

KRONES Group

Non-financial Report 2019



About this report

This report combines the separate consolidated non-financial report for the KRONES Group and the separate non-financial report for KRONES AG in accordance with Sections 315b and 315c of the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with Sections 289b through 289e HGB.

For the sake of better readability, we will refer to it here simply as the “Non-financial Report”. The Non-financial Report 2019 is publicly available at KRONES’ website under



Company/Responsibility/Sustainability/Download.

The Non-financial Report for the financial year 2019 has been reviewed by the Supervisory Board of KRONES AG. In addition, by order of the Supervisory Board, this report has been audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, under consideration of the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by the International Auditing and Assurance Standards Board (IAASB) under a Limited Assurance Engagement with respect to the disclosures required by law under Sections 315b and 315c in conjunction with Sections 289b through 289e HGB. This report includes disclosures beyond those required by law. Any information that is unaudited is set against a shaded background.

Key Facts about the Non-financial Report 2019

Medium

The Non-financial Report serves as the central means for transparently disclosing the sustainability performance of KRONES AG and the KRONES Group. It contains the key qualitative and quantitative non-financial information on sustainability topics that are material to the company. For the sake of transparency, important metrics that are based on KRONES AG only are disclosed as "Additional information" following each of the policies covered in this report. We intend to expand our data collection and establish groupwide metrics in the years ahead.

Content

The content of this report relates to the financial year 2019 and has been derived directly from the KRONES Group's new materiality matrix, which applies equally to KRONES AG. In developing the materiality analysis, we have taken into account the disclosure requirements of the German CSR Directive Implementation Act (CSR-RUG). In addition to the disclosures required under Section 289c (3) HGB and its definition of materiality, we also report on community engagement because it is relevant to our stakeholders.

Scope

German Accounting Standard 20 requires disclosure of the policies pursued by the parent entity with respect to reportable aspects and topics. In this report, we have clearly indicated which policies apply to KRONES AG and which apply across the group. We do not report on policies that apply only to individual subsidiaries. Information about the consolidated group can be found on pages 139 to 141 of the KRONES Group Annual Report.

Content verification

Unless otherwise noted, all content, data, and figures are disclosures required under the German CSR Directive Implementation Act and have been audited for their accuracy. Details of the verification process can be found under the heading "About this report". Additional data is presented for some topics of material interest in order to lend added transparency for our stakeholders but is not subject to verification under the CSR Directive Implementation Act. This unaudited information is provided under the heading "Additional information" directly following the respective topic. For easy identification, it is set against a shaded background, with a line and the word "unaudited" in the margin.

Key performance indicators

We do not track key (management-related) non-financial performance indicators for the policies presented here.

Risks

In collaboration with Risk Management and with managers and experts from the various departments, we conducted a risk analysis with respect to the likelihood of an event and its potential negative impact on the reportable aspects. The analysis revealed no risks with a high likelihood of an event and severe negative impact with respect to the company's own business activity, business relationships, products, or services.

Alignment

In preparing this report, we have not applied any one national or international sustainability reporting framework to its full extent. The existing frameworks are based on a definition of materiality that is not in keeping with the German CSR Directive Implementation Act. However, we have based our presentation of policies on the Global Reporting Initiative's guidance.



1

TO OUR STAKEHOLDERS

4

EMPLOYEES

2

ENVIRONMENT

5

ETHICS

3

SOCIETY

6

MARKET

1

TO OUR STAKEHOLDERS

Letter from the Chairmen	6
Our business model	7
Sustainability at KRONES	8
Our influence on SDGs	10
Materiality matrix.....	11
Independent auditor's report.....	56
Publishing information	59
Contact us.....	60

Letter from the Chairmen



Volker Kronseder
Chairman of the Supervisory Board



Christoph Klenk
Chairman of the Executive Board

Dear Readers,

Trade wars and political instability have weighed heavily on the global economy, and KRONES has also felt the effects. Therefore, our focus for the financial year 2019 has been on the essentials. That also applies to sustainability.

Topics like workforce reduction require some explanation in light of the growing shortage of skilled labour and with respect to sustainable business practices. But one thing requires no explanation: Difficult decisions are part and parcel of corporate responsibility. Our aim in reducing 500 jobs worldwide is to improve our profitability so that we can ultimately safeguard jobs and keep our employees on staff for the long term.

KRONES' business model is a sustainable one and it has a strong future. Our machines and lines for process technology, filling, and packaging and our products in intralogistics, digital solutions, and lifecycle service help to provide people with clean, high-quality beverages and liquid foods. With our solutions for plastics technology and PET recycling, we are already enabling our customers to create a closed loop for plastic packaging. We are also systematically expanding our existing portfolio of lines for returnable glass and cans.

In addition, we continue to pursue a strategy of standardising and systematising our sustainability management throughout the group. This strategy is based on our materiality analysis, which was updated in 2019. Together with our senior management and our stakeholders, we have identified the thirteen material sustainability-related topics on which KRONES will focus in the years ahead. The United Nations Sustainable Development Goals serve as a key frame of reference (see page 10).



KRONES' Code of Conduct plays an important role in rooting sustainable, ethical conduct as standard operating procedure in our company. The Code of Conduct is a policy document on voluntary self-regulation that lays out the values and norms on which KRONES' corporate culture is based. In 2019, we updated both the structure and the content of the Code of Conduct. Topics like respect for human rights and data protection have been given more weight, and the chapters on quality, health, safety, and environment have been reorganised.

In updating our materiality analysis and Code of Conduct, we have reshaped the basis for the company's sustainable development. In the years ahead, we will continue to drive the process of internationalising our sustainability management and develop new groupwide goals. This Non-financial Report is a record of our sustainability performance and progress in the non-financial areas material to our business.

Volker Kronseder
Chairman of the Supervisory Board

Christoph Klenk
Chairman of the Executive Board

Our business model

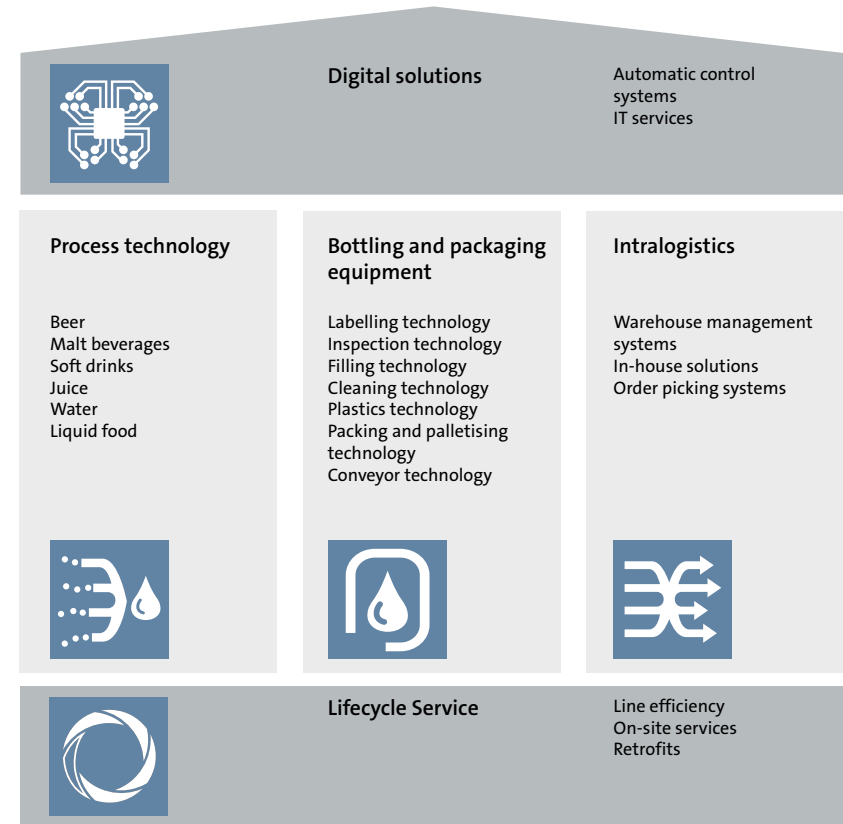
Business model, business areas, and organisational structure

KRONES offers machinery and systems for bottling and packaging and for beverage production. Innovative digitalisation and intralogistics solutions round out our portfolio. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. Services are an important part of KRONES' business model. The company maintains service centres and offices around the world.

Customers in the beverage industry account for most of KRONES' revenue. The remaining revenue comes from business in non-beverage sectors (food, dairy, chemicals, pharmaceuticals, and cosmetics).



More information about KRONES' business model can be found in the group management report beginning on page 39 of the Annual Report.



Sustainability at KRONES

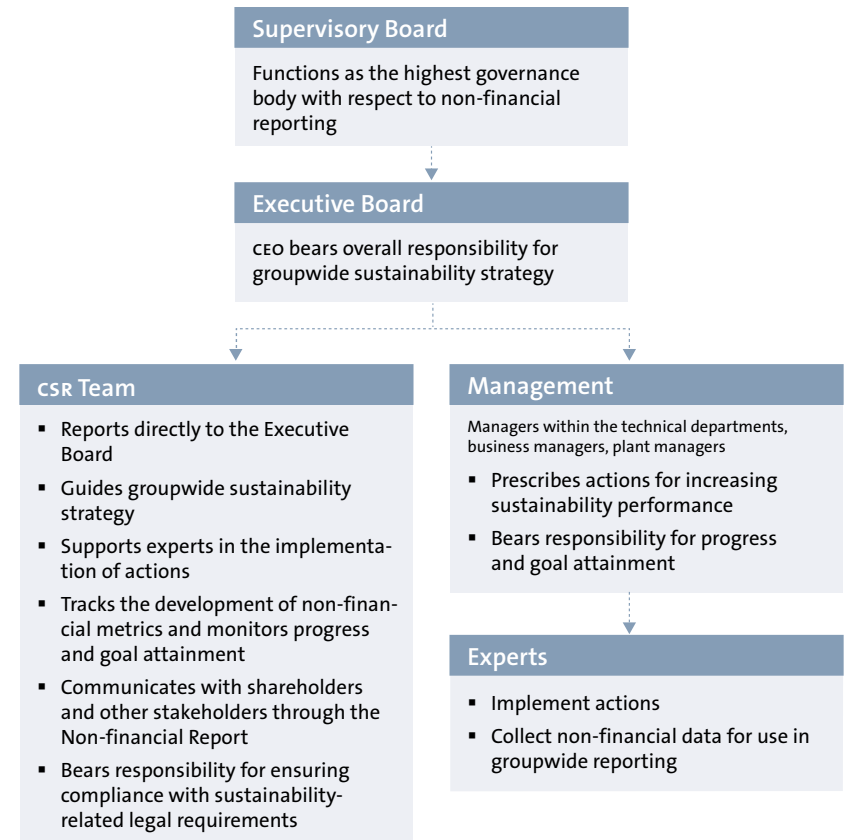
The KRONES Group's sustainability management contributes to sustainable development. We must make sustainability a part of all material decisions – to identify risks early, reduce our ecological footprint, and expand our positive influence on society. The KRONES Group is aware of the responsibility it bears, not only for its economic performance but also for the impact its activities have on the environment, its employees, society, and future generations.



The flow chart above illustrates KRONES' systematic process for sustainability management: A comprehensive strategy and organisational embeddedness are the bedrock of sustainability management within the KRONES Group. It is on this basis that we decide what measures and actions to take and then regularly review them. Our non-financial reporting lends transparency for shareholders and stakeholders alike.

Organisation

KRONES AG's CSR team is the central point of contact and coordinates sustainability efforts groupwide. All material non-financial information and activities from the various departments converge in this team. It collaborates closely with the relevant experts and managers in the technical departments within KRONES AG, at our subsidiaries, and at our major international sites and supports their efforts to implement sustainability-related actions.



As of the 2020 financial year, sustainability management has been assigned a different place within the KRONES Group's organisation. The new Sustainability Team (formerly: CSR Team) is now part of the Corporate Governance department and continues to report directly to the CEO. However, because this report covers the financial year 2019, the previous organisational structure is presented here.

Our path to a groupwide sustainability strategy

Continuity and doing business sustainably have always been important to KRONES. We view the new statutory CSR reporting requirements as an opportunity to refine and, perhaps, redefine our sustainability strategy – with respect to KRONES AG and across the entire KRONES Group.

Until now, KRONES AG and its plants and subsidiaries abroad have each born responsibility for non-financial aspects and targets individually. Sustainability activities were largely decentralised and self-contained, in part to ensure flexibility, minimise red tape, and thus enable our sites to respond to local circumstances. However, when it comes to major sustainability topics like emissions management and occupational safety, a groupwide approach offers clear advantages for KRONES as well as for our investors and other stakeholders.

That is why we began rolling out certain sustainability topics in waves at our sites and subsidiaries worldwide in 2018. The first wave focuses on establishing uniform practices and processes for collecting data, since consolidated non-financial information and metrics are essential to effective groupwide sustainability management. Establishing a systematic approach and expanding it to our sites worldwide will lay the foundation for a new groupwide sustainability strategy.

Milestones and next steps

Besides the activities and actions undertaken to address specific topics, we are always working to further develop our sustainability management. We reached important milestones in our efforts to establish a systematic approach at our sites worldwide in 2019 and have set various priorities for 2020:



Our influence on SDGs

The United Nations Sustainable Development Goals (SDGs) are considered the most important set of global targets for sustainable development. The 17 goals were published in September 2015 as part of the UN's 2030 Agenda. They articulate the key challenges and resolutions of a global sustainability policy and thus serve as a guide for the sustainable development of society, culture, and economy.

Because it is part of global value chains, the KRONES Group also influences economic, environmental, and social developments – sometimes directly and materially and sometimes only indirectly and to a small extent. When assessing sustainability topics for materiality in 2019, we made the impact on SDGs a key factor. We held a stakeholder workshop with representatives from administration, trade associations, academia, and our employees in which we discussed the SDGs on which the KRONES Group is already having an impact and which ones will need to be addressed in the future. The results of the workshop were part of our materiality analysis and have also been incorporated into our strategic planning of future sustainability-related activities.



