

SUSTAINABILITY REPORT 2018



THE DÜRR GROUP

The Dürr Group is one of the world's leading mechanical and plant engineering firms. Business with automotive manufacturers and their suppliers accounts for 56 % of our sales of € 3.87 billion. Other customer segments include the woodworking industry and the mechanical engineering sector as well as the chemical and pharmaceutical industries.

Our five divisions

PAINT AND FINAL ASSEMBLY SYSTEMS

- Paint shops
- Final assembly systems

APPLICATION TECHNOLOGY

- Paint application technology
- Glueing technology
- Sealing technology

CLEAN TECHNOLOGY SYSTEMS

- Air pollution control
- Noise abatement systems
- Battery coating lines

MEASURING AND PROCESS SYSTEMS

- Balancing technology
- Filling technology
- Assembly technology
- Testing technology

WOODWORKING MACHINERY AND SYSTEMS

- Machinery and equipment for the woodworking industry

€ 1,235.7 M
SALES

€ 58.2 M
OPERATING EBIT

3,472
EMPLOYEES

€ 652.6 M
SALES

€ 68.2 M
OPERATING EBIT

2,246
EMPLOYEES

€ 226.7 M
SALES

€ 5.1 M
OPERATING EBIT

1,472
EMPLOYEES

€ 456.5 M
SALES

€ 61.2 M
OPERATING EBIT

2,279
EMPLOYEES

€ 1.298.3 M
SALES

€ 94.9 M
OPERATING EBIT

6,593
EMPLOYEES



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This sustainability report is an excerpt from the 2018 annual report. Any references in the sustainability report relate to the respective chapters of this annual report. The content of the non-financial consolidated declaration within the meaning of Section 315b ff. HGB in association with Section 289b ff. HGB is marked with a line in the margin and the abbreviation NFD. The sustainability report can be found on the website at www.durr-group.com under Company/Sustainability. Alternatively, a printed version can be requested from the company.

SUSTAINABILITY REPORT 2018

The Dürr Group has attached great importance to sustainable corporate governance for many years. We are aware of our corporate, environmental and social responsibility and exercise it actively. Our actions are guided by the precepts of the United Nations Global Compact, which defines principles for fair working relationships and responsible business operations. Inquiries from sustainability initiatives and rating platforms such as the Carbon Disclosure Project, EcoVadis and VigeoEiris are dealt with carefully.

The issue of sustainability lies within the remit of the Chief Financial Officer. Measures and initiatives are usually planned and implemented decentrally, with various Group-wide provisions in place that have to be adhered to.

To reflect the growing importance of sustainability and provide more detailed information, we are looking into reporting in compliance with the guidelines of the Global Reporting Initiative (GRI) in the future. No framework is currently used for our sustainability reporting.

Dürr Group and Business Model

PROFILE

The Dürr Group is one of the global leaders in mechanical and plant engineering. We are home to outstanding expertise in the digitization and automation of industrial manufacturing processes. Our machines, plants and services enable maximum production efficiency, whether in the automotive industry, which is responsible for 56 % of our sales, or in other sectors such as the woodworking, mechanical engineering, chemical, pharmaceutical and electrical/electronic engineering industries. We run 108 sites in 32 countries.

We operate globally with our Dürr, Schenck and HOMAG brands. In addition to North America and Western Europe, we are also strongly represented in the emerging markets¹. These accounted for 46 % of our order intake and 48 % of our sales in fiscal 2018.

GROUP ORGANIZATIONAL STRUCTURE

The Group consists of three sub-groups: Dürr Systems, HOMAG and Schenck. Dürr AG is the Group's management holding company. It is responsible for governance of the divisions and handles central tasks such as financing, controlling and accounting, as well as legal affairs, taxation, internal auditing, corporate communication and human resources management. Together with Dürr Technologies GmbH and Dürr International GmbH, which act as holding companies for equity interests, plus Dürr IT Service GmbH, Dürr AG forms the Corporate Center.

We operate in five divisions, which also form the reportable segments within the meaning of the IFRS:

- Paint and Final Assembly Systems
- Application Technology
- Clean Technology Systems
- Measuring and Process Systems
- Woodworking Machinery and Systems

BUSINESS MODEL

Our core competence is the engineering of efficient production technology. We support our customers with everything ranging from individual machines to turnkey manufacturing systems. In response to Industry 4.0, we are expanding our offering related to the digital networking and control of production systems.

¹ Asia (minus Japan), South and Central America, Africa, Eastern Europe

Our technologies and services help our customers increase the efficiency of their production operations, hence our corporate slogan “Leading in Production Efficiency”. We particularly rely on the following factors to meet this value proposition and to set ourselves apart from our competitors:

- Digitization and technological innovation
- Planning and engineering expertise
- Reliable order execution
- Efficient production and assembly sites for core products
- Comprehensive after-sales services
- Global presence, proximity to customers in all market regions

We are globally active in niche markets, where we are the largest supplier, with market shares ranging from 25 to 50 %. 62 % of Group sales come from mechanical engineering and 38 % from plant engineering. In mechanical engineering, we aim for EBIT margins of 10 to 12 %. In plant engineering, the target margin is 6 to 7 %. In terms of return on capital employed (ROCE), plant engineering business achieves higher figures, in some cases in excess of 100 %, since the capital employed there is very low. In mechanical engineering operations, we aim for ROCE of 15 to 25 %. Our business model allows us to achieve high operating cash flows and free cash flows.

