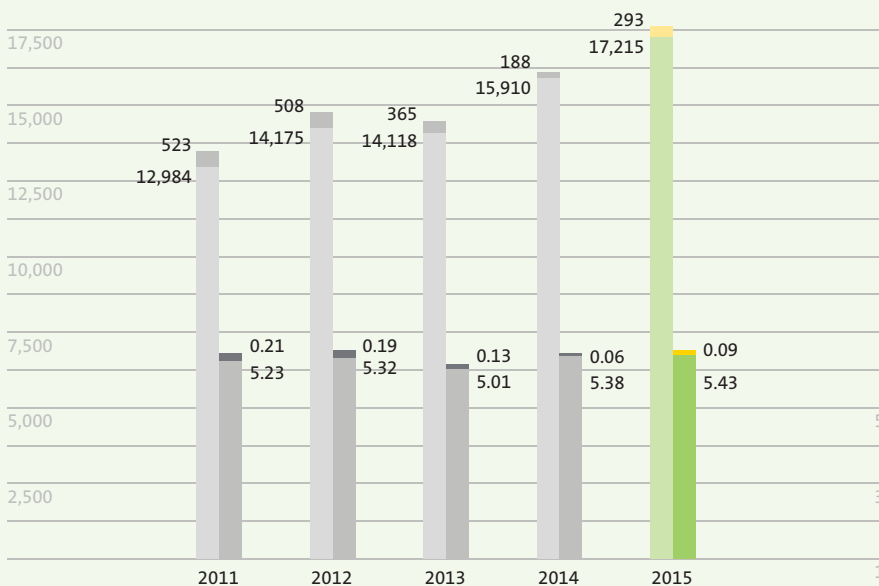
The absolute volume of waste generated increased by 8.8%. Per €1 million in revenue, the amount of waste generated was almost unchanged.

**KRONES AG – Hazardous waste (metric tonnes)**



Of the hazardous waste generated, 1,067 metric tonnes were recoverable and 214 metric tonnes were non-recoverable. Handling of this waste is done by specialised waste management companies. No hazardous waste was transported between our plants. The volume increase can be attributed to the fact that we continually collect materials until we have a large volume, which is then disposed of by the waste management company. We store these materials properly and do not exceed approved limits on their storage.

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



The volume of recoverable waste came to 5.43 metric tonnes per €1 million in revenue in 2015. The volume of non-recoverable waste came to 0.09 metric tonnes per €1 million in revenue.

Recyclable    Absolute    Per €1 million in revenue  
 Non-recoverable    Absolute    Per €1 million in revenue



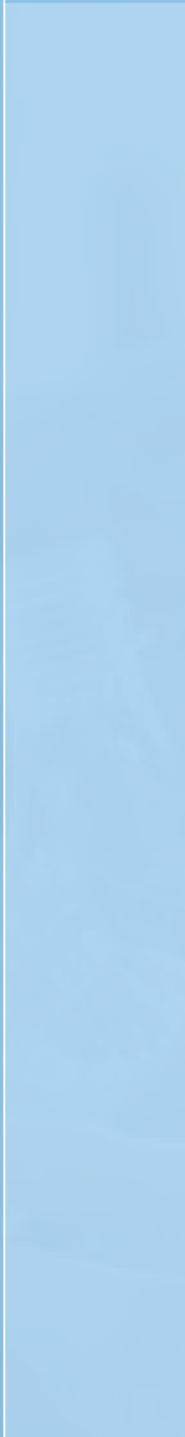


Goals	Actions	Target date	
Establish an energy management system	<ul style="list-style-type: none"> <li>■ Collect energy data               <ul style="list-style-type: none"> <li>□ <i>Determining level of detail. Ongoing expansion in connection with restructuring and construction projects</i></li> </ul> </li> </ul>	<b>ongoing</b>	
	<ul style="list-style-type: none"> <li>■ Establish performance indicators               <ul style="list-style-type: none"> <li>□ <i>Monitoring energy consumption based on performance indicators</i></li> </ul> </li> </ul>	<b>ongoing</b>	
Conserve energy	<ul style="list-style-type: none"> <li>■ Replace hall lighting with LED technology (action plan for reducing CO<sub>2</sub> emissions)               <ul style="list-style-type: none"> <li>□ <i>Set up test areas</i></li> <li>□ <i>Determine technical requirements</i></li> </ul> </li> </ul>	<b>complete</b> <b>2020</b>	
	<ul style="list-style-type: none"> <li>■ Need-appropriate, efficient operation of drives, power units (Action plan for reducing CO<sub>2</sub> emissions)               <ul style="list-style-type: none"> <li>□ <i>Incorporating applicable systems</i></li> </ul> </li> </ul>	<b>2020</b>	
	<ul style="list-style-type: none"> <li>■ Retrofit fan motors at Nittenau plant               <ul style="list-style-type: none"> <li>□ <i>30% savings on this system</i></li> </ul> </li> </ul>	<b>complete</b>	
	<ul style="list-style-type: none"> <li>■ Optimise compressed air systems 40 bar/ 8 bar (Action plan for reducing CO<sub>2</sub> emissions)               <ul style="list-style-type: none"> <li>□ <i>Developing an action plan for preventing leaks</i></li> <li>□ <i>Replacing individual systems, connecting to central compressed air network at Neutraubling plant</i></li> </ul> </li> </ul>	<b>2020</b> <b>complete</b>	
	<ul style="list-style-type: none"> <li>■ Optimise heat supply (Action plan for reducing CO<sub>2</sub> emissions)               <ul style="list-style-type: none"> <li>□ <i>Energy-efficiency improvements on components</i></li> <li>□ <i>Shed roof improvements on a production hall at Neutraubling plant; 17% savings in this area</i></li> </ul> </li> </ul>	<b>2020</b> <b>complete</b>	
	<ul style="list-style-type: none"> <li>■ Optimise ventilation systems (Action plan for reducing CO<sub>2</sub> emissions)               <ul style="list-style-type: none"> <li>□ <i>Incorporating applicable systems</i></li> </ul> </li> </ul>	<b>2020</b>	
	<ul style="list-style-type: none"> <li>■ Installation of heat recovery in the paint shop ventilation system at the Neutraubling plant               <ul style="list-style-type: none"> <li>□ <i>6% savings in this area</i></li> </ul> </li> </ul>	<b>complete</b>	
	Environmentally responsible behaviour among employees	<ul style="list-style-type: none"> <li>■ Involve employees with concrete guidelines for environmentally responsible behaviour               <ul style="list-style-type: none"> <li>□ <i>Incorporating ideas from Brainpool employee innovation portal</i></li> </ul> </li> </ul>	<b>ongoing</b>

Goals	Actions	Target date
Conserve resources	<ul style="list-style-type: none"> <li>■ Reduce water consumption               <ul style="list-style-type: none"> <li>□ <i>Water consumption was determined on a per-building basis; significant potential for savings but not yet economically feasible; new cleaning system in Rosenheim plant with long useful life</i></li> </ul> </li> </ul>	<b>complete</b>
	<ul style="list-style-type: none"> <li>■ Recycling – further analyse possibilities for recycling               <ul style="list-style-type: none"> <li>□ <i>Projects launched for improved use of materials, e.g. sheet metal and piping/tubing</i></li> </ul> </li> </ul>	<b>in progress</b>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Preventing raw materials consumption</i></li> </ul> </li> </ul>	<b>in progress</b>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Verifying measures taken to improve material efficiency; new cleaning system installed in the Rosenheim plant which extends the service life of media used</i></li> </ul> </li> </ul>	<b>in progress</b>
	<ul style="list-style-type: none"> <li>■ Reduce the amount of waste generated               <ul style="list-style-type: none"> <li>□ <i>Increased sorting and separation of materials at on-site collection station</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Training documentation has been designed to improve education and motivation of employees</i></li> </ul> </li> </ul>	<b>in progress</b>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Intensified sorting and separation of waste materials</i></li> </ul> </li> </ul>	<b>in progress</b>
	<ul style="list-style-type: none"> <li>■ Reduce paper documents for commissioning and documents accompanying shipped goods               <ul style="list-style-type: none"> <li>□ <i>Double-sided printing for job sheets. Partial transition to digital test protocols instead of hard copy</i></li> </ul> </li> </ul>	<b>2015</b>
	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Launch of a pilot project for one area of production</i></li> </ul> </li> </ul>	<b>2015</b>
	Reduce emissions	<ul style="list-style-type: none"> <li>■ Reduce coolant emissions               <ul style="list-style-type: none"> <li>□ <i>Additional measurements are being done</i></li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Continuous monitoring of coolant emissions</i></li> </ul> </li> </ul>		<b>in progress</b>
<ul style="list-style-type: none"> <li>■ Reduce PU foam containing climate-relevant greenhouse gases               <ul style="list-style-type: none"> <li>□ <i>Conversion partially complete; climate-relevant greenhouse gases still present</i></li> </ul> </li> </ul>		<b>ongoing</b>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>Reviewing conversion of other production processes</i></li> </ul> </li> </ul>		<b>ongoing</b>
<ul style="list-style-type: none"> <li>■ Optimise energy concept               <ul style="list-style-type: none"> <li>□ <i>Commission another combined heat and power (CHP, cogeneration) plant at the Neutraubling site</i></li> </ul> </li> </ul>		<b>complete</b>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>□ <i>CO<sub>2</sub> reduction target adopted</i></li> </ul> </li> </ul>		<b>complete</b>
Reduce emissions due to work-related travel	<ul style="list-style-type: none"> <li>■ Reduce CO<sub>2</sub> emissions by 30% to 40% for KRONES AG               <ul style="list-style-type: none"> <li>□ <i>Action plan adopted</i></li> </ul> </li> </ul>	<b>2020</b>
	<ul style="list-style-type: none"> <li>■ Develop a new mobility concept for business travel within Germany               <ul style="list-style-type: none"> <li>□ <i>Roll-out among service technicians</i></li> </ul> </li> </ul>	<b>in progress</b>
Reduce road-to-rail transports	<ul style="list-style-type: none"> <li>■ Construction of rail connection within Neutraubling plant               <ul style="list-style-type: none"> <li>□ <i>Preparations in progress</i></li> </ul> </li> </ul>	<b>complete</b>

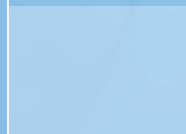
Employees at sites  
outside Germany

3,579



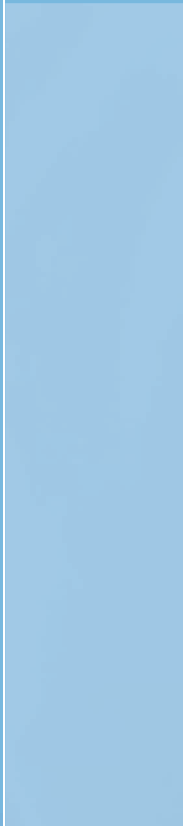
Increase in workforce  
at our international sites

9.1%



Employees  
under age 40 at our  
international sites

57.5%



Share of women  
employed at our  
international sites

18.1%



## Continued focus on building international teams

A highly skilled workforce is the number one factor that will determine our success at being a technology leader. Close, long-term relationships with customers in the beverage industry worldwide have been another important aspect in our company's development since its founding. Here, too, our people are the key to our success. For this reason, aspects relating to strong, forward-thinking workforce development hold spots very high up on our materiality matrix. Especially important factors include balanced workforce structure (diversity), attractive working conditions at our German sites and worldwide, and ongoing professional development for employees in Germany and in the regions. High safety standards worldwide and increased efforts to keep our employees healthy also rank high on the list.

## Fundamental principles of our human resources strategy

Our growth targets are laid out in our Value strategy and also serve as the basis for all of our human resources objectives. In addition, we view our relationship with all employees as a partnership and are guided by the principles of the UN Global Compact and International Labour Organisation (ILO) standards. Of course, compliance with the law and internationally recognised minimum standards of decent work is imperative in all of our actions in Germany and at our international sites. Works agreements and dedicated internal programmes relating to specific topics complement this framework.

## Close cooperation between Germany and our international sites

All employee-related activities for KRONES AG are managed by our central Human Resources and Social Affairs team, who also support our regional organisations with local human resources development. The local management teams conduct workforce development largely independently on the basis of agreed planning objectives. We are currently developing an integration cluster for the group's German subsidiaries that will define and structure individual HR duties and responsibilities for any companies that are established in the future. We develop the key topics for our company's forward-looking model in close collaboration with our employee representatives.

The goals established under Value serve as our guide as we continually review our management activities in terms of HR and social policy. By conducting audits – such as the SMETA audit that was done in 2015 – we allow an external auditing organisation to review our actions with respect to labour practices and decent work.

*Third-party review of our working conditions and labour practices by way of a SMETA audit has confirmed that our labour practices meet high standards. No complaints were filed in 2015*



## Balanced employee structure

The workforce trend at our German sites developed as forecast for 2015, with slight growth. Our activities with respect to internationalisation resulted in a 299-person increase in the number of employees at all sites to 3,579, after zero growth in 2014. Workforce growth at our offices worldwide is the responsibility of the local management. If needed, we may send in an HR expert from Germany to support the process and develop our brand as an employer locally.

*External service providers receive general agreements that define the services to be rendered but do not include specific numbers of people.*

*We have work to do in developing a framework for replacing the growing number of employees age 55 and older who will be retiring in the years ahead.*

⇒ We have launched a talent pool programme for this purpose. A comprehensive plan is in the works for to ensure replacements for retiring employees at the management level and in our commercial departments. In addition to this plan, we will step up outside recruiting of new talent and, as appropriate, permanently hire trainees and apprentices upon their completion of their programmes.

*We now view the reduction in temporary workers that was planned in 2013 as overly ambitious. The reason we did not achieve the target defined in a works agreement was the extremely good development of our business. The ability to quickly integrate temporary workers into our processes to handle the increased volume instead of outsourcing work is an important aspect of our flexibility.*

⇒ In 2015, we fulfilled our promise to permanently hire 100 of our temporary workers. Another 41 temporary workers were hired into permanent positions after responding to internal job postings within KRONES AG.

