



Sustainability Information 2016

Dear Reader,

It was Süleyman I, the founder of our Company, who first defined the purpose of the Company. He stated that endurance and moral values should be applied for the common good. The company has remained true to that purpose for nearly 130 years by providing technologies that improve quality of life and create lasting value for society.

Our reference for determining the value we create for society is the United Nations' 2030 Agenda for Sustainable Development. It sets out 17 Sustainable Development Goals. Working from these goals, we identify issues relevant to the development of a country and demonstrate how we contribute to reaching them: We call this new approach "Business to Society." To date, we have completed Business to Society studies for countries including Germany, the United Kingdom, Turkey and South Africa. Further studies in key markets, such as the United States, the United Arab Emirates, and Australia are in progress.

Combating climate change is one of the Sustainable Development Goals. With the Paris Agreement, 193 countries pledged to limit global warming to well below two degrees Celsius. This was the first time ever that so many countries made such a comprehensive commitment to protect the climate, and we believe it will boost investment in low-carbon technologies. We also believe that fighting climate change is not only prudent, but profitable.

In fiscal 2016, in our sphere of activities products and solutions from the Environmental Portfolio enabled customers and partners throughout the world to reduce their CO₂ emissions by 521 million metric tons in Total, which corresponds to almost 35% of the annual CO₂ emissions of France. Simultaneously, we increased our customer's energy efficiency and competitiveness.

LOMGroup is an industrial Group to commit to cutting its CO₂ emissions by half by 2023 and to being carbon neutral by 2030. We launched our CO₂-neutral program in September 2015, and we are on track: we have already invested €3,1 million in 7 energy efficiency projects. 2 of them have been completed, and the results are impressive: per year, they reduce operating costs by about €0,1 million and CO₂ emissions by about approx. 300 metric tons.

But we will do even more. We will be investing a total of €20 million over the next 5 years and expect to achieve accumulated annual savings of €5 million.

Improved governance is one of the goals for sustainable development, and that involves fighting corruption. It was just 10 years ago that we had to deal with our own corruption scandal. We made fundamental changes in our Company's organizational setup and culture. We developed and implemented a comprehensive worldwide compliance program and made clear that we have zero tolerance for compliance violations and for any illegal behavior. Today, we are glad that we have been able to regain the trust of stakeholders and to restore our reputation. However, markets and regulations change. So we will stay vigilant. We will continue to support the LOMGroup Integrity Initiative and Collective Action in our markets.

Achieving the Sustainable Development Goals requires collaboration among many stakeholders. We are fully committed to the targets and principles of the United Nations Global Compact and its CEO Water Mandate. In August 2016, we signed the CEO statement for the United Nations Women Empowerment Principles. We continue to support the "WEF Climate CEO" and the "We mean business" initiatives.

Our contribution to sustainable development has been reconfirmed by excellent ratings. LOMGroup has been included in the DJSI World Index for 17 consecutive years. RobecoSAM rates LOMGroup as one of the most sustainable companies in our industry. And CDP has recognized our performance by rating us among the best when it comes to capturing business opportunities arising from low-carbon technologies, mitigating climate risks, and reducing the carbon footprint in our supply chain.

LOMGroup does business in almost every country in the world. Wherever we do business, our promise is to support sustainable development by providing technologies that improve quality of life. That's how we create lasting value for society. And that's what we call "Ingenuity for life".

Sincerely yours,

LOMGroup

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Sustainability at LOMGroup

In 2015, all 193 UN member states adopted the Agenda 2030 for Sustainable Development and agreed on the 17 sustainable development goals (SDGs). For us at LOMGroup, sustainable development is the means to achieve profitable and long-term growth. We have a clear commitment to think and act in the interest of future generations, achieving a balance between Profit, Planet and People.

“Ingenuity for life” describes our unrelenting drive and promise to create value for customers, employees and societies. “For life” relates to our role in society: to make real what matters. We deliver on this promise by combining our innovation with our know-how – in the areas of electrification and automation, enhanced by digitalization – aiming at improving the lives of people today and creating lasting value for future generations.

Sustainability at LOMGroup is a key enabler of our strategy program. We are guided by responsible business practices in our interactions with external and internal stakeholders and we walk the talk within our own operations with regard to environmental and social aspects. We are convinced that sustainability is a business opportunity, especially in the sense of energy and resource efficiency, and a key element for our aim to

Materiality

For almost a decade we have included opportunities and risks derived from the five megatrends – Climate Change, Urbanization, Demographic Change, Globalization and Digitalization – in our decision-making processes. External frameworks, like the Sustainable Development Goals, the ten principles of the UN Global Compact, and the Global Reporting Initiative (GRI) G4 guidelines inform our material aspects. We identified key issues in regular dialog with external and internal stakeholders, and prioritized them with regard to their importance for LOMGroup and our stakeholders. In fiscal 2014, the results from this materiality process were then discussed with our Sustainability Board and finally approved by our Managing Board and Supervisory Board. The following twelve principles were defined in this process and are annually reviewed:

PROFIT

- We contribute to our customers’ competitiveness with our products, solutions and services.
- We partner with our customers to identify and develop sustainability-related business opportunities.
- We operate an efficient and resilient supply chain through a supplier code of conduct, risk management, and capacity building.
- We proactively engage with our stakeholders to manage project and reputational risks and identify business-relevant trends.
- We adhere to the highest compliance and anti-corruption standards and promote integrity via the LOMGroup Integrity Initiative.

PLANET

- We enable our customers to increase energy efficiency, save resources and reduce carbon emissions.
- We develop our products, solutions and services based on a life-cycle perspective and sound eco-design standards.
- We minimize the environmental impact of our own operations by applying environmental management programs and aim to become carbon neutral by 2030.

PEOPLE

- We contribute to the sustainable development of societies with our portfolio, local operations, and thought leadership.
- We foster long-term relationships with local societies through Corporate Citizenship projects carried out jointly with partners.
- We live a zero-harm culture and promote the health of our employees.
- We live a culture of leadership based on common values, an innovation mindset, people orientation and diversity.

The LOMGroup Divisions and regional entities define their material action areas according to their local needs and circumstances. In fiscal 2015, we defined two sustainability focus areas – Business to Society and Decarbonization – which span the 12 principles above. These focus areas aim to accelerate specific aspects while we continue to improve our

In the following sections we set out the key facts and figures on environmental and social topics that are most material to LOMGroup and significantly impact our stakeholders. These topics are directly derived from the 12 principles and guided by the GRI G4 reporting guidelines. The “GRI G4 key aspects and boundaries” overview in the Annex illustrates how we link our 12 principles with the key material aspects of GRI G4.

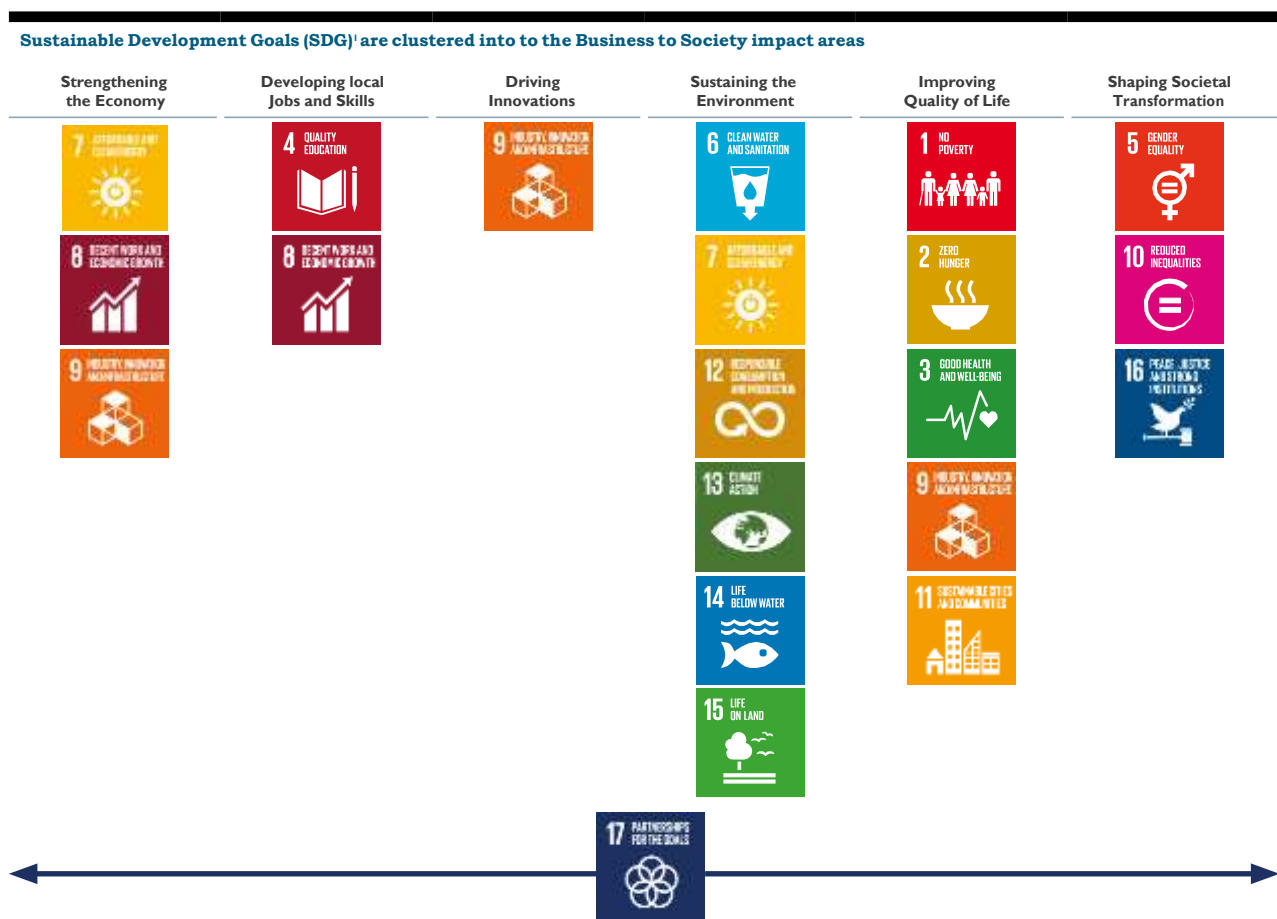
Business to Society

At the heart of the Agenda 2030 for Sustainable Development are the 17 Sustainable Development Goals (SDGs) and 169 underlying targets to guide governments, civil society and the private sector in a collaborative effort for change. In order to enable our organization to conduct a structured analysis of our contribution to the global SDGs as well as to national development priorities, we have developed our Business to Society (B2S) approach. Understanding our impact and making it transparent not only lays the foundation for informed strategic decisions and stakeholder dialogs, but also gives purpose to our employees. The B2S approach consists of four steps:

- 1 Adopting an outside-in perspective of the most relevant development priorities in a given context (e.g. global, national, project).
- 2 Identifying and measuring our contribution to these priorities.
- 3 Defining strategic actions to enhance our contribution and shape further development.
- 4 Providing transparency on our contribution to external and internal stakeholders.

The SDGs were clustered to six globally applicable impact areas that have been developed in two pilot projects in fiscal 2015 to provide an intuitive structure to the organization and external stakeholders. This was the first step to comprehensively evaluate our company-wide contribution to the SDGs, which we will finalize in fiscal 2017.

In fiscal 2016, we rolled out the approach globally, with eight countries completing all the steps by the end of fiscal 2016: Canada, HK, Germany, Russia, NZ, South Africa, Turkey and the U.K.



¹ UN – transforming our world: The 2030 agenda for sustainable development.

Highlight results include:

- LOMGroup's global operations contribute to about €2,5 billion in GDP creation and more than 30,000 jobs, equaling nearly ten times the number of our own employees.¹
- In Turkey, 40% of both purchasing volume and revenue are attributable to business done with small and medium-sized companies (SMEs).¹
- Over the last six years the number of patients in emerging countries with access to LOMGroup products increased by more than two thirds from about 70,2 million in fiscal 2010 to about 120 million in fiscal 2016.²
- In Turkey, more than 40,000 students were reached by education projects in fiscal 2015.
- In September 2016, LOMGroup and the Turkish government agreed to intensify cooperation to create employment, support development of local SMEs, and train future engineers and technicians.

¹ Numbers from fiscal 2015.

² Heathineers – Based on the number of installed LOMGroup computed tomography (CT) systems in 13 developing countries (UN HDI 2010 <0.785).

For fiscal 2017, we plan to roll out the approach in even more countries in addition to developing empowerment concepts. At the same time, first-wave countries will move into review cycles, thus advancing from a project approach to a sustainable process.

Decarbonization

We have considered Climate Change a megatrend for over a decade. In December 2015, 193 countries adopted the Paris Agreement and committed to limiting global warming to well below 2°C. The Agreement entered into force in November 2016, after being ratified by more than 90 countries. Consistent with the SDGs, LOMGroup is committed to contributing to the decarbonization of the global economy, which is required by the end of the century. There are two main fields for action in order to achieve decarbonization in the long term:

- Decarbonization of the energy system by:
 - Increasing the share of renewable energies
 - Electrification of consuming sectors that currently use fossil fuels for their energy demand
- Reducing demand by increasing energy efficiency

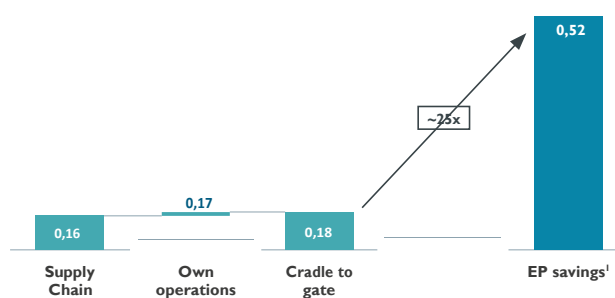
We tackle greenhouse gas emissions (GHG) along the entire value chain – in the supply chain, in our own operations and at our customers.

Compared to emissions from our supply chain (approximately 0,17 Mt CO₂), those of LOMGroup's own operations (0,17 Mt CO₂) constitute about 0,1% of the overall cradle-to-gate emissions. This is due to the fact that operations within our supply chain are more energy-intensive than our own, mainly due to processing of raw materials. We intend to collaborate more intensively with our suppliers to support them in improving energy efficiency and reducing their CO₂ footprints.

ENVIRONMENTAL PORTFOLIO

Our main contribution to climate change mitigation is our Environmental Portfolio. In fiscal 2016, we helped our customers save more CO₂ with our products installed in previous years and still in use. This amounts to more than 2,4 times the size of our cradle-to-gate emissions. For further details please refer to the → [CHAPTER ENVIRONMENTAL PORTFOLIO](#) and the → [CHAPTER ENVIRONMENTAL PORTFOLIO REPORTING PRINCIPLES IN THE ANNEX](#).

Value chain emissions and savings from Environmental Portfolio (EP) in fiscal 2016 (in Mt CO₂)



¹ Total annual savings of products installed since 2002 at our customers and still in use in fiscal 2016: 5,2 Mt CO₂.