Material non-financial issues

In order to provide information in accordance with the CSR Directive Implementation Act, we analyzed the non-financial issues that are material for us in 2017, and revised them in 2018. We started by asking ourselves which stakeholders we are addressing with our non-financial declaration. These can be summarized as:

- Employees
- Customers
- Business partners and suppliers
- Shareholders
- Public
- Media
- Governments, authorities and schools
- NGOs

In 2018, we reviewed the different interests of our stakeholders at in-house workshops and rated their materiality afresh. We critically scrutinized the material non-financial issues during in-depth discussions with the specialist departments and analyzed them from two points of view:

- What importance do the issues have for our business operations?
- What impacts do our business operations have on the issues?

As an engineering company with a low vertical depth of production, we also took the importance of the supply chain into account in our analysis. Ultimately, we have defined the following issues as material for us within the meaning of the CSR Directive Implementation Act:

- Innovation
- Compliance/anti-corruption
- Human rights
- Employees
 - Further training and people development
 - Occupational safety
 - Employee satisfaction/retention
 - Employee recruitment

We still regard the issue of the environment as non-material. This relates both to the relevance of environmental aspects to our activities and to the impacts of our business operations and our supply chain on the environment. Our core competences are engineering, planning and order execution. These processes entail relatively low environmental impacts. Conversely, the value added as a result of production processes that are usually associated with relatively high impacts is comparatively low in the Dürr Group. We also regard the issue of social concerns as non-material within the meaning of the above-specified viewpoints.

NON-FINANCIAL DECLARATION

The non-financial consolidated declaration in accordance with Section 315b (1) of Germany’s Commercial Code (HGB) is an integral part of the annual report 2018 and is spread across several chapters of the management report → [from page 18](#). The content of the non-financial consolidated declaration is marked in the relevant chapters with a line in the margin and the abbreviation NFD. The non-financial consolidated declaration did not form part of the audit of the annual and consolidated financial statements by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. At the request of Dürr AG,

however, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft performed a limited assurance engagement on the non-financial consolidated declaration.

Innovation/Research and development

R&D GOALS

Our R&D work aims to deliver innovations that help our customers achieve maximum production efficiency while lowering per-item costs. In addition, we wish to set ourselves apart from our competitors and safeguard our market-leading position. Great importance is attached to innovations as part of our digital@DÜRR digital strategy.

R&D KEY FIGURES AND EMPLOYEES

At € 121.0 million, direct expenditure on R&D set a new record in 2018. The growth of 3.6 % over the previous year is attributable to innovation projects in the digitization field, and the R&D ratio matched the previous year's level of 3.1 %. Order-related development costs are contained in the sales costs rather than the direct R&D costs. Capitalized development costs and their amortization totaled € 14.5 million and € 9.9 million (2017: € 9.6 million and € 12.7 million), respectively. Measured against the direct R&D costs, a capitalization rate of 12.0 % was achieved (2017: 8.2 %).

The proportion of the workforce engaged in R&D operations was 4.8 % at year's end 2018, corresponding to 782 employees (December 31, 2017: 713). We carry out R&D activities at sites in Europe, the Americas and China. 89 % of R&D staff are employed in Germany. Numerous other experts work on new solutions as part of customer orders outside the R&D departments.

1 — R&D KEY FIGURES

		2018	2017	2016
Group R&D ratio	%	3.1	3.1	3.0
Paint and Final Assembly Systems	%	1.3	1.1	1.2
Application Technology	%	4.0	4.1	4.3
Clean Technology Systems	%	2.6	2.0	1.7
Measuring and Process Systems	%	2.1	1.8	1.8
Woodworking Machinery and Systems	%	4.9	5.2	5.0
Capitalized development costs	€ million	14.5	9.6	12.4
Amortization of capitalized development costs	€ million	-9.9	-12.7	-13.1
R&D employees (Dec. 31)		782	713	695
R&D personnel costs	€ million	-77.7	-69.1	-68.0

Responsibility for R&D lies with the five divisions. The "R&D/Technology" multidisciplinary team coordinates cross-divisional R&D activities and reports to the CEO. Processes and detailed issues relating to R&D work are governed by guidelines in the divisions. Developing new solutions represents around 70 % of our R&D expenditure, while some 30 % goes on maintaining existing products. Our R&D work generally focuses on specific products and applications. Basic research plays only a minor role.

NEW DEVELOPMENTS AND PATENTS

52 product innovations were completed in 2018. The number of patent families increased to 1,224, and the number of individual patents to 6,651 (December 31, 2017: 1,127 and 6,107). At 37 %, the Application Technology division is responsible for the largest proportion of our patents. The costs for protecting our intellectual property came to € 7.6 million in 2018 (2017: € 7.3 million).