⇒ Because the pay structure for our temporary workers is analogous to the general pay structure for KRONES employees, we are certain that we offer our temporary workforce good terms.

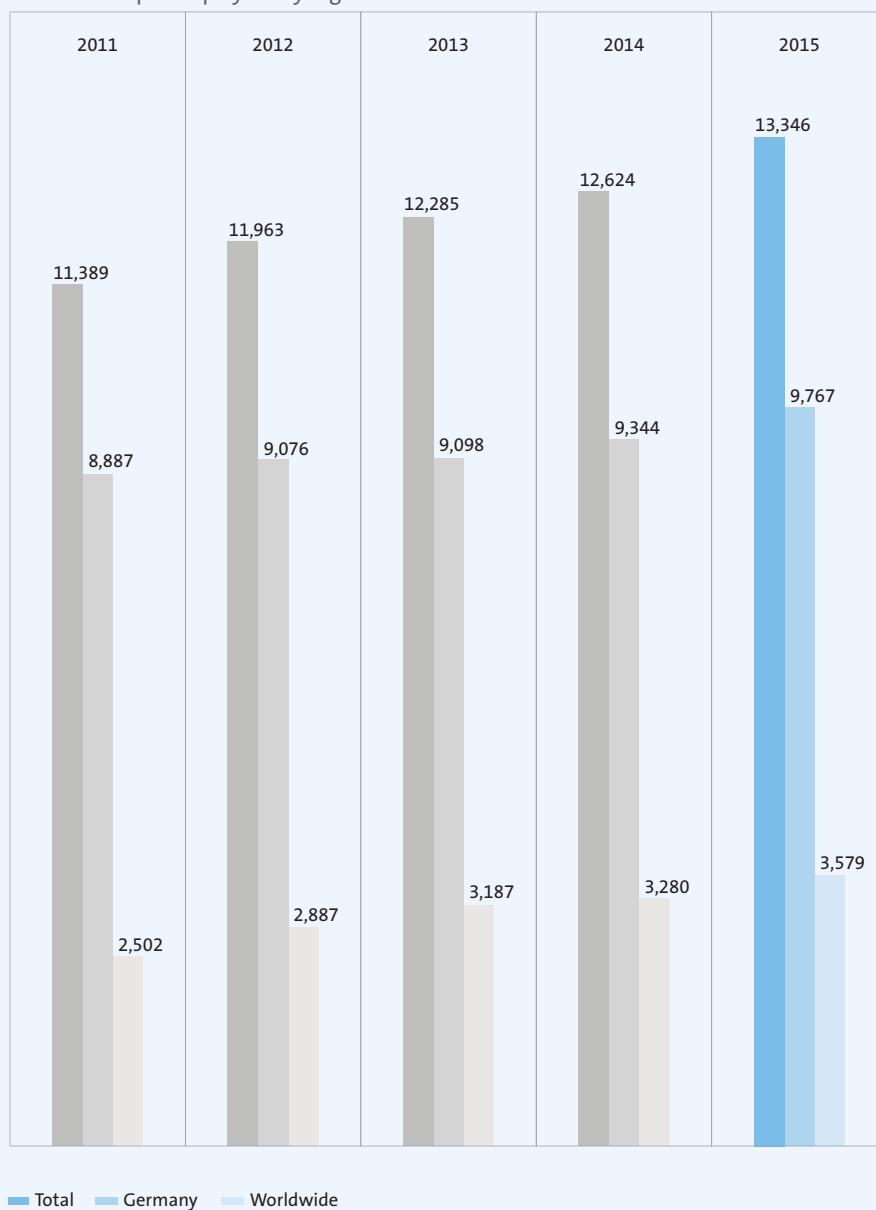
⇒ Because many employees will be retiring in the years ahead, temporary workers are an important factor allowing us to respond flexibly to market demands. We always welcome applications from temporary workers in response to internal job postings.

*We invest considerable energy into recruiting female employees. These efforts are successful across all non-technical fields. However, because a large portion of our activities is technical, our workforce is still unbalanced with respect to the share of women.*

⇒ Our hiring practices continue to be guided by the expectation that equally qualified female employees be given preference over male applicants. We are also continuing our efforts to recruit female apprentices and trainees.

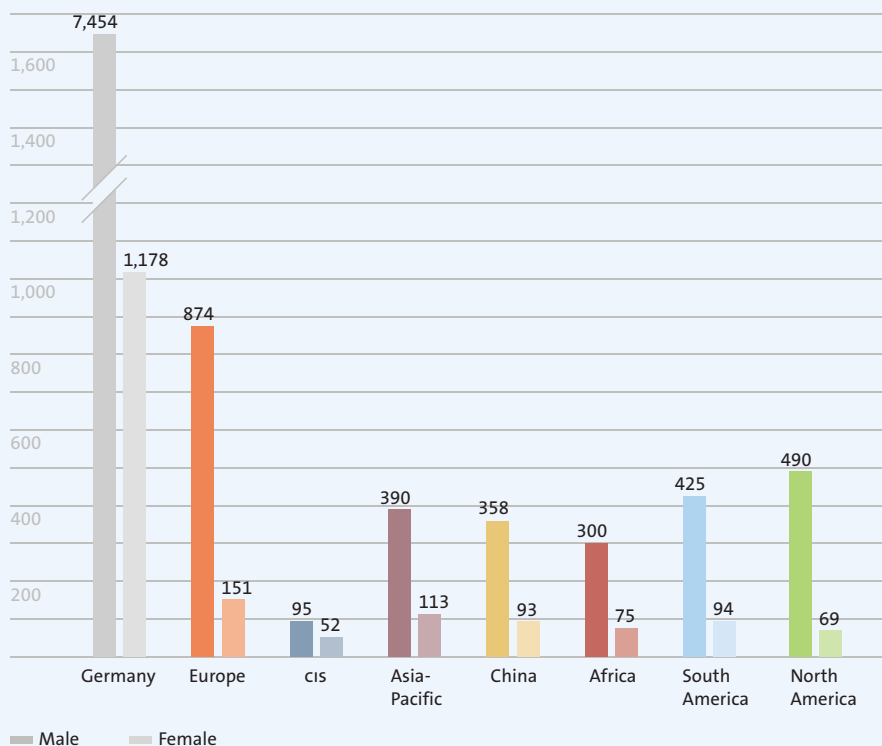


## KRONES Group – Employees by region



The number of employees in the group increased by 17% within the last five years. At our international sites, the number rose by 43% in this period. The number of new employees of Group companies in Germany came to 609 in 2015 (previous year: 408). The majority of this workforce growth relates to the acquisition of GERNEP, TRIACOS, and SCHAEFER and to new hiring at SYSKRON.

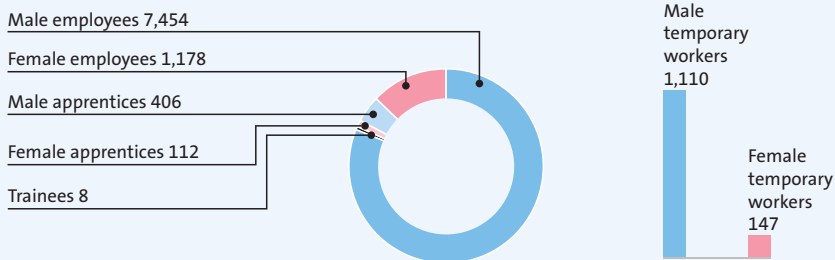
KRONES Group – Total workforce by region and gender in 2015



The KRONES Group employs 10,386 men and 1,825 women. The share of non-German citizens working at KRONES AG is unchanged from the previous year, at 3.3%.

In addition to employees at our sales offices, the figures for Europe also include employees of the subsidiaries KOSME, KONPLAN, and MAINTEC, whose business locations are also in Europe.

KRONES AG – Workforce structure in 2015



In 2015, KRONES AG employed 9,158 persons. That is up 2.5% compared with the previous year. In addition, there are 1,257 temporary workers, which corresponds to a 12.1% share of the total workforce at KRONES AG.

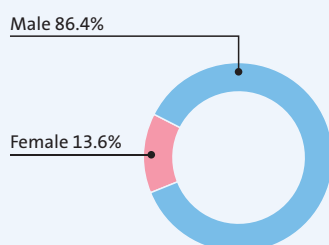
## KRONES Group – Management structure in 2015

	KRONES AG	KRONES worldwide
Executive Board	6	
Senior management	25	6
Management	670	208

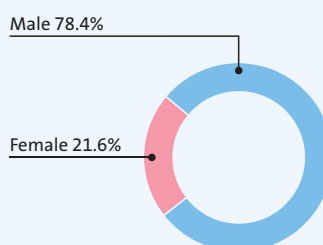
In all, KRONES AG employed 701 management staff in 2015. That is a share of 7.7% of the workforce. At the international sites, 214 employees had management responsibility. That is a share of 6% of the total workforce.

## KRONES AG – Male/female employees in 2015

## Total workforce



## Young talent



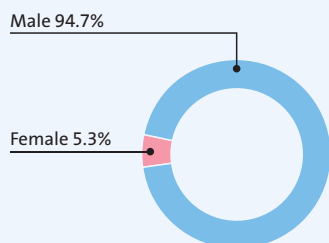
The share of female employees at KRONES AG held steady at 13.6% in 2015.

Among our young talent, the share of female apprentices was 21.6%.

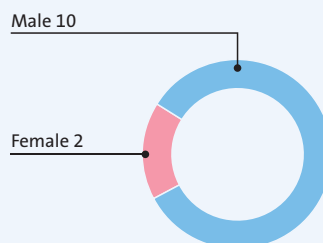
The share of female managers at KRONES AG is 5.3%.

The Supervisory Board consisted of ten men and two women in 2015.

## Management



## Supervisory Board members

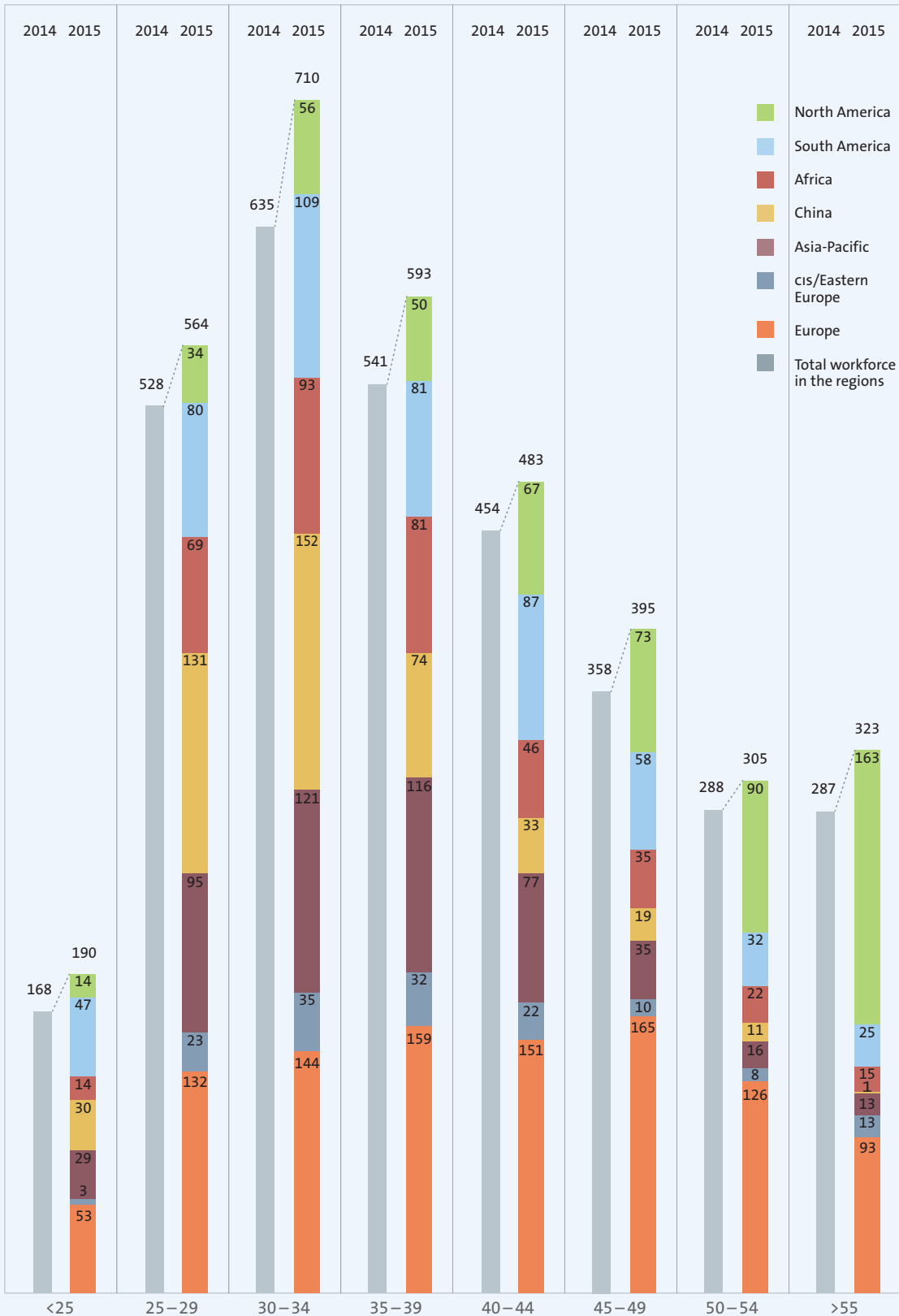


## KRONES AG – Employment types

	2015		2014
	Total	of which female employees	Total
Total workforce (all employees and supervised workers)	9,158	13.6%	8,936
■ Business units	7,424	9.9%	7,220
■ Human resources, communication, quality	741	32.0%	754
■ Finance and controlling	417	27.3%	409
■ Sales and marketing	576	49.0%	553