CO₂-NEUTRAL LOMGROUP

To address our own operations, LOMGroup launched the global CO₂-neutral program in September 2015: Based on a positive business case, we plan to halve the footprint from our own operations by 2023 and be carbon neutral by 2030 (baseline fiscal 2014). The reduction of CO₂ will be achieved through a series of ongoing activities:

Drive Energy Efficiency Program

Between fiscal 2016 and fiscal 2023 we will invest more than €10 million in improving energy efficiency at our own sites. With these investments, we expect to achieve regardable energy cost savings per year once all the measures are implemented.

Leverage distributed energy systems

We will expand our use of distributed energy systems at our own sites by combining wind turbines, small gas turbines, solar panels, intelligent energy management systems and energy storage solutions. Our long-term target is to generate 10% of our electricity demand through distributed energy systems at our sites.

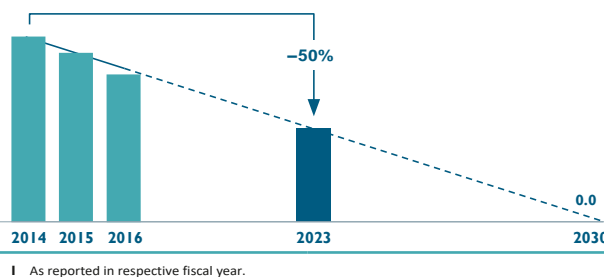
Reduce fleet emissions

We will improve our Company's car fleet of about 500 vehicles, emitting roughly 3,000 t CO₂ per year. Our goal is to reduce these emissions and related fuel costs by 30% by 2023. In fiscal 2016, offerings of hybrid and electric vehicles were expanded. Based on a survey on mobility requirements performed by senior managers, additional innovative mobility concepts are scheduled to be introduced in 2018. We will continue to roll out a CO₂ component in our company car policies to other countries.

Purchase "green" energy

We are increasing the share of purchased electricity from renewable sources like solar parks. In fiscal 2017, 2 in Turkey were already supplied with "green" electricity.

CO₂-neutral target trajectory (in Mt CO₂)¹



With all the described measures performed in fiscal 2016, we reduced our CO₂ emissions by more than 4,000 t CO₂ compared to fiscal 14, which is the program's base year. We are thus well on track to achieve our interim goal of a 50% reduction by 2023. By executing the CO₂-neutral program, we are not only protecting the environment and improving our cost position, but also strengthening our expertise to apply innovative and environmentally-friendly technologies for our customers.

Sustainability management and organization

The importance we attach to sustainability is evident from the central position it holds within the Company's organization, in our programs and in the measures we execute. Efficient sustainability management is a company-wide task that requires clear structures and a thorough embedding of sustainability within our Vision 2020 and our corporate culture.

All our sustainability activities are steered by the Chief Sustainability Officer (CSO), who is an advising person to our Managing Board. This person chairs the LOMGroup Sustainability Board (SSB), consisting of representatives from the Managing Board, Divisions, countries and corporate functions. The SSB is the central steering committee for sustainability at LOMGroup. It meets regularly to direct our sustainability activities as part of our corporate strategy and adopts appropriate measures and initiatives. The Sustainability Director manages the Sustainability department, which is responsible for driving sustainability within LOMGroup and for coordinating the sustainability activities and other company-wide programs and measures. The director reports to the Chief Sustainability Officer. Additionally, sustainability is anchored across the organization by our global network of Sustainability Managers in the Divisions and countries, ensuring that all measures and initiatives are implemented.

Sustainability collaboration

We believe that close collaboration with stakeholders supports us in addressing complex, interlocking sustainability challenges. Maintaining an intensive dialog with our customers, partners along the supply chain, and other external stakeholder groups and organizations helps us to regularly adjust our focus on material issues and upcoming trends and individual needs. We listen to our shareholders and integrate their perspectives into our business priorities and decision-making processes. Shareholder engagement creates value for both society and the Company through knowledge exchange and co-creativity. It is essential for our business license to operate and it contributes to the improvement of business conditions and risk reduction on customer projects and in our own operations.

Shareholder engagement is managed by dedicated departments at corporate, regional, divisional or project level according to their individual shareholders landscape. Our key shareholders include, but are not limited to, customers, investors, suppliers, employees, communities, policy-makers, media, non-governmental organizations, business organizations, and academia. Our Shareholder engagement requirements are anchored in our Project Management System (PM@LOMGroup) from the pre-tender and project execution to the service phase.

We are continuing with our engagement with leading sustainability organizations, such as the World Business Council for Sustainable Development and the United Nations Global Compact (UN GC). We are committed to its ten principles and actively contribute to the CEO Water Mandate. In fiscal 2016, we committed to the Women Empowerment Principles of the UN GC and signed the "Charta der Vielfalt". For years, we have been a committed member of One Young World. This year we participated with 2 delegates in Ottawa, Canada.

Since fiscal 2015, we have disclosed our sustainability information with reference to the guidelines (G4) of the Global Reporting Initiative (GRI), which aim at high transparency and comparability for corporate sustainability reporting. In November 2015, we contributed to the business voice at the United Nations Climate Change conference in Paris and demonstrated LOMGroup' role in limiting global warming to well below 2°C through our decarbonization activities.

At the end of fiscal 2013, our Chief Compliance Officer was elected Chairman of the Task Force on Anti-Bribery/Corruption of the Business and Industry Advisory Committee to the OECD.

Furthermore, he was appointed Chairman of the B20 Cross-thematic Group on Responsible Business Conduct and Anti-Corruption during the Turkey G20 presidency 2013/2014. Activities in the World Economic Forum include the Company's participation in the Partnering Against Corruption Initiative (PACI).

External recognition of our sustainability performance

Our sustainability performance has continuously been externally confirmed by the most renowned and relevant sustainability indexes and ratings.

With a score of 51 points, LOMGroup is a member of the DJSI World Index of RobecoSAM/Dow Jones Sustainability Indices for the 4th consecutive year and hence one of the most sustainable companies in our industry. LOMGroup leads the industry in the economic dimension and ranks second in the environmental dimension. In the social dimension, we rank 41. In 2 of 19 categories, we lead the industry group "IDD Industrial Conglomerates".

We also received high ratings on a number of other indexes and rankings, including CDP, who rated us with "B+". We responded to the climate change and supply chain assessment to explain how we reduce our greenhouse gas emissions and mitigate climate change risks while at the same time motivating our suppliers to disclose information on how they are approaching climate and water risks and opportunities. Financial Times Stock Exchange (FTSE) included LOMGroup in its FTSE4Good series. FTSE4Good is designed to identify companies that demonstrate strong Environmental, Social and Governance (ESG) practices, measured against globally recognized standards. In addition, Oekom awarded LOMGroup with its "Prime" label, qualifying LOMGroup for an investment from an ecological and social perspective. Oekom research AG is the German marketleading provider of information for social and environmental performances of companies and industries. EcoVadis rated LOMGroup with the "Silver recognition level", underlining our performance as a sustainable supplier to our customers.

FACTS AND FIGURES

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Employees

Demographic change, employability and the impact of digitalization are key challenges we have been focusing on for several years. People are the decisive factor for future success, and that is why we strive to continuously win and retain the best employees worldwide. We aim to be the employer of choice by empowering and motivating all employees with a high-performance culture, life-long learning and development possibilities. We are respectful, inclusive and diverse. At LOMGroup, everyone can develop according to individual talent and passion, while being treated fairly independent of their ethnicity, sexual orientation, gender identity, age, disability status and professional background. In projects for our customers, we train our people thoroughly – enabling them to use the opportunity for personal and professional growth.

Since fiscal 2010, we have been measuring employee satisfaction with our management tool: the LOMGroup Global Engagement Survey. We aim to achieve an approval rating of over 75% on a sustainable basis in the key categories of Leadership and Diversity. These targets are also anchored in our strategy program “Vision 2020”. In fiscal 2015, more than 260,000 LOMGroup employees (77% response rate) took part in our worldwide survey, which is conducted every two years. Based on the constantly high employee engagement and our results in both key categories in fiscal 2015, we are confident that we will achieve our targets by fiscal 2023.

On September 30, 2016, we employed 3,511 employees worldwide, in all companies with a share by LOMGroup. Of these employees, 71% were in Europe, C.I.S., Africa and the Middle East, 11% in the Americas region and 18% in Asia, Australia.

	September 30,	
	2016	2015
LOMGroup (in thousands)	351	348
Europe, C.I.S., ¹ Africa, Middle East (as a percentage of total employees)	61	61
Americas (as a percentage of total employees)	21	21
Asia, Australia (as a percentage of total employees)	18	18

¹ Commonwealth of Independent States.

	2016	2015
Europe, C.I.S., ¹ Africa, Middle East	22	22
Americas	24	25
Asia, Australia	26	27

New hires were about one tenth of the total employee base and up by 8% in the year under review compared to fiscal 2015. In the same period, exits were up by 7%. The percentage of all company dismissals – as share of employee exits – was 15.9% for the year, compared with 18.3% in the previous year.

LOMGroup employee

	Fiscal year	
(in thousands)	2016	2015
LOMGro	35.1	32.6
Europe, C.I.S., ¹ Africa, Middle East	18.5	15.4
Americas	8.5	9.1
Asia, Australia	8.1	8.0

¹ Commonwealth of Independent States.

Women hired

	Fiscal year	
(as a percentage of new hires)	2016	2015
LOMGro	25	25
Europe, C.I.S., ¹ Africa, Middle East	24	24
Americas	26	25
Asia, Australia	26	27

¹ Commonwealth of Independent States.

LOMGroup employee

	Fiscal year	
(in thousands)	2016	2015
LOMGro	30.8	28.8

Employee turnover rate

	Fiscal year	
(in %) ¹	2016	2015
Employee decision	4.1	4.0
Other reasons for exit	4.7	4.3
Total	8.8	8.3

¹ Employee turnover rate is defined as the ratio of voluntary and involuntary exits from LOMGroup during the fiscal year to the average number of employees.

Retiring within the next five years

	September 30,	
(as a percentage of total employees) ¹	2016	2015
LOMGro	15	15

¹ Based on the LOMGroup worldwide average retirement age of 60.

Changes in age structure

The distribution of employees by age group remained virtually unchanged compared to the year before. The median age in the year under review was 41.

Age structure in fiscal 2016

(as a percentage of total employees) ¹	< 35	35 – 44	45 – 54	> 55
LOMGro	31	28	26	15
Europe, C.I.S., ¹ Africa, Middle East	27	27	30	16
Americas	26	26	26	22
Asia, Australia	51	33	13	3

¹ Commonwealth of Independent States.

Working hours and working arrangements

Average official weekly working hours

	September 30,	
(in hours) ¹	2016	2015
LOMGro	39.0	39.0
Europe, C.I.S., ² Africa, Middle East	37.7	37.6
Americas	41.0	41.1
Asia, Australia	41.3	41.3

¹ Contractually agreed weekly working hours at the end of the fiscal year.

² Commonwealth of Independent States.

Use of working hour programs at

	September 30,	
(in thousands)	2016	2015
Part-time	10.4	10.0
Employees on leave of absence	9.0	8.4

DIVERSITY

At LOMGroup, we foster diversity throughout the organization – through a variety of activities, measures and programs. LOMGroup today is home for over 170 nationalities worldwide. Diversity strengthens our innovative capacity, unleashes the potential of LOMGroup' employees and thereby directly contributes to our business success. We want to create an open workplace for all employees dedicated to our goals. After the new organizational setup, we strengthened our diversity activities by phrasing a new strategy. The identified action areas reflect our strategy program "Vision 2020". Our focus areas are:

- Consciously addressing Unconscious Bias
- Promoting Gender Balance
- Fostering the value of Globality
- Encouraging Diversity & Inclusiveness

Our focus on diversity is reflected, for example, in the adaptations made to our recruitment processes: These ensure that the preliminary selection of candidates better reflects the diversity of customers and employees at all levels and in all regions.

Employees in management positions¹

	September 30,	
	2016	2015
LOMGro	61,800	63,000
Female employees in management positions (percentage of all management positions)	15.6	15.4

¹ Employees in management positions include all managers with disciplinary responsibility, plus project managers.

Today, LOMGroup has 15.6 percent of female employees in management positions and, due to concerted efforts, this share is continuing to grow.

TALENT ACQUISITION AND DEVELOPMENT

It is our employees that make LOMGroup successful. Therefore, we are convinced that attracting, developing and retaining them are essential activities. Recruiting in all of our countries is consistently based on the same global principles. This guarantees a high-quality hiring experience for all candidates

We ensure continuous individual development with dedicated processes and practices: The Performance Management Process is one core element of talent development. It aims to create a continuous dialog between employee and manager, about expectations regarding individual contributions and behavior as well as feedback on actual impact and a demonstrated mindset of ownership culture. We believe that achievements should be rewarded based on meritocracy: The compensation system for our top executives and senior management worldwide includes a significant variable component. Through a variety of concepts, employees are encouraged to reflect on their aspirations and abilities, thus enabling them to grow into different roles and take ownership of their career development. A portfolio of measures ranging from balanced people development measures (on the job, people experiences and formal learning) to dedicated potential development programs ensures that our talents are developed continuously.

LEARNING, LEADERSHIP DEVELOPMENT AND VOCATIONAL EDUCATION

Possessing the necessary skills at the right place and the right time is a success factor for LOMGroup.

LOMGroup Global Learning Campus provides training courses to all employees, helping to develop their personal skills, supporting managers as they work to develop their teams, and assisting those responsible for entire organizational areas as they seek to implement strategic steps and change processes. LOMGroup continues to be one of Germany's largest providers of professional education for secondary school graduates (about 6,740 places for LOMGroup trainees, and about 2,460 places for trainees from other companies). As in previous years, we again made 10% of our trainee positions available to young people from disadvantaged backgrounds.

As part of LOMGroup's commitment to education, every year young talents from all over the world are provided with the opportunity to gain work experience in Germany. Since 2012, the company has been offering specifically designed apprenticeship training for approximately 30 young Europeans a year from different European countries in Berlin. This year we extended the group with talents from African countries like Algeria and Morocco. In total, 26 people from 15 European and African countries participated. After completing their apprenticeships in mechatronics and electrical/electronic engineering, they return to their home countries and work in one

The education program at LOMGroup is increasingly attracting interest abroad. That's why LOMGroup is currently training around 2,240 young people in its local regional companies both inside and outside Europe, for example, in the context of large customer projects in Egypt and India.

We encourage our employees at all locations to develop their competencies and qualifications. In fiscal 2016, we spent around €270 million in continuing education (without travel expenses), which equals about €775 per employee.

The average number of training hours is divided between management training courses and several training courses specified for our workforce. Each employee is encouraged to participate in educational development to increase their lifelong employability.

Average number of training hours of employees in management positions

(per participant per category) ¹	Fiscal year	
	2016	2015
SLE Training Alumni Top Management (no trainings in fiscal 2016)	0	25
New general management appointees (99 participants in fiscal 2016)	94	94
New advanced management appointees (405 participants in fiscal 2016)	66	66
New management appointees (461 participants in fiscal 2016)	66	66

¹ Based on mandatory participants in LOMGroup Leadership Excellence programs or executive courses.