2 — R&D EMPLOYEES 2018

	Group	Paint and Final Assembly Systems	Application Technology	Clean Technology Systems	Measuring and Process Systems	Woodworking Machinery and Systems
Total	782	74	183	31	73	421
% of divisional workforce	4.8	2.1	8.1	2.1	3.2	6.4

COLLABORATIVE RESEARCH AND BOUGHT-IN R&D SERVICES

Close contacts with a large number of scientific institutions and development partners guarantee that leading-edge R&D is conducted. Expenditure on externally sourced R&D services in fiscal 2018 came to € 47.7 million (2017: € 49.3 million). We received state research grants to the sum of € 0.3 million; this represents 0.3% of the total R&D costs.

R&D FOCUS

Our innovation work is based on our customers' requirements and on leading technology and manufacturing trends. The following are currently of particular importance:

- **Digitization/Industrial Internet of Things (IIoT):** The dominant trend in manufacturing technology is digitization. This increases our customers' overall equipment effectiveness and enables adaptive manufacturing processes. We are putting major efforts into expanding the ADAMOS IIoT platform and the LOXEO and tapio digital marketplaces, into developing digital services, and into our data analysis capabilities. Other areas of interest include smart sensor technology, manufacturing execution systems, and tools for simulation and virtual commissioning of production equipment.
- **Increased flexibility:** Our customers need flexible production lines to be able to offer a wide diversity of models and variants.
- **Customization/batch size 1:** We are seeing growing interest in systems that enable individually configured end products to be manufactured efficiently on automated lines.
- **Optimization of per-unit cost:** Reducing per-unit manufacturing costs is an important goal for our customers. Accordingly, we are developing new products and processes with a reduced demand for material, energy, maintenance and human resources.
- **Automation:** Maximum automation is the key to reproducible top quality and efficiency in industrial production. Our customers still have a great deal of potential for automation.
- **Electromobility:** There are differences in the final assembly of battery-powered vehicles and conventional cars – for example

when connecting the power train and the body or during end-of-line performance testing. We are therefore developing assembly and testing technology specifically for electric vehicles.

- **Autonomous driving:** More and more cars have driver assistance systems installed; the automotive industry is also working flat out on concepts for driverless vehicles. Highly sensitive automated test systems are important for testing and calibrating the required technology, for example sensors, during mass production.
- **Human-robot collaboration:** Combining human skill and mechanical efficiency enhances work processes. Know-how from fields such as robotics, sensor technology, control technology and occupational safety is applied when developing such processes.
- **Energy efficiency and conservation of resources:** Consumers are increasingly opting for goods that have been produced in environmentally compatible processes. For that reason and also for reasons of cost, our customers require production systems with low material and energy consumption.

R&D RESULTS

Paint and Final Assembly Systems

EcoPro Plant Analytics makes the operation of painting lines even more efficient by increasing availability and simplifying maintenance. The software ensures the continuous capture, analysis and evaluation of data. Consequently, customers are able to carry out predictive maintenance and optimize their processes. EcoPro Plant Analytics links data from several thousand sensors, actuators and control circuits, and converts it into smart data. The software identifies anomalies in the painting process via non-conformity with standards, diagnoses the causes of faults and calculates remaining process times.

The EcoScreen WEB visualization tool enables the painting line to be viewed on mobile devices. Modern operating philosophy and contemporary touch control give users intuitive access to the digital system. The user-oriented design is based on open standards and sets a new benchmark in the visualization and control of painting lines. The developers attached particular importance to the careful ergonomic design of the system and consistent user friendliness – they even took the precaution of making allowance for a possible operator red-green color blindness.

Application Technology

In EcoScreen 3D-OnSite 4, Application Technology has developed a digital tool for efficiently programming Dürr robots and application technology. It supports the common CAD formats and, thanks to 3D models, enables realistic simulations. The processes can be optimized by diagnosing process and movement data. EcoScreen 3D-OnSite 4 will be used in all new painting stations in the future.

The division has also rounded off its portfolio of third-generation robots. The new additions are the EcoRP S053i swing-arm robot with eight axes of movement and the EcoRP S153i with nine axes for the interior painting of vans. Application Technology has also developed a space-saving rail that is mounted on the top and bottom of the booth wall, along which six-axis painting robots travel during the paint application process.

Clean Technology Systems

Clean Technology Systems' VarCom cuts nitrogen oxide emissions from thermal oxidation systems used for exhaust-air purification. Thanks to a special burner design, no visible flame is formed, and a uniform temperature profile impedes the formation of nitrogen oxides. Previously, a supplementary catalytic converter had to be used to convert these into nitrogen, the main constituent of air. VarCom is aimed particularly at customers in the chemical and pharmaceutical industries.

Large exhaust-air volumes with low solvent concentrations can be cleaned even more efficiently thanks to the new carousel concentrator. Adsorption wheels with diameters in excess of four meters have been used for this up till now. They increase the pollutant concentration, as a result of which less energy is required for combustion. Clean Technology Systems has now engineered a modular adsorption wheel. Since the wheels have to be externally regenerated on a regular basis, the facility to simply replace the adsorption blocks instead of the whole wheel represents a significant competitive advantage. In addition, the carousel concentrator can be shipped twice as quickly as conventional adsorption wheels.

Measuring and Process Systems

The new, fully automated eTENO balancing machine balances electric armatures that are required for cars with a hybrid, plug-in hybrid or entirely electric drive. With its short cycle times, extremely precise measurements and a connection to our LOXEO digital marketplace, eTENO provides support for the efficient large-scale production of electric drives.