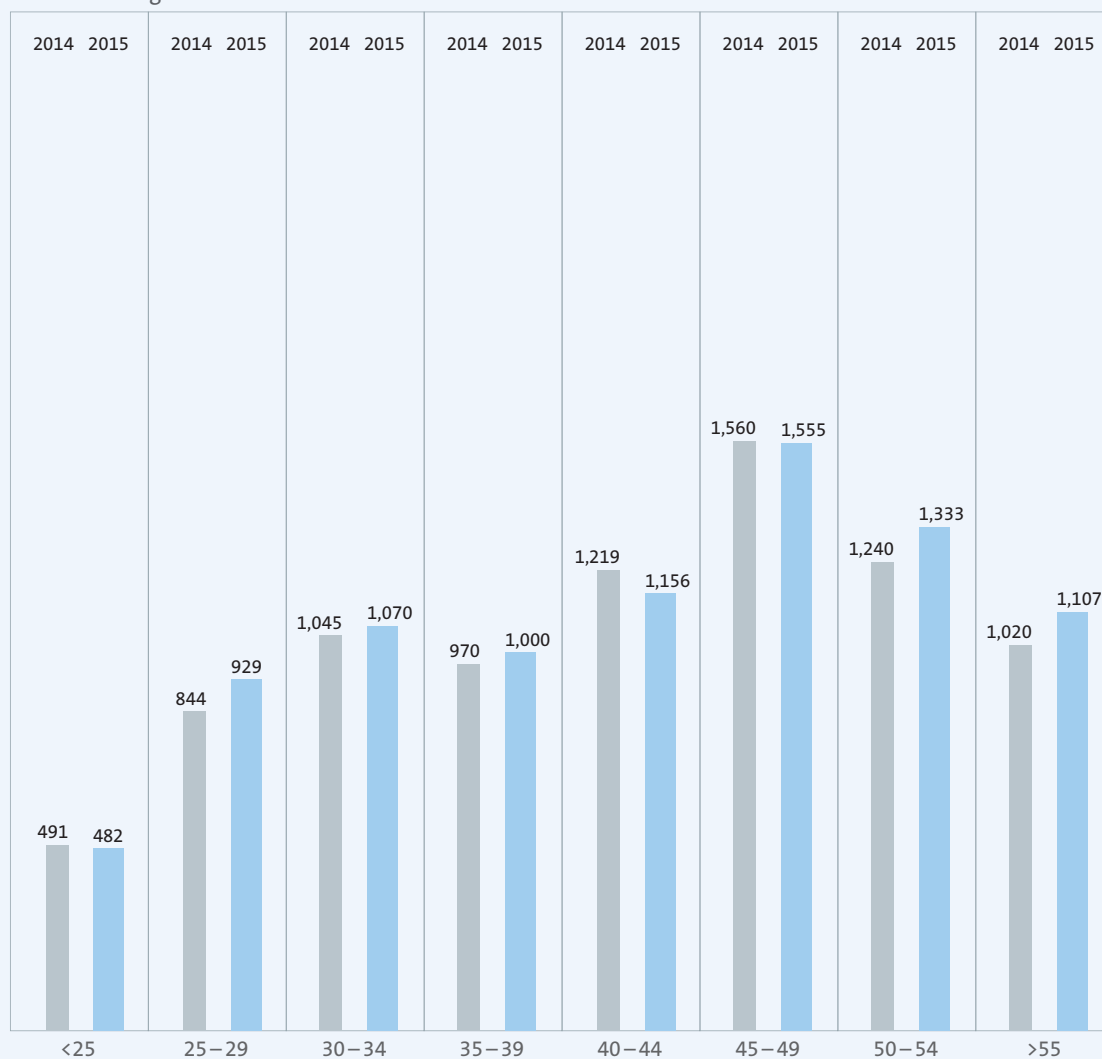
The share of disabled and equal status employees at KRONES AG was 5.7% in the period under review (previous year: 5.6%).

KRONES Group – Employee age structure by region



LABOUR PRACTICES

## KRONES AG – Age structure



*57.5% of employees at our international sites are younger than 40 years old. The average age of our employees at these sites is not reported because in some cases, employees' year of birth has not been recorded.*

*The average age of employees – excluding apprentices – at KRONES AG is 41.9 years (same as previous year).*

*Our Supervisory Board includes two members in the 30 to 50 age category. The remaining members are over 50 years old.*

## Seeking more female applicants for technical jobs



*Ms. Nikola, how do you view the chances for KRONES hiring women in technical areas?*

Of all the jobs posted in 2015, around 70% were in technical areas. In all, we received some 6,100 applications for these jobs. Only about 13.8% of them came from female candidates. In other words, we are not getting many applications from women for technical jobs. These applicants are evaluated on the same criteria as male applicants. With such a small population, we're finding a correspondingly small number of suitable candidates to fill the various job profiles in our technical areas.

**Karin Nikola**, HR Business Partner,  
Recruiting, Human Resources and Social Affairs

*What are you seeing in the commercial areas?*

It's very clear that women are still choosing to pursue careers in traditionally "female" occupations, in "office" jobs. Nearly 70% of applications from women are for jobs in commercial fields. The ratio of applicants to hires for commercial jobs is about three times higher for women than men. To me, that is clear proof that we would have a better chance of increasing the share of female employees in the company as a whole if we would receive more applications for technical jobs from women.

The guiding principle of our human resources policy is to be a reliable employer and partner to our people. To accomplish this, we prepare all decisions relating to the company's development in consultation with employee representatives. We also strive to ensure clarity in all provisions relating to working conditions within our action plan. We use the pay framework set forth in the framework collective agreement for the metalworking union by way of a recognition agreement. We have also established a pay policy at our offices abroad that is appropriate to the relevant markets.

*KRONES offers its employees a programme for company-sponsored retirement benefits. The framework is established in a works agreement.*

### Long-term partnership with our employees

*KRONES is committed to long-term partnership with its employees and has made this commitment binding in an agreement with employee representatives.*

- ➔ The current works agreement, which is effective through 2018, prohibits lay-offs.
- ➔ In order to foster a high level of staff loyalty and qualifications as we develop our international sites, we have launched a second project for professional training and education besides our existing programme in China. Since October 2015, we have operated a new training centre at our East Africa LCS Centre near Nairobi, Kenya, under a public-private partnership. The training offered there follows a dual training and education model, combining practical vocational training with academic study, and is an important milestone for the development of specialist expertise.
- ➔ We have found that the dual training model – which includes an apprenticeship allowance throughout the training – requires some explanation on the international market as opposed to the “fast cash” to be earned at unskilled jobs.

*Our guideline for establishing working conditions is rooted in our Code of Conduct. There, we have stipulated fair and appropriate working conditions for employees at all of our sites.*

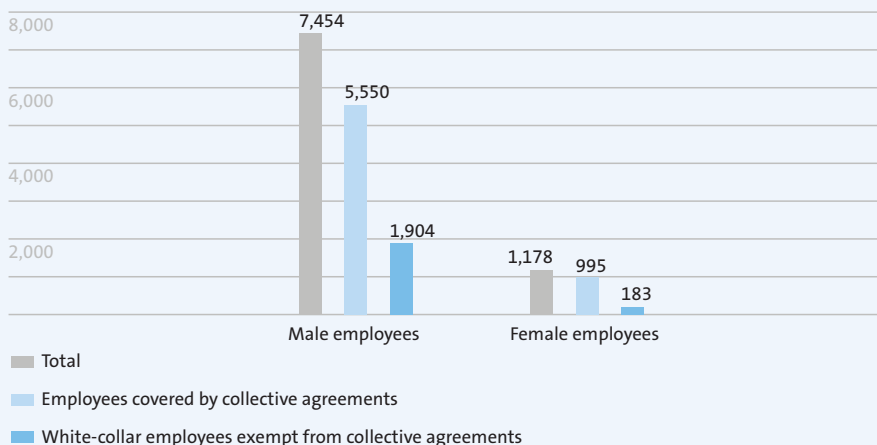
*Our Code of Conduct stipulates that we do not tolerate any form of discrimination and that applicants and employees must be hired and promoted solely on the basis of their qualifications. We do not know of any reports of discrimination in 2015.*

- ➔ KRONES AG employees are paid on the basis of a recognition agreement with the metalworkers' union IG Metall. The share of employees whose pay is determined by collective agreement is 75.8% (previous year: 74.8%). The remaining 24.2% of our employees are exempt from collective agreements (previous year: 24.7%).

*We offer part-time employees and employees with limited-term contracts essentially the same employee benefits as permanent full-time employees.*

- ➔ We view this as an important contribution to establishing equality in the workplace.

## KRONES AG – Pay types in 2015



Of our male employees, 5,550 or 74.5% are paid in accordance with the collective bargaining provisions of the recognition agreement with the German metalworkers' union, IG Metall. The other 25.5% of male employees are paid under contracts that are exempt from this agreement. Of our female employees, 84.5% are paid under the collective bargaining agreement and 15.5% are paid outside the collective bargaining agreement.

## KRONES AG – Ratio of base salary and remuneration of men to women in 2015

Employees covered by collective agreements	1 : 0.98 (same as previous year)
Management	1 : 0.94 (previous year: 1 : 0.91)

At KRONES AG, men and women are paid almost equally. We use task-related pay categories for all employees which address only the employee's experience and duties, not his or her gender.

## KRONES AG – Employee benefits

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

In addition to the benefits listed, KRONES AG provides additional benefits that are available to all employees. These include use of community facilities, allowances for the cafeteria and parking, benefits from solidarity and assistance funds, and the payment by the employer of flat-rate tax on certain benefits.



## Communicative collaboration between management and employee representatives

*Mr. Weitzer, how are employee representatives informed about changes within the company?*

The Works Council Constitution Act (BetrVG) stipulates that employees be informed. It states that company management must provide information in a timely manner, as soon as changes are decided that are relevant to employees. At KRONES, communication between management and employee representatives is very cooperative and so we are generally already part of the decision-making process. That means that we are able to bring the concerns and interests of employees to the table long in advance of strategic decisions. Once a decision is made and communicated to us, we review the potential impact for employees – across all of our plants. This review serves as the basis for convening a meeting of the Works Council to discuss any further action by the employee representatives.



*What sort of time lines are in place for renegotiating or amending collective agreements or works agreements?*

**Josef Weitzer**, Deputy Chairman of the Group Works Council

Most works agreements at KRONES are made without expiration dates. One exception is the works agreement on job security. Agreements made with expiration dates generally contain a clause stating that the agreement will remain in effect until a new agreement is made.

On the no-expiry works agreements, a notice period of 3 months for both parties is the rule. Normally, updates or simple changes are made by means of addenda, without terminating the entire agreement.



The newly constructed training centre in Ruiru outside Nairobi, Kenya, is part of our East Africa LCS Centre. The first nine apprentices are completing their two-year training programme in mechatronics. Apart from training our own apprentices, we are also able to provide technical training for customers and continuing education for our own service technicians.

Taking our employees' different lifestyles into account is a key component of our human resources policy. KRONES AG employees have long-term flextime accounts in addition to their standard working time accounts and the opportunity to take a sabbatical, both of which allow them a variety of means for adapting their working time to their individual life circumstances. These options are complemented by a host of employee benefits that go above and beyond those required by law. These opportunities were launched many years ago and serve to enhance employee satisfaction.

*We see the consistently low rate of employee turnover at our German sites as proof that we are considering the needs of our employees in terms of structuring their work time and employee benefits.*

⇒ Employee turnover at our international sites has also improved over the previous year. Nevertheless, we acknowledge that higher turnover is characteristic of the labour markets there.

### Flexible working

*Flexible organisation of working time remains an important aspect within our human resources policy.*

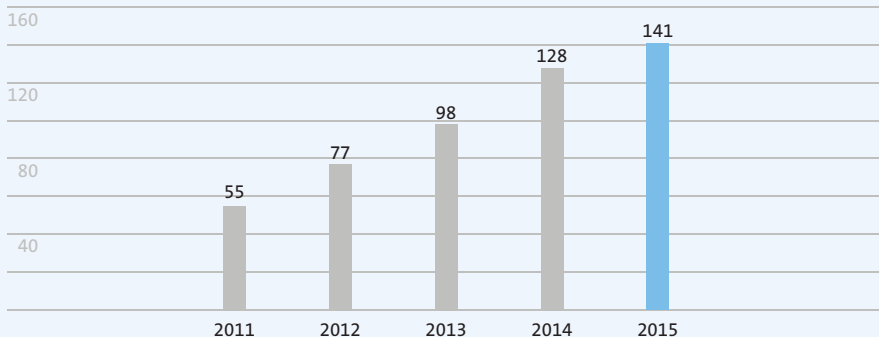
⇒ Of course, our HR policy includes compliance with legal provisions on granting parental leave. In addition, long-term flextime accounts give our employees the freedom to adapt their working hours and schedules to meet their other personal needs.

⇒ We offer employees the option of partial retirement to gradually reduce their time spent at work before they reach retirement age. In 2015, 282 employees – or 3.6% of our workforce – were in partial retirement (previous year: 3.7%).

*New job postings within the company are also available for temporary workers to see. That gives temporary workers employed under the German Labour Leasing Act (Arbeitnehmerüberlassungsgesetz) the opportunity to apply for permanent positions within KRONES AG.*

⇒ The number of new hires includes 141 temporary workers who were taken into permanent employment in accordance with a works agreement.