3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Materiality matrix

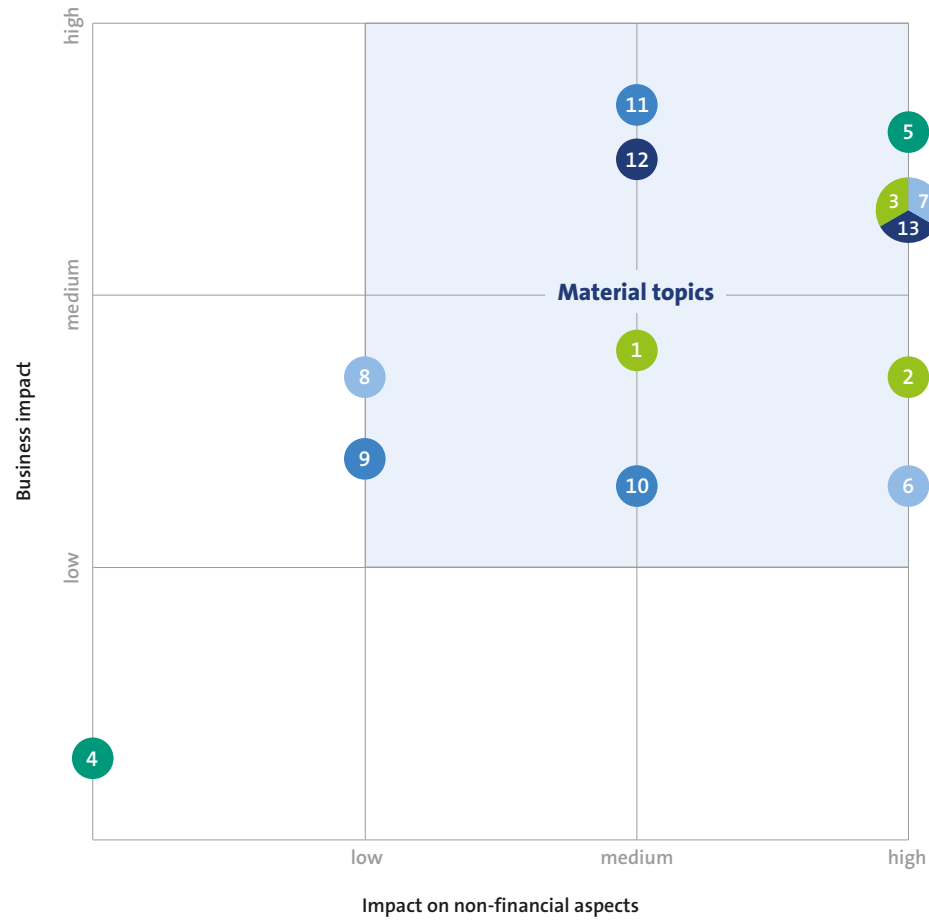
Materiality analysis

The materiality matrix serves as the fundamental guide for sustainability management within the KRONES Group. The matrix applies equally to KRONES AG. In 2019, we conducted a new groupwide materiality analysis in order to identify the non-financial topics that are most material to our business. The analysis was based largely on Global Reporting Initiative criteria and the definition of materiality under Section 289c III of the German Commercial Code (HGB).

We started with an extensive longlist, from which we assessed and categorised the topics relevant to the KRONES Group. Selected members of senior management within the KRONES Group evaluated the sustainability topics' business impact. The UN Sustainable Development Goals served as a frame of reference for determining the impact on non-financial aspects. We held a workshop for key stakeholders to contribute their assessments to the analysis. This materiality matrix has been approved by the Executive Board. Going forward, we plan to review it every three years.

Definition statement pursuant to Section 289c (2) of the German Commercial Code (HGB) and German Accounting Standard 20 (GAS 20)

The aspects prescribed under the German CSR Directive Implementation Act are reflected in the materiality matrix and in the organisation of this report as follows: "Environment" covers the mandated aspect "Environmental matters", "Employees" covers "Employee-related matters", and "Society" covers "Social matters". The aspects "Respect for human rights" and "Anti-corruption and bribery matters" are combined under "Ethics" as "Human rights" and "Compliance". Going beyond the legally mandated topics, we have added "Innovation" and "Customer matters", combined under the heading "Market". This report presents the policies pursued for each of the thirteen issues identified as material.



Environment

- 1 Decarbonisation
- 2 Resource conservation
- 3 Product sustainability

Society

- 4 Community engagement
- 5 Data protection

Employees

- 6 Employee satisfaction
- 7 Health and safety
- 8 Diversity

Ethics

- 9 Compliance
- 10 Human rights
- 11 Sustainable supply chain

Market

- 12 Innovation
- 13 Customer matters

2

ENVIRONMENT

<i>Decarbonisation – Policy</i>	14
1. Organisation.....	14
2. Actions and processes.....	14
3. Results	15
4. Goals	16
<i>Decarbonisation – Additional information</i>	17
<i>Resource conservation – Policy</i>	18
<i>Resource conservation – Additional information</i>	19
<i>Product sustainability – Policy</i>	20
1. Organisation.....	20
2. Actions and processes.....	21
3. Results	22
4. Goals	22

Decarbonisation – Policy

As a manufacturing company that operates internationally, we want to do our part to prevent climate change. That is why KRONES AG has set itself the following CO₂ reduction target: We aim to cut direct and indirect energy-related CO₂ emissions per €1 million in consolidated revenue by 30 to 40 percent by 2020, from a 2010 baseline. The Executive Board adopted a corresponding action plan alongside the CO₂ reduction target. Besides the specific measures laid out within the action plan, we are conducting a number of additional initiatives and projects to optimise energy and consumption in specific instances.

The reduction target applies only to KRONES AG, for several reasons. First, the parent company accounts for the lion's share of value creation within the group – and thus also generates the majority of emissions. Second, due to the heterogeneous nature of the companies belonging to the KRONES Group and the very different local and regional circumstances under which they operate, environmental strategy has thus far been decentralised.

1. Organisation

Our carbon reduction target and action plan have been adopted by the Executive Board. The relevant departments are responsible for their implementation. The measures are coordinated and monitored by designated team members within the framework of our overarching energy management efforts. The CSR Team reports on them to the CEO. Our annual non-financial report and reporting through various sustainability ratings ensure transparency for our shareholders and other stakeholders.

2. Actions and processes

2.1 Energy conservation priorities

Although we already achieved our emissions reduction target at the end of 2017, the measures implemented remain in place in order to further reduce our CO₂ emissions for the long term. The following areas offer the greatest reduction potential:

- Lighting
- Compressed air
- Pump systems and motors
- Air conditioning and cooling water installations
- Heating
- Ventilation systems

Concrete measures have been developed for each of these areas. They will be implemented successively at all KRONES AG sites.

2.2 Data collection processes within KRONES AG

To ensure maximum transparency about our consumption, our designated team members initiate data collection within the integrated management system (IMS). They query the primary and secondary energy consumption data (Scope 1 and Scope 2) of the respective KRONES AG sites each month and then make it available in a monitoring report. Besides those metrics, which are presented in kWh, the monitoring reports also include updates on the progress and effectiveness of measures relating to our reduction target.

In a second stage, the Energy Manager and our Environment, Health and Safety department evaluate and consolidate the data and actions taken. The data, presented in kWh and in metric tonnes of CO₂, are then passed to our CSR Team, which generates corresponding metrics. The final figures are assessed once again and communicated as part of our annual non-financial reporting.

2.3 Internationalisation as part of the CSR rollout

Energy and emissions are a major focus within the groupwide rollout of certain sustainability aspects. We are establishing uniform data collection for Scope 1 and Scope 2 emissions on the basis of the Non-financial Reporting Directive. Our aim is to establish a groupwide metric for direct and indirect greenhouse gas emissions in the years ahead which can then serve as the indicator for an updated, groupwide reduction target. We have already reached the first two rollout milestones.

3. Results

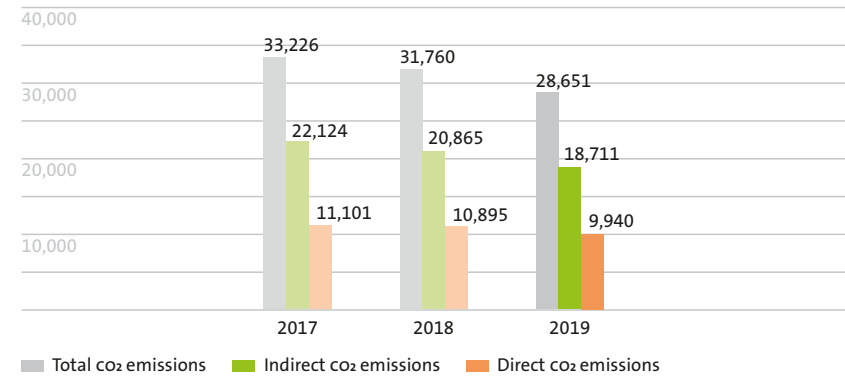
Thanks to improvements in our energy mix and a continuous increase in revenue, we were already able to reach our CO₂ reduction target as of the end of the 2017 financial year. The consumption figures are in relation to consolidated revenue.

KRONES AG – Action plan for reducing CO₂ emissions through 2020 (as of 2019)

	Energy savings in MWh per year, planned	Energy savings in MWh per year, achieved	Energy source
Lighting	2,725	1,798	Electricity
Compressed air	639	528	Electricity
Pump systems, motors	147	220	Electricity
Air conditioning and cooling water installations			Electricity
Heating systems	706	553	Natural gas, District heating
Ventilation systems	350	414	Natural gas, District heating

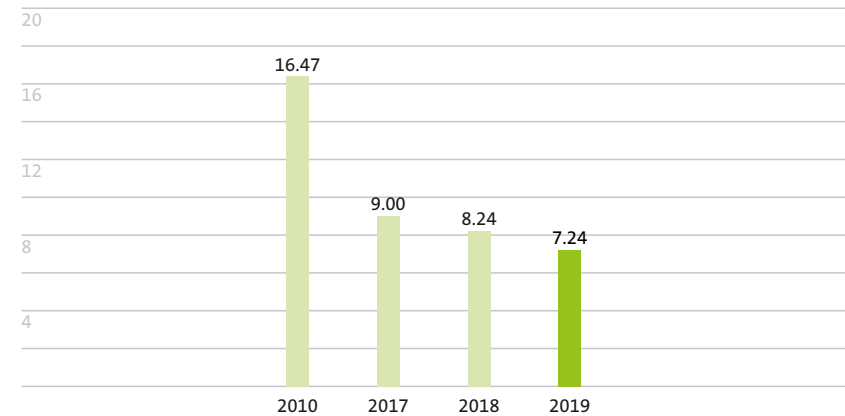
The energy savings reported here include all action plan projects implemented thus far. The data presented is for energy savings per calendar year. Energy savings resulting from actions that were completed before the end of the calendar year are reported on a proportionate basis.

KRONES AG – Direct and indirect energy-related CO₂ emissions (metric tonnes)



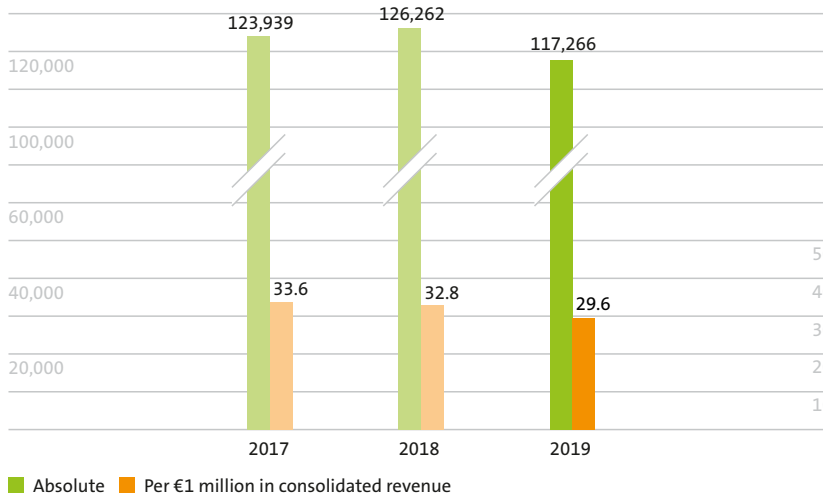
The direct emissions do not include KRONES AG's fleet of company cars. The emissions factors for direct emissions are taken from the Bavarian Environment Agency's emissions calculator, last updated in 2018.

KRONES AG – Direct and indirect energy-related CO₂ emissions (metric tonnes per €1 million in consolidated revenue)



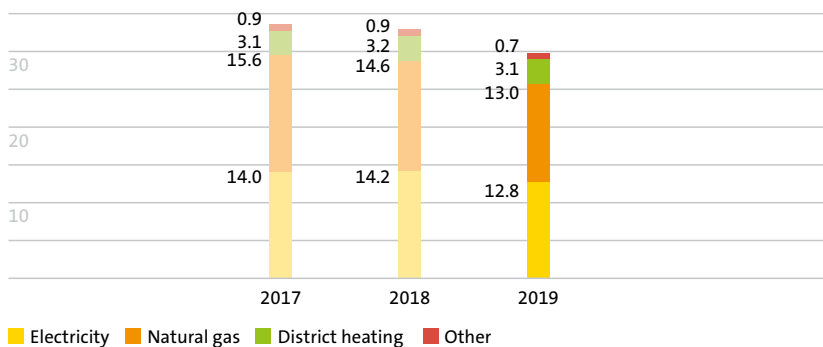
The emission factors for indirect energy-related CO₂ emissions are based on data provided by the respective utilities providers.

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



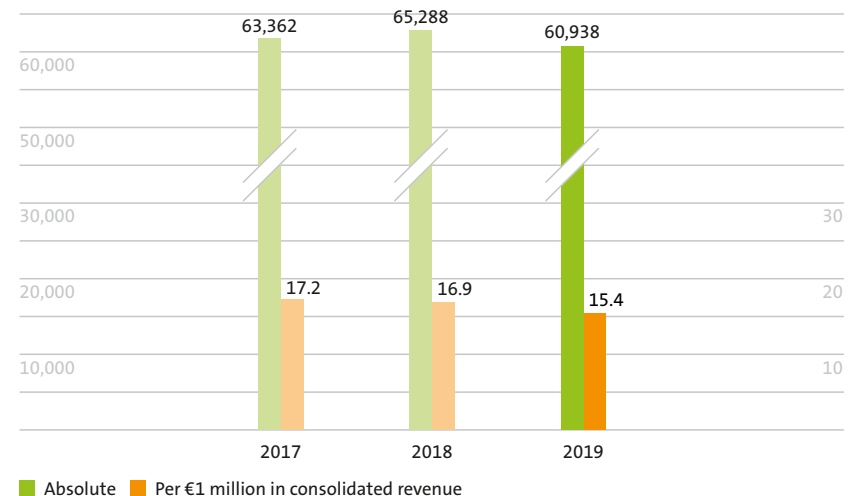
We used generally accepted (market-based) conversion and emission factors to calculate energy values and direct energy-related CO₂ emissions.

KRONES AG – Energy drawn from electricity, natural gas, district heating, heating oil and LPG (MWh per €1 million in consolidated revenue)



The consumption figures presented here relate to the operation of machinery and equipment as well as buildings within KRONES AG. They do not include fuel used for our vehicle fleet. About 1 percent of the figure for energy drawn from natural gas is based on estimates.

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

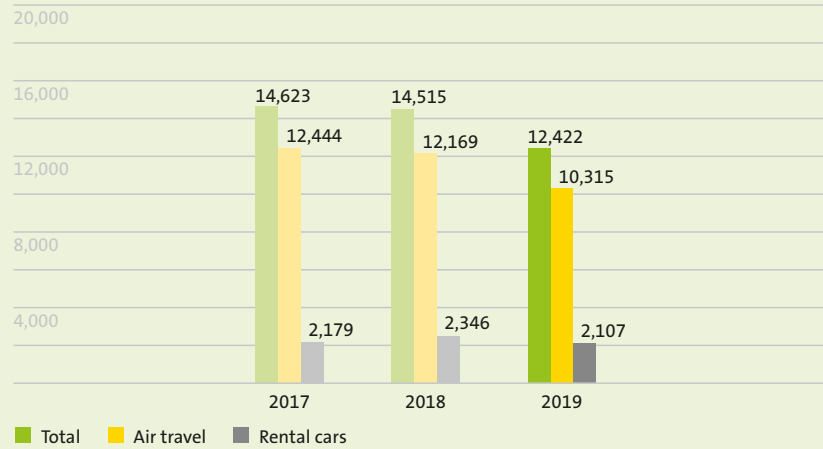


Unlike the figure for energy draw, the figure for electricity consumption also includes power generated in our own CHP plant.