The new x-around and x-road curve test stands test autonomous vehicles fully automatically to ensure that cameras, radar systems, laser scanners and other components are performing faultlessly. Traffic scenarios displayed on monitors make it possible to test that the vehicle responds correctly if, for instance, a pedestrian suddenly steps into the road. A movable front axis on the x-road curve test stand means that steering movements by the vehicle do not cause it to drift to the side, so the test reflects realistic conditions.

Dürr Somac has developed three apps to capture and evaluate the process data from filling systems. The Production Basic app allows vehicle manufacturers to monitor the machine's production data online, while Maintenance Basic simplifies troubleshooting during maintenance operations. Equipment Overview is the interface between the two apps, providing an overview of the processes in the filling systems of one or multiple final-assembly production lines.

Woodworking Machinery and Systems

In its Autonomous Cell, the HOMAG Group has unveiled the first wood-processing workshop that operates fully autonomously. It consists of two fully automated machine units. These are connected by autonomously operating assistants in the form of automated guided vehicles, which transport the workpieces to the appropriate location. The Autonomous Cell creates flexibility for artisan and industrial-scale furniture production.

The IntelliDivide app from the tapio family optimizes the cutting of particleboard panels. The cloud-based, high-performance software enables significantly higher computing capacity and can therefore quickly offer the user optimization options for the panel-dividing process. Customers can, for example, choose among various options: Is the priority for minimal wastage, particularly simple operation or short operating times for the machines? The production program appropriate to the selected option can be launched.

DÜRR TECHNOLOGY COUNCIL

The Dürr Technology Council was set up in 2017 to advise the Board of Management on questions of technology strategy. The Council brings together scientific expertise, consultancy skills and senior management experience in the automotive engineering, automation and IT sectors. Its members are:

- Prof. Dr. Holger Hanselka (chairman), president of the Karlsruhe Institute of Technology (KIT)
- Ulrich Dietz, chairman of the Administrative Board of GFT Technologies SE
- Jonathan Guenak, senior consultant, Roland Berger GmbH
- Dr. Eberhard Veit, former CEO of Festo AG
- Prof. Thomas Weber, former member of the Board of Management of Daimler AG

The Dürr Technology Council sees its role as a think tank and sparring partner for the Board of Management. It balances our innovation strategy against new trends in production, and facilitates contacts. The Dürr Technology Council maintains communication with the Board of Management, the heads of divisions and managers from R&D, software and corporate development departments, and invites different representatives from this circle to its meetings.

In 2018, the Dürr Technology Council convened three times. At the first meeting, the members were given an overview of progress in the field of IIoT. Discussions revolved around the necessity for an innovation strategy to harmonize development activities in the fields of machinery/hardware and IIoT/software. R&D managers from the divisions then presented current innovation projects. The issues discussed included increasing paint shop flexibility, automated guided vehicles and self-optimizing products.

The second meeting focused first on employee recruitment for IT, software and engineering roles. Another topic addressed was the Dürr Group's site strategy, particularly underlining the growth potential in China and Southeast Asia. Discussion then centered on R&D synergies between the divisions, IT security and digital business models.

At its third meeting, the Dürr Technology Council discussed new regulatory propositions for protection against emissions and the associated business opportunities for the Dürr Group. The focus then turned again to the subject of IIoT/software. The influence of digitization on internal processes was also highlighted. The Technology Council declared that models such as agile working and cooperation in Digital Factories ought to be pursued further.

Integrity

Ethical behavior and observance of laws are important for all our business operations. We have enshrined our mandatory rules of conduct in the Dürr Group's Code of Conduct, which is available in ten languages. It contains rules on, among other things, dealing with human rights issues, such as the inadmissibility of discrimination, and exercising social responsibility. Another focus is conduct toward business partners, competitors and colleagues. We also expect honesty and integrity from our suppliers. This expectation is enshrined in our code of conduct for suppliers. Our aim is for our suppliers to commit to this code of conduct.

COMPLIANCE/ANTI-CORRUPTION

The aim of our compliance management system (CMS) is to ensure compliance with legislation and in-house requirements. It is described in a Group-wide organizational instruction. This defines, among other things, areas of responsibility, processes and reporting channels in the event of any suspicions being raised.

Overall responsibility for the compliance management system lies with the Board of Management. The CEO oversees Corporate Compliance. The Corporate Compliance Board is tasked with handling all compliance-related issues. Its responsibilities include defining and further developing the compliance management system. Its members comprise in particular the corporate compliance officer, the heads of internal auditing and tax affairs, the corporate risk manager and the finance managers of the divisions. Local compliance managers in the Group companies support the employees in meeting compliance requirements.

Questionable conduct can be reported to the corporate compliance officer. If an investigation supported by Internal Auditing yields concrete grounds for suspicion, the CEO and the Corporate Compliance Board are immediately notified. The Board examines the need for other steps on a case-by-case basis. Corruption is one of the issues addressed by the basic online compliance training course, which has been in place at Dürr Systems and Schenck since 2016. This highlights possible violations for employees, describes their consequences for those directly involved and the company, and provides tips on conduct. Employees of the HOMAG Group, which has run its own compliance training courses hitherto, are to be included in the training program for the Dürr Group's compliance system from 2019 onward. Furthermore, with effect from 2019, all newly appointed employees will complete a basic online compliance training course as part of our Group-wide onboarding process. We plan to run refresher courses every two years. This is aimed at

helping ensure that the entire workforce continues to be trained in compliance issues and that the necessary awareness of the issue of compliance is maintained. Employees who face particular exposure because of their job are also required to complete an advanced training course on the subject of corruption.

