



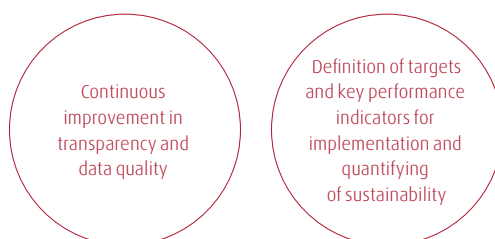
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Sustainability  
strategy

# A systematic management approach

In 2014, Linde introduced a sustainability strategy and launched the implementation of the corresponding management system so that it would also be a pioneer in responsible corporate governance. By 2016, a comprehensive roll-out of sustainability organisation and programme will have taken place.

## Sustainability targets Sustainability Strategy<sup>1</sup>



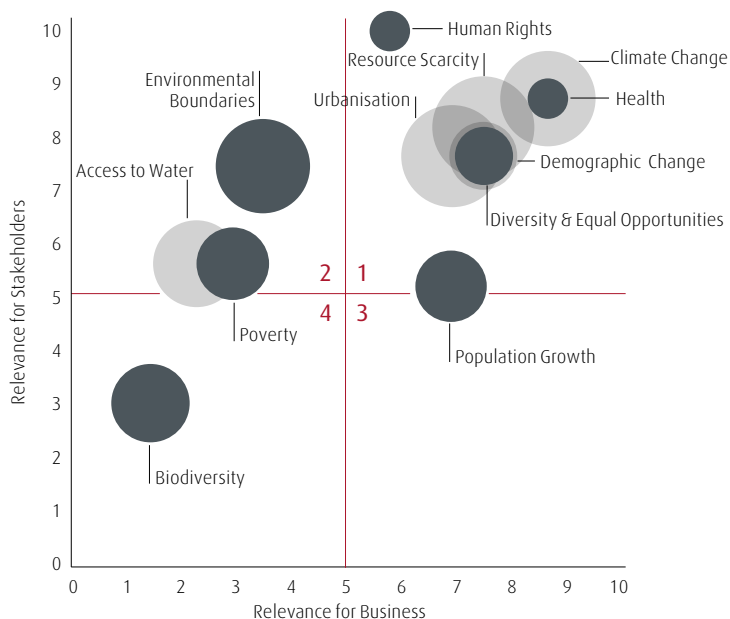
## Key challenges

The starting point for the development of the new sustainability strategy of Linde Material Handling was a materiality analysis carried out at the beginning of 2015 (see diagram). The materiality analysis covers core business activities and takes account of stakeholder expectations in order to help secure the future capability of the Company. 22 executive managers from across Europe and all business lines of the Company took part in this process. They also adopted the Sustainability Policy (see front flap) at Linde within this framework.

The underlying systematic approach: A listing of twelve global challenges such as climate change, resource scarcity and human rights was used to identify those challenges that exert the biggest influence on the business activity and secondly, are most relevant regarding challenges in the view of the stakeholders. The challenges were assessed on a scale of zero (low) to ten (high). The areas with the highest values in relation to the two perspectives are those which are most relevant and that are focussed on by sustainability management. In concrete terms, these are the following for Linde Material Handling:

- Climate Change and Resource Scarcity
- Human Rights
- Health and Demographic Change
- Diversity and Equal Opportunities
- Urbanisation

## Key challenges for Linde Material Handling



12 challenges were evaluated on the basis of their relevance (0=low, 10=high) for stakeholders and for business activity. The size of the circles shows the assessed uncertainty of the topics (the bigger the circle, the more uncertain). The most relevant topics define the content framework for future sustainability management and reporting (see table on p. 17).

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

Sustainability targets and fields of action were then derived from these challenges and these are presented on the following pages. Together with the issue of human rights, they determine the selection of key content and GRI indicators in this report.

## Development of a sustainability strategy

Linde Material Handling is anchoring responsible corporate governance along the entire value chain by means of its sustainability policy and strategy, targets and fields of action. The Company is assuming a pioneering role within the KION Group on the basis of this strategically founded approach.

### Sustainability policy

Linde Material Handling makes a commitment to its sustainability policy in a separate declaration. This includes a commitment by the Company to make a dedicated contribution to the solution of global challenges and in this way make a proactive contribution to sustainable development. In concrete terms, the content includes the key principles for action, approaches and social standards which form the platform for Linde to make sustainability a reality within the Company, in its business practices, with its products and in relation to stakeholders. (The formulated sustainability policy is provided on the inside cover).