4. Goals

- Maintain the existing reduction target: After achieving our reduction target ahead of schedule, our aim now is to maintain that status for the long term and to remain well below the target threshold in the years ahead.
- Gradual international rollout: In the third wave of the rollout, we will be implementing data collection and management processes for energy and emissions across our remaining key sites.
- Draft a new reduction target: We will continue to analyse our emissions management for additional improvement potential so that we can be ready to announce and pursue a new target when the current one expires.

Decarbonisation – Additional information

KRONES AG – CO₂ emissions resulting from work-related travel (metric tonnes)

Resource conservation – Policy



Conserving resources is an integral part of KRONES' sustainability efforts. Back in 2009, we established enviro, a certified management system for promoting the development of energy and media-efficient machines and systems (see "Product sustainability"). With our energy and emissions management policy, KRONES is also contributing to climate protection within our own production operations (see "Decarbonisation").

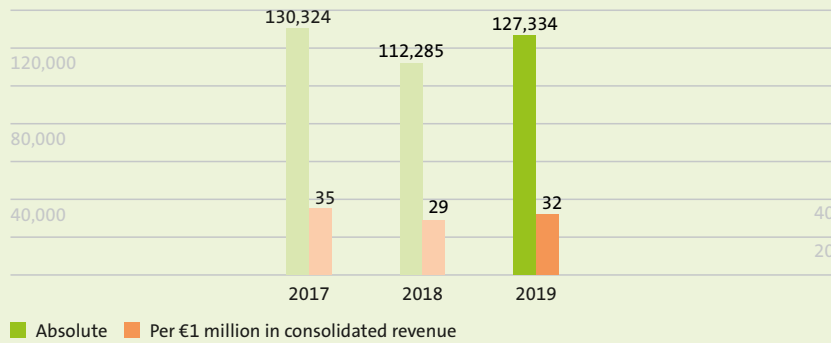


We now aim to take our water and waste management to the next level. We have already laid the groundwork by obtaining ISO 14001 certification of the environmental management system for KRONES AG and our major production sites in China, the USA, and Brazil. Now we are focusing on transferring the accountability structures and processes defined there into a uniform, groupwide management system for waste and water consumption that goes above and beyond simply meeting statutory requirements and transparency rules.

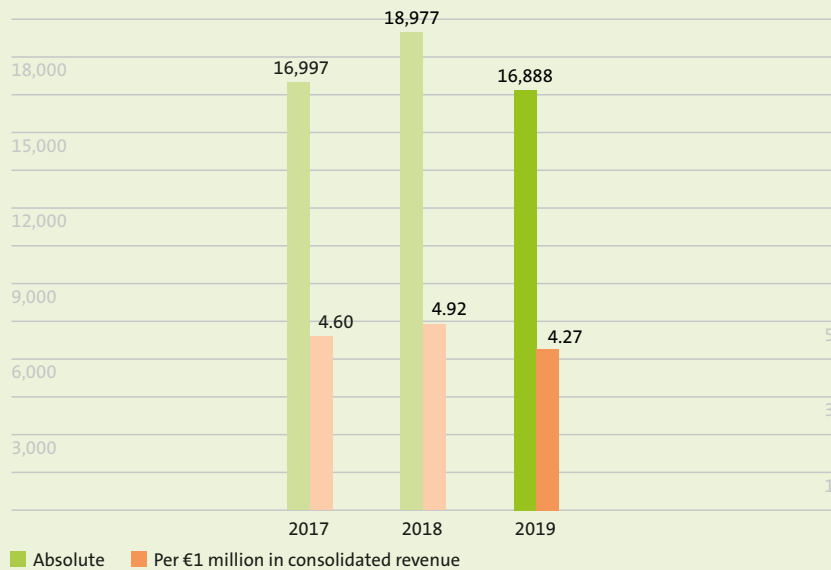
To advance the process of establishing systematic waste and water management across our organisation, we have to bundle ongoing measures, standardise data collection processes, and reassign responsibilities. We are already conducting initial analyses on the current situation. Because of the complexity of our production processes and their underlying value chains, it will take some time for us to complete a global inventory of our water and waste management. Therefore, our current focus is on implementing meaningful groupwide metrics that we can use to gain concrete insight about the relevance and reach of various measures.

Resource conservation – Additional information

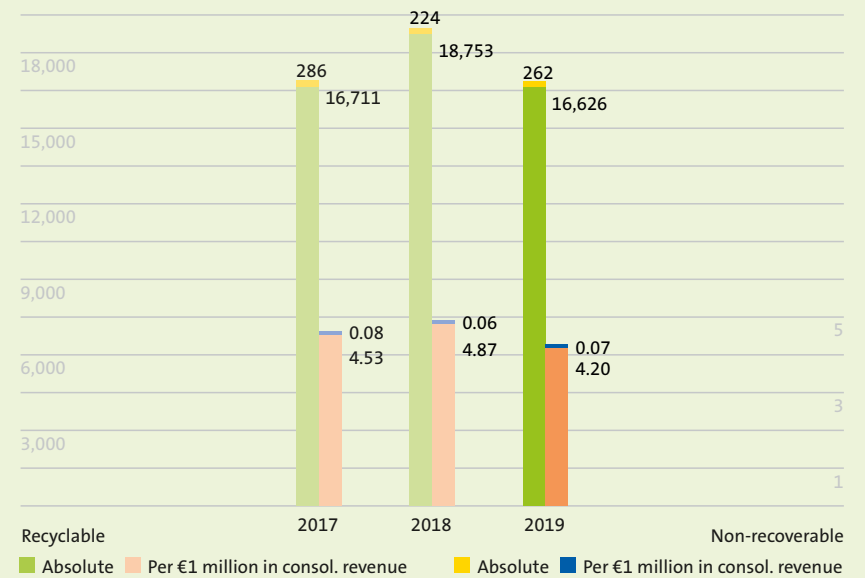
KRONES AG – Water consumption (m³ and m³ per €1 million in consolidated revenue)



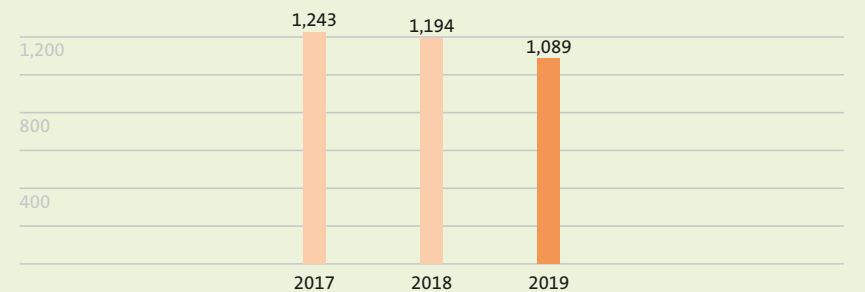
KRONES AG – Total waste generated (metric tonnes and metric tonnes per €1 million in consolidated revenue)



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



KRONES AG – Hazardous waste (metric tonnes)



Product sustainability – Policy

In our quest to continually increase the environmental sustainability of our own products, we are addressing two main points: Increasing the energy and media efficiency of our machines and lines and supporting the transition to a circular economy.



Our enviro sustainability programme is a systematic approach to developing environmentally friendly products. This KRONES-grown program was designed in collaboration with TÜV SÜD and focuses on energy and media consumption and the overall eco-friendliness of KRONES machines, lines, and solutions. The processes that guide the development and classification of enviro machines and systems are laid out in the enviro management system, which covers the entire product development process. Most KRONES-branded products undergo a special review process under enviro, which drives their continual evolution (see point 2.1). Exceptions are those products for which energy consumption, media consumption, and environmental compatibility do not play a significant role – such as services, IT solutions, and a few custom machines.



KRONES' sustainability efforts also include assessing our customers' products. Beverage and food packaging – especially those made of plastics – are coming under increased criticism. We at KRONES we are also taking a critical look at this topic – not only because we generate a significant share of our revenue with technology and services for PET lines, but also because we as a company are committed to responsible stewardship of resources and the environment. Therefore, we are working to promote sustainable handling of plastics and to establish closed-loop systems that support the transition to a circular economy.

1. Organisation

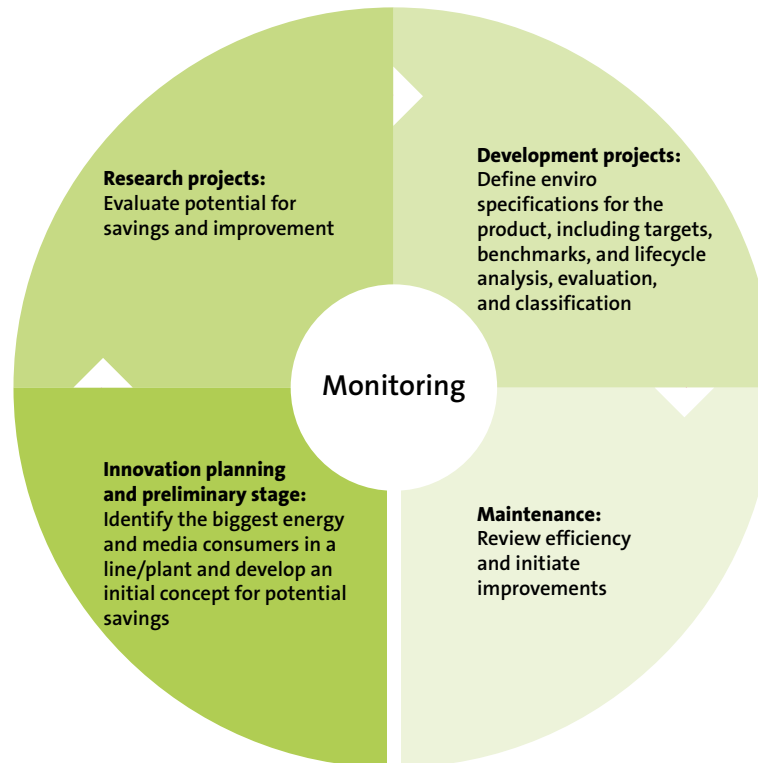
Because KRONES' portfolio is very broadly diversified, each product division has a designated enviro point person who plans the respective enviro strategy, coordinates its implementation, and monitors outcomes. This point person is also responsible for bringing the actions and goals of our overarching enviro strategy into his or her respective area – in close collaboration with the central enviro Officer. The management is involved in key subprocesses such as setting goals and monitoring outcomes.

Because of the holistic nature of the circular economy, many KRONES product and technical departments are involved: Plastics Technology working to develop lighter, more stable bottle designs; Plants PET Recycling aiming to design and manufacture powerful PET recycling plants; Packaging designing environmentally friendly secondary packaging for beverage containers; and the central enviro Officer as an expert in product sustainability. Because our structures are complex and decentralised, we established an internal working group under our Corporate Development department this year to facilitate the coordination of content and organisation.

2. Actions and processes

2.1 enviro: product development, classification, and certification

To ensure that new developments are guided by the principles of environmental sustainability, we make enviro part of the product development process right from the beginning. Ongoing development projects are managed by a milestone committee, which takes the enviro requirements into account in its decision-making:



The sustainability programme is a strong driver of innovation for numerous KRONES products. Many of the technological options initially developed or selected for enviro products become part of the machines' standard configuration in the medium term. In that way, the enviro programme improves the energy and media efficiency and environmental compatibility of our product portfolio.

Before a KRONES machine can bear the enviro label, its energy and media efficiency and environmentally friendly operation must be proven in a prescribed, well-documented testing procedure. To ensure the testing procedure's objectivity, a mandatory benchmark has been defined for each enviro-relevant aspect of a product, such as compressed air or environmental friendliness. The benchmark criteria ensure that the enviro products conform at least to the EME (Energy and Media Efficiency Environmental Sustainability) standard defined by TÜV SÜD.

The enviro management system and the associated testing procedure have obtained third-party verification from TÜV SÜD. To maintain the certification, an external monitoring audit must be performed annually. Recertification must be done every three years. The most recent recertification was done in 2018.



2.2 Circular economy: Projects and solutions

Processes, projects, and actions relating to the circular economy and environmentally sustainable use of plastics are underway at numerous points across the KRONES Group. The following were areas of particular focus in the reporting period:

- **MetaPure W-PO:** In addition to the existing PET recycling systems KRONES has on offer, in 2019 we added solutions for processing polyolefin plastics. Unlike conventional solutions on the market, ours does not take a down-cycling approach but rather renders materials such as HDPE or polypropylene suitable for reuse in high-quality applications.
- **Cooperation:** To further advance our recycling technologies, KRONES has entered into a partnership with sorting systems manufacturer Stadler Anlagenbau GmbH. Our shared goal is to further increase the quality of the recycled material produced, expand existing recycling technologies to cover additional types of materials, and to build seamless, holistic closed-loop plants.
- **enviro design:** Developing and producing bottles and secondary packaging that use less material is one of KRONES' plastics and packaging technologies' core areas of expertise. In the future, especially innovative solutions from this business unit will be assessed and certified under enviro criteria. Thus, we are expanding the enviro programme to include primary and secondary packaging. The aim of enviro design is to minimize the environmental impact of food and beverage containers. That includes reducing greenhouse gas emissions and preserving ecosystems and biodiversity. The associated criteria are currently being determined in collaboration with TÜV SÜD.

- **Communication:** In 2019, KRONES launched an informational campaign on plastics and the circular economy to promote a more objective discussion on the topic. Our aim is to raise awareness of this complex topic among our employees and the public and to initiate a constructive dialogue. The campaign's content is prepared specifically for each target group and published across multiple media platforms, including the KRONES Blog.

3. Results

To test how well enviro is working, we defined and implemented a new overarching performance indicator in 2019. It allows us to verify the degree to which enviro machines have penetrated the market and use that information to inspire improvements. We have developed individual internal metrics and targets for the respective enviro product areas. That allows us to unlock further concrete potential for improving the efficiency and environmental sustainability of individual products.

4. Goals

- **enviro design:** Finalise the criteria and test initial packaging solutions
- **enviro performance indicator monitoring:** Use the enviro performance indicator to improve enviro machines' market penetration and continuously increase the energy and media efficiency of products by tracking internal enviro product area targets

3

SOCIETY

<i>Community engagement – Policy</i>	24
1. Organisation.....	24
2. Actions and processes.....	24
3. Results.....	25
4. Goals.....	25
 <i>Data protection – Policy</i>	26
1. Organisation.....	26
2. Actions and processes.....	26
3. Results.....	27
4. Goals.....	27

Community engagement – Policy

KRONES maintains over 100 sites around the world and is thus an integral part of many local communities. The cities and counties in and near which our plants and sales offices are located are the lifeblood of our business activities. That is why KRONES AG supports clubs, organizations, events, and charitable initiatives local to KRONES sites in Germany. Our sites and subsidiaries outside Germany also have the freedom to actively support their local communities.