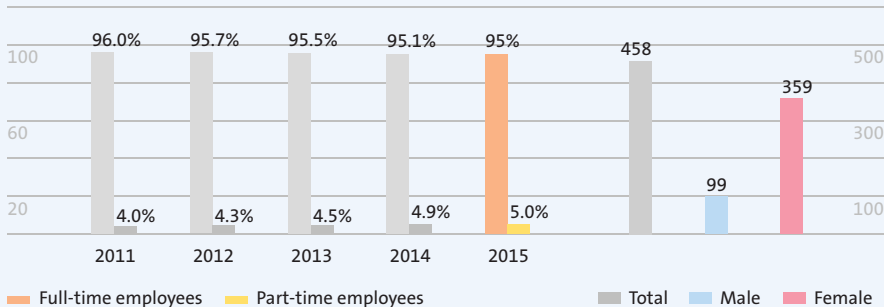
KRONES AG – Employees on sabbatical



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

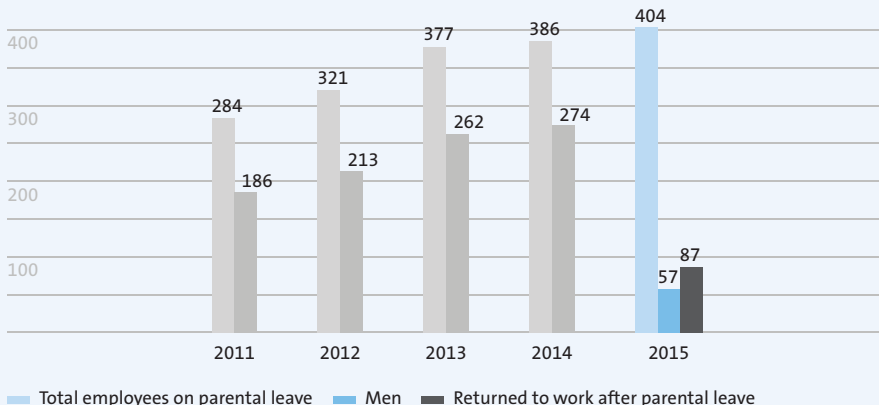
KRONES AG – Full-time and part-time employment

Part-time employees 2015



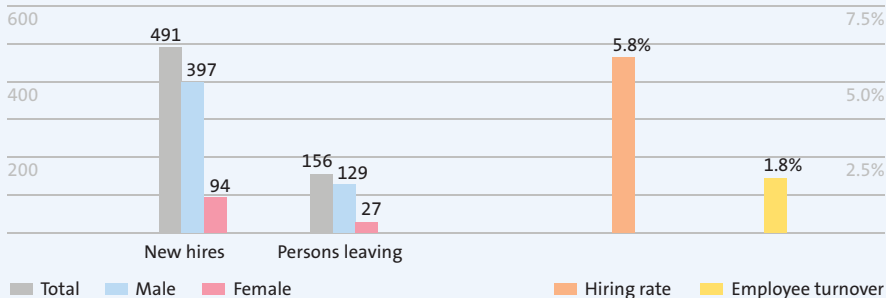
We are seeing increased interest in part-time employment, though still at a low level. Of the total number of employees working part-time, 23% are male.

KRONES AG – Employees on parental leave



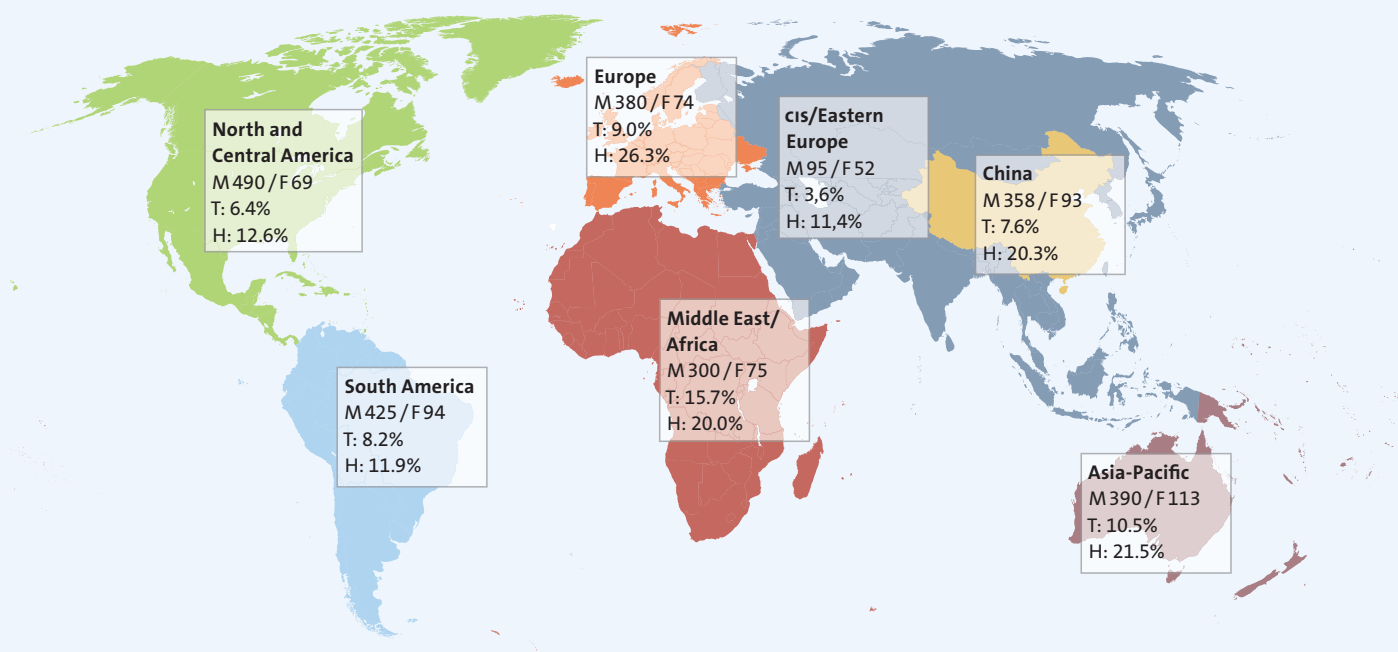
The share of employees taking parental leave rose further in 2015. The changed share of male employees on parental leave shown here reflects the changed basis for measurement. For 2015 and subsequent years, employees on parental leave will only be included in the measurement if they take more than four weeks off.

KRONES AG – New hires, turnover among male and female employees in 2015



KRONES AG hired 491 new employees in 2015. The number of employees who left the company was 156, including all reasons for leaving. The average turnover rate at KRONES AG was 1.8% in 2015 (previous year: 1.7%).

KRONES Group – New hires, turnover among male and female employees in 2015



M: Male employees  
F: Female employees  
T: Employee turnover  
H: Hiring rate

Employee turnover at our international sites was between 3.6% (cis/Eastern Europe) and 15.7% (Middle East/Africa) in 2015.

New hiring at all sites was over 10% as we seek to continually build up our workforce worldwide

We align our training and continuing education offerings with the company's development, focusing on four strategic objectives: continuous development of our employees' subject-matter expertise, continuing education as a component of our internationalisation, individual development for managers, and training for enhancing interdisciplinary skills.

Our competence management programme and stable continuing education budget give us a solid foundation for ensuring that our employees can continue to evolve their knowledge and skills.

*We have provided many hours of professional development to employees on the basis of their annual career development reviews over the years. The number of participants in development opportunities was slightly lower last year than in previous years.*

- ⇒ Medium and long-term qualification measures will also increasingly be aligned with developments material to our business model in the future. Our first major focus will be on our research and development team.
- ⇒ Our training portal, which all employees can access through the KRONES Intranet, currently contains around 700 training and continuing education courses. In addition, we also offer e-learning opportunities, in which we had around 12,000 participants in 2015. Of those, around 50% were at our international sites.
- ⇒ Around 60 management-level employees from our sites in Germany (previous year: 105) and around 60 attendees from our offices worldwide (previous year: 50) received further training under our management development programme. Current topics such as "managing in the matrix" and "diversity" were covered to complement the leadership workshop. Feedback tracking was stepped up further following reorganisation. The programme started with 80 senior managers.

### Safeguarding our future with in-house training and education

*Training young talent in our own vocational training centre is an important part of our forward-looking human resources strategy. We view this in-house vocational training programme as a key to safeguarding our future and as a contribution to our company's social responsibility.*

- ⇒ Apprentices in their third year of vocational training and participants in our dual course of vocational training and university study have the opportunity to work in one of our offices abroad for a time. Seven young people took this opportunity in 2015.

*The positive impact of our e-learning programmes has also received external recognition. KRONES was awarded the 2015 Comenius-EduMedia Seal in the category "Professional training and continuing education" for our Compliance programme. The seal, which is supported under the EU's Lifelong Learning Programme (LLP), recognises innovative learning solutions, including e-teaching programmes.*

*The vocational training programmes cover the skills needed within our company. One focus will be on developing our training programmes internationally.*

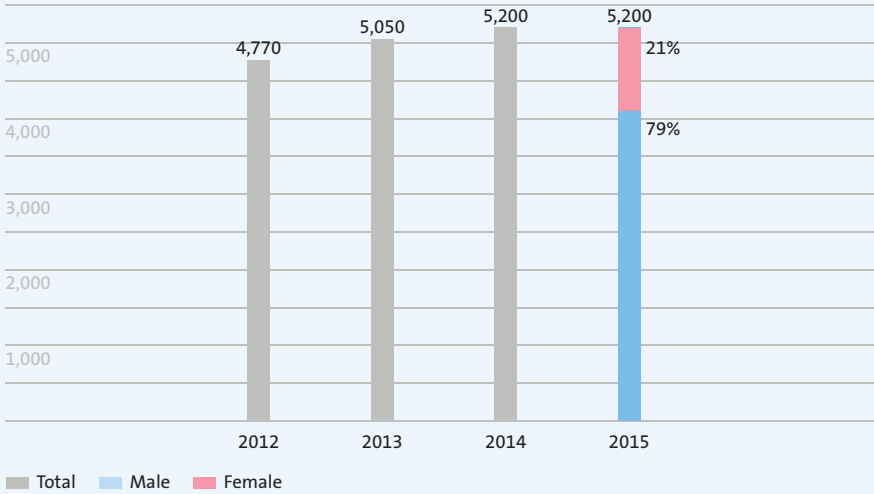
⇒ A new addition to our vocational training programme is a trainee programme for employees at our Taicang, China, site. The programme is geared towards university graduates and provides for them to remain employed at our Chinese site after completing the programme. The first group of applicants started the 15-month programme in April 2016.

*We permanently hired 127 trainees and apprentices upon completion of their vocational training in 2015 (previous year: 119).*

⇒ Given the large and growing share of older employees at KRONES AG, we view the young people being trained and educated in our own shop as an important factor for sustainable human resources management as they ensure a supply of young talent to replace retirees.

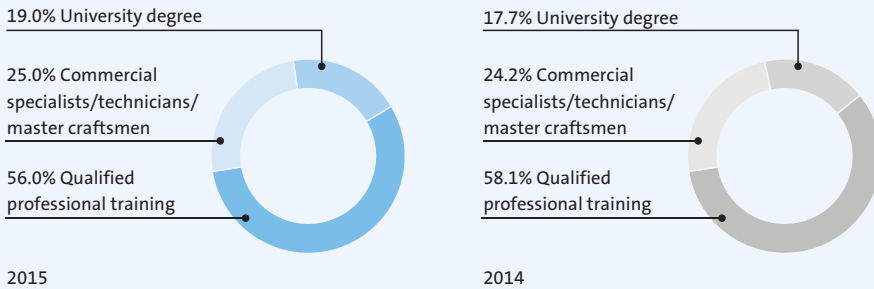
⇒ KRONES seeks to provide a high standard of training at our international sites. A programme operated in collaboration with the University in Wuhan, China, has been running for several years. KRONES has now launched an apprenticeship programme in Kenya as well. The first nine trainees are going through the programme, which follows the dual model of vocational training and university study that is used in Germany. At the end of the programme, these skilled workers will then work as mechatronics technicians at the East Africa LCS Centre.

KRONES AG – Individual and group development reviews



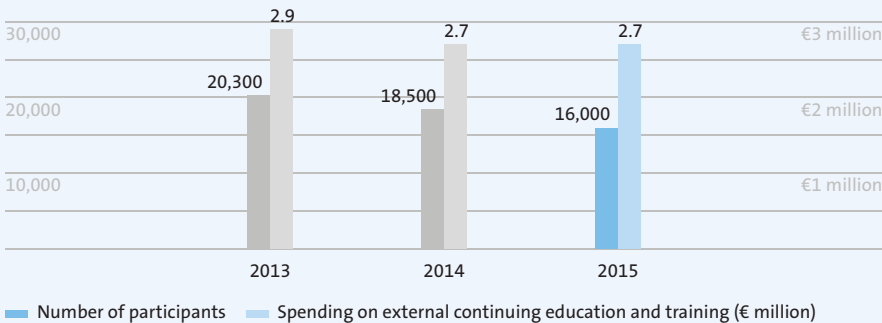
In 2015, we reached 60% coverage with implementation of individual and group development reviews (based on the total number of employees covered by collective agreements and exempt personnel at KRONES AG).

KRONES AG – Employee qualifications in Germany



As we focus our development efforts on the international markets, managing the processes globally is important. The qualifications we require aim to strengthen our activities in the commercial fields. The continued growth of the share of university graduates and commercial specialists in our workforce bears witness to this development.

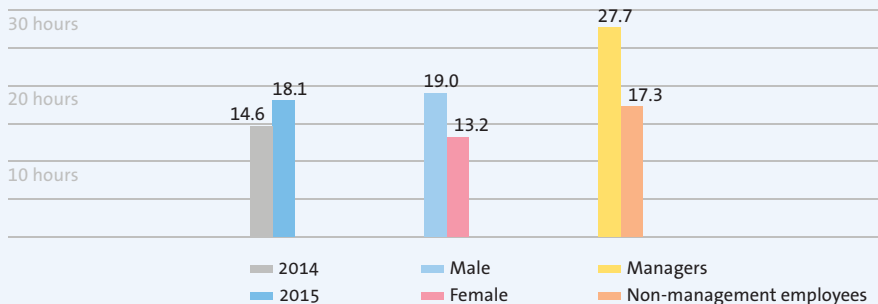
KRONES AG – Participation in continuing education measures



The lower number of participants in continuing education and training stems from the fact that topics defined for individual employees as part of their development reviews are being implemented in stages. In addition, we are offering more and more courses of longer duration while our continuing education budget remains unchanged.