One of the core tasks of our compliance organization is to protect against corruption. We introduced a relevant Group-wide organizational instruction in 2018. The purpose of the anti-corruption organizational instruction is to provide employees with a clear code of conduct for their dealings with business partners and in the event of conflicts of interest. Our aim is to preempt the giving and acceptance of bribes from the very outset. We are assisted in this by both our internal monitoring system and the compliance management system as a whole. One indicator of the effectiveness of our compliance management system is that no cases of corruption occurred in 2018, as was also the case in the preceding year.

HUMAN RIGHTS

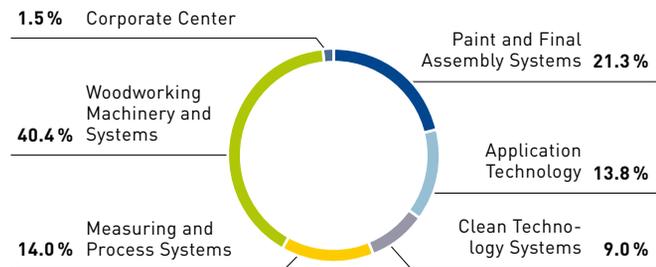
We tolerate no kind of prejudice and accept no discrimination on the basis of ethnic or cultural background, disability, gender, religion, age or sexual orientation. We are committed to social diversity and equal opportunities, and take care to ensure that human rights are respected. Child labor and forced labor are forbidden. If there is any suspicion of human rights violations of any kind, we check this using the compliance process described. The greatest risk of human rights violations in our view is in the supply chain, since we outsource a great deal of work to suppliers, particularly for manufacturing operations. The code of conduct for suppliers therefore explicitly requires human rights to be observed. Beyond that, there is no scheme in place to identify and avoid human rights violations; in particular, we have not yet introduced any systematic process for training, advising or assessing suppliers. To date, there is no Group-wide organization in place to monitor the observance of human rights. It is, of course, our aim that no human rights violations should occur in the Dürr Group or at our suppliers. We intend to take respect for human rights into account in the future when selecting suppliers.

Employees

In 2018 the Group’s workforce grew by 8.9 % to 16,312 people. This was primarily due to the acquisition of MEGTEC/Universal with their 865 employees in October. The Clean Technology Systems division, to which MEGTEC/Universal belong, has 1,472 employees. The workforce also grew in all other divisions. The strong increase of 8.9 % at Application Technology results not only from the high level of business but also, to a large extent, from the fact that external workers became permanent employees following a change in the German legal framework. In order to be flexible, we take on external staff along with our regular workforce; the number of external staff corresponds to 8.6 % of our regular global workforce.

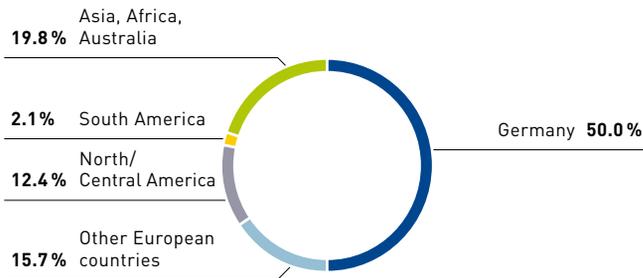
Half of our employees are based in Germany. China has the second highest number of employees, followed by the United States and Poland. In China, there are almost 2,100 employees, plus around 350 external workers. The workforce in the emerging markets grew by 7.6 % to 5,141 people. This is equivalent to 31.5 % of the total workforce and thus similar to last year.

3 — EMPLOYEES BY DIVISION (DECEMBER 31)



	2018	2017	2016
Paint and Final Assembly Systems	3,472	3,457	3,384
Application Technology	2,246	2,063	1,956
Clean Technology Systems	1,472	603	569
Measuring and Process Systems	2,279	2,279	3,010
Woodworking Machinery and Systems	6,593	6,371	6,126
Corporate Center	250	201	190
Total	16,312	14,974	15,235

4 — EMPLOYEES BY REGION (DECEMBER 31)



	2018	2017	2016
Germany	8,152	7,830	8,205
Other European countries	2,567	2,361	2,306
North/Central America	2,027	1,394	1,329
South America	341	313	323
Asia, Africa, Australia	3,225	3,076	3,072
Total	16,312	14,974	15,235

5 — PERSONNEL KEY FIGURES

	2018	2017	2016
Number of employees [Dec. 31]	16,312	14,974	15,235
of whom apprentices and students at cooperative state universities [Dec. 31]	431	420	464
Proportion of female employees [Dec. 31] (%)	16	16	16
Part-time employees [Dec. 31]	507	499	514
Average length of service [years]	11	11	11
Employee turnover (%)	9.3	7.7	7.3

PEOPLE DEVELOPMENT AND FURTHER TRAINING

As an engineering company, we rely on well-qualified specialists and managers, to whom we would like to offer further training opportunities and career prospects. Our people development and further training programs are designed with three objectives in mind:

- to prepare employees properly for new challenges, for example in the digitization field
- to ensure the availability of well-qualified managers
- to promote the development of young skilled personnel from the company's own ranks

Our Group-wide “People Development” process serves these objectives. It helps us identify, develop and retain potential managers within our workforce, and to make the best use possible of young talent. “People Development” is a software-supported process which is based on regular communication between people development staff and managers about the advancement of employees with high potential. In 2018 we evaluated the skills of 793 employees as part of “People Development”. The two-yearly process serves as a basis for making decisions on succession arrangements and filling vacancies with internal candidates. Having been tried-and-tested in the sub-groups of Dürr Systems and Schenck for several years, “People Development” was also introduced at the HOMAG Group in 2018.

The Corporate Human Resources department, which reports to the CEO and Employee Affairs Director, has overall responsibility for HR issues within the Group. The Corporate People Development department is in charge of the Group-wide management of personnel development and further training for employees. The processes in this area are defined in an organizational guideline. We want to safeguard the company's long-term success through a comprehensive range of further training. This is to ensure that employees can continuously update their knowledge to meet new requirements. Our further training program comprises standard face-to-face training and seminars as well as online training, webinars, videos and e-books. The central instrument is the “MyTraining” online training platform. This enables users to select, book, approve and evaluate training, while making the training history transparent for both employees and managers. All employees worldwide have access to “MyTraining”.

In 2018 we recorded more than 14,500 attendances at face-to-face training sessions across the Group (2017: around 12,300). The number of training sessions per employee stood at 0.9 (2017: 0.8). Training events for the further development of specialist qualifications accounted for more than half of all attendances. These included mainly training in IT and digitization, technical and commercial expertise as well as technical rules and standards. We organized a total of 2,318 training events in 2018, which corresponds to a 6.2% increase over the previous year. As part of our sustainable knowledge transfer, we also use internal specialist trainers to ensure a highly practice-oriented approach.

We have expanded our online training program. For online training on data protection and compliance, we recorded 1,417 attendances. We have introduced our new online onboarding training in nine languages, available to all new employees. It teaches basic knowledge and promotes a sense of identification with the Dürr Group from the outset. We are also using new training formats for topics relating to digitization. Examples include training in digital

applications for sales and service employees, and training material around the digital@DÜRR strategy.

We have also expanded our internationally staffed corporate training events for employees from different sites. The key topics were leadership, sales and project management as well as technical and commercial knowledge. The number of participants at the corporate training events reached 1,228, a substantial increase over the previous year (856).

Our training program for managers consists of the “Fit for Leadership” program for young executives and the “Advanced Leadership Program” for experienced managers. Both programs are based on the Dürr Group’s Leadership Skills Model and are conducted across all divisions. The “Fit for Leadership” program was attended by 584 people in 2018 (2017: 298), while the “Advanced Leadership Program” was attended by 288 people (2017: 45). The leadership skills of our project managers are developed through our special “Leadership Project Management Training”. These courses were attended by 109 participants Group-wide (2017: 220).

One principle of our Group strategy relating to health and safety is that we must continuously improve the safety of work processes. This applies to all levels and companies of the Group. We want to make all employees aware of health and safety issues through enhanced communication, presentations and regular safety briefings. It is compulsory to attend one relevant training session per year, with advanced and refresher courses being offered additionally. The future plan is for all Group employees to complete the required safety training online. In case of emergencies while traveling, our employees have access to a professional emergency management service.

Health and safety reporting was integrated into Group reporting in 2017. Key figures, such as accident frequency, are monitored at management level. Based on the recorded data, our aim is to better evaluate accidents and initiate countermeasures in the future. This is how we want to keep the number of accidents within the Group to a minimum.

In addition to the prevention of accidents, we also see our role as a responsible employer in promoting healthy working practices. As part of our company health scheme, in particular at our German sites, we offer fitness packages and health-promoting measures. The Group-wide sick leave rate was 3.2 % in 2018 (2017: 2.9 %).

HEALTH & SAFETY

Our project business around the world requires a lot of travel and work on construction sites, both of which can pose safety risks for our employees. This is why health and safety measures are of great importance within the Group. Our primary goals are to ensure the physical integrity of our employees and to offer them a safe working environment. The relevant instructions and requirements for health and safety and accident prevention can be found in our Group-wide and division-specific health and safety guidelines.

The CEO heads up our Group-wide health and safety organization. A cross-functional team and the Corporate Health and Safety Manager are responsible for defining our health and safety strategy and for implementing it globally. Their task is also to put in place effective accident prevention systems and worldwide uniform health and safety standards for all sites. At divisional level, health and safety coordinators implement the organizational aspects of these standards, and adapt them to specific requirements. Local health and safety managers are appointed at the Group companies. They inform employees of the defined standards and processes for health and safety, and ensure that these are implemented locally. Regular internal audits are performed to help us comply with health and safety guidelines and processes at our sites.