KRONES' charitable giving and sponsorship strategy is laid out in our group-wide charitable giving and sponsorship policy, whose aims are to

- Ensure that funds contributed achieve the greatest possible benefit to the respective beneficiaries and
- Support projects that are aligned with the company's values and interests.

As part of the groupwide CSR rollout, we will expand the charitable giving and sponsorships policy to our sites abroad and introduce a groupwide metric. For the most part, the sites and subsidiaries will manage their own activities and funding autonomously.

1. Organisation

Within KRONES AG, the charitable giving and sponsorship committee serves as the central decision-making and advisory body for contributions. For handling donation requests, the committee consists of four members, one each from the CSR Team, Communication, Executive Assistant, and Financial Accounting. For sponsorship matters, up to two additional members, from Human Resources and/or Sales, may be involved, depending on the subject matter or the potential sponsorship partner. In other KRONES Group companies, plant or company management serves as the central decision-making body.

Contributions are granted in accordance with a clearly defined, transparent process. The respective decision-makers review all requests for their merit in accordance with KRONES' charitable giving and sponsorship strategy. A uniform set of criteria are used for this assessment. It is based on the charitable giving and sponsorship policy, which is binding for all and makes up part of KRONES' anti-corruption programme.

2. Actions and processes

2.1 Sponsorship priorities

In general, KRONES' engagement focuses on three areas:

- Education, science and research
- Culture and sports
- Social welfare and the environment

Recipients of charitable contributions – whether monetary or in-kind donations – may be individuals, groups of individuals, or organisations. However, KRONES does not support political parties or political organisations. Preference is given to supporting projects and organisations in which KRONES employees can be actively involved or which have a regional relevance to one of the company's sites. Sports clubs or events will only receive support if they serve a charitable purpose or are open to active participation by KRONES employees.

Sponsorship activities cover the same areas as our charitable giving, but with the addition of events that are relevant to our business.

2.2 Controlling and Monitoring

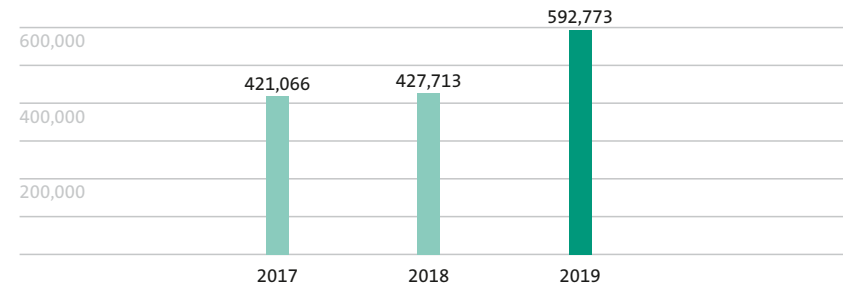
We regularly review and assess sponsorship activities to determine whether and to what extent they served the expected purpose. The review consists of media analyses and surveys that are specifically designed for employees, customers, and event organisers and are distributed to a random sampling of respondents after KRONES-sponsored events. Our aim is to clearly and transparently document the concrete benefits of the sponsorship activity – for the recipient and for KRONES. A survey-based analysis conducted in 2019 showed that our current policy is not in need of revision or updating at this time.

2.3 Internationalisation

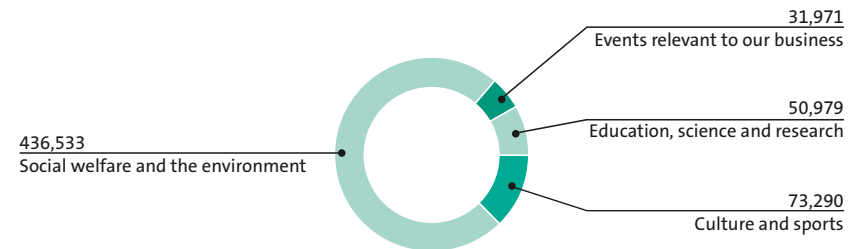
As part of the CSR rollout, we have been implementing our charitable giving and sponsorship strategy across the group in stages. The individual offices and plants will decide for themselves to what extent they will implement the strategy in concrete financial support of projects. To make each unit's spending on local communities transparently measurable, we will launch a new metric – Charitable Giving and Sponsorships within the KRONES Group – worldwide in the years ahead. The figure will be recorded for all major plants and offices on a regular basis.

3. Results

KRONES AG – Expenditure for charitable contributions and sponsoring (€)



KRONES AG – Expenditure for charitable contributions and sponsoring, by area (€)



4. Goals

- Internationalisation: Continue to roll out the charitable giving and sponsorship strategy across the group and introduce a groupwide metric as part of our global expansion of CSR management
- Streamline processes: Review and improve controlling and monitoring measures in order to ensure that funds contributed achieve the greatest possible benefit for KRONES and its beneficiaries

Data protection – Policy

Protecting personal data as well as information and information-processing systems is a key concern for KRONES. Every one of our employees strives and is obligated to maintain seamless information security across our entire organization – for internal data and systems and for the products and services we deliver to our customers. That is essential to our ability to maintain trusting business partnerships and to ensure uninterrupted operation of our own IT.

To accomplish this, we have established an Information Security Management System (ISMS). First implemented within KRONES AG and our EU-based companies, it will roll out successively across the entire KRONES Group.

The focus of ISMS activities is on defining and achieving the following objectives for information protection:

- Confidentiality: We must ensure that no unauthorised persons can access information and data.
- Availability: We must ensure that information and data is available to authorized persons when and where they need it.
- Integrity: We must ensure that information and data cannot be modified by unauthorised persons and that all changes are properly recorded.

The security requirements may vary based on the information, processes, and systems involved and are derived based on the needs of the respective business processes.

1. Organisation

Strategic and operational responsibility for data protection and information security is bundled in the role of Corporate Data Protection Officer and Corporate Information Security Officer, who reports directly to the CEO. In regions where additional Data Protection Officers are required by law, that role has been established in the respective subsidiaries. These officers know the group's core data protection requirements as well as the laws and regulations of their respective regions. In addition, all departments within KRONES AG that regularly handle personal data and all subsidiaries that are headquartered in an EU Member State have their own data protection coordinators. We have also established a comprehensive network of local accountability to further ensure information security. Specifically, this network consists of local Information Security Officers in the individual regions and companies.

2. Actions and processes

2.1 Guidelines and certification

The EU's General Data Protection Regulation (GDPR) serves as the main regulatory basis for our data protection efforts. The provisions of the GDPR are reflected in the KRONES Group's corporate data protection policy and complemented by additional local rules and regulations for the individual countries.

We also have established a groupwide information policy to ensure the security of information. It builds on ISO 27001 and serves as the foundation for the company's efforts to protect all information above and beyond the requirements of the law, especially our own business secrets and sensitive information from and about our business partners. Both policies are subject to regular review and updated as needed.

KRONES' Information Security Management System (ISMS) is ISO 27001 certified for all IT services that are provided centrally for the group.

2.2 Continuous improvement process

A continuous process for systematically improving information security within the group is an integral part of the Information Security Management System (ISMS). The process includes annual risk analyses, each with an internal and an external audit. The latter is performed by TÜV SÜD and is necessary in order to maintain ISO 27001 certification.

The analyses and audits cover actual incidents as well as potential risk events. Existing security policies are reviewed for their effectiveness and adapted or added to as needed. Changes or additions may relate to all factors – human, organisational, and technical – and can therefore range from employee awareness campaigns to fundamental changes to our IT infrastructure. Besides the periodic audits, a groupwide whistleblowing system serves as an important means to identify and counteract potential security risks on an ongoing basis.

3. Results

In order to systematically increase information security on our products, we have identified eight cyber security principles and incorporated them into our policy: secure login information, system hardening, up-to-date products, continuous risk management, defined lifespans, secure life cycles, documentation, and point persons. These principles are applied to new KRONES products and services. They have already been implemented in one of our major product lines and will be rolled out successively across the remaining product lines.

Implementation of the EU GDPR was completed in 2019. Besides making adjustments to processes, this included target-group-specific communication and qualification measures aimed at raising awareness among responsible personnel in the regions. We have also initiated and maintained regular exchange among departments and sites.

4. Goals

- Internationalisation: Continuously expand the internal network of data protection coordinators across the entire group, including the expansion of the management system under ISO 27001
- Product security: Successively roll out cyber security principles to all product lines
- Establish a Security Operation Centre (SOC): Implement a technical platform and associated processes starting in 2020 in order to detect and analyse internal and external anomalies and verify actual risks
- Technical security audit: Establish a programme to systematise technical security audits

4

EMPLOYEES

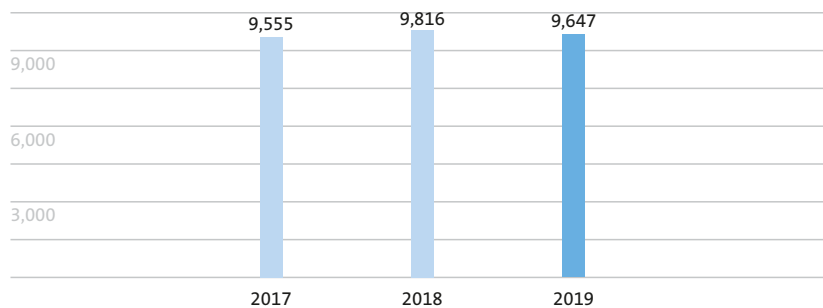
<i>Employee satisfaction – Policy</i>	29
1. Organisation.....	29
2. Actions and processes.....	30
3. Results	32
4. Goals	32
<i>Employee satisfaction – Additional information</i>	33
<i>Health and safety – Policy</i>	34
1. Organisation.....	34
2. Actions and processes.....	34
3. Results	35
4. Goals	36
<i>Diversity – Policy</i>	37
<i>Diversity – Additional information</i>	38

Employee satisfaction – Policy

The KRONES Group consists of many individual companies that operate in very different regions of the world and must manage widely varied challenges. Thus, the individual companies must have sufficient strategic and organisational freedom to align their human resources management with their own needs and adapt to local circumstances.

For that reason, unless indicated otherwise, this section focuses on human resources management within KRONES AG, whose 9,647 employees account for the largest share of the group's total workforce.

KRONES AG – Employees (employees covered by and exempt from collective agreements, apprentices, trainees)



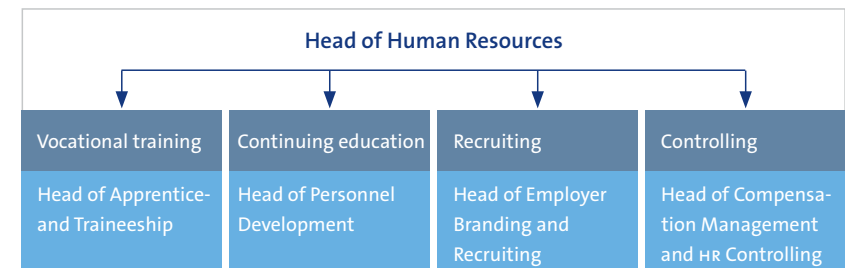
KRONES develops and manufactures capital goods that are technologically highly complex – for an intensely competitive market whose demands are constantly changing. The market is currently burdened by a weak global economy. To meet our ambitious long-term growth targets, we have made effective human resources policy a major priority. To accomplish what we have set out to do, we need a workforce that is up to the challenge.

KRONES' human resources strategy aims to maintain consistently high levels of competence, motivation, and qualification among employees. From KRONES AG's perspective, that requires three essential elements:

- Recruiting the right people
- Gaining the loyalty of high performers and high potentials
- Providing sustainable, purposeful training and continuing education

1. Organisation

Responsibility for the aspects mentioned above lies with the Head of Human Resources, who reports directly to the CEO. The following functional units in turn report directly to the Head of Human Resources and provide strategic and operational support:

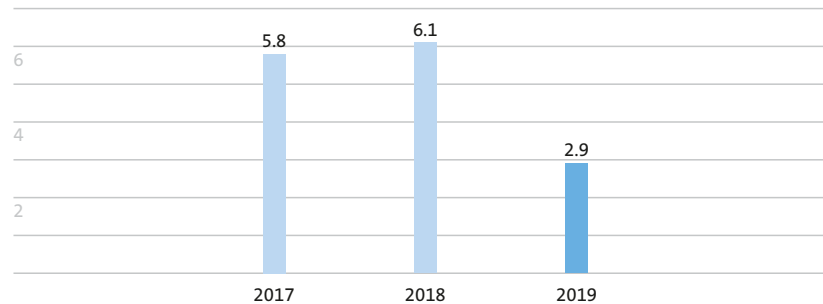


2. Actions and processes

2.1 Recruiting the right people

KRONES uses a wide variety of channels to engage with potential applicants. Besides the corporate website and social media activities, these include in particular collaboration with schools and universities as well as participation in recruitment fairs. In the period from 2016 to 2018, the annual rate of new hires at KRONES AG was around six percent. This constant growth combined with the challenging economic environment resulted in a reduced need for new employees in 2019. For this reason, the rate of new hires for the reporting period is far lower year-on-year, at 2.9 percent.

KRONES AG – New hires rate (% , employees covered by and exempt from collective agreements)



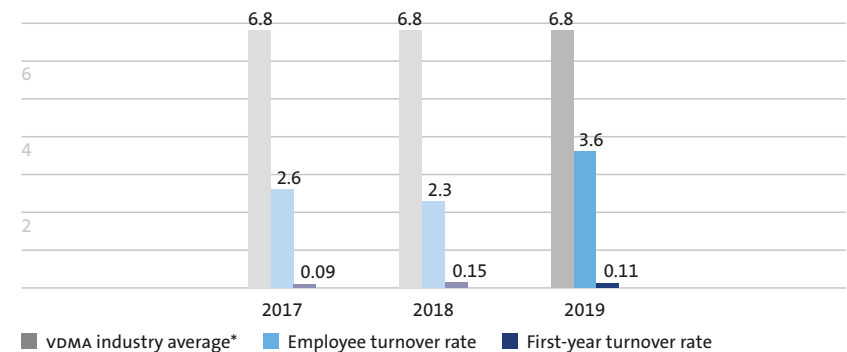
Although our staff requirements are largely covered at present, competing for the best people will remain a major concern for us going forward. Therefore, our Employer Branding and Recruiting team is using the current lull in hiring to optimise its recruitment channels. They have developed and launched a new online job board, adapted the applicant management system to the group's structure, completely overhauled the Careers section of our website and prepared it for relaunch, and increased their use of active sourcing as of 2019.

2.2 Gaining the loyalty of high performers and high potentials

The work culture at KRONES is based on the fundamental values of fairness and appreciation, which is manifest in many actions ranging from the framework collective agreement for the metalworking union, which KRONES applies in the form of a recognition agreement with the metalworkers' union, to the many and diverse benefits that KRONES offers its employees. We also sent a clear signal of stability and continuity in December 2017 when we adopted a company agreement on job security that applies through 2022¹. In our previous report, we communicated our aim of keeping employee turnover at least two percent below the industry average (per VDMA) – a goal we accomplished once again in 2019, despite taking targeted advantage of attrition to gradually reduce staff without layoffs (see section 3):



KRONES AG – Employee turnover and first-year turnover (% , employees covered by and exempt from collective agreements)



* The German Engineering Federation (VDMA) measures average employee turnover among companies in the machinery sector on a three-year cycle. The figures above are based on the 2017 measurement. The next measurement will be done in 2020.