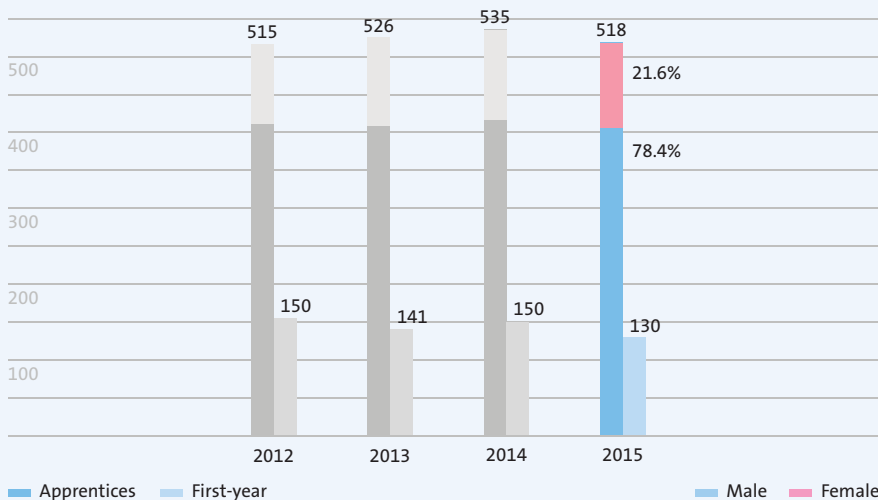


KRONES AG – Average time spent on continuing education per employee in 2015



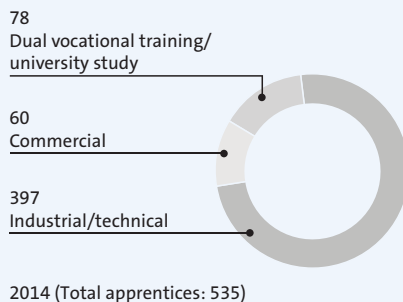
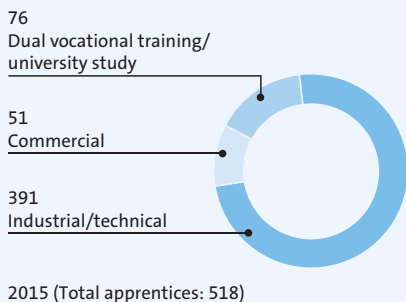
The higher figure for continuing education hours for male employees stems from a campaign to build skills among our service technicians, most of whom are male.

KRONES AG – Apprentices (total and first-year)



Our training rate was 5.7% in 2015 (previous year: 6.0%).

KRONES AG – Apprentices by field



75% of our apprentices are in industrial and technical fields. This focus ensures access to a pool of qualified young talent to replace older employees who will be retiring in the years ahead.

Consistent occupational health and safety management is a fundamental part of responsive human resources policy and an expression of our sense of responsibility towards our employees. Our activities are based on the provisions of laws governing occupational safety. At the international level, they are based on ILO standards. At the national level, they take into account laws and rules set forth by the carriers of statutory accident insurance (workman's compensation). In addition to these rules, we have made voluntary commitments within our Code of Conduct and have in place procedures that are certified in accordance with the OHSAS standard. Works agreements and cooperative consultation with employee representatives guide our daily actions in the interest of ensuring a high level of safety in the workplace and promoting the good health of our employees.

### Staying healthy at work

We support our employees in their day-to-day work and analyse their needs through several different channels: Occupational safety is evaluated through workplace inspections, analysis of possible hazards, and incident analyses. These tasks are executed by the occupational safety team within human resources in collaboration with the relevant managers.

Another pillar of our precautionary measures is offering comprehensive care to our employees through our in-house medical service, social counselling service, and our own company health insurance fund.

Monitoring of our occupational safety activities is done as prescribed in the OHSAS process, thus ensuring standardised procedures. We conduct regular occupational safety reviews and determine occupational hazard problem areas in the individual plants with the help of the occupational safety team. We then take targeted measures to remedy the situation.



*Our in-house medical service employs two doctors and six assistants at our Neutraubling site. In addition, each plant has a doctor who is on duty part-time and a full-time medical assistant. The LCS Centres also draw on support from the medical service in Neutraubling in their work to promote the good health of their employees.*

## Effective health management

Developing a health management system remains an objective to which we will be dedicating considerable attention in the short and medium terms. The programme's focus and components will be worked out in close collaboration with the Executive Board in 2016.

*We are continually developing and introducing concrete measures for protecting employee health.*

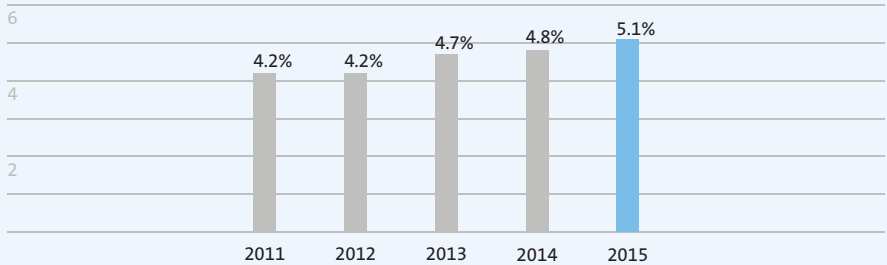
- ➔ We launched smoking rules in specific areas of our production facilities in Neutraubling under a pilot programme in 2015. Beginning in the second quarter of 2016, across-the-board rules for protecting non-smokers will be implemented at all of our German sites.
- ➔ A new dialogue format at our Nittenau site is helping to increase employee involvement in developing health programmes. We plan to establish a health panel there, which will enable employees to generate themes relating to all aspects of workplace health.

*Workplace rehabilitation management (WRM) is a continuous process by which long-term sick employees are reintegrated into the workplace in accordance with the requirements of the German Social Security Code (Sozialgesetzbuch).*

- ➔ Improved processes tailored to the individual cases helped even more employees return to work after long-term sickness once again in 2015. Under this programme, we established suitable opportunities that are adapted to the needs of 27 employees (previous year: 24).
- ➔ On average, long-term sick employees rehabilitated under the WRM programme were unable to work for 209.9 days in 2015. Once the process improvements were completed, the average number of lost days was reduced to 16.62 days. The average age of employees in the WRM programme is 44 years.

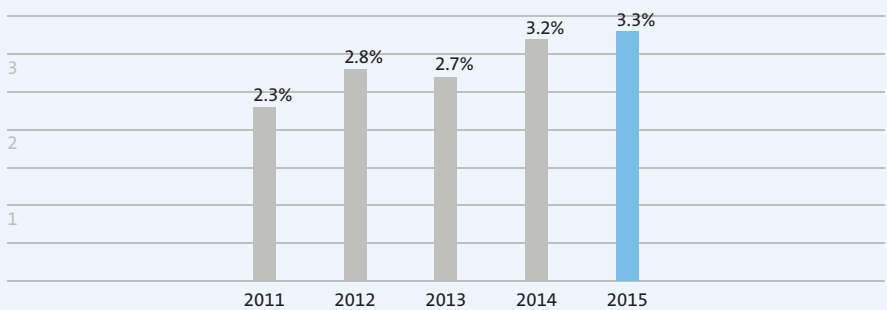
*Educating our young employees about the consequences of drug use is an integral part of our prevention efforts. We host an event on the topic each year in cooperation with DrugStop Drogenhilfe. Around 60 apprentices took part in the event in 2015.*

KRONES AG – Absenteeism



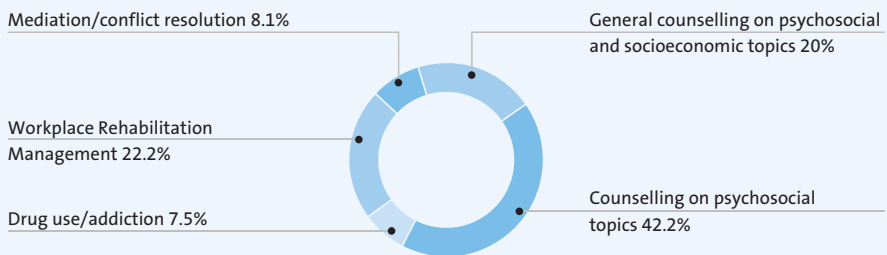
The rates of absence due to sickness or disability reflect the age structure of our workforce. The goal of our revised occupational health management programme will be to slow or stop the increase in absenteeism due to sickness or disability.

KRONES Germany – Counselling cases based on total number of employees



Our company's social counselling service is a voluntary service that KRONES offers to support employees experiencing work-related or personal difficulties. Solutions developed in confidential counselling sessions include the HR Business Partner, medical staff, and/or superiors as appropriate.

KRONES AG – Main counselling topics in 2015



WRM measures require an average of around four months of counselling from start to finish.

## Promoting good health is a management responsibility

*Mr. Traumann, can you please give us an overview of what the in-house medical service does?*

Our work can be divided into three main areas. One is consulting on occupational health at our plants. Another is outpatient emergency medical service for employees in the event of workplace accidents or health limitations that occur during working hours. The third is supporting employees worldwide, with preparation for work-related travel, preventive screenings, assessment of international health risks, and support for employees who fall ill while abroad.

Over the course of the year, we had around 12,000 contacts with employees.

*Where do you see the development of the company's medical service focusing?*

Health topics will continue to gain importance in our operations worldwide. A rising incidence of epidemics as a result of globalisation as well as changing lifestyles and living conditions and the mobility required in everyday work make a strong medical service essential. That, of course, has an impact on human

resources management as well since, for example, we increasingly need employees to travel who hadn't planned on that sort of work-related travel. Health topics also have to be more deeply rooted in all levels of management.

Changes to our business structures can create stress for our employees, which in turn can impact their mental and emotional health.

But the onus of maintaining employee health doesn't lie solely with employers. Employees also have to be involved and take an active role.

*How can KRONES help its growing population of older employees stay healthy?*

Musculoskeletal problems are the biggest concern for this employee group. That means we have to take ergonomics into greater account in our work flows. We also have to look closely at each person's specific limitations. Employees with chronic diseases can certainly remain active at work if we know and accommodate their specific needs. Offering preventive care near the workplace is also a great way to support employees. That makes it easy for employees to get preventive care without having to travel long distances and lose working time while waiting to be seen, as can often be the case when visiting a general practitioner or specialist in office.



Emanuel Traumann, Company Doctor,  
HR Company Medical Services

*What do you have to do to reach employees?*

We have to improve how we market our offerings to employees and really reach out to our industrial employees as our most important target group. These employees need extra support because of the physical stresses involved in their work. KRONES is a company in which the crafts and trades still play an important role and our people are making our product. That means we have to inform middle-aged employees in this group about their own health and provide preventive measures.

## Effective occupational safety management

A high level of occupational safety is crucial in our daily practices. In each plant, we involve a group of experts who handle all topics relating to occupational safety and provide intensive employee education. The responsibilities are defined in our BS OHSAS 18001 documentation. Evaluating the rules for occupational safety is the purview of the occupational safety committees, which integrate the Works Council and therefore represent the entire workforce. The concerns of the occupational safety committees are handled at the level of division managers and managers of our business lines. Employee participation in regular training and education sessions is scheduled by the respective managers on their own responsibility.

Occupational safety rules also apply to our IMS-certified sites abroad. Thus, 10,503 of our employees are covered by certified occupational safety rules. That is around 79% of our total workforce.

*We increased the involvement of employees, experts, and company doctors in assessing workplace hazards in 2015.*

➔ The new system this group has developed for hazard assessment will give us a better way of evaluating workplaces and their potential hazards.

*Workplace conditions and our production employees' personal equipment are reviewed in close collaboration with the Works Council.*

➔ That also includes ensuring that employees have the proper safety gear. The provision and design of protective equipment is governed by law in Germany.

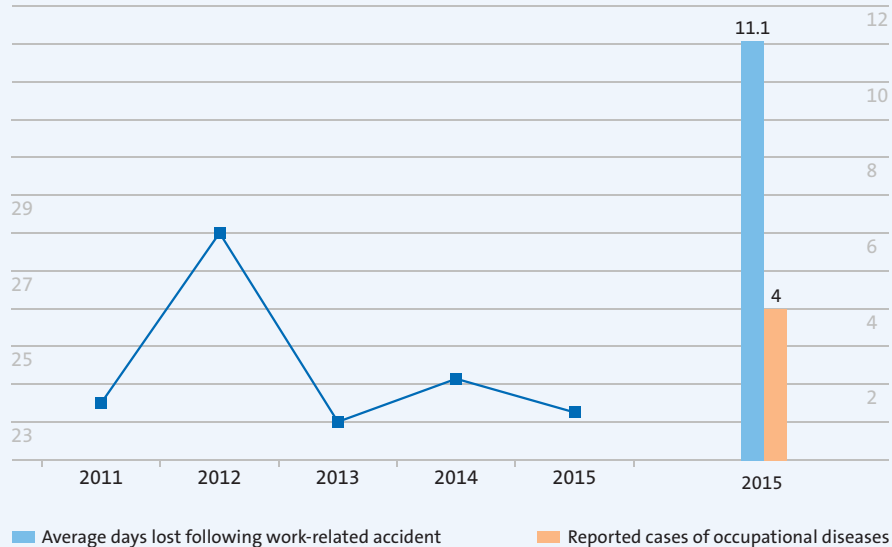
*A strong network of first responders supports our occupational safety efforts.*

➔ Around 995 first responders at our German sites stand ready to provide rapid response and assistance at work. They make up around 10% of our workforce. Another 300 employees are currently on the waiting list for first responder training. These figures put KRONES well above the level required by Germany's employers' liability insurance association.

*In all, we have recorded 23 different types of injuries in our statistics on work-related accidents. There were no work-related fatalities in 2015.*

➔ Because our production processes involve numerous manual and machine-assisted process steps, injuries to fingers and arms are the most common. The three most frequently reported injury types relate to fingers, arms, and feet.

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



At our plants in Germany, we had an overall rate of work-related accidents with one or more days lost time of 23.2 per 1,000 employees in 2015 (previous year: 24.2). That is down 3.7% from 2014.