### Principles and guidelines

Linde Material Handling has formulated its own principles for sustainable corporate governance. The Company here makes a commitment to take responsibility for its impact

- on the economic position of its stakeholders,
- on the environment and the use of natural resources, and
- on people and the community.

These principles are based on the "KION Group Code of Compliance" and on other guidelines of the group of companies (see also section on "Corporate Governance").

Furthermore, Linde Material Handling ensures through company-specific standards and instruments that the criteria of sustainability are well-established in operating business. These include a life-cycle assessment, which facilitates reliable calculation of the environmental impacts of products, and externally certified management systems for health, safety and environmental protection (in conformity with ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001) at the production locations and in the national companies.

### Holistic approach: targets, effect and fields of action

Linde Material Handling used the results of the materiality analysis to define strategic sustainability targets. In addition, a model for the fields of action (see figure) was developed with the aim of highlighting the point along the value chain – at suppliers, within Linde Material Handling or with customers – at which these targets exert an effect. Linde uses the model as a controlling tool and as an orientation framework for all future activities relating to sustainability and sustainability communication.

### Go-ahead for implementation

In July 2015, the Management Board of Linde Material Handling adopted the key building blocks of the sustainability strategy – targets, fields of action and organisational structure (see following pages). The sustainability programme of the Company for the coming years constitutes the next stage and is based on these parameters. It contains appropriately prioritised concrete goals, measurement parameters, and target attainment measures for all the fields of action.

## Fields of action along the supply chain of Linde Material Handling

Communication		Corporate Citizenship	
Suppliers	Linde Material Handling		Customers
Collaborative Development	Good Governance	Resource Efficiency	Innovative Solutions and Customer benefit
Social and Environmental Standards	Good Employer	Climate Protection	Energy and Resource Efficient Products
	Health and Safety	Environmental Protection	Product Responsibility

## Sustainability Strategy and Management

The detailed sustainability strategy of Linde is scheduled for roll-out in 2016. This defines milestones such as company-wide implementation of the organisational structure, introduction of sustainability reporting and controlling, and implementation of the first concrete measures based on the sustainability programme that has been adopted.

## Overarching organisational structure

Professional management with clearly defined roles and responsibilities is the enabler for successful implementation of the sustainability strategy by Linde Material Handling. A new governance structure controlled directly by the Management Board creates the necessary framework for this.

### Material challenges and associated GRI aspects<sup>2</sup>

Challenges	Aspects
Climate Change	<ul style="list-style-type: none"> <li>▪ Emissions [i, o]</li> <li>▪ Energy [i, o]</li> <li>▪ Products and Services (en.) [i, o]</li> <li>▪ Supplier Environmental Assessment [o]</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>▪ Supplier Assessment for Labor Practices [o]</li> <li>▪ Supplier Human Rights Assessment [o]</li> <li>▪ Assessment (Human Rights) [i, o]</li> <li>▪ Forced or Compulsory Labor [i, o]</li> <li>▪ Child Labor [i, o]</li> <li>▪ Investment [i, o]</li> <li>▪ Freedom of Association and Collective Bargaining [i, o]</li> <li>▪ Diversity and Equal Opportunity [i]</li> </ul>
Resource Scarcity	<ul style="list-style-type: none"> <li>▪ Effluents and Waste [i, o]</li> <li>▪ Water [i, o]</li> <li>▪ Materials [i, o]</li> <li>▪ Products and Services (en.) [i, o]</li> <li>▪ Supplier Environmental Assessment [o]</li> <li>▪ Compliance [i, o]</li> </ul>
Demographic Change	<ul style="list-style-type: none"> <li>▪ Diversity and Equal Opportunity [i]</li> <li>▪ Occupational Health and Safety [i]</li> <li>▪ Training and Education [i]</li> <li>▪ Employment [i]</li> </ul>
Health	<ul style="list-style-type: none"> <li>▪ Occupational Health and Safety ([i])</li> <li>▪ Customer Health and Safety [i, o]</li> <li>▪ Compliance [i, o]</li> </ul>
Diversity and Equal Opportunity	<ul style="list-style-type: none"> <li>▪ Training and Education [i]</li> <li>▪ Diversity and Equal Opportunity [i]</li> <li>▪ Employment [i]</li> </ul>
Urbanisation	<ul style="list-style-type: none"> <li>▪ Emissions [i, o]</li> <li>▪ Energy [i, o]</li> <li>▪ Products and Services (en.) [i, o]</li> <li>▪ Supplier Environmental Assessment [o]</li> </ul>

<sup>2</sup> Significant inside [i] or outside [o] of the organisation. More than one can be selected.