¹ The corresponding company agreement applies to employees and apprentices at all KRONES AG locations and to the subsidiaries KIC KRONES, EVOGUARD, and ECOMAC.

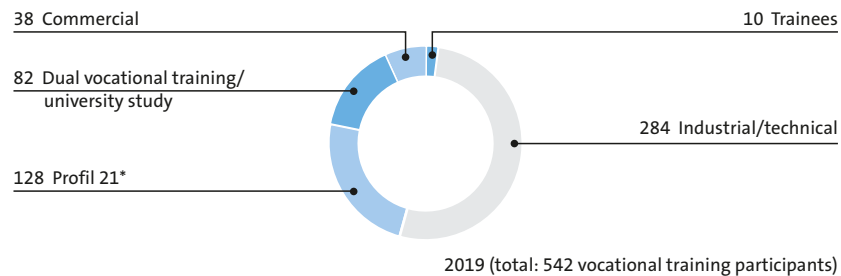
2.3 Training and continuing education

Because of the high expectations KRONES has of its employees, need-oriented staff development and training programmes are a high priority. That begins with vocational training and carries over across each employee's entire career.

The expanded training and continuing education programming mentioned in our previous report has since become a regular part of our offerings. For example, the first round of Profil 21 students will complete the new option of taking their international service technician qualification to the master craftsman level in 2020. Given the success of the launch of training programmes that combine vocational or professional schooling with practical, on-the-job training following the German model at several KRONES sites worldwide, we have decided to implement the same model at our newly opened plant in Debrecen, Hungary, starting in 2020.

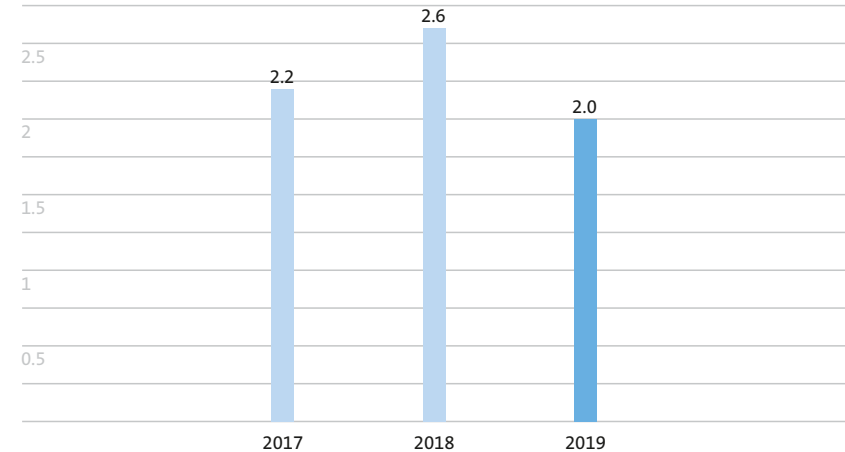
Because of the current age structure within KRONES AG, we do not expect age-related attrition to be very high in the next five to six years. That and the developments explained under point 2.1 have prompted us to reduce the number of vocational training opportunities starting in 2020.

KRONES AG – Vocational training participants by field in 2019



* Profil 21 includes both professional and technical training which gives graduates two separate qualifications at both the journeyman and master craftsman levels.

KRONES AG – Expenditure for training and continuing education (€ million)



KRONES spent around €2 million on training and continuing education for its employees in the reporting period. We continually review and adapt the entire range of training opportunities to meet current and future needs. Demand for e-learning programmes remains very high, particularly in technical fields. For that reason, we further expanded and updated these offerings in 2019.

To ensure that our training opportunities are aligned with current and future needs, we have consolidated the course catalogue as well as the landscape of external providers. In particular, we have revised the training opportunities for developing soft skills and added modules on project management and agile working.

3. Results

Last year's unstable macroeconomic environment and its repercussions for the company compelled us to review and streamline existing structures, processes, and resources. In an effort gradually reduce our high personnel expenses, a hiring freeze was put in place and around 200 jobs were eliminated across all German sites and business units. All job reductions were carried out in a socially responsible manner, whether through early retirement provisions, voluntary termination agreements, or attrition. This initiative will be continued in 2020. Accordingly, measures announced in our previous report were adjusted to the economic situation:

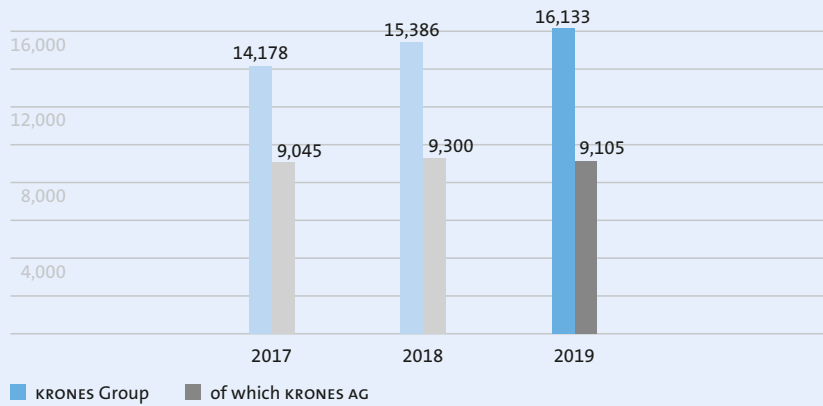
- Expanded application of the integrated HR IT tools to additional processes has been postponed until further notice.
- The professional development programme for management employees was continued as planned, but on a smaller scale. Instead of 250 managers, only 170 participated in 2019.
- The guidelines for uniform HR governance worldwide were developed in an iterative process. The policy was reviewed once again and systematically optimised in light of current developments, particularly with respect to the high cost of implementation arising from the various KRONES subsidiaries' very different levels of integration.

4. Goals

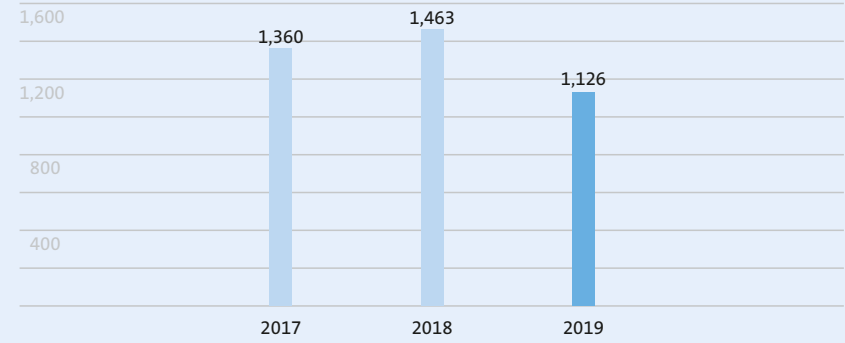
- Gradually reduce workforce: In order to streamline our organisation and bring personnel costs into line with the overall economic situation, we aim to slightly reduce the KRONES AG workforce again in 2020. Our goal is to ensure that this is done in a socially responsible manner, taking advantage of attrition. We will come closer to the industry average for employee turnover than we have in the past but will not match or exceed it.
- Internationalisation: The previously developed guidelines for uniform HR governance worldwide will be reviewed in light of the current economic situation. Our aim is to strike an economically justifiable balance between the positive effects of uniform HR governance and the resulting operationalisation costs.
- Gain the loyalty of high performers and high potentials: In this area, we plan to establish a systems-based approach that will help us identify employees with high performance or potential in a targeted manner.
- Management training: We will continue to run the program this year, on a scale similar to that of 2019.
- Communications: With preparations for the relaunch of the Careers section of our website completed in 2019, we now intend to implement the launch in early 2020.

Employee satisfaction – Additional information

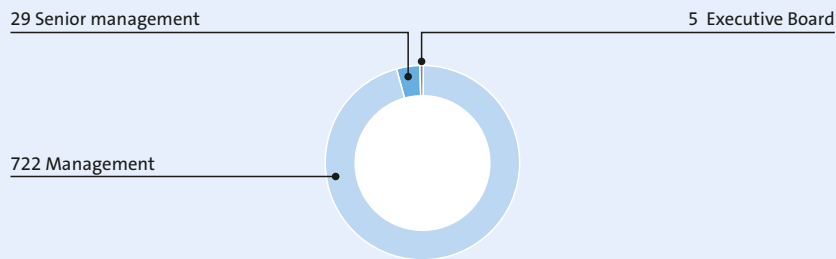
KRONES Group – Employees (employees covered by and exempt from collective agreements)



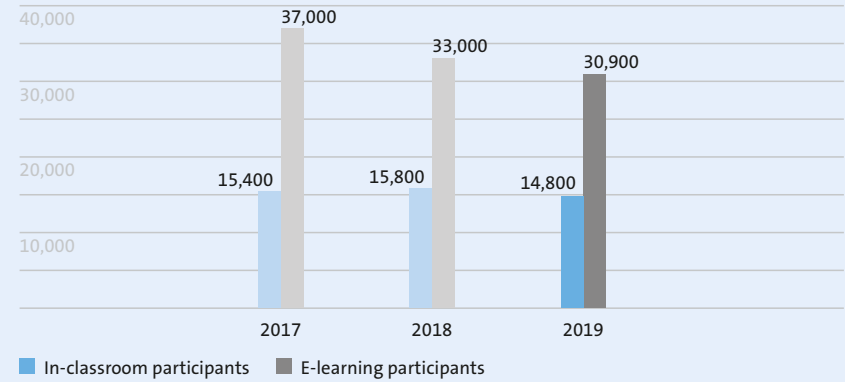
KRONES AG – Temporary workers



KRONES AG – Management structure in 2019



KRONES AG – Participation in continuing education opportunities



Health and safety – Policy

To address the topic of health and safety, KRONES has in place systems for occupational safety and health management. Our aim is to promote the health of KRONES employees, prevent work hazards, and keep the number of work-related accidents as low as possible. Thus, the underlying strategies rely heavily on prevention. We must be proactive, identifying potential risks and hazards so that we can develop and implement effective countermeasures.

Both management systems apply to KRONES AG, although we are currently rolling out the health management system in stages. Our occupational safety activities are already being rolled out in stages across the entire group: They meet the internationally recognised ISO standard 45001 and have been expanded to cover the sites in the USA, Brazil, and China that are certified under our Integrated Management System (IMS).

1. Organisation

At KRONES AG, the Head of Corporate Safety and Security leads our occupational safety efforts. In organisational terms, this role is subordinated to the Head of Human Resources and Social Affairs. However, with respect to occupational safety and health management, it reports directly to the CEO.

Health management is part of the HR Health Management organisational unit, which is also subordinated to the Head of Human Resources and Social Affairs. The team plans actions and coordinates the interdisciplinary collaboration between HR, the in-house medical service, Counselling Service, the Occupational Safety and Health team, Works Council, and KRONES' company health insurance fund (BKK).

2. Actions and processes

2.1 Occupational safety

The concrete process steps involved in occupational safety and health are based directly on the needs of the respective sites and departments. These needs are determined based on regular workplace inspections and continuous updating of hazard assessments. When conducting workplace inspections and preparing and updating hazard assessments, the occupational safety specialists work closely with managers and, if necessary, other employees. The resulting measures are systematically documented and continuously tracked. Their status is regularly reported to management. The following processes and preventative actions applied company-wide:

2.1.1 Consistent communication

As in the previous year, pre-committees were formed in 2019 in addition to the Workplace Safety Committees that are required by law. In the pre-committees, the Workplace Safety Specialists bring together the managers and Safety Officers directly responsible for various areas within the company to discuss matters relating to employee safety and health and to resolve any issues that arise. The Safety Specialists then bring selected topics and ideas from these meetings to the respective Workplace Safety Committees.

2.1.2 Machine safety

Our occupational safety and health management includes two preventive process steps that ensure the safety of production machines that are purchased new. First, through defined minimum requirements that are integrated as mandatory criteria in the centralised technical specifications that our Purchasing department uses as the standard for ordering; second, through rigorous safety testing that all newly purchased production machines must undergo before they are put into operation.

2.1.3 Groupwide rollout

Our occupational safety management is currently being rolled out successively to the entire KRONES Group. For this purpose, we established a unified data structure based on our non-financial reporting policy in 2019. We will build on that, consolidating our occupational safety management groupwide in order to establish an even more effective system of preventive and corrective measures.

2.2 Health management

Developments in the world of work such as demographic change, longer working lives, and rising expectations of employees' flexibility and ability to work under pressure present new challenges for companies and their employees. Our occupational health management programme aims to maintain and improve the physical and emotional health of our employees, which in turn helps improve employability, motivation, and productivity.

2.2.1 Status quo analyses

KRONES AG's health management policy is based on the PDCA (Plan, Do, Check, Act) cycle, which uses two main data sources: detailed analysis of employee disablement and needs analyses based on employee surveys. Together, the cumulative results of the analyses serve as the basis for developing targeted health interventions. That ensures that employees' needs are met in the best possible way, in line with their specific requirements and circumstances and taking into account workforce opinions on specific health issues.

2.2.2 Healthy living classes

Courses and training on promoting good health and preventing illness at our Rosenheim, Nittenau, and Neutraubling plants form the heart of our prevention efforts. Our health offerings consist primarily of courses on back health, movement, relaxation, preventing stress, and eating a healthy, balanced diet. We offer short units like rapid relaxation techniques and 15-minute movement

breaks as well as more intensive courses like 60-minute functional training sessions. Internal communications on specific health topics like colon cancer prevention serve as an important tool for raising awareness among employees to prevent illness. In 2019, we established a new standard prevention policy – which includes a description of processes – that now serves as the basis for our health promotion efforts.

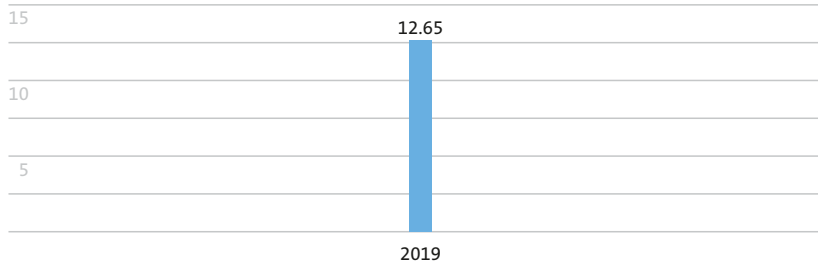
3. Results

The effectiveness of our occupational safety and health management was reviewed on the basis of quarterly reports to management in 2019. The reports included accident statistics, lost days, and costs associated with accidents. We achieved the goals stated in our last report:

- The OHSAS 18001 standard was replaced with the new ISO 45001, both within KRONES AG and at our IMS certified sites.
- The machine safety project was completed as planned in 2019: Safety-related retrofits of all milling machines were carried out. Additional preventive measures for production machines that are purchased new have been established as standard procedure (see 2.1.2).
- As part of our effort to consolidate our occupational safety management internationally, we have introduced two new metrics. Instead of recording the rate of accidents resulting in one or more days of lost time per 1,000 employees, we now record accidents and resulting lost days per 1 million hours worked. This is in keeping with the current, international standard and thus gives us a basis for drawing meaningful comparisons across sites and across the globe. Assessment of lost days is still limited to the KRONES AG level, but we are in the process of rolling it out across the group.