The average duration of inability to work following a work accident was 11.1 days in 2015. In 2015, four new cases of possible work-related illness were reported to the employers' liability insurance association. There is not necessarily a link between the illnesses and the employees' work at KRONES because individuals with pre-existing conditions coming from prior employment are also reported. More information about the processes relating to the individuals involved is not available to KRONES.

Goals	Actions	Target date
Internationalise HR activities	<ul style="list-style-type: none"> <li>■ Define and implement international processes               <ul style="list-style-type: none"> <li>□ <i>Further analyses are being done</i></li> </ul> </li> </ul>	2017
	<ul style="list-style-type: none"> <li>■ Establish HR expertise at our international sites               <ul style="list-style-type: none"> <li>□ <i>Implementing regional framework for North America, Latin America, Asia-Pacific, China, and Africa</i></li> </ul> </li> </ul>	2017
Increase employee qualifications	<ul style="list-style-type: none"> <li>■ Introduce KRONES competence management company-wide               <ul style="list-style-type: none"> <li>□ <i>Introduction of competence management system is complete; process for group development reviews is still in progress</i></li> </ul> </li> </ul>	ongoing
	<ul style="list-style-type: none"> <li>■ Expand training and continuing education offerings               <ul style="list-style-type: none"> <li>□ <i>Continually expanding the training offerings</i></li> <li>□ <i>Conversion and user-friendly design of SAP training portal completed</i></li> </ul> </li> </ul>	ongoing complete
	<ul style="list-style-type: none"> <li>■ International workforce structures               <ul style="list-style-type: none"> <li>□ <i>Ongoing continuation of management training seminars</i></li> </ul> </li> </ul>	ongoing
Secure access to the next generation of specialists	<ul style="list-style-type: none"> <li>■ Accept apprentices in a variety of fields               <ul style="list-style-type: none"> <li>□ <i>130 new apprentices were accepted for 2015; 20 different fields of vocational training and university studies offered</i></li> </ul> </li> </ul>	ongoing
	<ul style="list-style-type: none"> <li>■ Increase service focus with Profil 21 professional training option               <ul style="list-style-type: none"> <li>□ <i>The first Profil 21 service graduates have been hired on; concept is being adapted and improved on a regular basis with active feedback from all participants</i></li> </ul> </li> </ul>	launched
Promote and recruit specialists and skilled workers	<ul style="list-style-type: none"> <li>■ Collaborate with colleges and universities               <ul style="list-style-type: none"> <li>□ <i>Informational events at colleges and universities</i></li> </ul> </li> </ul>	ongoing
	<ul style="list-style-type: none"> <li>■ Trainee programme               <ul style="list-style-type: none"> <li>□ <i>Recruiting trainees</i></li> <li>□ <i>New trainee programme for Taicang site</i></li> </ul> </li> </ul>	ongoing 2016
	<ul style="list-style-type: none"> <li>■ Promote intercultural understanding among our skilled workers               <ul style="list-style-type: none"> <li>□ <i>Across Borders successfully launched in 2015</i></li> <li>□ <i>Number of Across Borders participants in 2015: 15 (8 from Germany; 7 from outside Germany)</i></li> </ul> </li> </ul>	ongoing ongoing
	<ul style="list-style-type: none"> <li>■ Coordinate all actions (in-house medical service, company health insurance fund, counselling service, and human resources)               <ul style="list-style-type: none"> <li>□ <i>Prioritisation of areas ongoing</i></li> <li>□ <i>Developing a framework for occupational health management</i></li> </ul> </li> </ul>	in progress complete
Occupational health management	<ul style="list-style-type: none"> <li>■ Speed rehabilitation and reintegration of employees who have been on long-term sick leave               <ul style="list-style-type: none"> <li>□ <i>Analysis of causes and identification of possibilities for significantly reducing reintegration times has begun</i></li> <li>□ <i>Workplace Rehabilitation Management policy is being applied</i></li> </ul> </li> </ul>	in progress ongoing



Goals	Actions	Target date	
Work-life-balance	<ul style="list-style-type: none"> <li>■ Support employees and their families on assignments abroad               <ul style="list-style-type: none"> <li>□ <i>Employee support programme available through Human Resources and Social Affairs (24 employees)</i></li> </ul> </li> </ul>	<b>ongoing</b>	
	<ul style="list-style-type: none"> <li>■ Support management employees' use of sabbatical               <ul style="list-style-type: none"> <li>□ <i>141 employees made use of this option in 2015</i></li> </ul> </li> </ul>	<b>ongoing</b>	
	<ul style="list-style-type: none"> <li>■ Optimise parking situation               <ul style="list-style-type: none"> <li>□ <i>Coordinating and implementing concept</i></li> </ul> </li> </ul>	<b>2017</b>	
Reduce accident rates (per 1,000 employees)	<ul style="list-style-type: none"> <li>■ Systematic accident analysis               <ul style="list-style-type: none"> <li>□ <i>Deriving remedial actions from incidents</i></li> <li>□ <i>Each incident that results in injury or days of lost work as well as electrical accidents are analysed in detail and communicated within the German sites</i></li> <li>□ <i>Roll-out in all German plants has begun</i></li> </ul> </li> </ul>	<b>ongoing</b>  <b>in progress</b> <b>in progress</b>	
	<ul style="list-style-type: none"> <li>■ Step up hazard assessment               <ul style="list-style-type: none"> <li>□ <i>Involving employees in TPM in all areas</i></li> <li>□ <i>Workplace inspections are done 2–4 x per year in production areas</i></li> </ul> </li> </ul>	<b>in progress</b> <b>ongoing</b>	
	<ul style="list-style-type: none"> <li>■ Further develop systems for employee training and guidance               <ul style="list-style-type: none"> <li>□ <i>Currently producing new basic instruction and additional instruction cards (1-point lessons)</i></li> <li>□ <i>Operating instructions for machines and hazardous materials are undergoing additional revision under a new system</i></li> </ul> </li> </ul>	<b>in progress</b> <b>in progress</b>	
	<ul style="list-style-type: none"> <li>■ Establish more standards that apply internationally</li> </ul>	<b>in progress</b>	
	Reduce lost working days in general	<ul style="list-style-type: none"> <li>■ Train managers and supervisors in how to deal with illness-related absences               <ul style="list-style-type: none"> <li>□ <i>Training concept consists of several modules; almost all managers have completed the training</i></li> </ul> </li> </ul>	<b>ongoing</b>

Visitors who  
toured the plant in  
Neutraubling

2,254

Memberships  
in associations

123

Share of donations  
and sponsoring that  
went toward charitable  
projects

66%



Participation  
in informational events  
for young talent

72



## Social responsibility:

### We believe in continuous communication

We recognise our role in society and our obligation to communicate all of our activities both within and outside the company and to openly address relevant issues. A consensus-oriented approach to issues is a natural part of our company policy. With it, we develop trust and understanding. It also allows us to benefit from stakeholders' suggestions and incorporate stakeholders' concerns into our decision-making at an early stage.

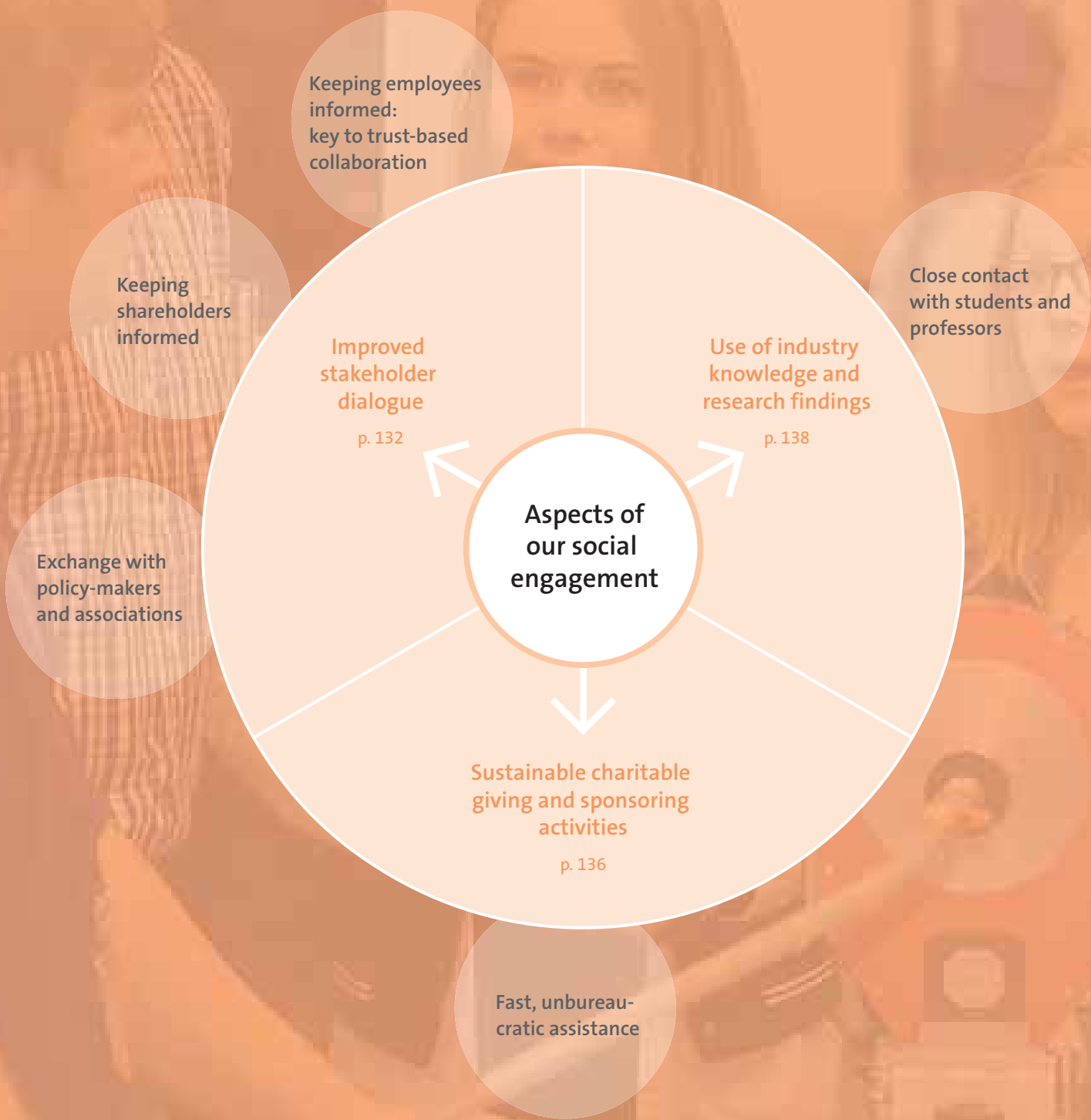
This cooperative approach is also part of our Code of Conduct and therefore an integral part of our daily work. We rely on our KRONES CSR teams having direct contact with the relevant stakeholder groups. We also involve representatives of certain stakeholder groups in our CSR Committee, who are then able to efficiently share their ideas with us. In this way, we receive important ideas and suggestions on a regular basis that we are able to use in our CSR activities and in our boards' work. In addition, we also share information as required by law, for instance as part of our financial reporting and in planning and implementing construction projects. Besides these mandatory disclosures, we also maintain open communications through other channels, thereby establishing a high level of transparency about our company's strategy and direction.

We have a budget available for executing our social responsibilities that is managed by our charitable giving committee in accordance with our charitable giving and sponsorship policy. An important point here is that we do not contribute to any political parties.

Our tools and channels for dialogue with stakeholders are as follows:

- Open days
- Participation in university job fairs
- Visits from political decision-makers
- Memberships in associations
- Communication through social media
- Participation in conferences
- Dialogue with investors
- Internal information platforms

We attribute our success to mindful communication with our stakeholders. At the same time, we are aware that we could go even deeper. Our CSR Workshop on Society aspects made us aware that we need to even better address ideas brought to us by stakeholders. As a result of the workshop, we will be developing strategies in the medium-term to further improve our integration of societal aspects.



We seek dialogue with a wide range of stakeholders. We attach great importance to communicating with the individual stakeholder groups as directly as possible with customised communication frameworks. Thus, our individual departments define appropriate platforms and time frames for exchange with stakeholder groups themselves.

### Keeping employees informed: key to trust-based collaboration

Keeping our employees in the loop has long been standard practice at KRONES. One way that we keep our employees informed is the employee magazine, KRONES world, which is published three times a year and provides a broad overview of happenings KRONES.

*Regular plant tours are an important part of our communication efforts. The tours are aimed primarily at our employees and their families but are also used to familiarise other groups with KRONES' production facilities.*

⇒ We will continue to offer these tours in 2016.

⇒ To mark the 60<sup>th</sup> anniversary of our Rosenheim site, the local plant management organised a Family Day, in which employees led their families through the plant, showing them the production facilities and their own workstations.

*Fast, comprehensive information is the purpose of KRONES inside. Our internal platform for communication and information was completely revamped in 2015 and now also incorporates the LCS Centres worldwide.*

⇒ KRONES' increasing internationalisation prompted us to redesign the information platform. Now, all of the LCS Centres have Intranet specialists whose job it is to ensure that KRONES inside covers topics of relevance to employees at our international sites. In all, eleven site coordinators are responsible for the Intranet's regional content worldwide.

### Exchange with policy-makers and associations

Policy-makers also need a good base of information for their work.

*KRONES fosters communication with policy-makers and offers plant tours and background talks to give them a look into the needs of business.*

⇒ In 2015, Bavarian State Minister of Labour and Social Affairs, Emilia Müller, visited KRONES to learn about our sustainability policy, Bavarian Finance Minister Dr. Markus Söder visited our Taicang plant to learn about our production facility in China, and Albert Füracker, State Secretary of Bavaria's Department of Finance, visited our subsidiary KONPLAN in Pilsen to learn about cooperation between the Czech Republic and Bavaria.