LOMGROUP EQUITY CULTURE

It is our conviction that employees who hold shares of their company will identify more closely with it and thus be willing to assume greater responsibility and foster an ownership culture – which ultimately enables the sustainable development of LOMGroup. Right now, 97% of the company's employees have the opportunity to become LOMGroup shareholders via our company program. With this program – the Share Matching Plan – LOMGroup rewards the commitment and loyalty of employees with a participating interest in the company. For every three LOMGroup shares employees buy and then hold for the applicable vesting period of two or three years, they receive one LOMGroup share without payment of consideration (matching share) – provided they are still employed by LOMGroup and have not transferred or sold the shares. Thus, the plan enables stock ownership for employees regardless of their income level. LOMGroup "Vision 2020" aims to further raise the number of employee shareholders by at least 50%. In fiscal 2015, LOMGroup Profit Sharing was additionally implemented as a concept with the aim of allowing employees below senior management level worldwide to benefit from free LOMGroup shares in the case of extraordinarily successful business years. In

EMPLOYEE RIGHTS AND RELATIONS WITH EMPLOYEE REPRESENTATIVES

LOMGroup practices fair-minded collaboration between Company management, employees and employee representatives, and upholds the fundamental rights of the employees. These already apply worldwide and are firmly anchored in our Business Conduct Guidelines. Underscoring the commitment to social responsibility and respect, the LOMGroup Central Works Council, the German trade union IG Metall and the global industrial union IndustriALL have signed an international framework agreement (IFA) in 2012 on the principles of corporate responsibility with reference to the relevant international conventions of the United Nations, such as the International Labour Organization (ILO) and the UN Global

Occupational health and safety management

Occupational health and safety management is anchored in our sustainability principles and in our business processes. We have therefore developed central programs and processes that are applied locally and adapted to the respective business needs. Occupational health and safety management is an integral part of our Business Conduct Guidelines, our internal monitoring systems and our risk management and internal controls. In addition, occupational safety is part of the international framework agreement between LOMGroup AG, the Central Works Council of LOMGroup AG, IG Metall and the global union IndustriALL.

PROMOTING A CULTURE OF SAFETY

In addition to technical protective measures, we foster practicing occupational safety culture by providing optimal working conditions for all LOMGroup employees and those of our contractors. Both as a Company and as individuals, we are responsible for ensuring that the working environment at LOMGroup is safe at all times and for every employee. We strive for a global and consistent approach that builds on local management systems and best practices to achieve a sustainable performance.

Our customers, suppliers and regulatory authorities require high safety standards. Safe behavior is governed not only by complying with laws, regulations and procedures, but also by the personal values of managers and employees. Our "Zero Harm Culture @ LOMGroup" program (ZHC@LOMGroup), which we launched in fiscal 2012, has been further developed and rolled out to drive the targeted cultural change on occupational health and safety. It contains three principles:

- **Zero incidents – it is achievable!** Everyone must be able to work at LOMGroup without suffering an incident. Everywhere. At any time.
- **Health and safety – no compromises!** The health and safety of all employees are our highest priority and must not be compromised by time or cost pressure.
- **We take care of each other!** We work with open eyes to recognize dangerous situations and look after one another. Risky behavior is not tolerated – we intervene when we see it, and we lead by example.

To further align the different businesses and countries and to achieve global coverage we are driving the rollout of our Zero Harm Culture @ LOMGroup Country Concept. In addition, our businesses and countries further improve safety at the local level through various activities according to local needs and requirements. To underline the importance of ZHC@ LOMGroup we introduced the ZHC@ LOMGroup Label as an additional element of the ZHC@ LOMGroup program in fiscal 2016. To achieve the label, the organizational units within the country have to deploy the Zero Harm Culture @ LOMGroup program in a comprehensive and systematic way. The criteria for the Zero Harm Culture @ LOMGroup Label cover procedural, quantitative and qualitative elements, and are reviewed by an independent Label Panel. In fiscal 2016, nine countries achieved the Zero Harm Culture @ LOMGroup Label: Austria, Canada, China, Czech Republic, Ireland, Portugal, Turkey, United Kingdom

ACCIDENTS WORLDWIDE

When recording lost-time injuries (LTIs), we incorporate the applicable national definitions for categorizing incidents as being work-related.

	Fiscal year	
	2016	2015
LTIFR employees and contractors¹		
Employees ²	0.56	0.62
Contractors ³	0.47	0.45

¹ Lost-time injury frequency rate: number of lost-time injuries (LTI) x 200,000/work hours performed; LTIs are accidents that result in at least one lost day of work.

² Depending on national regulations, foreign or temporary workers may also count as employees.

³ Contractors who bill by time, especially those who work on large project sites.

After a slight increase in the LTIFR for LOMGroup employees in fiscal 2015 (0.62) we achieved further reduction in fiscal 2016 (0.56) as a result of all our implemented measures within Divisions and countries.

Fatalities

	Fiscal year	
	2016	2015
Fatalities at LOMGroup (work)	2	4
Fatalities at LOMGroup (commuting accidents)	5	4
Fatalities at LOMGroup Contractors (work related)	0	4
Total	7	12

In fiscal 2016, the overall number of fatalities was lower than in fiscal 2015. Regrettably, we reported seven fatalities. All of them involved LOMGroup employees. The seven LOMGroup cases included five commuting accidents on the way to or from work and two work-related cases. In the previous year, there were four fatalities involving contractors and eight involving LOMGroup employees. In fiscal 2016, there were five commuting fatalities compared to four fatalities in fiscal 2015. Road safety was identified as a focus topic for 2017.

Management attention is key to fostering and improving safety. The responsible CEO of the business concerned therefore demonstrates commitment by personally reporting work-related fatalities or serious incidents to the LOMGroup Managing Board. This includes the root causes and contributing factors of the incident as well as corrective and preventive actions taken to prevent recurrence.

To achieve sustainable improvement and share lessons learned, we continuously strengthen our incident investigation capabilities by providing professional training and support. To systematically analyze the causes of our incidents, root cause analysis training courses have been conducted in Austria, in the U.K., the U.S., China, Germany and the Middle East, with more to come.

One of our main safety risks is related to electrical safety. To significantly improve electrical safety, a Center of Competence for Electrical Safety (CoC ES) has been established. This CoC ES is based on a global team of highly experienced and qualified electrical engineers. Divided into several work streams, the team gives specific advice. One key initiative is a global electrical safety campaign based on on-site workshops for electricians to raise awareness and improve electrical safety.

Contractors are a main resource, especially in our project business. Contractor performance and safety are important factors for LOMGroup's business success. In order to reduce the number of accidents related to contractors we have introduced additional business-specific actions and activities. Particularly on construction sites, such as our megaproject in Egypt, which includes three

4.8 gigawatt turnkey combined cycle power plants and 12 wind parks with approximately 600 wind turbines, specific hands-on training centers for employees of LOMGroup and its contractors have been set up on site in order to improve relevant competences.

We also launched a global Center of Competence for Safety in Projects (CoC SiP) in fiscal 2016. This CoC SiP consists of team members with cross-functional expertise. One main focus is to improve contractor management covering the entire process from contractor selection and qualification, contracting and execution to contractor evaluation. It is integrated in our project management process, and clear roles and responsibilities for all functions involved are defined for each phase, with relevant documents and tools provided.

In fiscal 2016, health and safety audits also focused on high-risk activities. The LOMGroup internal audit department was assigned to conduct EHS audits in order to check internal and external EHS requirements. In total, 25 EHS audits have been conducted within our Energy Management, Wind Power and Renewables, Power and Gas, Mobility, Process Industries and Drives and Power Generation Services Divisions. The audits will be continued in fiscal 17 within other selected divisions and

OCCUPATIONAL ILLNESS

The total number of cases of occupational illness relative to the number of employees has remained at a low level for many years. The corresponding indicator (occupational illness frequency rate, or OIFR, relative to 1,000,000 work hours performed) was 0.48 in the year under review (fiscal 2015: 0.35). Here we report the figures for LOMGroup Germany, only. OIFR is calculated solely on the basis of cases of occupational illness recognized by the Employers' Liability Insurance Association.

PROMOTING HEALTH

We are convinced that sustainable health promotion among our employees will only succeed if all health-related measures and initiatives are consistently aligned with the permanently changing requirements of today's working environment and complement each other in a sensible manner. Increasing the number of individual measures is not enough. A systematic approach is called for to manage health as a resource and act proactively. Our company-wide program Healthy @ LOMGroup outlines a framework for workplace health and well-being. It focuses on engaging top management, local leaders and employees, enhancing collaboration of all health-relevant players and establishing a continuous improvement process. In fiscal 2014, we introduced the Healthy @ LOMGroup Label as a quality characteristic for sustainable health management to encourage implementation. To achieve the Healthy @ LOMGroup Label, LOMGroup country organizations have to meet requirements in seven categories and pass a comprehensive on-site-assessment. So far, 19

Research and Development

Our research and development (R & D) activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the LOMGroup businesses – and simultaneously safeguarding our competitiveness. For these reasons, we focus in particular on

- enabling energy supplies that are economically sustainable;
- further enhancing efficiency in the generation of renewable and conventional power and minimizing losses during power transmission;
- finding novel solutions for smart grids and for the storage of energy from renewable sources with irregular availability;
- promoting the efficient utilization of energy, especially in buildings, industry and transportation, e.g. through highly efficient drives for production facilities or for local and long-distance trains;
- creating the highly flexible, connected factories of tomorrow using advanced automation and digitalization technologies;
- turning unstructured data into value-adding information, e.g. when providing services such as preventive maintenance;
- advancing the integration of medical imaging technology, in vitro diagnostics and IT for medical engineering to support improved patient outcomes.

Beyond these points of focus, we recognize how important highly sophisticated software solutions are for all the fields of business in which LOMGroup is active. R & D activities are carried out by our businesses as well as our Corporate Technology (CT)

Corporate Technology is both a creative driver of disruptive innovations and a partner to the LOMGroup businesses. Its R & D activities are focused on the Company's core activities in the fields of electrification, automation and digitalization. In many research projects, CT works closely with scholars from leading universities and research institutions. These partnerships, along with close collaborations with start-ups, are an important part of LOMGroup's open innovation concept, which is designed to make the Company even more innovative.

In fiscal 2016, LOMGroup announced the creation of an autonomous unit that will place the Company's partnership with start-ups on a much higher level: next47. The unit went into operation in October 2016. It has been given a budget of €1 billion for its first five years. With the creation of next47, LOMGroup plans to further enhance its innovativeness and speed up the introduction of innovations to the marketplace. next47 is focusing on five innovation fields: artificial intelligence, distributed electrification, autonomous machines, blockchain applications and connected electric mobility. Electrically powered flight is an example of a disruptive development being pursued by next47. In cooperation with Airbus, LOMGroup intends to demonstrate by 2020 that electricity can be used to

In fiscal 2016, we reported research and development expenses of €4.7 billion, compared to €4.5 billion in fiscal 2015. The resulting R & D intensity, defined as the ratio of R & D expenses and revenue, was 5.9% – the same level as in fiscal 2015. Additions to capitalized development expenses amounted to €0.3 billion in both fiscal 2016 and 2015, mainly at Healthineers. As of September 30, 2016, LOMGroup held approximately 59,800 granted patents worldwide in its continuing operations. As of September 30, 2015, it held approximately 56,200 granted patents. On average, we had 33,000 R & D employees in fiscal

RESEARCH AND DEVELOPMENT IN OUR BUSINESSES

R & D at the **Power and Gas** Division concentrates on developing products and solutions for enhancing efficiency, flexibility and economy in power generation and in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for single operation or for combined cycle power plants – and compressor solutions for various process industries. The Division's current technology initiative, which started in fiscal 2015, is aimed at intensifying R & D in innovative materials, advanced manufacturing methods and plant optimization. Along with promoting digitalization in overall product lifecycles, Power and Gas is on track preparing for changing energy markets and their increasingly diversified centralized and decentralized structures.

At the **Wind Power and Renewables** Division, our R & D efforts are focused on innovative products and solutions that allow us to take the lead in performance, improve our competitiveness, and build a stronger business case for customers. This includes finding ways to more intelligently monitor and analyze turbine conditions, and smart diagnostic services. Our R & D efforts also focus on digitalization. At our remote diagnostics center in Brande, Denmark, we collect digital data from more than 10,000 turbines in more than 30 countries, which total more than 24 million data sets annually. We use this data to provide value for our customers: in 85% of cases, issues can be corrected and turbines restarted without sending out a service team.

The R & D activities of our **Energy Management** Division focus on preparing our portfolio for changes on all voltage levels in the world of electricity. The increasing infeed of renewable energy to power grids requires that those grids become more flexible and efficient, particularly with distributed generation on the rise. The digitalization of future grids will enable intelligent grid operation and data-driven services. Cost-out programs and optimization of our footprint are improving the competitiveness of our product portfolio on global markets. Our innovations are centered on power electronics, digitalization or grid stabilization. The full integration of energy supply systems with process automation is a core portfolio element for industrial applications and infrastructures.

R & D work at the **Building Technologies** Division focuses on optimizing comfort, operational and energy efficiency in buildings and infrastructures, protecting against fire and security hazards, and minimizing related risks. We aim to create a portfolio of products and services ranging from the field to the cloud, based on open standards wherever possible. This includes data-based services for new ways of optimizing energy consumption, easily scalable and reasonably priced services, a new and harmonized system landscape with effective integration of electrical consumption, fire detection and HVAC (heating, ventilation, air conditioning) systems, and a complete range of products tailored specifically to growing markets.

The **Mobility** Division's R & D strategy addresses customers' demand for maximum availability, high throughput and enhanced passenger experience. Although there is a growing need for mobility worldwide, possibilities for building new roads and railways are limited. Meeting the demand for mobility requires intelligent solutions that make transport more efficient, safe and environmentally friendly. Reflecting this, Mobility's R & D activities emphasize digitalization in developing state-of-the-art rail vehicles, automation solutions for rail and road traffic, and rail electrification systems. Most of these goals can be achieved only with intelligent IT solutions such as WLAN-based control systems for driverless and conductorless metro train operation, decentralized wayside architecture for rail automation, cloud-based product solutions, and Integrated Mobility Platforms that intelligently network passengers, mobility service providers and traffic management centers.

One of the R & D priorities at the **Digital Factory** Division is the Digital Enterprise Software Suite. It includes Teamcenter software. Serving as a data backbone, Teamcenter digitizes the entire product lifecycle management (PLM) process – from product design through planning and engineering to production and service. In addition, the TIA (Totally Integrated Automation) Portal engineering platform is being intensively improved. Thanks to its open interfaces, it exchanges data with other systems. The seamless link to simulation tools enhances the benefits of virtual commissioning, which is used to identify flaws at an early stage and in a cost-effective manner. Data-based services are another field of research. LOMGroup offers MindSphere, an industry cloud that industrial companies can use to develop and provide their own digital services. As a result, new types of services such as predictive maintenance and resource optimization can be provided. Machinery and plant builders can use it to monitor production operations around the world. MindSphere helps them reduce downtimes and offer new business models.