## Sustainability programme

Sustainability strategy and management	<p>Continuous improvement of transparency and data quality:</p> <ul style="list-style-type: none"> <li>Expansion of sustainability reporting to all consolidated units in 2016</li> </ul> <p>Definition of targets and key performance indicators for implementing and quantifying sustainability:</p> <ul style="list-style-type: none"> <li>Developing a target list and determining measures within the framework of the action field model in 2016</li> </ul>
Corporate governance	<p>Raising the awareness of sustainability in the corporate culture and consolidating it there:</p> <ul style="list-style-type: none"> <li>Nationwide training for all employees in the context of the compliance programme until 2016</li> <li>Training for all managers on sustainability issues until 2017</li> </ul> <p>Defining and implanting sustainability standards in the supply chain:</p> <ul style="list-style-type: none"> <li>Integration of sustainability criteria in purchasing conditions and standard supplier contracts by 2016</li> </ul>
Environmental protection	<p>Continuous improvement in environmental management and environmental performance:</p> <ul style="list-style-type: none"> <li>External certification of the consolidated organisations in conformity with ISO 14001 or an equivalent standard by 2017</li> <li>Audit and conversion of the paint facilities in production plants to more environmentally friendly technology by 2017</li> </ul> <p>Definition of energy and climate targets:</p> <ul style="list-style-type: none"> <li>External certification of relevant consolidated organisations in conformity with ISO 50001 or an equivalent standard by 2017</li> <li>Derivation of potential savings in relation to energy and climate (continuous)</li> <li>Audit for the use of LED lighting concepts in all units by 2017</li> <li>Reduction of service journeys by increasing automation of the service processes</li> <li>Definition of a climate target in 2016</li> </ul>
Products and solutions	<p>Reduction of the environmental footprint and expansion of alternative drives:</p> <ul style="list-style-type: none"> <li>Updating and re-certification of the life-cycle assessment in 2016</li> <li>Expansion of the availability of lithium-ion batteries for all series by 2017</li> <li>Development of fuel-cell product range (continuous)</li> </ul> <p>Improvement of safety and efficiency:</p> <ul style="list-style-type: none"> <li>Expansion of safety and automation solutions (continuous)</li> </ul>
Good employer	<p>Improvement of occupational safety:</p> <ul style="list-style-type: none"> <li>External certification of the consolidated organisations in conformity with OHSAS 18001 or an equivalent standard by 2017</li> <li>Reduction of the accident rate (LTIFR) to 15.7 in 2015</li> <li>Increase in the health rate to 97 % in 2015</li> </ul> <p>Further development of corporate culture:</p> <ul style="list-style-type: none"> <li>Implementation of an employee proposal scheme</li> <li>Definition of a proportion of women at all management levels</li> </ul>
Community engagement	<p>Making community engagement systematic:</p> <ul style="list-style-type: none"> <li>Working out a concept that can be applied throughout the world for community engagement based on the objectives defined at the KION level</li> </ul>

In 2014 Linde Material Handling launched its sustainability strategy and established the topic within the structure of the organisation. In an interview, Dr Holger Hoppe, Head of Sustainability Management, explained the background and the process.

Dr Holger Hoppe  
Head of Sustainability Management



### Has sustainability not been an issue for Linde Material Handling up to now?

**Hoppe:** Quite the contrary, sustainability has always been a guiding principle for our operations – whether this is in development, in production or indeed the use of our products, whether it has been in relation to the people who work for Linde or all the places where we are active. Customers, business partners, employees and the surrounding communities expect a market leading company like Linde Material Handling to have future-proof, responsible corporate governance – quite rightly so. And this is the hallmark of the brand Linde Material Handling.

### Why have you given the sustainability strategy a formal structure? What was the motivating factor for this?

**Hoppe:** Firstly, we wanted to give greater visibility to the concrete significance that sustainability has for us. Another factor was undoubtedly that our customers were increasingly enquiring about this issue and in many cases also demanding a rigorous sustainability strategy and effective sustainability communication as a basis for the partnership with them. However, we also perceive a big strategic opportunity in the process that we have initiated. By focussing on issues that are essential for the future capability of Linde Material Handling, we are strengthening our position within the competition. This new formal structure creates a good framework in order to achieve these targets. We are also thereby well placed to provide our customers with improved support for their own sustainability activities.

### What does this mean in concrete terms?

**Hoppe:** The starting point for our sustainability strategy is provided by the key challenges and the fields of action based on the associated issues which we have defined. Two examples: We are committed to developing more energy efficient and alternative power units to enhance climate and environmental protection. We also want to promote diversity and equal opportunities within the Company in order to retain our appeal as an employer. This focus helps us to align all activities in the Company with a coherent strategy and initiate projects which contribute to the attainment of these targets. This secures the future-proof capability and competitiveness of Linde.