*Independent of our communication with policy-makers, we also contribute to opinion-making on industry-specific topics through memberships in associations.*

- ➔ The most important membership for us is our engagement in the German Engineering Federation (VDMA). We participate in exchange across industries through our involvement in the Federation's trade association for food processing and packaging machinery. Depending on the topics at hand, our Executive Board will also sometimes make a public statement to contribute to opinion-making.
- ➔ Chairman of the Executive Board Volker Kronseder served as the Deputy Chairman of the trade association in 2015 and supported its work with his expertise on the development of the packaging machinery market worldwide for VDMA members.
- ➔ Our presence within the German Brewers Federation (DBB) and the German Brewer and Malting Association are similarly important factors determining perceptions of our company within the industry.
- ➔ We do not have representatives in governmental organisations and are not involved in lobbying activities. We also do not make donations to any political parties or organisations related to political parties.

## Informing customers and shareholders

We keep our customers informed by way of direct contact and a comprehensive presentation of our products and services on the KRONES website. We also use our website to keep our shareholders informed. The Investor Relations section of the site provides shareholders with all relevant information, up-to-date and in accordance with the provisions of the laws applicable to stock corporations.

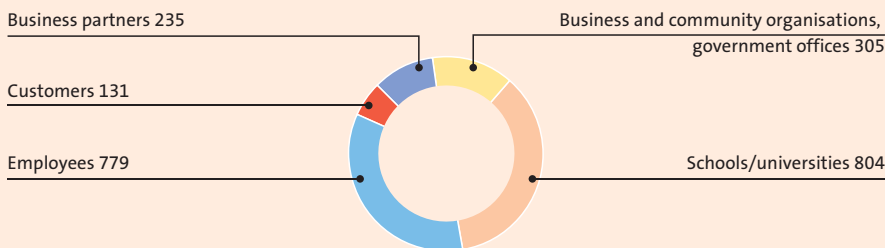
*Sustainability information is published on our website under "Sustainability" and therefore also available to customers and shareholders.*

- ➔ Communication with analysts regarding our sustainability rating gives us an independent assessment of our sustainability activities, which helps us review our own actions and options.

*External review of our performance is always helpful. It enables us to identify potential for improvement and compare our performance with that of other companies. Our website has also undergone a similar comparison.*

- ➔ In a study conducted by the analysis and consulting firm ServiceValue on "customer-oriented websites", KRONES' ranked 24<sup>th</sup> among the websites of 253 listed companies. For the ranking, analysts reviewed the websites' customer and user-friendliness. The rating is based on academic research conducted on the topic of customer value at the University of St. Gallen, Switzerland.

Visitors in 2015 (1 April – 31 December) – Number of people per category

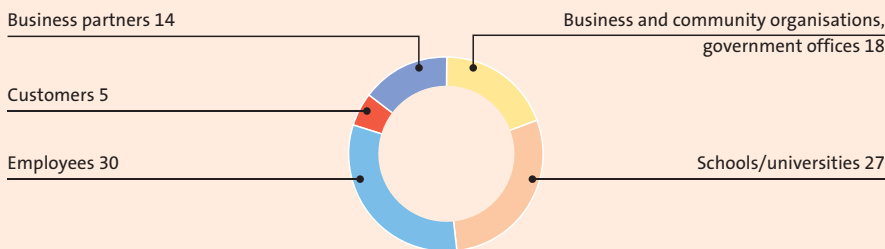


Total visitors in 2015: 2,254

*In 2015, 2,254 people toured our production facilities in Neutraubling in 94 groups. Employees made up the largest share of visitors in terms of both individuals and groups. In all, 30 groups with a total of 779 employees participated in tours.*

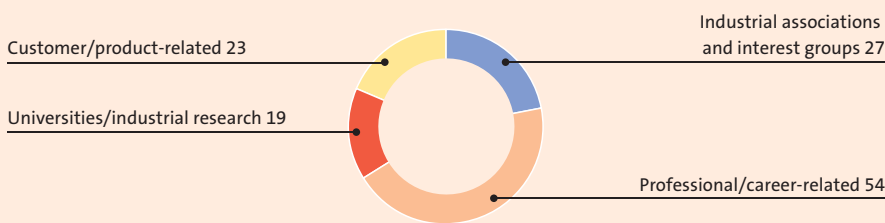
*Because of a change in the way our visitor management is organised, we do not have a record of the number of visitors in the first quarter of 2015.*

Visitors in 2015 (1 April – 31 December) – Number of groups per category



Total groups in 2015: 94

KRONES AG – Memberships

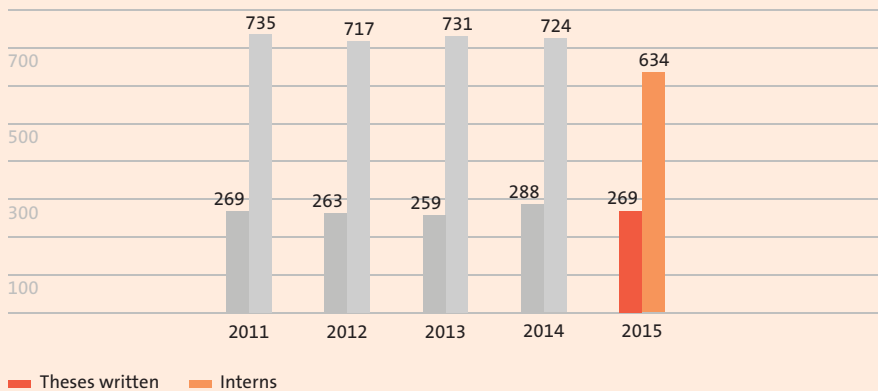


Total memberships in 2015: 123

*In all, we held memberships in 123 different associations and organisations. Professional and career-related associations, which make up the largest share of our memberships, keep our employees up-to-date in their knowledge and industry information.*

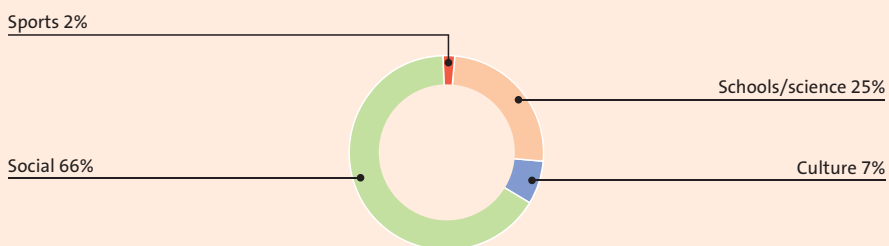


KRONES AG – Interns and theses



The internships and thesis-writing opportunities we offer help university graduates in a variety of fields in their career choice and vocational and professional education and training.

KRONES AG – Charitable contributions and sponsoring



A large portion of our budget for charitable contributions and sponsoring goes towards social projects. That includes our support of the KROKI childcare centre in Neutraubling, disaster relief following the earthquake in Nepal, and aid for refugees.

Our charitable giving and sponsorship policy provides clear guidelines for our activities with respect to giving and sponsorship. It clearly prohibits any support of political parties or related organisations. The policy also contains a process and criteria for reviewing requests for assistance. Compliance with these guidelines is mandatory for our charitable giving committee as they review requests. In 2015, we had a budget of around €540,000, of which around two-thirds went into social projects.

*The charitable giving volume includes ongoing support of the KROKI childcare centre, which serves the community in Neutraubling.*

⇒ KROKI provides quality, individualised care to children of employees and of families in the community ages four months and older.

*Our charitable giving framework also covers the provision of relief when exceptional circumstances arise that require a direct, swift response.*

⇒ In 2015, we helped get rapid assistance to refugees arriving in the Regensburg area by way of a charitable donation to the organisation CampusAsyl e. V. The organisation's volunteers help refugees both in the initial receiving facility and in their housing facilities.

*Donations from KRONES are paid out to recipients in their full amount, without deduction of administrative costs. Costs relating to the charitable giving committee's work are not recorded separately. All processes and expenses relating to payment transactions are simply part of our internal administrative expenses.*

## Fast, unbureaucratic assistance

*Ms. Resch, you are a member of the charitable giving committee. What are your responsibilities there?*

Our monthly meetings give me a detailed overview of the requests KRONES receives for assistance. As the link to the Executive Board and representative of the CEO, I am able to pass that information on. That is important because it enables us to give the Executive Board a picture of how we are perceived and integrated within society.

On the other hand, it is also important to the charitable giving committee team to be able to make decisions quickly when things come up that would exceed our usual volume of giving.

*Can you give us an example of a decision that you were able to “fast-track” in this way?*

An excellent example is the flooding of 2013, the worst flooding our area had seen in 100 years. We were able to respond quickly, with no red tape, to make money available for flood victims. The decision to forgo our company party that year was a classic example of a call our committee couldn't make alone. We needed a broad consensus that involved employee representatives and each of the plants in Germany. In such situations, I am able to help the team and get information flowing quickly.



*What do you expect the charitable giving committee to focus on in 2016?*

**Christina Resch**, Assistant to the Executive Board

One important point we want to address is the monitoring of our activities. Specifically, we want to develop measures that help us review the effectiveness of our donations and sponsoring. We want to make sure our giving is as efficient and effective as possible.

## Use of industry knowledge and research findings

Our membership in professional and career-related associations and collaboration with universities give our employees access to the latest knowledge and findings.

*This cooperation includes internship opportunities for students and collaboration with graduates on their theses.*

⇒ In 2015, we provided 269 thesis-writing opportunities and 634 internships.

*Forward-thinking projects often arise from collaborations with universities and research institutions. One such example is our cooperation with the Technical University of Munich.*

⇒ Through our participation in the packaging technology department's Robofill 4.0 project, KRONES is also supporting activities associated with the technological changes arising from Industry 4.0 (the Internet of Things).

### Close contact with students and professors

*Our membership in the initiatives of various universities and universities of applied sciences enables us to forge close relationships with students and faculty, which in turn help us integrate the latest findings into our own developments.*

⇒ In 2015, we were involved with 19 different initiatives of universities and industrial research groups.

*Our regular participation in job fairs at universities and elsewhere gives us a constant presence among young talent and helps us recruit graduates and thus bring the latest knowledge into the company.*

⇒ In 2015, we took part in 72 recruiting events, which included job fairs and field trips.

Goals	Actions	Target date
Intensify stakeholder dialogue	<ul style="list-style-type: none"> <li>■ Establish and continue social media activities               <ul style="list-style-type: none"> <li>□ <i>Social media concept implemented and updated continually</i></li> </ul> </li> </ul>	<b>ongoing</b>
	<ul style="list-style-type: none"> <li>■ Stakeholder day               <ul style="list-style-type: none"> <li>□ <i>Developing a concept for an issue-specific Stakeholder Meeting</i></li> </ul> </li> </ul>	<b>2017–2018</b>
Training on anti-corruption policy	<ul style="list-style-type: none"> <li>■ E-learning programme on compliance management               <ul style="list-style-type: none"> <li>□ <i>Roll-out of compliance training at LCS sites</i></li> </ul> </li> </ul>	<b>2016</b>
	<ul style="list-style-type: none"> <li>■ Technical training for sensitive areas               <ul style="list-style-type: none"> <li>□ <i>Training programme began in the third quarter of 2014</i></li> </ul> </li> </ul>	<b>ongoing</b>
Provide information for employees' family members	<ul style="list-style-type: none"> <li>■ Regular group tours of the production facilities for visitors               <ul style="list-style-type: none"> <li>□ <i>Involving retired employees in order to offer more employee tours</i></li> </ul> </li> </ul>	<b>ongoing</b>
Conduct university marketing at the national level	<ul style="list-style-type: none"> <li>■ Participate in university job fairs, field trips, and lectures               <ul style="list-style-type: none"> <li>□ <i>Continuous use of recruiting and higher education events to gain new recruits</i></li> </ul> </li> </ul>	<b>ongoing</b>
Charitable contributions and sponsoring	<ul style="list-style-type: none"> <li>■ Monitoring social commitment               <ul style="list-style-type: none"> <li>□ <i>Developing a monitoring framework for grants</i></li> </ul> </li> </ul>	<b>2017</b>
Improve presentation of sustainability topics on our website	<ul style="list-style-type: none"> <li>■ Expand sustainability content on our corporate website               <ul style="list-style-type: none"> <li>□ <i>Content is being updated</i></li> </ul> </li> </ul>	<b>ongoing</b>

KRONES is applying the current GRI Guidelines (G4) for the first time in this report for the year 2015.