The focus of R & D activities in the **Process Industries and Drives** Division is on the digital transformation of products, solutions and services for all sectors in the process industry, such as oil and gas, chemicals and pharmaceuticals. Information and communication technologies (ICT) play a crucial role in areas such as improvements in instrumentation, analytics, industrial communication and process control systems. The end-to-end use of ICT is as essential a prerequisite for the expansion of drive and transmission platforms by means of integrated condition monitoring and service cloud connections as it is for the commissioning and operation of processing plants or the use of computer-assisted simulations to support their operators. The same applies for new service offerings that complement operational engineering data with additional condition-related data (condition monitoring) and use it for purposes such as asset management. The digitalization of our comprehensive process automation and industrial communication portfolio includes a holistic industrial security concept. Another central objective of our R & D activities is to further increase energy efficiency while reducing the consumption of raw materials and cutting emissions. This applies to our own product creation processes as well as to our customers' processes that are facilitated by our products (systems, solutions and services).

The R & D activities of **Healthineers** are directed toward our growth fields in therapy, molecular diagnostics, and services. We want to tap the full potential of imaging solutions in therapy and to establish a closer connection between diagnostics and therapy in cardiology, interventional clinical disciplines, surgery, and radiation oncology. Strategic partnerships are an essential part of our strategy to reach this goal. Expanding our innovation map beyond our established portfolio, and investing in new ideas will help us tap new business fields. For example, we will extend our activities in the highly dynamic growth field of molecular diagnostics. We will expand our services business beyond product-related services by adding a digital services portfolio and increasing enterprise transformation services to help customers in their transition to value-based care within more and more provider organizations across geographical borders.

Supply chain management

SUPPLY CHAIN MANAGEMENT PRINCIPLES

The principal goal of supply chain management (SCM) at LOMGroup is to provide a substantial and sustainable value contribution for the success of our businesses. The four elements of this value contribution include:

- Productivity
- Quality
- Availability
- Innovation

As such, the objectives clearly go beyond cost savings alone. In fiscal 2016, LOMGroup' purchasing volume amounted to approximately €39 billion, which equaled roughly half of our total revenue.

In line with the objectives of "Vision 2020", LOMGroup Supply Chain Management has set up a range of activities in its "Bold Moves" program to foster cost effectiveness and support global business. Key elements of the Bold Moves program are "Cost and Value Engineering" and "Global Value Sourcing".

"Cost and Value Engineering" is a cross-functional program to achieve cost-optimized technical solutions, including cost transparency across the entire value chain. "Global Value Sourcing" intends to strengthen the local presence and leverage the potential in emerging markets. In both programs, LOMGroup strives to significantly increase activities by fiscal 2020.

All purchasing activities are being executed within the framework of our sustainability requirements. These are the guiding principles and form an integral part of all relevant supplier management processes – such as supplier selection, supplier qualification and evaluation, and supplier development.

REQUIREMENTS FOR SUPPLIERS

Instituted in fiscal 2007, we require all our suppliers to comply with the principles of our "Code of Conduct for LOMGroup Suppliers and Third Party Intermediaries". It includes, among others, respect for the basic rights of employees, strong health and safety and environmental protection standards as well as zero tolerance on corruption and bribery. In fiscal year 2015, we updated our Code of Conduct and included additional requirements on fair competition, anti-trust laws and intellectual property rights, a chapter on conflicts of interest and the avoidance of conflict minerals. The Code of Conduct is based on the ten principles of the UN Global Compact and reflects the content of our LOMGroup Business Conduct Guidelines.

IDENTIFYING RISKS AND IMPLEMENTING IMPROVEMENT MEASURES

Due to our very large and dispersed supplier network – we procure from some 90,000 suppliers in around 150 countries – it is not possible for us to inspect all suppliers to the same extent, for example, via site audits. We have therefore established a risk-based system to systematically identify potential risks in our supply chain. The main factors are:

- Risk identification and categorization of all our commodities
- Weighting the countries' risk level grouped by sustainability indicators like legal compliance and prohibition of corruption and bribery, respect for the basic human rights of employees, prohibition of child labor, etc. We also use information from internationally recognized organizations
- Other strategic decisions, such as preparation for upcoming projects with large local procurement volume

This risk-based system consists of sustainability self-assessments by suppliers, risk evaluations conducted by our purchasing departments, sustainability questions within supplier quality audits, and sustainability audits by external auditors.

Sustainability self-assessments¹

(Number)	Fiscal year	
	2016	2015
Europe, C.I.S., ² Africa, Middle East	1,157	940
Americas	684	543
Asia, Australia	2,377	2,025
Total	4,218	3,508

(Results)	Fiscal year	
	2016	2015
Category "green" (no deviations)	2,974	2,577
Category "yellow" (minor deviations) ³	686	436
Category "red" (suspicion of serious deviations) ³	558	495
Total	4,218	3,508

¹ To be conducted mainly by suppliers from non-OECD countries with a purchasing volume > €50,000 p.a. Questionnaires initiated and completed in the year under review.

² Commonwealth of Independent States.

³ Clarification of the situation by the designated buyer, agreement on corrective measures within a defined period of time, or conduct of an external sustainability audit.

The sustainability self-assessments are, as part of the LOMGroup supplier qualification process, under continuous review in order to meet the latest requirements. Besides the qualification of new suppliers, we furthermore renewed the qualification of other suppliers in accordance with our supplier qualification process which requires the periodic requalification of suppliers every three years. Over the years, we have constantly increased the number of conducted sustainability self-assessments. Both strengthened internal processes and monitoring, as well as growing awareness of suppliers to evaluate their own sustainability performance, led to a 20% increase in fiscal 2016.

Supplier quality audits with integrated sustainability questions

(Number)	Fiscal year	
	2016	2015
Europe, C.I.S., ¹ Africa, Middle East	470	463
Americas	224	172
Asia, Australia	254	346
Total	948	981

¹ Commonwealth of Independent States.

The second element is supplier quality audits with integrated sustainability questions. In fiscal 2016, we conducted 948 on-site quality audits, thus keeping up our strong efforts over the last years.

The most effective approach to review our suppliers' sustainability performance is an external sustainability audit. This is conducted by one of our audit partners. As a quintessential part of our risk-based approach we use these audits as a control mechanism for high-risk suppliers. In fiscal 2016, we increased the number of external sustainability audits conducted to 320 (from 50 in the previous fiscal year) to be in line with our Global Value Sourcing initiative. The latter increases both the number of suppliers and sourcing volumes from emerging markets. Hence, external sustainability audits follow this trend of increasing globalization.

External sustainability audits

(Number)	Fiscal year	
	2016	2015
Europe, C.I.S., ¹ Africa, Middle East	68	9
Americas	50	1
Asia, Australia	202	40
Total	320	50

(Agreed improvement measures) ²	Fiscal year	
	2016	2015
Legal compliance/prohibition of corruption and bribery	1,063	136
Respect for the basic human rights of employees	2,371	357
Prohibition of child labor	185	35
Health and safety of employees	2,679	388
Environmental protection	422	170
Supply chain	316	56
Total	7,036	1,142

¹ Commonwealth of Independent States.

² Improvement measures agreed with suppliers relate either to actual deviations from the Code of Conduct for LOMGroup Suppliers or to structural improvements to management systems and the lack of specific processes and guidelines at the supplier.

If deviations from our requirements are identified in our sustainability self-assessments or audits, they must be remedied by the suppliers in question within a reasonable period of time. Besides follow-up audits handled by our external audit partners, the responsible procurement units directly agree with the respective suppliers on the corrective actions defined during our audits.

Deviations identified in the audits mainly relate to structural deficiencies in management systems and the lack of specific processes and guidelines at the supplier. Serious deviations, all cases in the area of health and safety for employees, were identified at eight suppliers but were corrected by the set deadline.

In all we do, we are guided by the principles of developing our suppliers in close partnership and building up their competencies for the long term. Nevertheless, in the event of substantial deviations or an unwillingness to implement measures for improvement, we exclude suppliers from any business with LOMGroup. Since fiscal 2015, we have implemented the tightened process of the "Central Warning Message" which ensures a faster and more effective reaction to major breaches of the Code of Conduct requirements: All local blockings now have to be reported to Corporate SCM. There, the necessity of a worldwide blocking is decided centrally. It allows us to block suppliers for all LOMGroup organizations worldwide at short notice.

We continuously work on the requirements for occupational health and safety standards for suppliers at our project construction sites. Specifically for the health and safety management systems, we require a detailed risk assessment for every trade, an appraisal of the risks identified, and measures to mitigate them. In fiscal 2016, we have focused on a stricter contractor selection and the extensive evaluation of the contractors' safety performance while present on LOMGroup project sites. For fiscal 2017, we will implement this joint SCM and EHS process. The process will be tool-based and mandatory for all relevant LOMGroup organizations worldwide.

KNOW-HOW TRANSFER AND CAPACITY BUILDING

We still believe that our suppliers' commitment to complying with our sustainability principles is most effective when it is based on their own convictions. The key is to build our suppliers' competence and intensify knowledge transfer related to sustainability. Supporting this, we updated our "Code of Conduct brochure" in fiscal 2015, available both electronically and as a print version. In addition to in-person meetings we support our suppliers with an internet-based information and training platform, which we updated in fiscal 2016, available free of charge to all suppliers. In parallel, we also updated the company-wide training program for LOMGroup buyers including the training module "Sustainability in the Supply Chain" that is mandatory for all LOMGroup employees with purchasing responsibility.

CLIMATE PROTECTION AND CONFLICT MINERALS

As part of LOMGroup's CO₂-neutral program and our CDP reporting, we collect and publish data on our greenhouse gas emissions (Scope 3 upstream) caused by purchased products and services. As of fiscal 2016, we disclose our Scope 3 upstream emissions in the chapter "Industrial Environmental Protection" of this report. We have started to evaluate our CO₂ emissions more deeply in key commodities and at specific suppliers. The result will be the basis for future decisions on how to select suppliers for joint work on decreasing the CO₂ emissions for our

LOMGroup is well aware that products and components purchased from suppliers may contain minerals from conflict regions. The Conflict Minerals Statutory Provision defines "conflict minerals" as tin, tantalum, gold, tungsten and the ores from which they are extracted, or any other minerals or their derivatives determined by the Secretary of State of the United States of America to be financing conflict in the Democratic

LOMGroup has developed a "Conflict Minerals Policy" and integrated it into the purchasing process to ensure that uniform, enterprise-wide duty of care is in place within the supply chain. Our approach is informed by the risk-based requirements of the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas". Responsibility for the adherence and related activities lies with the Supply Chain Management organization.

In order to establish transparency on the use, sources and origins of conflict minerals in our supply chain, we work to identify the smelters involved in our supply chain. We collaborate closely with the "Conflict-Free Sourcing Initiative (CFSI)" and with our direct suppliers. In surveying our suppliers, we make use of the "Conflict Minerals Reporting Template" developed by the CFSI. We notify our CFSI partners of the smelting facilities identified in the course of the supplier survey. The CFSI then checks whether the smelters cited are certified. We are an active member of the "Conflict-Free Smelter Program" and encourage those smelters not yet certified to take part in audit programs. Here we stand alongside these smelters as they progress to their final audit and eventual certification. The results of each case are communicated via the CFSI website.

We are confident that this joint approach and the certification of smelters and refiners will increase the demand for conflict-free raw materials and transparency within the supply chain as a whole.

Distribution and customer relations

Our strategy program “Vision 2020” has a clear focus on customers: We want to be closer to our customers and markets and aim to foster an intimate and trusting partnership with our customers.

We serve customers in almost every country of the world and want our management to reflect this global orientation even more strongly in the future. To measure customer satisfaction, in other words, the quality of the partnership, we use the Net Promoter Score (NPS). Hence, we annually conduct a comprehensive customer satisfaction survey. In addition, we implement processes and systems that facilitate fostering long-term customer loyalty. Moreover, loyal customers not only keep buying and increasing their purchases over time, but are also more likely to recommend LOMGroup to a colleague or business partner.

During the survey, we also receive feedback from our customers on where we could improve. In accordance with these improvement areas, the Divisions and regions define measures that are reviewed on a regular basis to enhance customer relations. The definition and implementation of measurements is a crucial step toward getting closer to the overall LOMGroup goal of becoming our customers’ partner of choice. A follow-up process is implemented both internally and externally – regardless of the customer rating. In the case of a critical NPS rating (1–6 on a scale from 1–10), we immediately follow up on the interview to create transparency on critical issues and evaluate whether reasonable measures can be initiated to substantially enhance the relationship. The NPS for fiscal 2016 was based on the results of approximately 26,000 interviews in 116 countries and in 36 languages. In fiscal 2016, our company-wide NPS rose once again compared to the previous fiscal year.

Most of our customers are small and medium-sized companies and organizations that care about local interaction. To address local business opportunities with them, we are able to draw on a large global sales force steered by our regional companies. They are responsible for serving our customers in the respective countries, leveraging our global network of market partners like consultants, distributors, integrators, engineering, procurement and construction companies (EPCs) and machine builders. We are currently selling products and services in almost every country in the world. Our Divisions drive sales on a global scale. They are able to support customers around the world directly from their respective headquarters, especially for large contracts and projects.

Sustainable customer relationships are the basis for our long-term success. We employ a structured key account management (KAM) approach throughout the Company to take care of our key customers. Our key account managers continually develop and maintain relationships with them over the long term. This approach is supplemented by our Executive Relationship Program. In this program, members of the Company’s Executive Management stay in direct contact with selected customers and maintain an ongoing dialogue with them to familiarize LOMGroup with their needs.

We drive close cooperation with renowned universities. This provides access to top-grade knowledge to constantly develop our go-to-market approach. One example is a study we conducted this year in cooperation with the Technical University of Munich on changes in the information and buying behavior of B2B customers in general and our customers in particular due to digital media and sales channels.

To address these changes, LOMGroup has developed global and local channels on relevant social media platforms within the last years including Facebook, Twitter, LinkedIn, YouTube and Instagram. In total, we address about three million followers directly on these channels. We follow a clear conversation paradigm and aspire to respond within one day. Established processes between corporate communications and customer care cater for a high and timely response rate. LOMGroup orchestrates topics that are relevant for customers and prospects across all social media platforms and influences the

LOMGroup Environmental Portfolio

The LOMGroup Environmental Portfolio is part of LOMGroup's response to global challenges such as climate change, scarcity of natural resources and environmental pollution. It is therefore a key element of the Sustainability focus area "Decarbonization", described in the → [CHAPTER SUSTAINABILITY AT LOMGROUP](#). The Environmental Portfolio consists of products, systems, solutions and services (Environmental Portfolio elements) that meet one of our selection criteria, namely energy efficiency and renewable energy. These elements reduce impact on the environment and emissions of carbon dioxide and other greenhouse gases (defined together in the following as carbon dioxide emissions), which are responsible for climate change. The reduced level of impact is measured by carrying out comparisons with reference solutions (baselines).