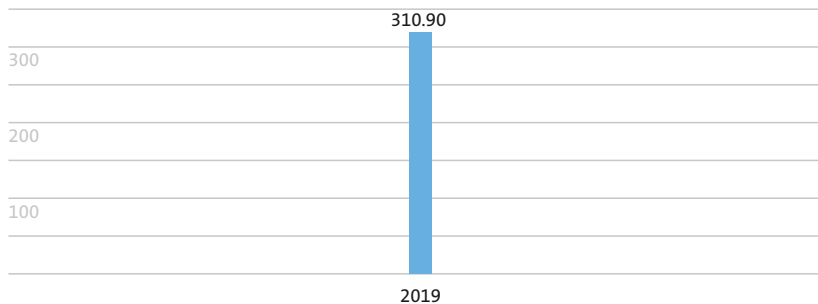


KRONES AG – Workplace accidents per 1 million hours worked



This figure is based on employees covered by and exempt from collective agreements, apprentices, trainees, interns, and working students at KRONES AG and does not include temporary workers or persons working under "work contracts". It only includes the number of workplace accidents (excluding commuting accidents) in the current calendar year.

KRONES AG – Lost days following workplace accidents per 1 million hours worked



This figure is based on employees covered by and exempt from collective agreements, apprentices, trainees, interns, and working students at KRONES AG and does not include temporary workers or persons working under "work contracts". Lost days from 1 January 2019 to 31 December 2019 are calculated from the first day lost as a result of the accident and are attributed to the accident. Lost days include every full calendar day (including holidays and weekends if these are included in the certification of the person's incapacity for work). Lost days resulting during the calendar year from earlier workplace accidents are also included in the calculation.

In 2019, our occupational health management efforts focussed on developing standard processes for prevention and data analysis. However, due to the economic situation, we were not able to roll out the policy equally across all of our sites. Stepping up cooperation with internal partners also played an important role in the reporting period. We conducted surveys in selected plants and departments in the reporting period, which served as the basis for our efforts to continuously expand our course offerings at our Rosenheim, Nittenau, and Neutraubling plants. In December 2019, we launched an extension of our program for apprentices on topics like mental and physical fitness in our Neutraubling, Rosenheim, and Nittenau plants.

4. Goals

- Groupwide occupational safety rollout: The international rollout to gradually consolidate our occupational safety management will continue in 2020.
- Hazard assessments: In terms of occupational safety, we will continue to implement the system for assessing hazards in 2020 and continuously expand it to cover additional hazard groups. In terms of health management, we intend to develop a standard process for better assessing stress-related hazards for all German plants.
- Expand health management: We intend to consistently roll out our prevention policy across all German plants by way of a health portal. The apprentice program in Neutraubling, Rosenheim, and Nittenau will continue.
- Expand management policy: We intend to gradually expand our existing policy, defining health-relevant metrics, raising awareness of health topics among management personnel, and conducting internal quality assurance audits.

Diversity – Policy

Diversity is an important topic for KRONES and our stakeholders. KRONES signed the Diversity Charter in 2010, clearly expressing the company's commitment to promoting diversity within the group.

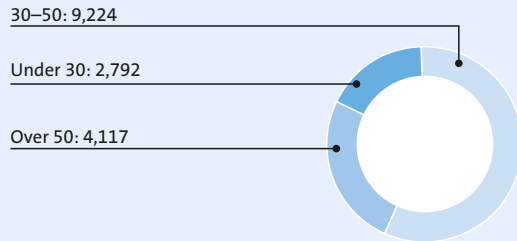
Until now, our efforts have been limited to ad hoc measures. As announced in last year's report, we have developed a diversity management policy with concrete action areas for the KRONES Group. The new policy focuses on ensuring that our teams are diverse in terms of age, gender, and nationality with the aim of increasing efficiency, flexibility, and creativity within our organisation. To accomplish this, we will bundle existing activities, implement new measures, and set new targets.

To effectively implement our diversity policy and live it sustainably, we need processes and tools that must first be established and implemented within the group. Because of the challenging economic environment, we will be introducing the diversity policy in stages beginning in 2020.

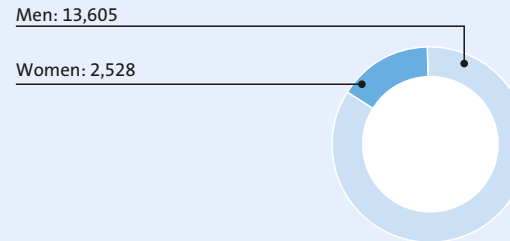
For the sake of transparency, we provide some current numbers on the topic of diversity that are currently being managed by way of several targeted actions.

Diversity – Additional information

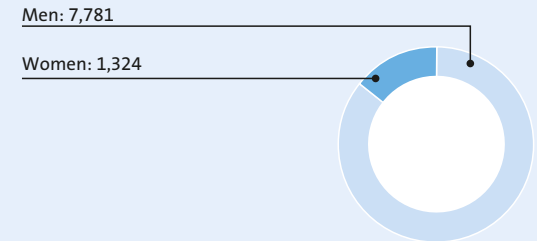
KRONES Group – Age structure 2019*



KRONES Group – Gender ratio 2019*

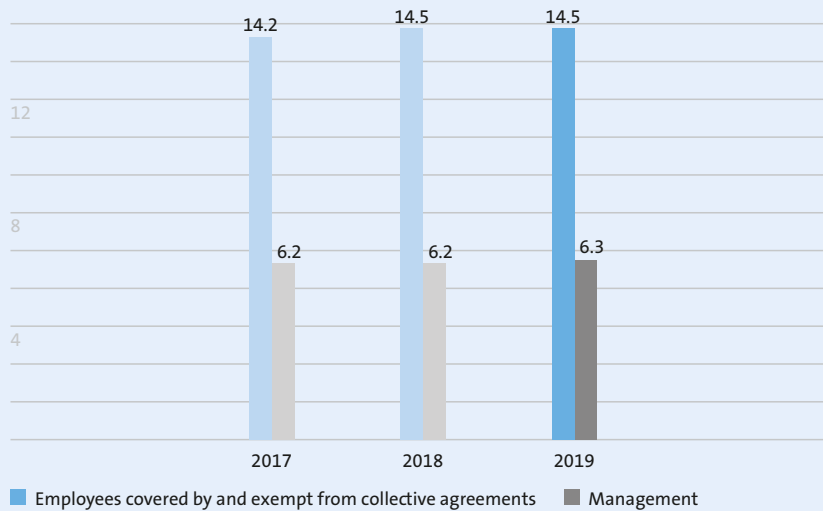


KRONES AG – Gender ratio 2019

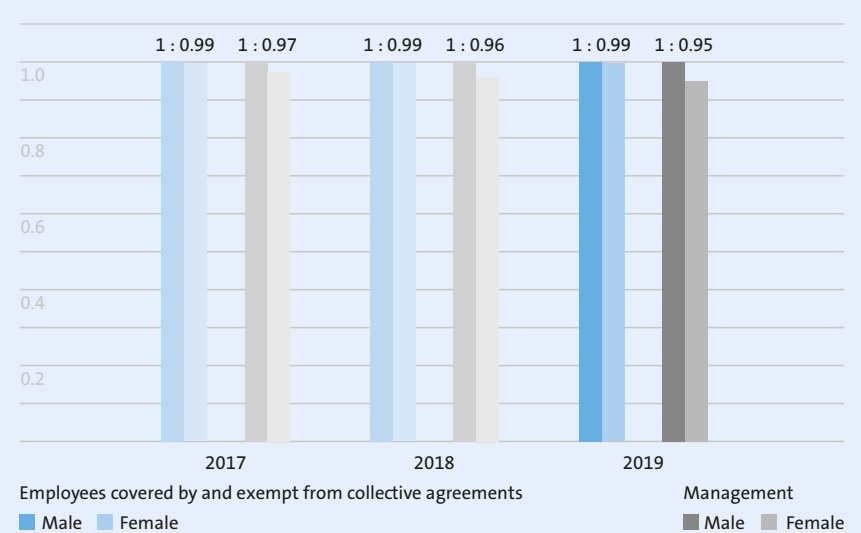


* A few smaller subsidiaries have not yet provided concrete numbers for these figures. As a result, the figures listed here may differ from the number of group employees listed on page 33.

KRONES AG – Gender ratio 2019: Share of women (%)



KRONES AG – Gender ratio 2019 – Base salary and pay of men to women



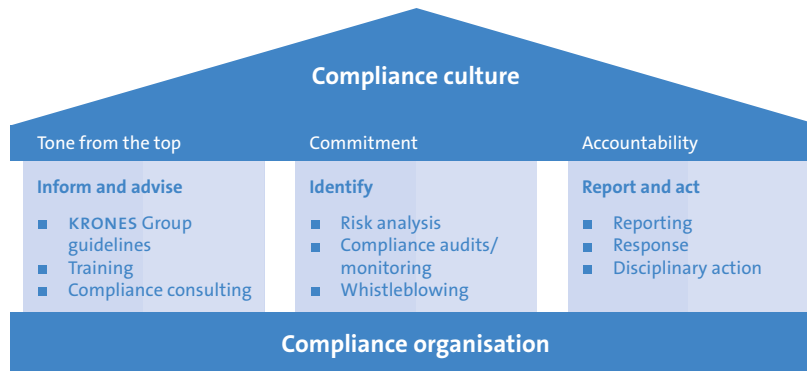
5

ETHICS

<i>Compliance – Policy</i>	40
1. Organisation	40
2. Actions and processes.....	40
3. Results	42
4. Goals	43
 <i>Human rights – Policy</i>	44
1. Organisation	44
2. Actions and processes.....	44
3. Results	45
4. Goals	45
 <i>Sustainable supply chain – Policy</i>	46
1. Organisation	46
2. Actions and processes.....	46
3. Results	47
4. Goals	47
 <i>Sustainable supply chain – Additional information</i>	48

Compliance – Policy

Within the KRONES Group, compliance stands as an umbrella term for conduct that is in keeping with the law and regulations. However, the rules that apply within the company go beyond the requirements of the law. They also include internal policies and moral values and norms that are aligned with KRONES' own ethics and are manifest in KRONES' Code of Conduct. The material aspects relevant to our understanding of compliance can be summarised as follows:



In general, KRONES' compliance management aims to create a culture of integrity throughout the entire group and thus minimise compliance risks to the greatest extent possible.

1. Organisation

Strategic and operational responsibility for compliance management is bundled with the Head of Compliance and Corporate Governance at KRONES AG and in an office of the same name at the group level. In 2016, additional Compliance Officers were appointed in all of KRONES' sales regions to support the office in operations. These officers know the group's central compliance requirements as well as the laws and regulations of their respective regions. This knowledge

enables them to advise and support local employees on all aspects of compliance. A Compliance Committee also supports the Head of Compliance and Corporate Governance in an advisory capacity. The committee is made up of representatives of the Executive Board areas of responsibility.

2. Actions and processes

2.1 Risk analysis

The compliance risk analysis covers risks relating to the following:

- Governance
- Active and passive corruption
- Cartels
- Health, safety, security, and environment
- Money laundering
- Fraud



The results of this risk analysis are aggregated at the level of the business areas and the regions and visualised on a risk overview developed specifically for each business area and region. The results are also bundled into our groupwide risk analysis. Additional compliance-related risks may be addressed by the individual departments or may already be part of the general groupwide risk analysis.

2.2 Reporting

Clear lines of reporting apply to compliance aspects. The Compliance Officers in the regions report to the Head of Compliance and Corporate Governance, who in turn reports to the Supervisory Board's Risk and Audit Committee once a year. The Head of Compliance and Corporate Governance also regularly reports to the Executive Board and the Compliance Committee at the Compliance Committee's quarterly meetings, presenting developments in the past quarter and further plans. The committee offers opinions in an advisory capacity.

2.3 Communication

Various KRONES communication channels are used to convey information to employees depending on the topic and target group:

2.3.1 Code and guidelines

KRONES revised its Code of Conduct in 2019. The aim of the Code of Conduct is to ensure compliance with laws, standards, policies, and guidelines company-wide and thus create a working environment characterised by integrity, respect, and fair and responsible conduct. At the same time, the Code of Conduct serves to establish a reliable compliance culture and encourage employees to report irregularities. It applies to and is binding for every body and every employee within the company. In the interest of all employees, violations are systematically investigated and disciplinary action taken. In our revision of the Code, we have systematically added to each chapter concrete examples and what individual KRONES employees can do. That makes it easier for employees to implement the principles of conduct within the group.

Supplementary compliance guidelines, which also apply across the group, make concrete the fundamental normative principles of the Code of Conduct for specific applications, such as fair and proper competition or fighting corruption and money laundering.

2.3.2 Training programme

We provide mandatory training programmes as part of our efforts to establish a culture of compliance throughout the entire company. For employees with a PC workstation, this training consists of comprehensive basic e-learning on the reasons, scope, and specific content of KRONES' compliance culture. As of 2019, employees must complete a refresher e-learning course every two years. For employees without a PC workstation, instruction is the responsibility of the respective managers.

A second training series is dedicated to the topic of anti-corruption and is designed especially for employees in Sales and Purchasing. This training is also an e-learning course. Participation in and completion of all training courses are the responsibility of the respective managers and are documented accordingly.

2.4 Help desk and KRONES Integrity

Group employees seeking information about compliance-related matters or wishing to report possible violations can speak with their immediate superior or use any of three additional channels:

- Contact the Compliance Officer, the Head of Compliance and Corporate Governance, or the Compliance team directly
- Call the telephone help desk or email compliance@krones.com
- Submit a report through the KRONES Integrity online portal

The latter two options enable users to remain anonymous and are therefore especially well suited for reporting possible rules violations. The KRONES Integrity online portal is available to group employees and to third parties who identify compliance gaps relating to KRONES. It can be accessed via a direct link from the Responsibility section of the KRONES website. To ensure the highest

levels of access protection and data protection for users and to ensure encrypted content and a secure connection, the system is operated by an independent third-party provider. All compliance-related matters and tips that are brought to the help desk or KRONES Integrity are documented for further processing and evaluation.

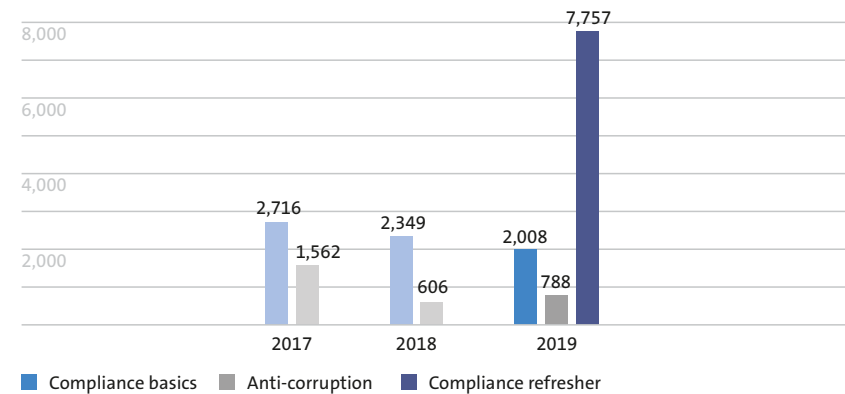
2.5 Monitor, detect, respond

Besides regular standard audits, the Head of Compliance and Corporate Governance conducts spot checks – particularly of processes with increased compliance risk such as the reporting of travel expenses – to verify the effectiveness of our compliance culture. If he detects a suspected or actual compliance incident, actions are taken. These include case management and disciplinary action. Knowledge gained through this process is used to develop and implement new actions as necessary and reasonable.