6 — HEALTH AND SAFETY KEY FIGURES

	2018 ¹	2017	2016
Number of work-related accidents ² per thousand employees (including external staff, excluding commuting accidents)	14.8	12.7	13.5 ³
Work-related accidents ² per 100 thousand hours worked (including external staff, excluding commuting accidents)	0.7	0.6	— ⁴
Work-related accidents ² resulting in death (including external staff)	0	0	— ⁴

¹ Figures exclude MEGTEC/Universal
² A work-related accident is an incident which requires at least medical treatment.
³ Only Germany
⁴ No Group-wide figures recorded

EMPLOYEE SATISFACTION/RETENTION

Satisfied and motivated employees are an important basis of our company's success. We regularly measure our employees' satisfaction by means of worldwide employee surveys. The participation rate for the last survey, conducted in 2016, was 77%. It showed that 82% of our employees would recommend the Dürr Group as a good employer. For the next employee survey, which is scheduled for 2019, we aim to achieve another high participation rate. In response to previous surveys, we have introduced improvements in our feedback culture and created additional training opportunities. Both criteria had shown an unsatisfactory approval rate of around 52%.

The central Corporate Human Resources department is responsible for the Group-wide recording of employee satisfaction levels. Employees' needs and suggestions are discussed at individual sites between the senior management, the HR department, the respective employees and, if necessary, the employee representatives.

Our aim is to retain employees in our company as long as possible. Our average length of service is around 11 years, the same as in 2017.

EMPLOYEE RECRUITMENT

We require a large number of highly qualified employees. Filling vacancies is becoming increasingly challenging, due to the competition for good candidates as well as for demographic reasons. It is thus all the more important for us to position ourselves as an attractive employer. The Corporate People Development department is responsible for the Group's personnel and university marketing, and coordinates the employer branding activities of Dürr, Schenck and HOMAG.

It is particularly in view of the strong demand for software and digitization experts that we have developed the international employer brand campaign, "PURE PASSIONEERING". This captures the essence of what the Dürr Group represents as an employer: fascinating technology, innovation, passion and international reach. "PURE PASSIONEERING" defines our presence at trade fairs, recruiting events and the careers pages of our new websites, www.durr-group.com and www.durr.com. We have greatly increased our presence as an employer and trainer on social media such as LinkedIn, Twitter and Facebook. We have redesigned our recruitment processes using new e-recruiting software.

Our aim is to fill any vacancies with suitable candidates as soon as possible. In 2018 almost 1,700 new employees were hired throughout the Group (2017: around 1,500).

We have further intensified our university marketing, while placing more emphasis on the growing importance of digitization when communicating with students and graduates. We have redefined the group of universities that are most important for us. This is where we are increasing our presence at contact fairs and working with student ambassadors who support us at events and share our content via social media.

In 2018 we attended 55 university and recruitment fairs worldwide. We had 160 interns and 109 student employees working for us across the Group. 45 students and aspiring engineers completed their theses at Dürr.

Our quality as an employer is underlined by independent awards and rankings:

- **Kununu Top & Open Company:** We have achieved an average score of 3.94 (out of 5) on the Kununu evaluation platform, thus outperforming our industry peers (average 3.39).
- **FOCUS Best Employers:** In the employer ranking published by German magazine FOCUS, we came 17th out of a total of 79, and were thus in the upper section of the mechanical and plant engineering firms rated.
- **Best Employer for Women:** The German magazine Brigitte conducted a study to find out which companies champion the promotion of women in the workplace. We received four out of five stars and are thus among the 91 best companies.
- **Best Trainer:** In a study conducted by business magazine Capital, Dürr Systems and HOMAG received the top mark for their training programs.
- **Fair Company:** This quality seal confirms that we do not hire graduates as interns and that interns are paid appropriately.
- **Success Factor Family:** We are committed to a family-friendly personnel policy.
- **Outstanding Trainee Program:** This award shows that our Dürr Graduate Program is fair and provides career opportunities.

Our attractiveness as an employer is not only reflected in the remuneration and career prospects we offer. At the larger sites, in particular, employees also benefit from activities to promote work-life balance, sports, wellbeing and culture. Added to this are flexible work arrangements relating to employees' time and presence.

VOCATIONAL TRAINING

Offering a broad vocational training program enables us to secure reliable junior talent and is part of our social responsibility. We offer young people vocational training in 11 commercial and industrial/technical fields, plus 11 study courses in the fields of engineering, business and information technology. In 2018 we had 431 apprentices as well as cooperative state university and Studium Plus students working for us, 68.7% of whom were based at the HOMAG Group. High-achieving university graduates are offered attractive opportunities to embark on a specialist or management career with a future through the Dürr Graduate Program. In 2018 this was offered in two key areas: Technology & Innovation and Software Engineering & IIoT. Two trainees each spent time in several sections per key area.

OUR WORKFORCE

The average age of our workforce is 42. More than half of all employees working in Germany are older than 45. China has the youngest workforce, where almost 49% of employees are between 25 and 34. Being an engineering company, we employ many academics and engineers; 46% of our workforce have an academic degree (bachelor's, master's degree or PhD), while 51% have chosen a non-academic, vocational pathway. The Group employs around 760 project managers and 2,100 engineering staff. The largest function group is made up of staff working in assembly and manufacturing, accounting for 31.5% of the workforce. Further personnel key figures can be found in table 5.