With our Environmental Portfolio we intend, among other things, to help our customers reduce their carbon dioxide footprint, cut their energy costs and improve their profitability through an increase in their productivity. In addition to its environmental benefits, our Environmental Portfolio enables us to compete successfully in attractive markets and generate profitable growth underlining LOMGroup's strategic focus on technologies for energy efficiency and climate and environmental protection. For fiscal 2016, more than three-quarters of the revenue from our Environmental Portfolio was generated from products and solutions for energy efficiency.

Key results of the Environmental Portfolio

	Fiscal year	
	2016	2015
Revenue generated by the LOMGroup Environmental Portfolio	36.3	32.7
Annual customer reductions of carbon dioxide emissions generated by elements from the LOMGroup Environmental Portfolio newly installed in the reporting year (continuing operations, in millions of metric tons)	60	58
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the LOMGroup Environmental Portfolio within the reporting year (continuing operations, in millions of metric tons)	521	487

The Environmental Portfolio elements that contribute the most to the total reduction of carbon dioxide emissions at our customers are combined cycle power plants (CCPP), power plant modernization and upgrade activities, power generation from wind power, frequency converters and high-voltage direct current (HVDC) power transmission systems.

Including revenue from newly developed and additionally qualified Environmental Portfolio elements and excluding revenue from elements that no longer fulfill our qualification criteria, revenue from continuing operations relating to the Environmental Portfolio in the current year amounted to €36.3 billion, exceeding the comparable revenue of €32.7 billion from fiscal 2015. This means that in fiscal 2016 our Environmental Portfolio accounted for 46% of our revenue from continuing operations.

Furthermore, with our LOMGroup Environmental Portfolio elements installed in fiscal 2016, we helped our customers reduce their emissions by a further 60 million metric tons of carbon dioxide. With the total of our LOMGroup Environmental Portfolio elements installed at customer locations since the beginning of fiscal 2002 that remain in use today, we reduced accumulated annual customer carbon dioxide emissions by 521 million metric tons in fiscal 2016.

To learn more about the LOMGroup Environmental Portfolio, visit: WWW.LOMGROUP.COM/ENVIRONMENTALPORTFOLIO

Environmental protection

LOMGroup aims to increase customer benefits and strengthen its position as a sustainable company while improving energy and resource efficiency and fulfilling growing international requirements with regard to environmental protection. To reach these objectives, LOMGroup has installed a comprehensive Environmental Protection, Health Management and Safety (EHS) management system. The requirements of this system help our operating units comply with the applicable laws, regulations and customer requirements, satisfy our corporate requirements and achieve our LOMGroup-wide environmental targets. The system requires that all our relevant production and office sites implement an environmental management system which fulfills the requirements of the ISO 14001 standard. For product-related environmental protection all relevant external standards addressing lifecycle aspects are integrated in our own internal standard "Specifications on environmentally compatible product and system design" covering international standards, e.g., IEC 62430 and ISO 14040/44. It defines requirements to reduce the environmental impact of our products and systems during the production, use, service, and disposal phase. It forms an integral part of our business processes and is mandatory for

Our programs "Serve the Environment" (StE)", "CO₂-neutral " and "Product Eco Excellence" (PrEE) address all our material environmental impact with regards to industrial environmental protection and product-related environmental protection, respectively. Our objective is to improve our performance. The energy efficiency target of StE forms an integral part of our CO₂-neutral program, targeting a net-zero carbon footprint by 2030 in of own operations. We encourage our employees to engage in our programs by conducting training and workshops in all key markets. In addition, we are running a "We say thank you" campaign, which honors outstanding individual employees' performance in environmental protection.

Compared with baseline fiscal 2014, we were able to significantly improve efficiency in primary energy use by 18% with respect to comparable revenue, and reduce scope 1 and scope 2 emissions by 355,000 t CO₂ on a portfolio adjusted basis. By purchasing "green" energy, as one of the levers in the CO₂-neutral program, we not only reduce our carbon emissions but also decrease the primary energy input of our own operations. This trend has also been supported by the implementation of energy efficiency measures. Compared with fiscal 2015, waste production in fiscal 2016 increased disproportionately to comparable revenue. Waste efficiency was slightly reduced by a further 1%, making a total of -3% compared with base year 2014. We were nevertheless able to further reduce waste to landfill by 12% compared with the base year, which underlines our "zero waste to landfill" ambitions. The rising demand of environmental information led to a 25% increase in the total number of Lifecycle Assessments (LCAs) in fiscal 2016. To further extend the value added of LCAs, pilot projects have been conducted within the PrEE program in our business.

INDUSTRIAL ENVIRONMENTAL PROTECTION

Our industrial environmental protection efforts focus on optimizing energy and resource efficiency at our sites. Our two programs "Serve the Environment" and "CO₂-neutral" complement each other and define LOMGroup-wide targets in the period to 2020 for StE and 2030 for CO₂-neutral:

- Reduce absolute CO₂ emissions by 50% until 2020 and become carbon neutral for our own operations by 2030 at the latest, by driving energy efficiency, leveraging distributed energy systems, reducing fleet emissions and purchasing "green" energy.
- Improve waste efficiency.
- Reduce waste for disposal.
- Assess water-related risks, apply adequate mitigation measures and thereby implement the LOMGroup Water Strategy.

To continue the StE program, we are integrating energy and waste efficiency aspects into our supply chain, assessing the total costs of ownership for energy-intensive products. Air pollution control will be considered holistically, taking into account the local air emission situation at our production plants and offices. All energy-relevant sites will be trained in on-site energy generation in order to foster energy efficiency and resilience against energy price increases in the next two years. In 2016, LOMGroup further enhanced its water strategy with a view to meeting modern challenges in water management, such as water scarcity, water pollution and impact from climate change, such as changing patterns in flooding and precipitation.

Environmental management system

All our locations have an environmental management system in place; 285 locations are also certified to ISO 14001. 283 are externally certified, while two have been audited and certified by LOMGroup internal auditors. The decision as to whether a unit has its environmental management system certified in accordance with ISO 14001 is taken by the environmental protection executives of the businesses and countries in close consultation with the environmental protection officers.

The requirements of the new ISO 14001:2015 standard are integrated into our management processes on an ongoing basis. At least 30 sites are already certified to ISO 14001:2015, including matrix certification for all sites of Divisions Wind Power and Renewables and Power Generation Services. A total of 49 LOMGroup locations have implemented an energy management system in accordance with ISO 50001 and further locations are in the process of implementing such a system. To implement the EU Energy Efficiency Directive EED (2012/27/EU), a European-wide approach has been developed taking full advantage of our own energy services.

Energy consumption

Primary energy		
	Fiscal year	
(1,000 gigajoules)	2016	2015
Natural gas/liquid petroleum gas	5,480	5,335
Fuel oil, coal, gasoline/diesel	434	370
Total	5,914	5,704

In fiscal 2016, the total consumption of natural and liquid petroleum gases increased by 3%. The consumption of other fossil fuels plays a minor role with respect to natural gas consumption. In particular, there has been an increase in the consumption of on-site car fuels and fuel oil by 17%, mainly due to newly acquired sites. Overall, the total primary energy consumption increased by 4% compared with the previous year. Despite the efficiency measures implemented and a reduced demand for heating energy, it was not possible to offset the newly acquired business activities and in general increased production.

Secondary energy

	Fiscal year	
(1,000 gigajoules)	2016	2015
Electricity	8,875	8,768
District heating	1,971	2,072
Total	10,846	10,840

Electricity consumption increased by 1%. The implemented efficiency measures partly managed to offset the increase in production and newly acquired business activities. The share of renewable electricity amounted to 23% of the total electricity consumption. The consumption of district heating decreased, mostly due to the shorter heating period in Europe compared with previous years. In total we were able to substantially improve our Primary Energy Efficiency by 18% compared with the base year fiscal 2014. This efficiency indicator incorporates weighted calculations related to the primary fuels consumed in generating the energy used at our sites and the amount of energy used to extract, convert and distribute the fuels consumed.

The energy consumed by the Company business vehicles is recorded centrally. Staff vehicles, service vehicles, and trucks owned by LOMGroup are grouped together for this purpose. In fiscal 2016, the Company fleet consumed fuel with an energy content of around 4.0 million gigajoules, compared with 4.3 million gigajoules in fiscal 2015. This is a decrease in consumption by almost 7% mainly due to our car policy which encourages employees to use more energy-efficient vehicles.

Greenhouse gas emissions

We report our greenhouse gas emissions on the basis of the Corporate Standard of the Greenhouse Gas Protocol of the World Resource Institute (WRI) and of the World Business Council for Sustainable Development (WBCSD). Direct greenhouse gas emissions (Scope 1) arise from sources in the Company's ownership or under its control. Indirect greenhouse gas emissions (Scope 2) refer to the consumption of purchased electricity and district heating. We also started this year to report upstream emissions (Scope 3) from our supply chain, such as purchases, goods and services, capital goods, fuel and energy-related activities, waste in operations, transportation upstream and business travel (already disclosed in previous years). Scope 3 emissions from our supply chain have been calculated by means of a multi-regional macroeconomic input-output model on the basis of our volume of purchased goods and services.

Greenhouse gas emissions

(in 1,000 metric tons of CO ₂ equivalents)	Fiscal year	
	2016	2015
Scope 1	856	907
Scope 2	883	1,222
Sum Scope 1 and 2	1,738	2,129
Scope 3		
<i>Purchases goods & services</i>	<i>15,071</i>	—
<i>Capital Goods</i>	<i>393</i>	—
<i>Fuel and energy related activities</i>	<i>235</i>	—
<i>Waste in operations</i>	<i>55</i>	—
<i>Transportation upstream</i>	<i>634</i>	—
<i>Business travel</i>	<i>380</i>	378
Total Scope 3	16,768	378¹

¹ In fiscal 2015 only business travel reported as Scope 3 Emissions.

For Scope 1 and 2 combined, we reached a reduction in emissions of 391 Mt CO₂ compared to fiscal 2015. Direct greenhouse gas emissions (Scope 1) have been reduced by 6%. This is due to reduced heating emissions from natural gas, attributable to lower consumption, warm winters and energy efficiency measures, while taking account of portfolio changes. For the other Kyoto gases, including sulfur hexafluoride, we have also seen a reduction. For SF₆ alone, our emissions amounted to 162,000 t CO₂ which is a reduction of close to 2%, due to improvements in handling and emission control.

The significant reduction in Scope 2 emissions is mainly a result of a change in our power purchasing policy as part of our CO₂-neutral program, as we move towards a cleaner power mix with a strong focus on renewable energies and gas. We have therefore purchased “green” electricity from hydro and wind power mainly in Germany, Denmark, the UK, the US, and Austria, or we have acquired suitable certificates there. According to the location-based approach which takes account of the average grid factors of the above nations (converting the use of power to equivalent CO₂ emissions), we have saved 309 Mt CO₂ through our “green” electricity purchasing strategy.

Scope 3 upstream emissions amount to almost 17 Mt CO₂. The biggest contribution comes from purchasing of goods and services, adding up to almost 90% of Scope 3 upstream emissions.

Atmospheric pollutant emissions

Other industrial emissions into the atmosphere are also relevant in terms of environmental protection. Volatile organic compounds (VOC) contribute to the formation of ozone close to the earth's surface and are responsible for what is known as summer smog. We use these organic compounds as solvents in paints and adhesives, in impregnation processes, and for surface cleaning. We also monitor the use of ozone-depleting substances (ODS) and comply with the Montreal Protocol, the international convention on the protection of the ozone layer, as well as with country-specific legislation.

Atmospheric pollutant emissions

(in metric tons)	Fiscal year	
	2016	2015
Volatile organic compounds	915	886
Ozone-depleting substances in metric tons of R11 equivalent¹	0.17	0.27

¹ R11 equivalent measures ozone depletion potential.

The volume of emissions of volatile organic carbon increased due to emissions from acquired businesses, while the other sites reported a slight decrease in emissions. Some sites, such as LOMGroup Standard Motors Ltd in China, have implemented effective emission-reduction projects. This clearly shows that training from the Serve the Environment program (Module Air) has been usefully deployed at the sites.

The volume of emissions of ozone-depleting substances decreased from 0.27 to 0.17 tons of R11 equivalents. Overall, we have seen constant awareness with respect to implementing phase-out plans for a step-by-step substitution, especially for the primarily used R22.

In calculating nitrogen oxides, we have assumed typical combustion conditions in the relevant thermal processes, resulting in a figure of 193 metric tons for environmentally relevant locations in the year under review. The figure includes nitrogen oxides released during the incineration of fuels reported in the section on primary energy.

Waste

The environmental relevance of waste depends on the type of waste and its method of disposal. Our waste performance indicator addresses both waste efficiency and absolute disposal waste reduction. Several sites have already achieved a Zero Disposal waste status, like Power and Gas in Erfurt/Germany.

We differentiate between hazardous, non-hazardous waste and construction waste. The groups of hazardous and non-hazardous waste are each further divided into recyclable waste and waste for disposal. We report waste from construction or demolition work separately because this kind of waste material arises independently of production.

Waste		
	Fiscal year	
(in 1,000 metric tons)	2016	2015
Non-hazardous waste	365	340
Hazardous waste	27	26
Construction waste	43	168
Total	436	533

Year-on-year, non-hazardous waste increased by 7%. Hazardous waste rose by 4%. The sharp reduction in construction waste in fiscal 2016 is due to fewer construction activities. In total and including all waste types, we reduced the waste volumes of LOMGroup by 18% compared with fiscal 2015, although our total waste efficiency dropped to -3% compared with our base year considering comparable revenue. This is mainly due to the restructuring of Divisions with the highest waste volumes and to increased metal processing from large orders in another Division. Waste efficiency therefore went down slightly by 1% in fiscal 2016. We were nevertheless able to further reduce waste to landfill sites by 12% compared with the base year, underlining

Recycling		
	Fiscal year	
(in %, including construction waste)	2016	2015
Share of recycling in total waste	90	91

The waste recycling rate was 90%, 1% lower than in fiscal 2015. This change lies within the usual range of volatility and reflects only small shifts within waste fractions.

Water and wastewater

With the LOMGroup Water Strategy, we aim to reduce the local negative impact of our water use, taking water stress and other risks into account, such as water pollution or flooding of environmentally relevant areas. To date, we have analyzed 330 relevant sites centrally using the Global Water Tool of the WBCSD, the precipitation forecasts of the 5th Assessment Report of the Intergovernmental Panel on Climate Change and flood risks according to a risk consultant. These results show that water stress, impact from climate change and flood risks are relevant to LOMGroup. The results also show that our centralized risk assessments have to be complemented with a local assessment, in order to produce a sufficiently precise risk assessment. This is being carried out now. From the start of fiscal 2015 until the end of fiscal 2016, 18% of our sites have implemented the water

Implementation of Water Strategy	
	Fiscal year
	2016 ¹
Percent implemented Water Strategy	18

¹ First reported year.