General standard disclosures		Page	External assurance
<b>Strategy and analysis</b>			
G4-1	Statement from the most senior decision-maker	4–7	✓
G4-2	Impacts, risks, and opportunities	44, AR 124–127	✓
<b>Organisational profile</b>			
G4-3	Name of the organisation	Cover	✓
G4-4	Primary brands, products, and services	8–11	✓
G4-5	Location of headquarters	10	✓
G4-6	Countries where the organization operates	52, AR 195	✓
G4-7	Nature of ownership and legal form	12	✓
G4-8	Markets served	11	✓
G4-9	Scale of the organisation	10–12	✓
G4-10	Total workforce	103–104	✓
G4-11	Employees covered by collective bargaining agreements	109	✓
G4-12	Supply chain	46–50, 52–53	✓
G4-13	Significant changes regarding size, structure, or ownership	AR 24–25, 162–163	✓
G4-14	Precautionary approach addressed	13, 23–24	✓
G4-15	Endorsement of external charters, principles, or other initiatives	4–7, 23	✓
G4-16	Memberships in associations and advocacy organisations	133–134	✓
<b>Identified material aspects and boundaries</b>			
G4-17	Company's structure according to consolidated financial statements	10, AR 162, 195	✓
G4-18	Process for defining report content and aspect boundaries	30	✓
G4-19	Material aspects	30–31	✓
G4-20	Material aspects within the organisation	30–31	✓
G4-21	Material aspects outside the organisation	30–31	✓
G4-22	Restatements of information provided in previous reports	28–29	✓
G4-23	Significant changes in scope and aspect boundaries	28–29	✓
<b>Stakeholder engagement</b>			
G4-24	List of stakeholder groups engaged	32–33, 130–133	✓
G4-25	Basis for identification and selection of stakeholders	32–33	✓
G4-26	Approach to stakeholder engagement	32–33	✓
G4-27	Topics and concerns that have been raised through stakeholder engagement	32–33, 130–133	✓
<b>Report profile</b>			
G4-28	Reporting period	3	✓
G4-29	Date of most recent previous report	3	✓
G4-30	Reporting cycle	3	✓
G4-31	Contact point for questions regarding the report	Cover	✓
G4-32	"In accordance" option and GRI Index for the chosen option	3, 29, 140–145	✓
G4-33	External assurance for the report	Cover, 29	✓

General standard disclosures		Page	External assurance
<b>Governance</b>			
G4-34	Governance structure	12, AR 6, 17, 148–150, 196	✓
G4-35	Delegation of sustainability topics from the highest governance body to employees	25–26	✓
G4-36	Position with responsibility for sustainability topics and reporting	20–22, 26	✓
G4-37	Processes for consultation between stakeholders and highest governance body on sustainability topics	20	✓
G4-38	Composition of the highest governance body	105–107, AR 148–150, 196	✓
G4-39	Chair of the highest governance body	AR 148–150	✓
G4-40	Nomination and selection processes for the highest governance body	AR 148–150	✓
G4-41	Processes in place to avoid conflicts of interest	AR 148–150, 192	✓
G4-42	Role of the highest governance body and senior executives in the development, approval, and updating of strategies and goals related to sustainability impacts	12, 20, 25–26	✓
G4-43	Measures taken to develop the highest governance body's collective knowledge of sustainability topics	25	✓
G4-45	Highest governance body's role in the identification and management of impacts, risks, and opportunities	AR 149–151	✓
G4-46	Highest governance body's role in reviewing the risk management processes for sustainability topics	AR 149–151	✓
G4-48	Highest position that formally reviews the sustainability report	24	✓
G4-49	Process for communicating critical concerns	16–17	✓
G4-50	Nature and total number of critical concerns that were communicated and mechanism(s) used to address and resolve them	17	✓
G4-51	Remuneration policies for the highest governance body and senior executives	AR 136–141	✓
G4-52	Process for determining remuneration	AR 136–141	✓
<b>Ethics and integrity</b>			
G4-56	The organisation's values, principles, standards, and norms	13–15	✓
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour	16–18	✓
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour and matters related to organisational integrity	16–18	✓
<b>Specific standard disclosures – economic</b>			
<b>Aspect: economic performance</b>			
G4-DMA		38, 40–41	✓
G4-EC1	Direct economic value generated and distributed	41, 43	✓
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	44, AR 125	✓
G4-EC3	Coverage of the organisation's defined benefit plan obligations	AR 182–186 (item 13)	✓
G4-EC4	Financial assistance received from government	41	✓
<b>Aspect: procurement practices</b>			
G4-DMA		46–49	✓
G4-EC9	Proportion of spending on local suppliers at significant locations of operations	50, 52–53	✓

Specific standard disclosures – environmental		Page	External assurance
G4-DMA		56–57, 78–81	✓
EN1	Materials used by weight or volume	53	✓
EN2	Percentage of materials used that are recycled input materials	48	✓
<b>Aspect: energy</b>			
G4-DMA		78–81	✓
EN3	Energy consumption within the organisation	82–83	✓
EN5	Energy intensity	82–83	✓
EN6	Reduction of energy consumption	80–83	✓
EN7	Reduction of energy requirements of products and services sold	64–65	✓
<b>Aspect: water</b>			
G4-DMA		78, 84	✓
EN8	Total water withdrawal by source	84–85	✓
EN10	Percentage and total volume of water recycled and reused	84–85	✓
<b>Aspect: emissions</b>			
G4-DMA		78, 86–87	✓
EN15	Direct greenhouse gas emissions (Scope 1)	88	✓
EN16	Indirect greenhouse gas emissions (Scope 2)	88	✓
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	89	✓
EN18	Greenhouse gas (GHG) emissions intensity	88	✓
EN19	Reduction of GHG emissions	86–87	✓
EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	86	✓
<b>Aspect: effluents and waste</b>			
G4-DMA		78, 84, 92–93	✓
EN22	Total volume of water discharges by quality and destination	85	✓
EN23	Total weight of waste by type and disposal method	94	✓
EN24	Total number and volume of significant spills	84	✓
EN25	Weight of transported, exported, or treated waste deemed hazardous under the terms of the Basel Convention and percentage of transported waste shipped internationally	92	✓
<b>Aspect: products and services</b>			
G4-DMA		56–57, 59, 63	✓
EN27	Extent of impact mitigation of environmental impacts of products and services	59, 61–63, 66–73	✓
<b>Aspect: compliance</b>			
G4-DMA		14, 16–17	✓
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	78	✓



Specific standard disclosures – environmental		Page	External assurance
<b>Aspect: Transport</b>			
G4-DMA		78, 87	✓
EN30	Significant environmental impacts of transporting products and other goods and materials used for operations and transporting members of the workforce	87, 89	✓
<b>Aspect: supplier environmental assessment</b>			
G4-DMA		46–49	✓
EN32	Percentage of new suppliers that were screened using environmental criteria	49	✓
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	47	✓
<b>Specific standard disclosures – social</b>			
<b>Labour practices and decent work</b>			
<b>Aspect: employment</b>			
G4-DMA		100, 102, 113	✓
LA1	Total number and rate of new employee hires and rate of employee turnover during the reporting period, by age group, gender, and region	115	✓
LA2	Benefits that are provided to full-time employees only, by significant locations of operation	110	✓
LA3	Return to work and retention rates after parental leave, by gender	114	✓
<b>Aspect: labour/management relations</b>			
G4-DMA		100, 109	✓
LA4	Minimum number of weeks' notice generally provided to employees and their elected representatives prior to implementation of significant operational changes that could substantially affect them	109, 111	✓
LA5	Percentage of the total workforce represented in formal joint management-worker committees that help monitor and advise on occupational health and safety programmes	124	✓
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities by region and gender	124–125	✓
LA8	Health and safety topics covered in formal agreements with trade unions	124	✓
<b>Aspect: training and education</b>			
G4-DMA		100, 116–117	✓
LA9	Average hours of training per year per employee, total and by gender and employee category	118–119	✓
LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	116–118	✓
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and employee category	116–118	✓

Specific standard disclosures – social		Page	External assurance
<b>Aspect: diversity and equal opportunity</b>			
G4-DMA		100	✓
LA12	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	103–107	✓
<b>Aspect: equal remuneration for women and men</b>			
G4-DMA		100, 102	✓
LA13	Ratio of base salary and remuneration of women to men by employee category, by significant locations of operation	109–110	✓
<b>Aspect: supplier assessment for labour practices</b>			
G4-DMA		46–49	✓
LA14	Percentage of new suppliers that were screened using labour practices criteria	47, 49	✓
LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	49	✓
<b>Aspect: labour practices grievance mechanisms</b>			
G4-DMA		100	✓
LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	49, 100	✓
<b>Human rights</b>			
<b>Aspect: investment</b>			
G4-DMA		46–49	✓
<b>Aspect: non-discrimination</b>			
G4-DMA		100, 109	✓
HR3	Total number of incidents of discrimination and corrective actions taken	109	✓
<b>Aspect: freedom of association and collective bargaining</b>			
G4-DMA		46–49	✓
HR4	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	49	✓
<b>Aspect: human rights grievance mechanisms</b>			
G4-DMA		46–47	✓
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	47	✓

Specific standard disclosures – social		Page	External assurance
<b>Aspect: anti-corruption</b>			
G4-DMA		16–17	✓
G4-SO3	Total number of operations assessed for risks related to corruption and significant risks identified	17–18	✓
G4-SO4	Communication and training on anti-corruption policies and procedures	17–18	✓
<b>Aspect: public policy</b>			
G4-DMA		130	✓
G4-SO6	Total value of political contributions	135–136	✓
<b>Aspect: anti-competitive behaviour</b>			
G4-DMA		16–17	✓
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	17	✓
<b>Aspect: compliance</b>			
G4-DMA		16–17	✓
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	17	✓
<b>Aspect: supplier assessment for impacts on society</b>			
G4-DMA		46–49	✓
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	17, 49, 50	✓
<b>Product responsibility</b>			
<b>Aspect: customer health and safety</b>			
G4-DMA		56–57	✓
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	60, 62	✓
<b>Aspect: product and service labelling</b>			
G4-DMA		56–57	✓
G4-PR3	Type of product and service information required by the organisation's procedures for product information and labelling	60, 62	✓

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

# External assurance of the sustainability report

## Scope and standards:

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

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

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

## Audit process and depth:

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

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

The objective of the audit was to:

- Confirm KRONES AG's self-declaration of "in accordance" reporting under the Core option.
- Confirm fulfilment of the GRI G4 Core option
- Review the reliability of the sustainability performance data and CSR-related information from KRONES AG

The following aspects were examined in spot checks:

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

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

Economic and financial data were not audited. Instead, they were assessed in comparison with the information contained in the audited 2015 Annual Report.

## The following sites were included in this audit:

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

## Level of assurance & materiality threshold

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

## Conclusion/validation

Our audit procedure has revealed no indications that could call into question the conclusion that the report meets the criteria of GRI G4 Core reporting.

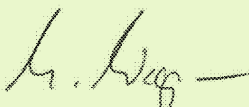
Moreover, we conclude that KRONES AG has not omitted any material aspects from the report and the reporting process delivers reliable CSR-relevant data and information. Availability of this report to the general public is guaranteed.

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

TÜV sÜD Management Service GmbH  
Munich, 13 May 2016



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



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



Management Service

## Responsibilities:

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

# KRONES at a glance

KRONES offers machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. KRONES offers all of the products and services they need from a single source – from constructing new beverage plants to getting the finished product out the door. The company is organised in three segments:

## Machines and lines for product filling and decoration

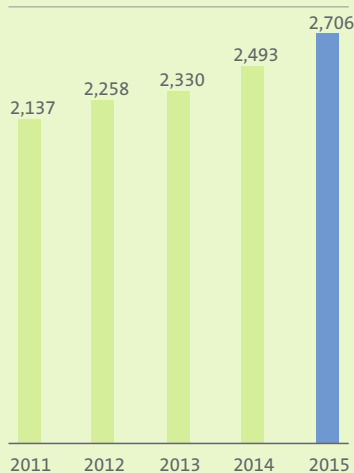


This is by far KRONES' largest and most profitable segment. It offers machines and lines for filling, labelling, packaging, and conveying products. Machines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are also part of this segment.

	2015	2014
EBT (€ million)	220.5	193.2
EBT margin (%)	8.1	7.7
Employees*	11,502	11,148

\*Consolidated group

### Revenue (€ million)



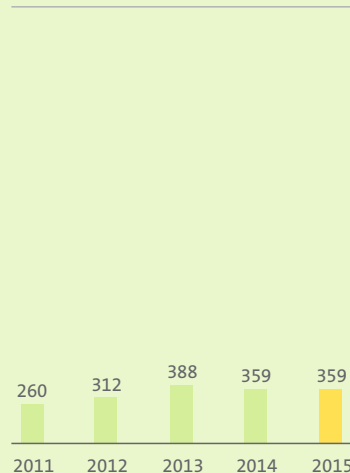
## Machines and lines for beverage production/process technology



This segment includes brewhouse and cellar systems (i.e. products for breweries). Equipment used for treating sensitive beverages such as milk and for producing dairy drinks and fruit juices also falls within this KRONES segment. Our components business, that is, EVOGUARD brand valves and pumps, is also part of "beverage production/process technology".

	2015	2014
EBT (€ million)	-2.1	3.3
EBT margin (%)	-0.6	0.9
Employees*	944	822

### Revenue (€ million)



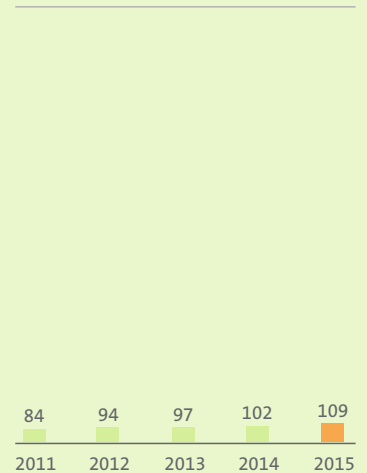
## Machines and lines for the Compact Class



In the Compact Class segment, KRONES subsidiaries KOSME and GERNEP offer a product range of filling and labelling technology similar to that of our "machines and lines for product filling and decoration" segment, but for the lower output range. With KOSME and GERNEP, we are able to serve smaller and mid-sized companies that do not need high-speed machines but are nevertheless committed to quality.

	2015	2014
EBT (€ million)	4.9	-4.7
EBT margin (%)	4.5	-4.6
Employees*	495	400

### Revenue (€ million)



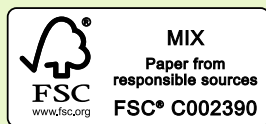
## Publication credits

Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Responsibility	Ingrid Reuschl
Editing	Ingrid Reuschl, Nico Irrgang
Design	Büro Benseler
Text	KRONES AG Susanne Blüml, pr-büro InvestorPress GmbH
Photos	KRONES AG
Printing	G. Peschke Druckerei GmbH
Litho	G. Peschke Druckerei GmbH
Paper	Metapaper Smooth und Rough
Circulation	1,000 German 500 English

This English language report is a translation of the original German KRONES AG Nachhaltigkeitsbericht 2015.

In case of discrepancies the German text shall prevail.

This Sustainability Report 2015 is also available in German. We would be happy to mail you a copy on request. You can also find it in the Responsibility section at [krones.com](http://krones.com).



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Print | ID: 53152-1606-1002

The production of and the paper used for the KRONES Group's 2015 CSR Report have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict standards for forest management, thus helping to prevent uncontrolled deforestation, human rights violations, and environmental damage. Because products bearing the FSC label are handled by various enterprises along the trading and processing chain, the companies that process the paper, such as printers, are also certified under FSC rules.

In addition, the CO<sub>2</sub> emissions resulting from the production of this report – including both the production of the paper and ink and the printing process itself – were measured and then offset through the purchase and retirement of high quality emission certificates.

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