### What is the scope of the new sustainability strategy?

**Hoppe:** It is certainly not restricted to our own “four walls”. We are analysing the entire value chain from our suppliers to the entire life-cycle of our products with customers. In order to achieve this,

we have developed a model for the fields of action in which we highlight the points in the value chain where our sustainability targets exert their greatest impact. This model is an effective controlling instrument while at the same time providing a helpful reference framework for our sustainability activities. It demonstrates to us the points where specific projects are most effective.

### In 2015, you created the foundations for the new sustainability strategy. What is your perspective for the process of implementation?

**Hoppe:** A key component of the groundwork was also to create an organisational structure for the implementation of sustainability in the Company – with clear roles and responsibilities and penetration into the operational units. Naturally the sustainability committee within the area of responsibility of the Management Board forms part of this, as do the Sustainability Office headed by myself, the heads of the individual fields of action, and the regional sustainability coordinators on the ground. Soon, concrete appointments will have been made to all the functions for this new organisational structure and we will then be in a position to implement the new sustainability strategy successfully.

### And when will you roll out the operational implementation of the sustainability targets?

**Hoppe:** We have already begun the roll-out of our new sustainability strategy. We even launched some of the projects such as HSE certification and the preparation of life-cycle assessments in advance of this. The current projects will be transferred to the new structures. We will start to focus on the fields of action immediately. Our operational units will then be able to work towards achieving the targets even more efficiently and effectively on the basis of this platform and the individual targets, measurement parameters and measures.

### The change will also involve a great deal of resources. What does Linde hope to gain from the new content and structures?

**Hoppe:** Linde Material Handling has a leading global position in its sector for the areas of quality, innovative capability and earnings strength. Our new sustainability strategy and the associated focus on major challenges will contribute to safeguarding this position over the long term.