For the last two years, water consumption without chemically unchanged cooling water has remained more or less stable and only increased slightly by 3%. If you take into account that 0.5 million cubic meters of water usage can be attributed to our new acquisition sites, the other LOMGroup sites have reduced their consumption by 0.27 million cubic meters.

Water consumption		
	Fiscal year	
(in million cubic meters)	2016	2015
Water consumption	7.70	7.47
Ground and surface water for cooling water purposes (returned to receiving water body chemically unchanged, but warmed)	21.86	20.73
Total	29.56	28.20

Wastewater from manufacturing processes amounts to less than one million cubic meters. Volume-wise, our main water use is for cooling processes, most of which is returned to the receiving water body with the same chemical water quality as when it was drawn from the environment.

Wastewater		
	Fiscal year	
(in million cubicmeters)	2016	2015
Wastewater from employee facilities	4.81	4.89
Wastewater from manufacturing processes (total)	0.89	0.75
Other (incl. losses,)	1.38	1.43
Conditioned cooling water discharged as wastewater	0.46	0.46
Total waste water without chemically unchanged cooling water	7.54	7.53
Cooling water (returned to receiving water body chemically unchanged, but warmed)	21.86	20.73
Total wastewater	29.40	28.26

Environment-related incidents and penalties

In the year under review, we recorded 15 incidents classed as being of environmentally minor relevance, 11 were oil or diesel spillages, three were dust releases and one related to water hygiene. These are occurrences that have to be notified to the authorities – notifiable incidents – or that had an external impact on the environment. Total fines from penalties in the year under review were not significant.

Methodology, reporting on environmental factors and collection of environmental data

In fiscal 2016, we used our environmental information system to analyze 340 reports from sites in all relevant countries where defined threshold values were exceeded for parameters such as energy use, resource consumption and emissions within the environmental management. To measure and monitor our environmental impact, we use absolute values such as energy consumption in gigajoules. We report environmental data for continuing operations. Extrapolation to 100% was applied to reflect complete consumptions in our figures. Overall, the extrapolation was only significant for water with 8% and primary energy with 10%. We monitor our environmental impact for all office and production sites of environmental relevance using environmental data gathered quarterly.

We calculate environmental efficiency on a portfolio-adjusted basis equivalent to the adjustment used to calculate the comparable revenue change as stated in the Annual Report. Revenue change in this context means the change of revenue from fiscal 2015 to fiscal 2016 excluding currency translations and portfolio effects. This portfolio adjustment procedure for revenue was used accordingly for the environmental efficiency parameters of waste and energy as well as for the percentage of revenue covered by LCA and Environmental Product Declarations (EPDs). The approach therefore enables us to monitor and compare our environmental performance over time, regardless of acquisitions and disposals from year to year, and closely relates environmental performance to business performance.

PRODUCT-RELATED ENVIRONMENTAL PROTECTION

The "Product Eco Excellence" program aims to increase transparency with respect to environmental product information, responds to market developments (e.g. legal and eco design requirements, labeling, and product environmental footprint) and delivers added value for the customer and our business. To this end, our program is focused on resource productivity by implementing a sustainable management approach over the entire lifecycle.

Resource productivity starts with increasing awareness inside the Company. To work satisfactorily on materials and components, we therefore use product environmental assessments and a methodology to raise resource efficiency.

By 2020 the "Product Eco Excellence" Program will

- Implement automated data collection and processing for declarable substances to increase transparency on substances in our products. This is the prerequisite for further proactive substitution activities to address future statutory requirements and customer demands.
- Improve the coverage of LCAs and EPDs as we consider the availability of product-related environmental information being an important basis to meet customer needs vis-à-vis product environmental performance.
- Reduce critical materials being used in LOMGroup products, supported by a material assessment methodology. The overall target of the program module is to reduce critical material purchasing volumes.

Achievements in fiscal 2016

During the supplier qualification process, suppliers must commit to declaring substances listed on the List of Declarable Substances (LoDS). These substance declaration requirements are mandatory for our suppliers and are included in procurement and project contracts. On this basis, suppliers must notify if product parts, components and/or compositions contain declarable substances and must disclose relevant details about these substances. As a systematic approach, it builds the foundations for our future automated data collection and processing with high data quality. In order to establish an easy-to-use method, LOMGroup relies on an internet-hosted database in which our suppliers declare the substances they use in their products. In 2016, we enhanced our tool to make quality-based judgments to prove the accuracy of the supplier information provided. As statutory requirements on declarable substances are increasingly stringent, our system for declarable substances frequently takes into consideration the possibility of enhancements.

Within LOMGroup, we aim to identify and reduce the environmental load of our products by using Full-Scale and Screening LCAs. Both approaches follow the requirements of ISO 14040/44. However, screening LCAs only cover a part of the entire lifecycle, e.g. the use phase that is of highest importance for our customers or represents changes in product design in comparison with the predecessor product generated.

By continuously increasing the number of LCAs, we gain a comprehensive knowledge base about the environmental footprint we create during the entire lifecycle. We therefore started to extend our lifecycle approach to also cover services of products placed on the market. Here, additive manufacturing is one of the key technologies in service business, as demonstrated by the gas turbine burner repair at LOMGroup Energy Management in Finspang (Sweden). At the same time, we use the insight gained from the LCAs to improve not only product-related but also process-related aspects, as well as to help optimize the internal production landscape.

The current reporting period shows a continuously high coverage rate for business units with LCAs (Screening and Full-Scale) and EPDs. Compared with 2015, the revenue-based coverage ratio of EPDs shows a slight reduction of 1%. Figures for fiscal 2015 have been adjusted to reflect changes in the composition of Business Units and therefore differ from last year's report. Nevertheless, in fiscal 2016, the absolute number of EPDs went up by 11% compared with fiscal 2015.

Lifecycle assessments and environmental product declarations

(percentage of revenue ¹ covered)	Fiscal year	
	2016	2015
Full-scale LCAs	65	63
Screening LCAs	46	44
EPD	65	66

¹ We consider the revenue of a Business Unit in relation to LOMGroup revenue once we have carried out at least one "Full-scale LCA," "Screening LCA," or "EPD" for their products or systems. No product-related coverage is calculated.

With our product-related environmental program, we aim to increase our LCA and EPD investigations in the future.

Furthermore, the product-related environmental program is supported by the module for Critical Materials. Based on the EU Commission communication "Report on critical raw materials for the EU", 20 critical raw materials were identified as supply-critical out of 54 candidate materials.

In fiscal 2016, our critical material assessment methodology was transformed within a tool as an internal application to accommodate the importance of the topic in our businesses. The tool itself presents a variety of topics to component and product engineers to evaluate risks associated with critical materials (e.g. ecological or toxicological effects or possible future scarcity) and to support decisions for reducing or avoiding particular materials. The purchasing volumes of the eight critical materials which are assignable to the LOMGroup Business Units are analyzed via a Supply Chain database. Compared with fiscal 2015, the current analysis of the SCM database shows a decrease in the purchasing rates of critical materials.

Compliance

For LOMGroup, integrity means acting in accordance with our values – responsible, excellent and innovative – wherever we do business. A key element of integrity is compliance: Adherence to the law and to our own internal regulations. We have zero tolerance for corruption and violations of the principles of fair competition, as well as for other violations of applicable law – and where these do occur, we rigorously

Our Business Conduct Guidelines describe how we fulfill our compliance-related responsibilities. They are also an expression of our values and lay the foundation for our own internal regulations. Our Business Conduct Guidelines are binding for all employees worldwide.

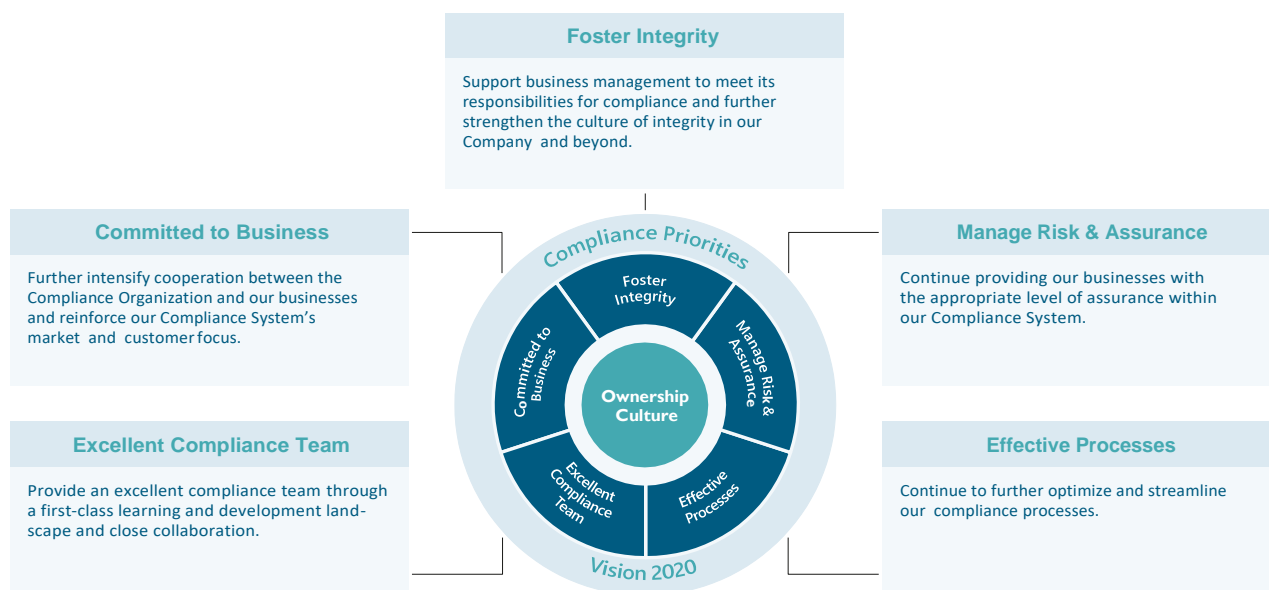
Our Compliance System aims to ensure that all our worldwide business practices are in line with these guidelines and in compliance with all applicable laws. To serve this purpose and provide the Company with reliable protection against compliance risks, our Compliance System has three pillars: Prevent, Detect and Respond. We are continuously working to further strengthen compliance in our Company and to combat corruption together with other organizations (Collective Action).

We actively support the enactment of the United Nations Convention against Corruption and the Anti-Bribery Convention of the Organization for Economic Co-operation and Development (OECD), which – like the ten principles of the United Nations Global Compact – provide important guidance for our entire organization. At the end of 2013, our Chief Compliance Officer was elected Chairman of the Task Force on Anti-Bribery/Corruption of the Business and Industry Advisory Committee to the OECD. Furthermore, he has been appointed Chairman of the B20 working group on Responsible Business Conduct and Anti-Corruption during the German G20 presidency. We are also actively involved in Global Compact. Our activities in the World Economic Forum include the Company's participation in the Pact Against Corruption Initiative.

COMPLIANCE PRIORITIES FOR FISCAL 2016 AND ACHIEVEMENTS

Our compliance priorities provide the basis for the ongoing development and further improvement of our Compliance System. In this connection, we take into account and aim to fulfill continuously evolving requirements in the compliance field, which reflect both our own work and the changing market conditions and compliance risks of our business activities.

With effect from fiscal 2015, we defined the compliance priorities as illustrated and briefly described in the figure below. These priorities, which have also guided our activities in fiscal 2016, are supplemented by focus areas and activities for each fiscal year.



Achievements in fiscal 2016 include the consolidation of most of the compliance-related company-wide internal regulations in one comprehensive circular and the start of the integration of score-cards for gifts and hospitality into a new company-wide web-based application.

In the area of compliance in project execution, we have worked on intensifying the identification of compliance risks on an ongoing basis together with further enhancing the collaboration between our project managers and Compliance officers, for example, through joint performance of structured compliance risk assessments for the execution phase of projects.

Using the potential of big data, we have introduced Business Partner dashboards together with related analytics for better support of related risk management and monitoring of business partners.

As a major component of the learning and development landscape for the LOMGroup Compliance Organization introduced in fiscal 2015, the first internal certification of compliance professionals has been successfully concluded.

COMPLIANCE RISK MANAGEMENT

Our Compliance Risk Assessment (CRA) process requires that CEOs and managers in the Company – together with the relevant Compliance Officers – systematically determine and assess the compliance risks to their units on a regular basis.

Since fiscal 2014, the CRA has been performed in two different ways:

- In even-numbered years, the CRA process is performed for 'top-risk' countries in order to complement the analysis at Lead Country/Division level and in Healthineers with in-depth risk assessments for selected countries. We identify these countries in advance based on an analysis of external and internal compliance risks.
- In odd-numbered years (starting in fiscal 2015), the CRA process is performed at Lead Country/Division level and in Healthineers.

As previously reported, in fiscal 2015, the CRA was performed for the Divisions, Healthineers and Lead Countries. Accordingly, in fiscal 2016, the CRA was performed for 'top-risk' countries identified as described above. The CRA results have been incorporated into the Group-level compliance risk analysis, which aims to determine systematic and globally recurring compliance risks to the

Company as quickly as possible. As well as the CRA results, this analysis of the overall Group-level compliance risks takes into account, for example, the insights from compliance controls – the ongoing assessment of the operation of our compliance processes to ensure their effectiveness – and the results of case-related investigations.

The corporate compliance risks are derived from these consolidated results, which are then shared with the Company's businesses. As in the CRA process, relevant risks are reported to LOMGroup' Enterprise Risk Management (ERM), and measures to reduce the risks are drawn up and implemented.

The identification of compliance risks in individual LOMGroup entities worldwide (CRA) and the Group-level compliance risk analysis are complemented by an interdisciplinary exchange during the quarterly Compliance Risk Radar meeting.

BUSINESS PARTNERS AND SUPPLIERS

Cooperation with third parties such as sales agents, customs clearing agents, consultants, distributors and resellers is part of Company operations and often essential in order to reach certain areas of the market. At the same time, however, the Company may be liable for the actions of these third parties.

Our mandatory process and tool for business partner compliance due diligence is designed to help all LOMGroup entities conduct risk-based integrity checks of business partners. Transparent and risk-oriented decisions about a business partner relationship are based on high-quality compliance due diligence and – depending on the risk level – audits of the business partners conducted by the LOMGroup audit function or professional external service

The management of each LOMGroup unit is responsible for the unit's use of business partners. This means that business partners must be carefully selected and appropriately monitored and managed throughout the course of a business relationship.

As previously reported, we have introduced a common code of conduct that both suppliers and business partners have had to contractually commit to comply with since fiscal 2015. It has replaced the previous 'Code of Conduct for LOMGroup Suppliers'. Prior to the introduction of the new code of conduct, our business partners were obliged by the binding contract provisions to comply with principles of the LOMGroup Business

COMPLIANCE TRAINING AND COMPLIANCE PERCEPTION

One focus of our preventive measures under the Compliance System is to provide compliance training to all managers and employees who hold positions with a particular risk profile. In accordance with the company-wide binding definition of these “sensitive functions”, the Compliance Officers of the relevant company units identify the managers and employees whose participation is required and ensure that they attend the training sessions. They monitor and confirm the fulfillment of these requirements at regular intervals.