The percentage of women working at the Dürr Group is 15.8% – but we are committed to increasing this figure. To this end, we organize partnerships with schools and support initiatives such as Girls' Days as well as the internal women's networks, she@Dürr and WOMENgineering. We would like to encourage more young women to pursue technical apprenticeships and cooperative state university courses, in particular. We are also creating favorable framework conditions to reconcile work and family life.

As a global company, we see the diversity of our employees as a strength. Every employee has the right to be treated fairly, politely and respectfully. Showing mutual respect – regardless of background, gender, religion, culture and age – is part of our corporate culture and is firmly embedded in our code of conduct.

Environment

We include environmental aspects in our decision-making processes, and aim to limit the environmental impacts of our actions and to ensure sustainability. For that reason, we have defined sustainable action as a central corporate value.

7 — ENVIRONMENTAL KEY FIGURES (ABSOLUTE)

	2018 ¹	2017 ²	2016
Number of sites	108	92	92
of which quality management certified to ISO 9001 ³	41	41	47
of which environmental management certified to ISO 14001 ³	14	14	19
of which energy management certified to ISO 50001 ³	10	10	10
Consumption			
Electricity (MWh)	55,980	57,080	61,249
Gas/oil/district heat (MWh)	62,813	67,736	69,721
Water (m ³)	201,279	208,362	183,823
Waste water output (m ³)	188,329	192,099	168,368
Waste (t)	10,574	10,508	11,189
of which recycled (t)	8,457	8,664	8,962
Emissions			
CO ₂ (t)	61,224	62,590	62,909
of which attributable to vehicle fleet (t) ⁴	12,586	12,185	9,474
SO ₂ (t)	29	30	32
NO _x (t)	44	46	49

¹ Figures for 2018 do not include MEGTEC/Universal. MEGTEC/Universal were taken into account in the number of sites.

² The Dürr Ecoclean Group, which was sold with effect from March 31, 2017, is no longer included in the environmental figures for 2017.

³ Sites used by several Dürr companies sometimes hold multiple certificates.

⁴ Change in the calculation method retroactively since 2017

As an engineering company with a low vertical depth of production, our energy, material and resource consumption is also relatively low, as is the amount of waste generated. The major environmental impacts of our business activities occur primarily in the supply chain and less at our own sites. The use of our products also results in environmental impacts, for instance as a result of the consumption of resources and energy. We therefore aim to develop efficient solutions with low rates of consumption. Further information on this can be found under “Innovation/Research and development”. We are working on creating processes in our supply chain that take account of environmental aspects.

We also aim to improve our performance in our direct environmental sphere of responsibility. Our goal is to reduce the consumption of energy, material and resources at the sites and to operate as efficiently as possible. To meet this aim, we are looking at establishing appropriate organizational structures. The principal responsibility for environmental aspects will continue to lie with the relevant site managers. However, we intend to introduce a Group-wide environmental policy to specify harmonized standards and guidelines.

A large number of our production companies are already certified to the ISO 14001 environmental management system. We are working toward ensuring that all production and assembly sites and all sites with technology centers gain certification to ISO 14001. Ten HOMAG Group sites have a certified energy management system to ISO 50001. A number of sites carry out energy and quality audits. The www.durr-group.com website gives an overview of certifications held under Company/Sustainability/Certificates.

8 — ENVIRONMENTAL KEY FIGURES (INDEXED)

	2018 ¹	2017 ²	2016
Consumption			
Electricity	64.9	68.9	76.9
Gas/oil/district heat	49.1	55.2	59.0
Water	85.3	92.0	84.4
Waste water output	90.0	95.6	87.1
Waste	119.1	123.3	136.5
Waste recycled	124.8	133.2	143.3
Emissions			
CO ₂	66.4	70.7	73.8
CO ₂ attributable to vehicle fleet ³	120.0	121.0	97.8
SO ₂	64.0	68.1	75.9
NO _x	60.3	65.1	71.7

2010 = 100; in relation to sales

¹ Figures for 2018 do not include MEGTEC/Universal

² The Dürr Ecoclean Group, which was sold with effect from March 31, 2017, is no longer included in the environmental figures for 2017.

³ Change in the calculation method retroactively since 2017

Social commitment

We are committed to a varied range of social issues. We support humanitarian charities, sponsor cultural and educational events and opportunities, and provide grants to grassroots, youth and disability sports clubs. In 2018, we made donations of € 0.8 million for charitable purposes (2017: € 0.8 million).

We support a range of local social organizations in our sites' neighborhoods. In Bietigheim-Bissingen, for instance, we donate to early years rhythmical/musical education in children's daycare centers and to the local church welfare organization. In Stuttgart, we support the Gustav Werner school for special educational needs. The HOMAG Group also has a tradition of social commitment. The "HOMAG Cares" initiative has been running for ten years. In this, furniture built for demonstration purposes at trade shows is sold, after which the proceeds are topped up and then donated to charitable organizations. In 2018, HOMAG Cares in Germany supported workshops for the disabled in Horb-Sulz and Calw and the Willibald Schmidt Foundation in Beilngries.

We also make a social contribution by getting actively involved. We are a member of the Knowledge Factory scheme in Germany and run "KiTec" children's technology projects at participating schools. "KiTec" teaches children to engage with technology through the medium of play.

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The English translation of our 2018 sustainability report is based on the German version. The German version shall prevail.