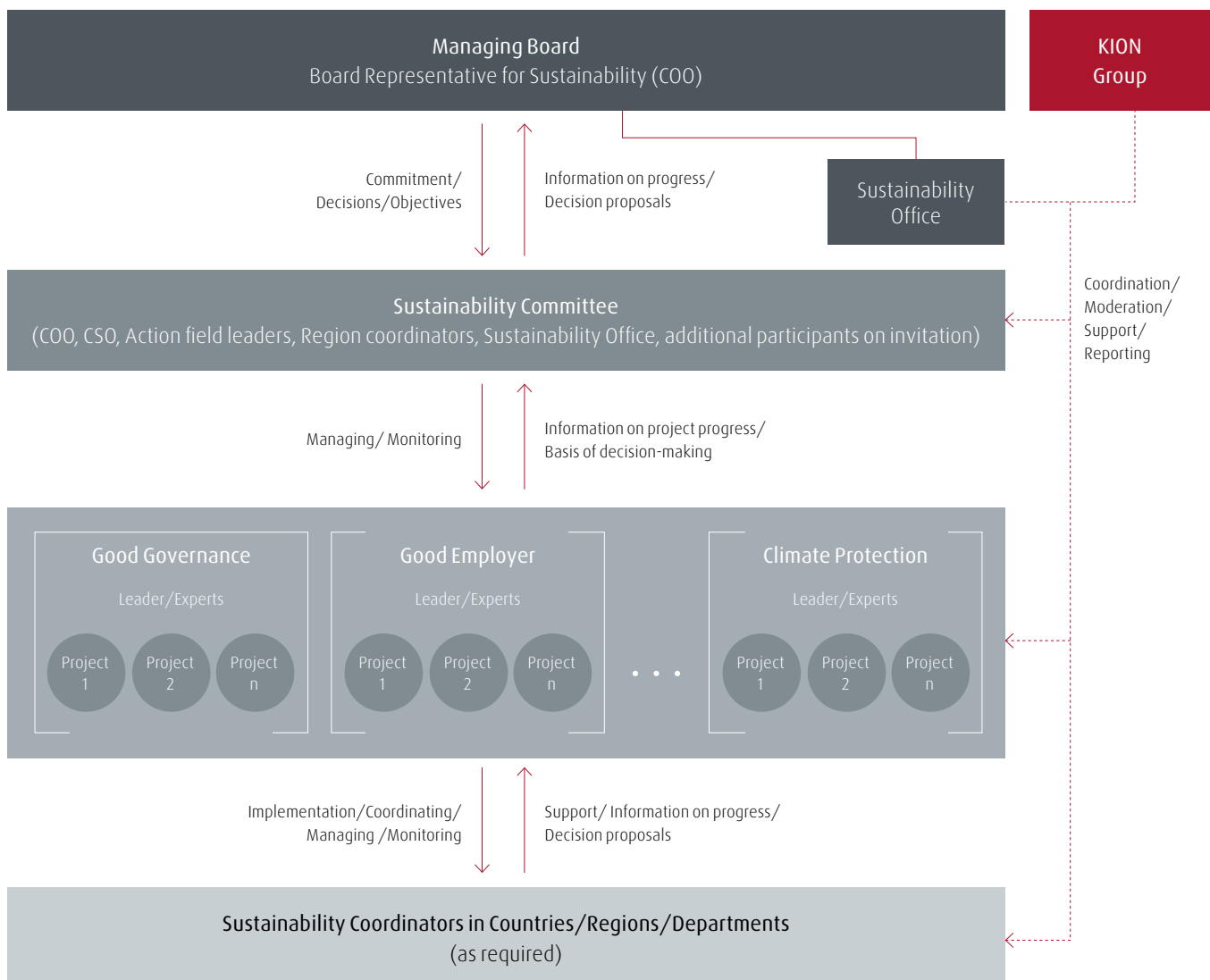
### Roles and responsibilities

When the sustainability strategy was adopted, Linde Material Handling also implemented a clearly defined organisational structure (see figure). It is crucial for successfully anchoring sustainability within the Company.

This structure gives ultimate responsibility to the entire Management Board. The Sustainability Committee headed by Sabine Neuß, Chief Operating Officer, forms the central committee for preparation of strategic decisions. Along with another Member of the Management Board, the committee is made up of the heads of the individual sustainability fields of action, the regional coordina-

tors and the head of sustainability management. The latter supports the work of the committee, coordinates all activities within the Company, and manages reporting and controlling. The Sustainability Office also acts as a motivator, developing and planning company-wide strategies and pilot projects on sustainability. The functions also include sustainability reporting, as well as networking and knowledge transfer between Linde and the KION Group. The operational units are responsible for implementation and target attainment of the measures defined in the sustainability programme. The individual projects are managed by the heads of the fields of action and in each case supported by the coordinators in the regions and areas.

### Sustainability organisation: Control and coordination of our sustainability activities



## Stakeholder dialogue

Linde Material Handling is in continuous communication with its stakeholder groups through direct conversations, by means of surveys and at events. Expectations and demands communicated to the Company can be identified at an early stage and taken into account when decisions are made.

### Relevant groups

The importance of the individual interest groups for the Company is measured by means of a number of parameters, notably their relationship to the Company's business or products, or the activities that can be influenced by them in the sales markets or in the area surrounding the locations.

The stakeholder groups influenced by the business activity of the Company are also relevant. The most important stakeholder

groups of Linde Material Handling are customers, suppliers, employees and shareholders of the KION Group.

Sector associations and international institutions are also included here. Linde has a total of some 100 memberships in this area. A special focus on sustainability is provided by a number of organisations including the International Organization for Standardization (e.g. ISO/TC 110/SC 5 Sustainability), the Comité Européen de Normalisation (e.g. CEN/TC 150/WG 15 Sustainability), the German Institute for Standardisation (Deutsches Institut für Normung) (DIN NA 060-22-45 AA) and the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau) (Blue competence).

Linde also maintains a strong focus on dialogue with its customers. Numerous instruments ensure that proactive communication takes place here along its entire value chain (see also section on "Products and solutions").



### Participation in government subsidised projects

Linde takes part in various projects subsidised by the government with the aim of promoting highly innovative technologies that exert a beneficial effect on the environment. These include the "H2IntraDrive" research project financed by the German Federal Ministry of Transport. Since 2013, industrial trucks have been deployed in the bodyshop at the BMW plant Leipzig which are powered with green certified hydrogen. This project is continuing until 2016. The Department of Materials Handling, Material Flow and Logistics (fml) at Munich Technical University is evaluating the pilot project under production conditions (see [www.h2intradrive.de](http://www.h2intradrive.de)).

[www.h2intradrive.de](http://www.h2intradrive.de)

As partner of the "E-LOG-BioFleet" project financed by the Austrian Federal Ministry for Transport, Innovation and Technology, Linde provided ten pallet trucks from 2011 to 2014 which are powered by a hybrid system with fuel cells. The successful pilot project in the materials handling warehouse operated by DB Schenker in Hörsching was successfully completed in 2014 and the plan is to extend the project.

[www.klimafonds.gv.at](http://www.klimafonds.gv.at)