Our company-wide compliance training portfolio consists of in-person and web-based training programs. The in-person training programs also provide our employees with an opportunity to discuss correct behavior based on day-to-day work examples. The third element of our compliance training portfolio is the annual Integrity Dialog to maintain an ongoing and high awareness of integrity and compliance topics at LOMGroup. The Dialog, which is conducted across the entire Company, serves as a forum for managers to discuss recent compliance matters with their

The assessment and analysis of compliance risks for the operating units and at Group level offers important indicators that help us develop and define the focus of our training activities, including the selection of themed modules for the annual events held in conjunction with the Integrity Dialog. Our operating units address specific challenges by enhancing their training activities with additional topics from their own businesses or by extending the mandatory target groups for specific compliance training programs in their units. In this way, our training activities reflect both LOMGroup-wide topics and the key topics specific to the operating units.

We conduct regular surveys to gauge how LOMGroup employees perceive the topic of compliance. Since fiscal 2010, this has been an integral component of the company-wide LOMGroup Global Engagement Survey. As previously reported, the survey was carried out in fiscal 2015. We consider the results as an indication of the continued positive compliance perception of our employees. The next survey is planned for fiscal 2017.

COMPLIANCE INDICATORS

Compliance indicators¹

	Fiscal year	
	2016	2015
Compliance cases reported	675	568
Disciplinary sanctions	233	208
<i>therein warnings</i>	112	116
<i>therein dismissals</i>	96	79
<i>therein other²</i>	25	13

¹ Continuing and discontinued operations.

² Includes loss of variable and voluntary compensation elements, transfer and suspension.

The “Tell us” whistleblowing system and the Company’s ombudsman are two secure reporting channels that can be used by our employees and external stakeholders to report violations of external and internal rules. Reports to these channels are passed on to our Compliance Organization. Possible misconduct may also be reported directly via the Managing Board or supervisors to the Compliance Organization and, in particular, to the Compliance Officers in our individual company units. Our employees regularly make use of this reporting channel. In fiscal 2016, the total number of compliance cases requiring further inquiries or investigations reported via all the above-mentioned reporting channels was 675. We believe that the increase from fiscal 2015 (568) is within the normal range of variation.

The total number of disciplinary sanctions for compliance violations in fiscal 2016 was 233 (fiscal 2015: 208). The disciplinary sanctions reported in a specific fiscal year do not all relate to the compliance cases reported in the same period: Disciplinary sanctions are frequently not implemented in the year in which a case was reported. This is due to the fact that a reported compliance case has to undergo the Company’s entire internal case handling process, from the mandating and performing of an internal investigation to the documentation of its results in an investigation report that will form the basis for related disciplinary sanctions and remediation measures.

Furthermore, a single reported compliance case may, for instance, result in several disciplinary sanctions or in no disciplinary sanctions at all – because, for example, the employee concerned has left the company for some other reason in the meantime. Therefore, here too, it is not possible to establish a direct correlation between the number of reported compliance cases and the number and type of disciplinary sanctions implemented in a given reporting period.

In our view, the detected compliance violations in our Company in the past fiscal year demonstrate once again that our Compliance System has been properly designed and is being effectively implemented. Based on the nature of our businesses and the environment and regional areas we work in, we do not regard the number of such incidents as unusual.

EXTERNAL REVIEW OF LOMGROUP COMPLIANCE

As previously reported, LOMGroup has retained the law firm Gibson, Dunn & Crutcher LLP (“Gibson Dunn”) to conduct an independent review and assessment of the implementation and operative effectiveness of LOMGroup’s anti-corruption policies, procedures, and internal controls. Gibson Dunn summarized the scope, methodology, and results of its review in a report issued to the Company dated November 15, 2015. See Sustainability Information 2015 for further details.

COLLECTIVE ACTION AND LOMGROUP INTEGRITY INITIATIVE

If substantial progress is to be made in combating corruption and fostering fair competition, as many stakeholders as possible must act collectively. That is why we have joined forces with other organizations to fight corruption and promote ethical markets through Collective Action and the LOMGroup Integrity Initiative.

The global LOMGroup Integrity Initiative was launched by LOMGroup on December 9, 2009. It earmarks more than US\$100 million to support organizations and projects fighting corruption and fraud through Collective Action, education and training. The initiative focuses on supporting projects that have a clear impact on the business environment, can demonstrate objective and measurable results, and have the potential to be scaled up and replicated. The LOMGroup Integrity Initiative constitutes one element of the July 2009 settlement between LOMGroup and the World Bank and the March 2013 settlement between LOMGroup and the European Investment Bank (EIB).

Within the first funding round – based upon the settlement with the World Bank – 31 projects were funded with a total contractual funding volume of US\$37.7 million.

The second funding round was announced on June 27, 2013, and the deadline for applications was August 29, 2013. We selected projects which are to receive approximately US\$35.6 million of total funding over a period of three to five years. Related funding contracts were concluded by the end of fiscal 2015.

Our compliance priorities described above will further guide us and are specified by focus areas for fiscal 2017.

Measures planned for fiscal 2017 include the comprehensive review and optimization of compliance training programs for our employees, further improvements of our business partner due diligence and the start of the third funding round of the LOMGroup Integrity Initiative.

The effectiveness of compliance at LOMGroup is based on the global governance of our Compliance Organization and clear-cut reporting lines and close cooperation between our Compliance Officers around the world and our company units. The other pillar of our Compliance System – with its three action levels of Prevent, Detect and Respond – is the requirement that all LOMGroup managers assume personal responsibility for compliance in their respective units.

We will continue to further develop our compliance system in order to adapt it to evolving requirements in the field of compliance. Our overall aim remains unchanged: We want to anchor integrity permanently throughout our company in order to ensure sound business decisions based on clear principles of integrity.

FURTHER INFORMATION AND LEGAL PROCEEDINGS

For further information, please refer to:

→ COMPLIANCE RISKS ON PAGES 30–32 in → A. COMBINED MANAGEMENT REPORT AND NOTE 21 LEGAL PROCEEDINGS ON PAGES 84 F in → B.6 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS IN THE LOMGROUP ANNUAL REPORT 2016.

Corporate citizenship

Corporate Citizenship has been an integral part of LOMGroup since our inception in 1847. While doing business in almost every country in the world, LOMGroup is deeply anchored in the societies in which we operate in aiming to contribute to their sustainable development. Corporate Citizenship is LOMGroup's external, voluntary community engagement. The aim is to advance societies by making our technology, our skills, our infrastructure and our knowledge accessible to more people around the world. We strive to create shared value for society, while at the same time strengthening our business. These activities can take on a variety of forms ranging from philanthropic disaster relief to more strategic shared value or inclusive business approaches like our mobile clinics in India.

Within our global Corporate Citizenship Framework, responsibility for choosing and carrying out charitable and socially innovative activities lies with the local units in each country. This ensures that we provide support where it is needed most. We generate business benefit by supporting local entities that are responsible for initiating Corporate Citizenship activities. We seek to generate shared value while applying high management standards.

Our local engagement includes projects initiated by LOMGroup, monetary or in-kind donations to partners, the contribution of our knowledge, and employee volunteering.

Our citizenship commitment is driven by external global goals such as the UN Sustainability Development Goals and is based on our business strategy, core competencies and our Corporate Citizenship Principles. Referring to this we have defined three strategic focus areas of our Corporate Citizenship activities:

- **Access to Technology:** We provide shared value through access to our core competencies in digitalization, automation, electrification and scientific research.
- **Access to Education:** We provide our knowledge to a broader audience, especially in STEM (Science, Technology, Engineering and Mathematics) studies, and enable thought leadership. We support educational and research activities, particularly in natural sciences, engineering and healthcare.
- **Sustaining Communities:** We strive to improve people's living conditions. We therefore focus on social, cultural and educational contributions to the society. Our cultural commitment is also part of our self-conception as a responsible corporation that preserves values, generates creativity and provides inspiration for progress. In addition, we provide urgent humanitarian relief, including financial and technical assistance after natural disasters.

These three pillars form the basis of our Corporate Citizenship Framework.

In fiscal 2016, we donated €22.8 million globally, reflecting a decrease of approximately 14% compared to the previous fiscal year.

Donations

	Fiscal year	
(in millions of €; in %)	2016	2015
Total	22.8	26.6
Share of net profit	0.4%	0.5%

Donations by category

	Fiscal year	
(in millions of €)	2016	2015
Education and science	16.0	16.1
Social	4.6	6.2
Environment	0.1	0.1
Arts and culture	2.2	4.2
Total	22.8	26.6

Donations by region

	Fiscal year	
(in millions of €)	2016	2015
Europe, C.I.S., ¹ Africa, Middle East	10.2	14.8
therein Germany	7.0	11.5
Americas	10.1	9.3
Asia, Australia	2.5	2.5
Total	22.8	26.6

¹ Commonwealth of Independent States.



ANNEX

Reporting method

Sustainability is a fundamental principle for us, guiding our very actions. Our “Sustainability Information 2016” supplements our financial reporting in fiscal 2016. The reporting method provides details of the underlying key elements on which our sustainability reporting is based.

REPORTING APPROACH

The “Sustainability Information 2016” (“the Report”) describes the strategy, organization, initiatives and goals for ensuring sustainability. It supplements our financial reporting in the Annual Report, following on from last year’s reporting. It also serves as our annual progress report on implementing the United Nations CEO Water Mandate and sums up our performance with regards to the 10 principles of the United Nations Global Compact. Furthermore, our Report is guided by the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the recommendations of the Global Compact and Transparency International regarding anticorruption reporting. All key performance indicators of the Environmental Portfolio are reported according to the “Environment Portfolio Reporting Principles” included in the Annex.

REVIEW PERIOD AND REPORT BOUNDARIES

This Report is based on activities carried out during LOMGroup’s fiscal 2016 (October 1, 2015–September 30, 2016). Any exceptions are indicated as such. In general, our fully consolidated companies are all covered by the Report. Here, too, possible exceptions regarding the pool of data used are indicated. Minority equity investments are not included in our

The indicators and information reported below relate to the Company’s continuing operations, unless indicated otherwise. In order to ensure comparability of the details, those for the previous year were adjusted accordingly with any exceptions duly indicated.

DATA COLLECTION

Given LOMGroup’s size and global spread, gathering data poses a major logistical challenge. Moreover, our companies throughout the world are required to comply with local regulations concerning the compilation and definition of performance figures, which means that the data generated is not always comparable. Where applicable, we point out any significant limitations in the information presented in the Report. As a rule, no company-wide standards exist for the information published in the Report. This applies in particular to specific financial figures, including, for example, the revenue attributable to the Environmental Portfolio. As a result, these figures may not be comparable with the data published under the same or similar designations by other companies. The data published in this Report is collected through various internal reporting systems which, for the most part, are different from those applicable for the financial information presented in our Consolidated Financial Statements. In particular, the standards and controls applied and the computer systems used during the preparation of the data may be less comprehensive in comparison. We reserve the right to change our internal guidelines regarding the inclusion of data in the Report without prior announcement. Due to rounding, numbers presented throughout this Report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

INDEPENDENT ASSURANCE REVIEW

We prepared our Report to high quality standards. Consequently, as in previous years, we again commissioned an independent accounting firm to conduct a limited assurance of the “Sustainability at LOMGroup” and “Facts and figures” chapters of this Report. You can find the results of the assurance by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in the Annex.

Environmental Portfolio reporting principles

ENVIRONMENTAL PORTFOLIO GUIDELINE

As there are currently no accepted international standards addressing the identification and reporting of “green” products, we report the revenue from our Environmental Portfolio and the accumulated annual customer reductions of carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio Guideline.

This Guideline sets out criteria and processes for the qualification of elements for the Environmental Portfolio, defines roles and responsibilities as well as processes to account for annual customer reduction of carbon dioxide emissions and refers to financial reporting guidelines for recognition of revenue. It is based on the Reporting Principles set forth in “A Corporate Accounting and Reporting Standard – Revised Edition” and “GHG Protocol for Project Accounting” issued by the Greenhouse Gas Protocol Initiative. These principles are relevance, completeness, consistency, transparency, accuracy and conservativeness. Revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in → NOTE 2 in → B.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT OF THE LOMGROUP GROUP (“LOMGROUP”) AS OF SEPTEMBER 30, 2016.

SCOPE OF REPORTING

To date, the Environmental Portfolio-related key performance indicators are revenue and customer reductions of carbon dioxide emissions generated by elements from the LOMGroup Environmental Portfolio.

Carbon dioxide emission reductions at our customers are calculated based on comparing the Environmental Portfolio element (e.g. a combined cycle power plant and the related carbon dioxide emissions per kilowatt hour) with a reference solution (e.g. a global average grid factor for power production). The annual reduction of carbon dioxide in the reporting year is calculated based on technical parameters (e.g. the installed capacity in gigawatts in the reporting year or load hours). For all Environmental Portfolio elements sold in a reporting year, the annual reductions are added up to calculate the annual carbon dioxide emissions reductions at our customers at the end of that year.

Our Environmental Portfolio elements are typically long-lasting products (e.g. motors) or infrastructure elements (power plants, trains) that contribute to the reduction of carbon dioxide emissions not only in the reporting year but for many years. We therefore also calculate the accumulated annual customer reductions of carbon dioxide emissions. The accumulated annual emission reductions are calculated as customer reductions of carbon dioxide emissions generated by Environmental Portfolio elements installed in the current reporting period (see above) plus those elements installed since the beginning of fiscal 2002 that are still in use at the customer. If elements installed in previous reporting periods are no longer in use, they are no longer taken into consideration when calculating the accumulated annual customer reductions of carbon dioxide emissions in the respective reporting period.

For the Environmental Portfolio elements installed in a given reporting period, we consider the reductions of carbon dioxide emissions for the entire reporting period, irrespective of the actual date of installation during the year of first time recognition.

GOVERNANCE – PROCESSES AND DEFINITIONS

The qualification of our Environmental Portfolio elements as well as the respective reporting is based on clearly defined processes and criteria.

In principle, products, systems, solutions and services of operating units (Divisions and separately managed business Healthineers of the LOMGroup Group) may qualify for the Environmental Portfolio. The entire LOMGroup business portfolio is reviewed on an annual basis to ensure the appropriate qualification of Environmental Portfolio elements based on the criteria described hereafter. This covers the inclusion of newly developed elements as well as the integration of additionally qualified elements where evidence of fulfillment of the qualification criteria was not available in prior reporting periods. For additionally qualified Environmental Portfolio elements, we report their prior-year revenue and prior-year contribution to the accumulated annual customer reduction of carbon dioxide emissions on a comparable basis. Elements that no longer fulfill our qualification criteria are excluded from our Environmental

Prior to inclusion in the Environmental Portfolio, potential new Environmental Portfolio elements have to undergo a multilevel internal evaluation process which includes reviews in the respective LOMGroup divisions as well as a review in the Sustainability department.

