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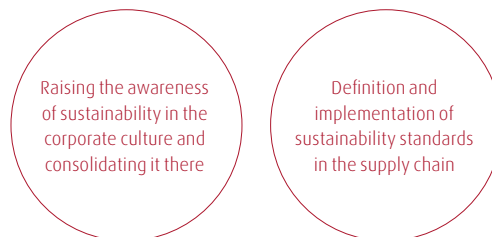
## Corporate governance



# Effective governance as a foundation

As part of the KION Group, Linde Material Handling has a leading position worldwide in the industrial truck sector and defines benchmarks for quality, innovative capability and earnings strength. The vision of the Company: being the leading provider in all relevant markets worldwide. The roadmap for realising this vision is created by a development programme and clearly defined objectives for regulating relationships between management and employees, and for cooperation with customers, suppliers and business partners.

## Sustainability targets Corporate governance<sup>1</sup>



### Group-wide principles and guidelines

Not least on account of its global market position, Linde Material Handling as part of the KION Group has a special responsibility towards its customers, business partners and employees, as well as to the environment and the community at large. The most important reference standards for governance are developed at Group level and with the involvement of individual companies in the KION Group. They apply throughout the Group. An overview of the most important guidelines is provided below and they also apply to Linde Material Handling:

- **Code of Compliance:** Code of conduct defines the framework for lawful and ethical activity of all employees in the KION Group.
- **Compliance Principles for Independent Sales and Service Partners:** Code of conduct along the lines of the Code of Compliance, defines the framework for sales and service partners of the KION Group.
- **Principles of Anti-Trust Compliance:** Principles of free and fair competition, regulate the behaviour of the KION Group in relation to the market and competition.
- **Principles of Supplier Conduct:** Principles for supplier relationships form the platform for taking account of environmental and ethical standards in supplier management.
- **Health, Safety and Environment Policy:** Guideline for health, safety and the environment relating to employees, customers and the community at large.
- **Employment Standards:** Explanation of the underlying social rights and principles, excludes child labour and forced labour.
- **Diversity Principles:** Commitment of the KION Group to diversity within the Company.
- **Donation Policy:** Principles for social engagement, define the focuses and objectives for donation and sponsorship activities.

<sup>1</sup> Operationalisation of the sustainability targets defined in 2014 can be found on p. 18

Criteria related to sustainability inform all decisions at Linde Material Handling on investments such as corporate acquisitions. These include information on compliance with workplace standards (such as collective agreements, working hours, information on accidents at work and sickness rates, employee turnover, health insurance) and environmental standards (including the handling of waste and hazardous substances, consumables and emissions). This comprises in particular precise auditing of guidelines and complaints, and legal disputes on the issues outlined above.

### Best of the best worldwide

In 2010, a corporate development programme was worked out involving executive managers at Linde Material Handling. As a uniform global orientation framework this strategy harmonises people and corporate culture and creates the prerequisites to achieve the vision set out by the Company: to be the best worldwide. The programme is based on the three core elements and it primarily describes the approach towards making the vision a reality (see overview). It is based on a high level of individual responsibility from all employees, and their willingness to work continuously on improvement and advanced development. The resulting projects and measures are coordinated and promoted worldwide by a network of local endorers acting as facilitators. Comprehensive internal communication, including the provision of information on the Intranet and the company magazine "move", in turn raises the profile of target attainment, individual projects and best practice models for all employees.

### German Corporate Governance Code as a foundation

The companies of the KION Group are committed to recognised standards of good and responsible corporate governance. The foundation for this is provided by the German Corporate Governance Code in the version dated 13 May 2013. As part of the Group, Linde Material Handling complies with all the recommendations of this

code with only one exception (excess in D&O insurance for Members of the Supervisory Board and the Management Board). The Declaration of Compliance with the German Corporate Governance Code is renewed each year and is published on the Internet site of KION Group AG.

## Compliance and risk management

### Compliance focus: prevention

The code of conduct defines clear standards for the management and all employees of the KION Group in respect of ethical, value-based and lawful business practices. The objective is to avoid legal and economic risks for the Company, as well as any damage to the reputation of the brands. The Code of Compliance is continuously reviewed and updated in order to achieve a "best-in-class" standard here as well.

The focus of compliance work is on prevention by providing guidelines, information, advice and training. All employees are kept regularly updated on a timely basis through provision of comprehensive and comprehensible information with respect to the issues relevant to compliance, for example about competition law, data protection, communication, anti-corruption and IT security. In 2014, around 20 % of all employees worldwide took part in compliance training or training sessions on human rights. Employees who do not have a PC workstation are given attendance training sessions on site. All employees with a PC workstation undergo mandatory training on the basis of e-learning tools. In 2014, Linde Material Handling carried out compliance training sessions on this platform in all countries with at least 1,000 employees. During the year under review, no breaches of compliance guidelines and no case of corruption were identified.