The implementation of a due diligence process for customers, intermediaries, suppliers, third-party payers, new managing directors, and new members of top management announced in last year's report was completed as planned and converted into a regular process. That gives the group a tool for process-integrated monitoring of business partners in high-risk countries for compliance incidents, provided that the data is publicly accessible.

3. Results

KRONES Group – Compliance training (in-person and e-learning)



The compliance basics course is mandatory for every KRONES employee. It must be completed within the first three months of employment and may be taken as an e-learning course, instruction from a manager, or an in-classroom course. The anti-corruption training is relevant for employees who have regular third-party contact with customers, suppliers, and government offices. The refresher training was implemented throughout KRONES AG in 2019 and will be successively rolled out worldwide in the years ahead. It serves to remind employees of the basics and is to be repeated every two years. We have added the new compliance refresher course to our chart on compliance training above.

The compliance measures announced in last year's report were carried out as planned:

- The revised Code of Conduct was rolled out and communicated across the group.
- The compliance training programme was expanded to include an e-learning refresher course that is to be completed every two years. The rollout within KRONES AG is complete.
- Our risk analysis was reviewed for its appropriateness and expanded to include current topics relating to fraud and governance.
- As part of our ongoing internationalisation process, compliance reviews were conducted on those service and sales sites, subsidiaries, and brands where the compliance rollout has already been completed.
- We have designed questionnaires to add compliance topics to existing supplier audits. However, due to the strained business situation in 2019, their rollout was postponed to 2020.

4. Goals

- **Groupwide online training:** Now that the refresher e-learning course has been introduced within KRONES AG, the next step will be its successive rollout across the entire group.
- **Compliance rollout and reviews:** As part of the ongoing process of internationalisation, newly established or acquired subsidiaries will be successively included in the compliance management system and its processes. In addition, compliance reviews will be conducted on those subsidiaries where the rollout took place more than two years ago.

Human rights – Policy

Fairness, mutual respect, and tolerance are fundamental values that inform KRONES' culture. Every member of the group is expected to respect these values and use them as a guide for their own actions. That expectation is clearly and unequivocally stated in the KRONES mission statement, our Code of Conduct, and our leadership principles, which apply across the group.

Because we do business globally, we consider human rights due diligence imperative, an obligation that every single member of our group must fulfil. To ensure that this requirement is met across our entire value chain, we have integrated it into our Code of Conduct and our Supplier Code.

We base our human rights due diligence primarily on the following guidance:

- UN Global Compact
- International Labour Organization (ILO)
- Base Code of the Ethical Trading Initiative (ETI)
- OECD Guidance

1. Organisation

Under KRONES' Code of Conduct, all employees – particularly those in managerial roles – are responsible for ensuring that human rights standards are upheld at every point along our value chain. The strategic management of our human rights policy and the operational management, implementation, and monitoring of measures and processes in the KRONES Group are incumbent upon the CSR office. Compliance and the respective point persons from HR, Purchasing, Sales, and/or Supplier Quality Management are drawn into the process as needed – for instance, if a possible violation of human rights is reported.

2. Actions and processes

2.1 Human rights within KRONES' Code of Conduct and Supplier Code

A revised edition of the KRONES Code of Conduct was made, published, and communicated in the year under review. In the new edition, respect for human rights is handled in a separate chapter of its own. The chapter describes and prescribes standards of conduct. It uses fictional examples to clarify what a human rights violation might look like. It also obligates all group employees to respect human rights and report any violations. The KRONES Code of Conduct is binding for all employees and presents our human rights policy statement as required under Germany's National Action Plan (NAP) on Business and Human Rights.

The existing Supplier Code, compliance with which is a prerequisite for a business partnership with KRONES, also explicitly includes human rights issues such as equal opportunity, forced labour, and mistreatment under the heading “Labour”. As part of our Code of Conduct update, we are also currently revising our Supplier Code.

2.2 Human rights risk analysis

We conducted a two-part human rights risk analysis in 2019 to assess the likelihood of possible human rights violations. Risks arising from our own business activities were analysed on the basis of the results of several social audits within KRONES AG and at major international locations. The CSR Team conducted a qualitative assessment of the respective findings based on the severity of the impact on human rights.

Besides the risks from our own business activities, we also analysed risks from supplier relationships. The qualitative risk assessment of suppliers was based on an evaluation of information on country- and product-specific human rights risks from publicly accessible databases. The resulting assessments were applied to the largest suppliers by sales of the four main raw materials stainless steel, steel, aluminium, and plastics. This risk assessment is supplemented by findings from the compliance due diligence audits, which may also provide indications of possible human rights violations in the supply chain.

The findings of both risk analyses have been incorporated into the regular groupwide risk management reporting process and will in future also be used in existing HR, purchasing, and audit processes.

2.3 Human rights within the KRONES Integrity reporting system

KRONES Integrity is an online portal through which employees, business partners, and third parties can submit tips about violations of laws or internal rules – either anonymously or with contact information. It can be accessed from the corporate website. As of 2019, it is now possible to clearly identify tips about human rights violations as such and thus for responders to handle them accordingly. Information submitted is reviewed by the relevant teams. If a violation has, in fact, occurred, suitable action is taken to remedy the situation as quickly as possible.

3. Results

The existing management policy on human rights was expanded in 2019 to include risk analysis of our own business activities and of major raw materials suppliers (see 2.2 above).

4. Goals

- Revise the Supplier Code: Update the section on human rights to match the new chapter in the Code of Conduct.
- Expand the risk analysis for suppliers: Gradually expand the methodology for assessing the risk of human rights violations to cover additional supplier groups.
- Expand management policy: Derive potential measures on the basis of the risk analysis and implement them in existing HR, purchasing, and audit processes.

Sustainable supply chain – Policy

Sustainability is a responsibility that runs the entire length of our value chain. As the markets have become increasingly globalised, KRONES has steadily grown its global footprint through regional sourcing of materials, components, and services. Besides the strategic benefits like cost efficiency, closeness to customers, and increased use of the expertise of our employees worldwide, this has also yielded benefits in terms of sustainability, such as reduced transport distances.

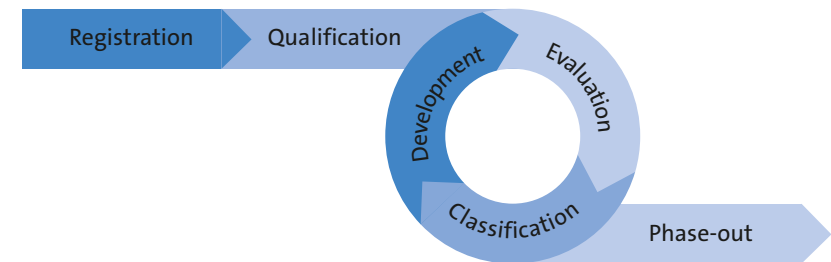
At the same time, the gradual relocation of supply chains to the regions also presents challenges in terms of sustainability and responsibility. As a member of the UN Global Compact, KRONES regards aspects like environmental protection, occupational safety, and human rights as an absolute imperative for our partnerships with suppliers worldwide. KRONES' Supplier Code defines the company's requirements of business partners in terms of sustainability and social responsibility.

1. Organisation

Supplier management is an interdepartmental function within the group's organisation. The tasks and responsibilities lie with the respective Purchasing teams and the Supplier Quality Management team as well as with the Product Lines, which serve as end customers, and their respective points of contact within the organisation. As we gradually decentralise our procurement activities, more and more purchasing functions are delegated to the regions and subsidiaries. Strategic Purchasing, whose management reports directly to the CFO, serves as the key point of contact across the group. To ensure sustainability in our supply chain, our Compliance and Corporate Governance and Corporate Social Responsibility teams work closely with those responsible for supplier management.

2. Actions and processes

Key actions and processes are governed by a procurement policy that applies groupwide. KRONES AG and its subsidiaries implement the provisions of this policy, taking into account business- and region-specific considerations. Supplier management is done in six stages, each of which is a process in and of itself. The processes' objective is to establish transparency with respect to the performance, quality, and sustainability of KRONES suppliers.



2.1 Registration

During the registration process, potential suppliers are asked to provide general information about their company. In this first step, they must agree to KRONES' general terms and conditions and to the content of KRONES' Supplier Code and vow to abide by them. In this way, suppliers are obliged to comply with recognised standards and fundamental principles in the areas of health and safety, environment, labour, and compliance.

2.2 Qualification

Suppliers are then vetted on the basis of specific criteria depending on the product group. Topics relating to sustainability, such as environmental protection and occupational safety, are also made part of this process for certain supplier groups through a standardised questionnaire. Suppliers are generally only approved after they have been completely vetted and deemed qualified.

2.3 Evaluation

Once a business relationship is established, the supplier is subject to regular evaluations. Selected suppliers' environmental, occupational safety, and quality management are also reviewed through risk-based product and system audits. Besides weaknesses, risks, and potential for improvement of the respective management systems, the audit also examines the supplier's compliance with KRONES' Code of Conduct and Supplier Code. Any necessary remedial actions are determined by the audited organisation and coordinated with those responsible for carrying out the actions. Purchasing, Central Quality Management, and the respective departments collaborate closely on the reviews that make up the audit.

In future, Compliance and Corporate Governance and Corporate Social Responsibility will be involved in the process of selecting suppliers to be audited.



They will conduct in advance a compliance due diligence audit (see page 42) and a human rights risk analysis (conducted for the first time in 2019, see page 45).



On this basis, sustainability matters in the supply chain can be reviewed from a risk perspective and thus in a more targeted manner.

2.4 Classification

Our supplier classification system maps the most important characteristics of individual suppliers to a single overview. That facilitates supplier selection and development and makes it possible to compare suppliers in a transparent process.

2.5 Development

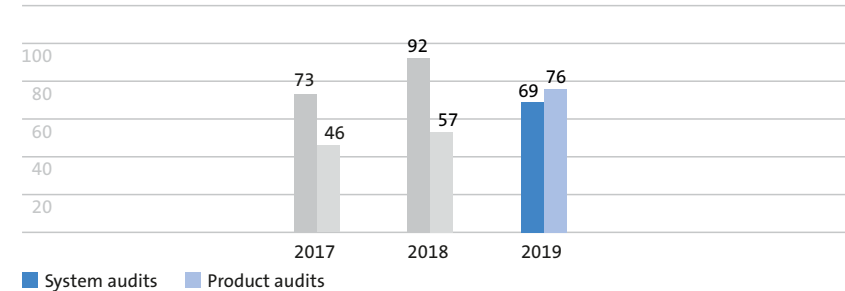
Supplier development can be initiated by Strategic Purchasing, the Product Lines, or Quality Management. Individual actions are closely coordinated in order to increase or ensure supplier performance.

2.6 Phase-Out

Phase-out is the process of ending a supplier relationship. Possible grounds for such action include insufficient implementation of agreed improvement measures or a strategic reorientation of KRONES AG in the respective product group.

3. Results

KRONES AG – Number of system and product audits on suppliers

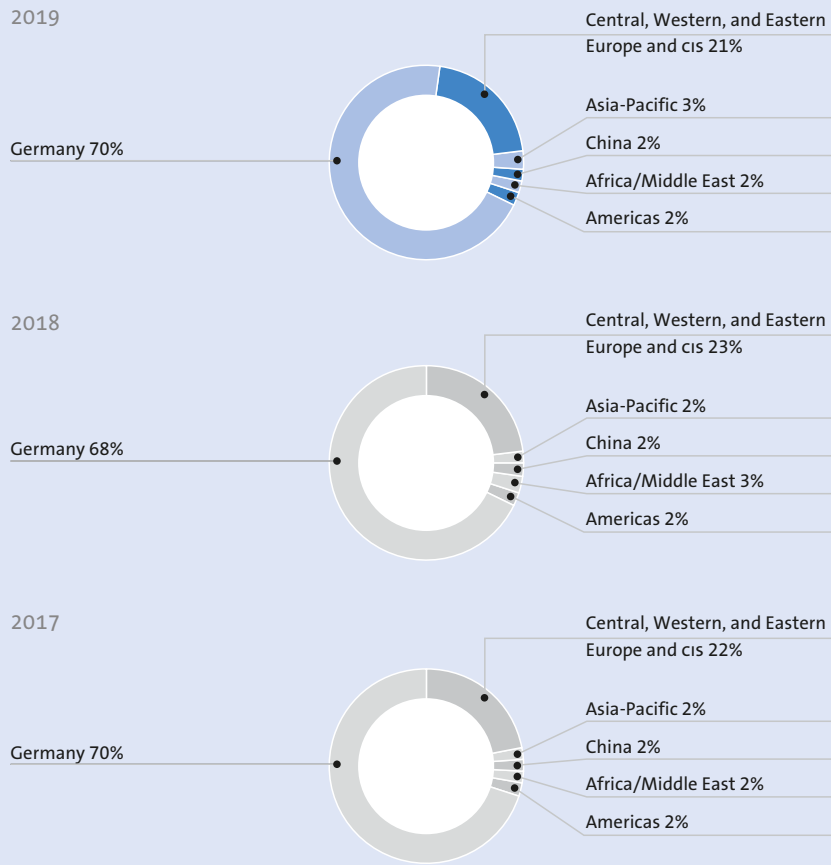


4. Goals

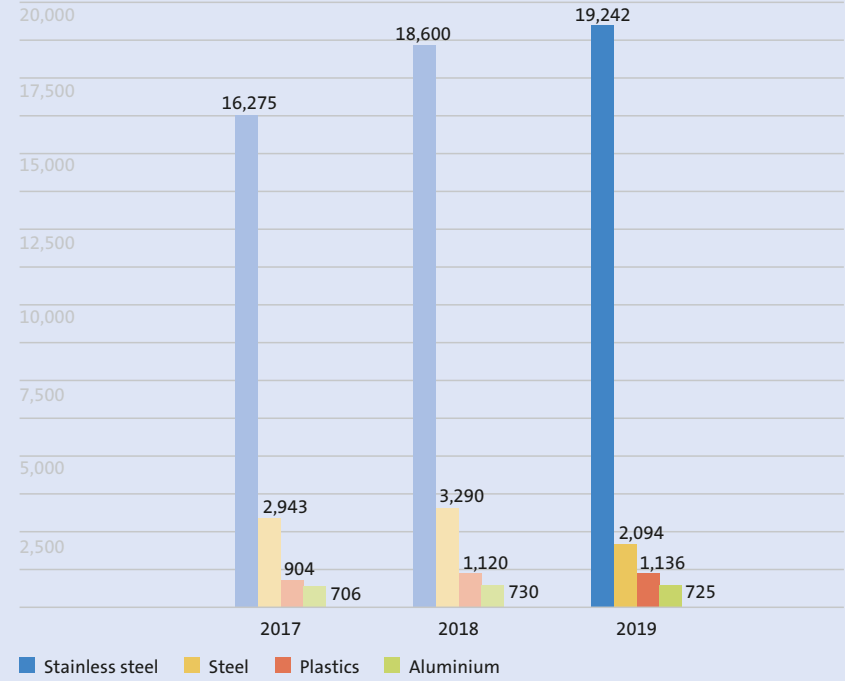
- Decentralise local procurement: As part of our efforts to expand our global footprint, we will increase the volume of goods supplied outside Germany. We are also decentralising more and more strategic functions depending on the level of development. Governance will continue to be managed and implemented through the group's corporate offices.
- Revise the Supplier Code: We will update our Supplier Code this year, to match the revised KRONES Code of Conduct.
- Targeted risk-based selection of suppliers for sustainability audits: The results of existing compliance due diligence audit and the human rights risk analysis should play a role in the process of selecting suppliers to be audited. Corporate Governance will be involved in the respective processes.