### Compliance organisation

The Management Board of the KION Group AG bears overall responsibility for the smooth operation of compliance management within the Group. The Compliance Department is responsible to the Chairman of the Executive Board of KION Group AG. The Chief Compliance Officer and the Chief Executive Officers of the Management Boards of the sub-groups, including Linde Material Handling, are responsible for the implementation of compliance. Operation of all the functions is supported by the KION Compliance Department, the KION Compliance Team – in which the local and regional compliance contacts of the Group are represented – and the KION Compliance Committee. Notifications about actual or suspected compliance breaches can be communicated anonymously, using the compliance hotline if desired. The Compliance Department works closely together with the Legal Affairs Department and the Internal Audit Department of KION AG in the course of carrying out its duties.

### Corporate development programme

Strategy	People*	Corporate culture *
Clear and agreed targets. Each employee knows what has to be achieved and is aware of their own personal contribution to this endeavour.	Cooperation between managers and employees is implemented on the basis of clearly defined requirements.	Guiding principles for decision-making in projects and in routine daily work.

\* See also section on "Good employer"



### Risk management

Dealing with risks and controlling them are important elements of sustainable corporate governance. The overarching objective here is to make comprehensive use of entrepreneurial opportunities while controlling risks at all times. The KION Group and therefore also Linde use the group-wide risk management system in order to establish appropriate measures and make adequate provision for limiting all the major risks identified. This ensures that any projected burdens arising from these risks if they actually occur are essentially covered and the continuing existence of the Group or any individual companies as going concerns is not in danger.

The guidelines for risk management are defined in a group-wide risk guideline. The organisation of risk management is based directly on the Group structure. The risk management process is essentially arranged on a local basis. Accordingly, risk owners and risk managers working for them are appointed at the level of the individual companies and the segments.

These officers initially record the risks at the level of the individual companies on the basis of a risk list defined group-wide. Alongside strategic and financial risks, they include risks relating to compliance with safety at work and environmental standards. At the level of Linde Material Handling and at the Group level of KION, a central risk manager is responsible for implementation in accordance with the guidelines.

### Sustainable procurement

Linde Material Handling manufactures important components for its forklift trucks and warehouse trucks at its own production facilities. This relates in particular to lift masts, axles, counterweights and chassis. Customers are therefore able to rely on a high level of quality and certainty of supply, as well as reliable availability of spare parts. Other components – such as electronic modules, rechargeable batteries, engine components and industrial tyres – are purchased through a global procurement system. Linde Material Handling purchases components with an annual value of more than € 1,3 billion\* worldwide from more 3,000 suppliers. Less than 10 % of these components come from emerging economies or developing countries. Depending on the business location, Linde sources 15 to 100 %\* of its components locally, in other words from the country where it is located.

#### Code and audits for suppliers

Monitoring compliance with fundamental human rights and minimum social standards has always been a top priority in the purchasing function for companies in the KION Group and Linde Material



#### EcoVadis Certification

Linde Material Handling was itself certified – as a supplier – in 2014 in accordance with the independent Audit EcoVadis and received the level of “Silver”. The sustainability analysis system underlying the audit comprises 21 criteria from the four topic areas of environment, fair working practices, ethics and fair business practices, and procurement chain. The methodology is based on international sustainability standards such as the Global Reporting Initiative, the United Nations Global Compact and the ISO 26000 sustainability guideline.

Handling. This is also expected from our business partners. To satisfy its own requirements and the wish of many key accounts customers for end-to-end monitoring of the supply chain, the Group developed the Principles of Supplier Conduct in 2013. This framework for suppliers forms the platform for integrating environmental and ethical measures in supplier management.

This also contains the requirement for suppliers to comply with international social standards. These include the prohibition on child labour and forced labour in accordance with the conditions of the International Labour Organization (ILO) and minimum standards for workplace safety. A standardised process for implementation and follow-up measures after audits is currently being worked out by Linde purchasing. The first audits are scheduled to take place in 2016.

#### Compliance in purchasing and procurement

The Code of Compliance of the KION Group includes a section with specific rules on conduct for the area of purchasing and procurement. These state that purchasing decisions must be made strictly in the interests of the Company.

Such decisions should be based solely on objective criteria like quality, engineering, price, production requirements and logistics. Personal benefits for employees involved in purchasing activities in return for preferential treatment are explicitly prohibited, and the acceptance of gifts and invitations is restricted to an absolute minimum.