Sustainable supply chain – Additional information

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



KRONES AG – Key raw materials sourced (metric tonnes)



6

MARKET

<i>Innovation – Policy</i>	50
1. Organisation.....	50
2. Actions and processes.....	50
3. Results	51
4. Goals	52
 <i>Customer matters – Policy</i>	53
1. Organisation.....	53
2. Actions and processes.....	53
3. Results	55
4. Goals	55

Innovation – Policy

Developing innovative technologies, products, and solutions is the very basis for KRONES' sustainable growth. Innovation follows a uniform, clearly defined process, which ensures that development activities meet our goal of creating significant benefit for our customers.

The innovation cycle at KRONES takes four years. That is because the drinktec trade fair occurs every four years. As the premier trade fair for beverage technology worldwide, drinktec is the most far-reaching opportunity for KRONES to demonstrate its innovative power.

The fair is not only a platform for presenting new products. It is also an opportunity for the company to speak directly with customers and other fair visitors and gain important input that we then inject into the further development of the exhibited machines and systems and into our innovation planning.

1. Organisation

Germany is KRONES' development and innovation headquarters. The Corporate Research and Development department there develops our overarching innovation strategy. It applies to KRONES AG as a whole. It also serves as an important guide for development work performed by subsidiaries.

Strategic and operational responsibility for innovation lies with the Head of Corporate Research and Development, who reports directly to the Executive Board member responsible for Bottling and Packaging Equipment. Because innovation is so critically important for KRONES, defining our innovation strategy and tracking its implementation is done in close collaboration with the Executive Board as a whole.

2. Actions and processes

2.1 Innovation process

Within KRONES' innovation process, we identify development needs and prepare the associated planning processes for the relevant Business Lines. Its structure allows KRONES to:

- Respond flexibly to market changes
- Maintain and further expand its technological leadership
- Use industry and research knowledge profitably
- Produce cost-effectively

The innovation process can be broken down into three sub-processes:



Early identification of technology needs

Identify technology trends and promising development potential through

- Trend research and technology studies
- Internal innovation workshops and developer conferences
- Cooperation with universities, research institutions, and suppliers

Product portfolio management

- Uncover gaps and synergies between the individual areas of development

Innovation planning

- Prioritise projects and plan resource allocation
- Generate a unified innovation roadmap

Further development of the innovations to production-readiness is then done in a technology research and product development process downstream.

2.2 InnoDays internal developer conference

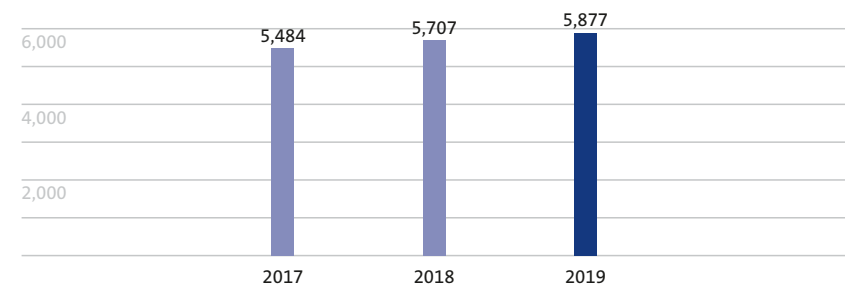
InnoDays, our internal technology and developer conference, is an important platform for communication and information for all employees within KRONES AG. The conference aim is to foster interdepartmental sharing across all KRONES departments and at the same time build enthusiasm for KRONES' innovative power among employees. In 2019, the two-day event focussed on research projects relating to digitalisation, robotics applications, and promoting a circular economy. In all, more than 50 topics on all aspects of the latest inventions and ideas were presented and explained in layman's terms.

3. Results

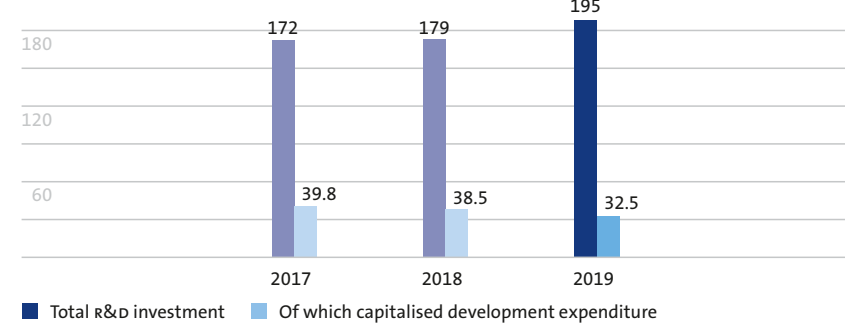
KRONES' innovation process is considered to have been successful when the technologies developed move from prototype to product – and ultimately gain acceptance on the market. In 2019, KRONES brought a new generation of can fillers to market. Our process technology team also made STEINECKER's innovative Phoebus membrane filtration for beer ready for market. This technology features an exceptionally high standard of hygiene, energy-efficient filtration, and optimum filtration results.

We made progress towards our goal of improving our agile product development, successfully completing a range of projects using the agile approach in 2019. An agile working group and agile coaches training are helping to promote the penetration of agile development into existing innovation processes.

KRONES AG – Number of registered patents and utility models



KRONES AG – Expenditure for research and development (€ million)



4. Goals

- Agile product development: Continue and optimise our use of the agile approach in development projects.
- Across-the-board portfolio management: Establish a strategic framework and coordinate development activities across the entire KRONES Group with the aim of strengthening the company's position as a supplier of complete solutions.
- Research and development ecosystem: Purposefully expand technological expertise by strengthening internal and external partnerships, for example by building expert teams for promising innovation topics.
- Update our innovation strategy: Develop and implement a top-down approach to innovation discovery and development that relies more heavily on a cross-functional focus on comprehensive solutions and vision-driven, anticipatory innovation instead of reactive, project-based development.

Customer matters – Policy

KRONES' actions are guided by our customers' requirements. We focus on delivering high quality by continually optimising our products and processes and providing the best possible customer care by ensuring fast, individualised service.

Quality is one of KRONES' most important selling propositions. That is why quality is part of our innovation process from the very beginning, and we strive to continuously improve existing products. According to KRONES' mission statement and code of conduct, it is every employee's duty to demonstrate a critical awareness of quality in order to ensure that our work and our products meet our high standards at every point along the value chain.

At the same time, we are continually improving our sales channels through the Sales Excellence programme. Optimising our support and services by means that include systematically monitoring our performance in terms of customer satisfaction is the heart of this programme.

1. Organisation

Quality Management and Sales are the two main interfaces in the many sub-processes involved in meeting our customers' needs.

Quality officers in the respective organisational units promote a focus on product quality groupwide. The overarching organisational and content-related coordination and governance is handled centrally by Corporate Quality Management.

Parallel to that, the Sales Excellence programme extends across KRONES' entire sales organisation. It provides the framework for developing a consistent, long-term sales strategy, not only for KRONES AG but also (and particularly) for the individual sales regions. Its continuous evolution is driven by General Sales Management and Marketing. Operational implementation across our product range is done in the respective sales divisions and regions.

2. Actions and processes

2.1 Quality guidelines

Corporate Quality Management establishes binding quality guidelines for the group which, in turn, are further developed and defined to match the requirements of the respective departments. To ensure that the quality specifications are implemented, Corporate Quality Management carries out regular audits and initiates appropriate improvement measures in response to deviations.

2.2 Quality measures

Feedback from customers (see 2.3) and our employees is an important source of quality-related information for KRONES. This information is systematically incorporated into product development via defined processes. Regular processes are in place for analysing tips and occurrences and for deriving appropriate measures. Milestone meetings are used to ensure progress in improvement and compliance with product quality specifications.



In addition, a number of systematic tools and methods are used along the entire value chain to ensure and optimise product quality. These include:

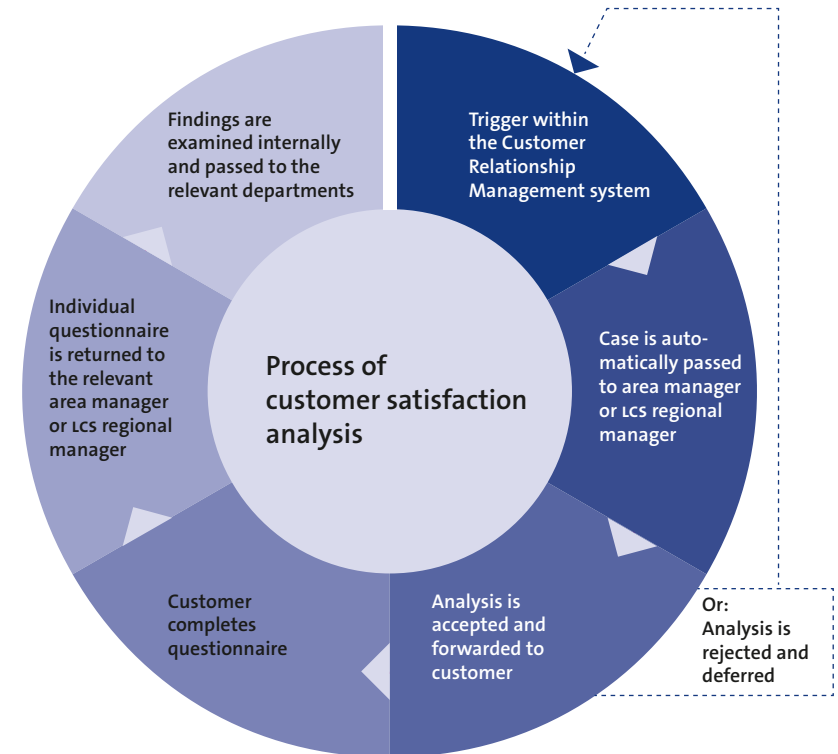
- Continuous Improvement Process (CIP) in all product-relevant areas
- Error messaging system in technical support
- Ideas management system for all KRONES AG employees
- Quality circles in the Product Lines
- PDCA (Plan, Do, Check, Act) in product-relevant and other selected administrative departments
- Feedback process in commissioning and on-site assembly
- Quality gates in project handling and execution
- Groupwide root-cause analysis
- Audits



As part of our supplier management process (see page 46), we continually assess the quality of incoming products and systematically implement optimisation measures if our quality specifications are not met.

2.3 Customer satisfaction analysis

Customer satisfaction analysis is the cornerstone of our Sales Excellence programme. We use a questionnaire that covers satisfaction, loyalty, and project fulfilment to generate an individual satisfaction index for each customer with a colour-coded system of categorisation. The process for the analysis is automated and clearly structured by way of our customer relationship management (CRM) system. The analysis process begins the moment a new machinery or retrofit project is completed:



The results of the individual surveys are not only for our sales organisation but rather primarily for the respective project leads and persons responsible within the entire group. The area managers and LCS regional managers pass the information gained from the surveys to the persons responsible for the respective projects at our offices and subsidiaries and to colleagues in the Product Lines. Corporate Quality Management then incorporates any quality-related findings into the many optimisation measures for product and process quality (see 2.2).



3. Results

For our management of product quality, Corporate Quality Management collects and analyses a variety of quality metrics and uses them as the basis for developing new and existing products and processes. Two important metrics in this area are the number of error messages and audits.

In addition, we collected a total of 424 completed feedback surveys from customers for our customer satisfaction analysis in 2019 (previous year: 353). That is a response rate of 11.6 percent (previous year: 11.7). As announced in the Non-financial Report for 2018, we developed a policy for issue-specific evaluation of analyses in 2019 as an alternative to project-specific evaluation. Our aim is to integrate customer feedback into the existing PDCA cycles for each department using an individual evaluation matrix. Implementation is planned for the financial year 2020. The customer satisfaction process is also currently being improved as we gradually establish centralised functions for processing and distributing the analysis results.

Order intake continues to serve as an overarching indicator for measuring and assessing the quality of our products and our customers' satisfaction. When we reach our growth targets, we demonstrate that our customers trust us to be their supplier and want us to help them shape their futures. *Since order intake is not part of the audit of this report, please refer to the detailed disclosures on page 75 of our Annual Report.*



4. Goals

- Streamline quality assurance processes: To further improve product quality across the group, we plan to step up our preventive quality assurance activities in 2020.
- Decentralise quality processes: As the internationalisation process advances, it becomes necessary to decentralise quality processes and transfer more responsibility to the manufacturing subsidiaries. The corresponding processes are being developed and implemented successively. Corporate Quality Management will continue to bear responsibility for governance.
- Streamlining processes in customer satisfaction analysis: We must continue to improve existing processes with respect to project-specific and technical aspects.
- Interpreting the results with new metrics: By implementing issue-specific evaluation of the customer satisfaction analysis, we aim to make more effective use of analysis results in the respective areas in a PDCA cycle.

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the KRONES non-financial report 2019. The following text is a translation of the original German Independent Auditor's Limited Assurance Report.

Independent Auditor's Limited Assurance Report

To KRONES AG, Neutraubling

We have performed a limited assurance engagement on the non-financial report of KRONES AG according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial report of the group according to § 315b HGB, for the reporting period from 1 January 2019 to 31 December 2019 (hereafter non-financial report). We have not included the information marked as unaudited by a coloured background in the engagement to obtain limited assurance. Our engagement did not include any disclosures for prior years.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between November 2019 and March 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of relevant documentation regarding the selection of topics for the non-financial report, the risk assessment and the concepts of KRONES AG and the KRONES Group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas [e.g. environment and employees] in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial report.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of KRONES AG for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. Our engagement did not include any information marked as unaudited by a coloured background and did not include any disclosures for prior years.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with KRONES AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability



The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 12 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Yvonne Meyer
Wirtschaftsprüferin
(German Public Auditor)

Publishing information

Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Project lead	Peter Steger Project Coordinator Sustainability
Editorial	Welf Kramer Head of Corporate Governance
Design	Büro Benseler
Text	Angelika Krempf, KRONES AG

This English language report is a translation of the original German KRONES Konzern Nichtfinanzieller Bericht 2019. In case of discrepancies the German text shall prevail.

The Non-financial Report 2019 is also available in German. You can find it on our website under the heading Sustainability.

Contact us

KRONES AG

Corporate Governance
Böhmerwaldstrasse 5
93073 Neutraubling
Germany

E-mail sustainability@krones.com
Internet www.krones.com