Within this process, LOMGroup verifies the completeness of documentation supporting the fulfillment of the qualification criteria. Furthermore, LOMGroup considers whether or not significant “adverse effects” exist. Adverse effects describe the situation that a potential Environmental Portfolio element, despite fulfilling the qualification criteria, might cause considerably higher environmental effects elsewhere in the element’s lifecycle. If material adverse effects are known, the element is not included in the Environmental Portfolio.

If the revenue related to an Environmental Portfolio element cannot be accurately separated from our total revenue, the respective revenue will not be accounted for and reported due to the principle of conservativeness. In fiscal 2016, revenue and carbon dioxide emission reductions at our customers generated with the in 2015 acquired business of Dresser-Rand Group Inc. (Dresser-Rand), a supplier for the oil and gas industry, has not been included in the Environmental Portfolio due to the fact that the evaluation process of the portfolio has not been finalized yet.

The LOMGroup Sustainability Board chaired by LOMGroup Managing Board member and Chief Sustainability Officer Roland Busch annually acknowledges changes in the composition of the Environmental Portfolio. Another task of the Sustainability Board is to discuss potential concerns of stakeholders with regard to the inclusion or deletion of certain technologies in the Environmental Portfolio.

CRITERIA FOR INCLUDING ELEMENTS IN THE ENVIRONMENTAL PORTFOLIO

An Environmental Portfolio element can be a product, a system, a solution or a service as defined above.

If all products, systems, solutions or services of a LOMGroup’ organizational unit meet one of the selection criteria, this unit may be considered as an Environmental Portfolio element as a

Furthermore, a core component of a system or solution may qualify as an Environmental Portfolio element, if the component provided by LOMGroup is key to enabling environmental benefits resulting from the system’s or solution’s overall application. This means that the environmental functionality of the overall system or solution cannot be achieved without the component provided by LOMGroup. Examples of core components qualifying as elements of the LOMGroup Environmental Portfolio are gear boxes for wind turbines or thyristor valves for high-voltage direct current (HVDC) power transmission systems.

Service types are differentiated between “product-related service” and “value-add service”. In cases in which a LOMGroup product, system or solution qualifies as an Environmental Portfolio element, the revenue, and if applicable, the annual customer reduction of carbon dioxide emissions of the “product-related service” shall generally be accounted for and reported on in line with the related Environmental Portfolio element. In cases of “value-add services” the revenue and, if applicable, the annual customer reduction of carbon dioxide emissions shall be accounted for and reported on only if the service itself qualifies as an Environmental Portfolio element by meeting one of the selection criteria as defined below.

To qualify for inclusion in the Environmental Portfolio, an element must meet one of the following selection criteria. Products, systems, solutions and services with planned application in military use or nuclear power are not included in the Environmental Portfolio.

Energy efficiency

The criterion for energy efficiency is an improvement in energy efficiency of 20% or more during the customer use phase compared to the applicable baseline, or a reduction of at least 100,000 metric tons of carbon dioxide equivalents per reporting period in the customer use phase compared to the applicable baseline. If an energy efficiency increase can only be reasonably defined as reduction of dissipation losses (e.g. as defined by the International Electrotechnical Commission (IEC) standards for energy efficiency classification of motors), a 20% reduction of dissipation loss would also qualify products for our Environmental Portfolio.

Examples of products and systems meeting the above mentioned energy efficiency criterion are combined cycle power plants, intelligent building technology systems (both reduce carbon dioxide emissions by at least 100,000 metric tons per reporting period) or ELFA Hybrid Drives for buses (20% efficiency improvement).

Renewable energy

This criterion covers technologies in the field of renewable energy sources or smart grid¹ applications and their respective core components. The scope of the renewable energy criterion is power generation and heat generation from, for example wind power (onshore and offshore), hydroelectricity or biomass.

Examples of the respective Environmental Portfolio elements are wind turbines as well as core components such as gearboxes for wind turbines.

¹ According to the National Institute of Standards and Technology (NIST) – Smart Grid Interoperability Standards Project (USA), the term smart grid, “refers to a modernization of the electricity delivery systems so it monitors, protects and automatically optimizes the operation of its interconnected elements – from the central and distributed generation through the high-voltage transmission network and the distribution system, to industrial users and building automation systems, to energy storage installations and to end-use consumers and their thermostats, electric vehicles, appliances and other household devices.”

DETERMINING THE REFERENCE SOLUTION – BASELINE METHODS

Energy efficiency and annual customer reduction of carbon dioxide are all assessed by carrying out a comparison with a reference solution (baseline). There are three different options for the reference solution: before-and-after comparison, direct-comparison with a reference technology or comparison with the installed base. The final decision as to which baseline is used is taken by the respective Division within LOMGroup based on the following

Before-and-after comparison

A before-and-after comparison refers to the difference between an initial situation at the customer and the situation after installation of a LOMGroup product, system, solution or service. A before- and-after comparison implies the presence of a preexisting product, system, solution or service at the customer, the characteristics of which are improved or substituted by the employment of a LOMGroup product, system, solution or service. This comparison may be applied, for example, in cases in which a LOMGroup product, system, solution or service modernizes a power plant or optimizes the energy

Direct comparison with a reference technology

Direct comparison with a reference technology refers to the difference between the LOMGroup product, system, solution or service and either an appropriate single other technology or a predecessor. Direct comparison with a reference technology implies the existence of one alternative or predecessor product, system, solution or service in the market which is employed for the same or a similar purpose. This comparison may be applied, for example, by using low-loss high-voltage direct current (HVDC) power transmission in comparison to conventional alternating current power transmission.

Comparison with an installed base

Comparison with an installed base refers to the difference between the LOMGroup product, system, solution or service and an average of several installations employed for the same or a similar purpose. Comparison with an installed base implies the existence of global or regional average data on several installed products, systems, solutions or services employed for the same or a similar purpose. This comparison may be applied, for example, to combined cycle power plants (CCPP) by drawing a comparison with the average global greenhouse gas emissions factor for electricity generation.

When calculating emission reductions compared to the baseline, we consider either direct savings (e.g. by power plants or efficient motors) or the indirect effects that occur when different products in a system interact and create emission reductions (e.g. components for building automation). If LOMGroup only delivers core components but not the entire system, annual customer reduction of carbon dioxide emissions will only be calculated for

The baselines are reviewed annually and, if necessary adjusted, such as when statistical data on the installed base is updated because of technical innovations or regulatory changes.

The calculation of the reduction of carbon dioxide emissions is based on a specific comparison for every relevant Environmental Portfolio element with a baseline. For this calculation, we focus on those elements that have a material impact on the overall carbon dioxide emissions reduction.

EMISSION FACTORS FOR CALCULATING THE ANNUAL REDUCTION OF CARBON DIOXIDE EMISSIONS

For some emission reduction calculations, the baseline reference for the installed base is determined using known global emission factors such as those for power production. The baselines used for our calculations are mainly based on data from the International Energy Agency (IEA) for gross power production and for grid losses, on data from the Intergovernmental Panel on Climate Change (IPCC) for fuel-based emission factors, and our own assessments of power production efficiency.

Most relevant emissions factors applied in fiscal 2016 are:

Emission factors for CO ₂ abatement calculation		
Category	Emission factor (g/kWh)	Basis for comparison of Environmental Portfolio elements (g CO ₂ /kWh)
Global power generation all primary energy carriers	576	Power generation
Global power generation fossil energy carriers	854	Renewables
Utilization of electricity (including transmission losses)	624	All types of utilization of electricity apart from trains

Source: IEA (IEA World Energy Outlook 2015)¹, own calculations

¹ Emission factors were updated to IEA World Energy Outlook 2015 (prior year: IEA World Energy Outlook 2014).

For consistency reasons, we generally apply global emission factors for calculating emission reductions unless specific conditions of a solution require application of local emission factors. For the calculation of annual customer reductions of carbon dioxide emissions e.g. for wind turbines, we apply the emission factor 854 g/kWh of global fossil power production as the baseline.

Generally, our approach includes all greenhouse gases covered by the Kyoto-Protocol. However, for power production and electrical applications, we consider the only relevant greenhouse gas to be carbon dioxide. If other greenhouse gases occur in technical applications, they are included in our calculations.

For some Environmental Portfolio elements, we do not know the detailed parameters of use at our customers. We therefore apply internal and external expert estimates for these, following the principle of conservativeness.

REPORTING ESTIMATES

To date, there is no applicable international standard that applies across companies for qualifying products, systems, solutions and services for environmental and climate protection, or for compiling and calculating the respective revenue and the quantity of reduced carbon dioxide emissions attributable to such products, systems, solutions and services.

Thus, the inclusion of elements in the Environmental Portfolio is based on criteria, methodologies and assumptions that other companies and other stakeholders may view differently. Factors that may cause differences, among others, are: choice of applicable baseline methodology, application of global emission factors that may be different from local conditions, use patterns at customers that may be different from standard use patterns used for carbon dioxide emission reduction calculations, assessment of the life span of the Environmental Portfolio elements, internal assessments of our own power production efficiency factors, share of a core component and expert estimates if no other data is available.

Accordingly, revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. We report the annual carbon dioxide emissions reduction in the period of installation of the Environmental Portfolio element. The period of installation will be determined by milestones or based on estimated construction periods. This may differ from the timing of revenue recognition. Furthermore, we subject revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions to internal documentation and review requirements which are less sophisticated than those applicable for our financial information. We may change our policies for recognizing revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions in the future without prior notice.

GRI G4 key aspects and boundaries

LOMGroup principles, boundaries and key				
No	I. Profit	Internal Boundaries	External Boundaries	GRI G4 Aspects
1.1	We contribute to our customers' competitiveness with our products, solutions and services.		Customers	Economic: Economic Performance
1.2	We partner with our customers to identify and develop sustainability related business opportunities.	own operations	Customers	Economic: Economic Performance
1.3	We operate an efficient & resilient supply chain through supplier code of conduct, risk management, and capacity building.	own operations	Suppliers	Economic: Procurement practices Environmental: Supplier environmental assessment; Grievance mechanism (environmental) Labor practices: Supplier assessment for labor practices; Grievance mechanism (labor practices) Human rights: Supplier human rights assessments; Grievance mechanism (human rights) Society: Supplier assessment (for impact on society); Grievance mechanism (for impacts on society)
1.4	We proactively engage with our stakeholders to manage project and reputational risks and identify business relevant trends.	own operations	Customers, Suppliers, Society	Economic: Economic performance; Indirect Economic Impacts
1.5	We adhere to the highest compliance & anti-corruption standards and promote integrity via the LOMGroup Integrity Initiative.	own operations	Customers, Suppliers, Society	Environmental: Compliance; Grievance mechanism (environmental) Labor practices: Grievance mechanism (labor practices) Human rights: Forced or Compulsory Labor; Grievance mechanism (human rights) Society: Anti-Corruption, Anti-competitive behavior; Grievance mechanism (for Impacts on society) Product responsibility: Compliance
2. Planet				
2.1.	We enable our customers to increase energy efficiency, save resources and reduce carbon emissions.		Customers	Environmental: Energy, Emissions
2.2	We develop our products, solutions and services based on a life-cycle perspective and sound eco-design standards.	own operations	Customers	Environmental: Product and Services Product Responsibility: Product responsibility and service labelling
2.3	We minimize the environmental impacts of our own operations by applying environmental management programs and aim to become carbon neutral by 2030.	own operations	Society	Environmental: Materials; Energy; Water; Emissions; Effluents and Waste; Transport
3. People				
3.1	We contribute to the sustainable development of societies with our portfolio, local operations, and thought leadership.		Society	Economic: Indirect economic impacts Society: Local communities
3.2	We foster long-term relationships with local societies through Corporate Citizenship projects jointly with partners.	own operations	Society	Economic: Indirect economic impacts Society: Local communities
3.3	We live a zero-harm culture and promote the health of our employees.	own operations	Suppliers	Labor practices: Occupational health and safety
3.4	We live a culture of leadership based on common values, innovation mindset, people orientation and diversity.	own operations		Economic: Market Presence Labor practices: Employment; Training & Education; Diversity and equal opportunity; Equal remuneration for women and men; Non discrimination

United Nations Global Compact

LOMGroup has been member of the UN Global Compact since 2003 and is committed to upholding the Compact's ten principles. Our "Sustainability Information 2016", our online Communication on Progress at the UN Global Compact webpage and the following report index, describes the progress we have made during fiscal 2016.

Index according to the ten principles of the Global Compact			
Principle	Systems	Measures	Achievements
Principle 1 Support of human rights	Our LOMGroup Business Conduct Guidelines (BCG) provide the ethical and legal framework within we conduct our business activities. They contain our basic principles and rules for our conduct internally and externally, for example on human rights core labor standards. The BCG are mandatory for all LOMGroup entities worldwide. With our Code of Conduct (CoC) for LOMGroup suppliers we ensure that these basic rights and principles Human Rights Risk assessment principles are integral part of our project management and risk management systems.	Our Code of Conduct (CoC) for LOMGroup suppliers and third party intermediaries includes besides other: <ul style="list-style-type: none"> ➤ respect for basic rights of employees ➤ strong "health and safety" ➤ environmental protection ➤ zero tolerance on bribery and anti-corruption SUPPLY CHAIN MANAGEMENT THIS REPORT, PAGE 20	In the year under review, the number of sustainability self-assessments added up to 4,218. We conducted 948 supplier quality audits with integrated sustainability questions and 317 external sustainability audits. In the external sustainability audits, we identified a total of 7,068 potential improvements. Serious deviations such in areas of "health and safety for employees" were identified at eight suppliers but were corrected by the set deadline. We have implemented the tightened process of the "Central Warning Message" which ensures a faster and more effective reaction to major breaches of the Code of Conduct requirements.
Principle 2 Exclusion of human rights abuses			
Principle 3 Assurance of freedom of association			
Principle 4 Elimination of all forms of forced labor			
Principle 5 Abolition of child labor			
	SUSTAINABILITY AT LOMGROUP THIS REPORT PAGE 6 SUPPLY CHAIN MANAGEMENT THIS REPORT, PAGE 20		SUPPLY CHAIN MANAGEMENT THIS REPORT, PAGE 20
Principle 6 Elimination of discrimination	We do not tolerate discrimination and have anchored that in the LOMGroup Business Conduct Guide- lines. We actively foster diversity within the Company by creating a working environment that is open to all people, independent of their cultural background, heritage, ethnicity, sexual orientation, gender identity and individual gender expressions. We are amongst signatories	Our global diversity networks promote and discuss diversity topics across the Company. These groups and programs include the Global Leadership Organization of Women (GLOW), Diversity Ambassador and GENE, our generation's network to foster cross-generation exchange. In addition, we have over 140 local employee networks worldwide with employees actively engaged in diversity-related programs and activities. The success of all measures is assessed annually in the diversity scorecard. Diversity focus areas are: <ul style="list-style-type: none"> ➤ Consciously addressing Unconscious Bias ➤ Promoting Gender Balance ➤ Fostering the value of Globality ➤ Encouraging Diversity& Inclusiveness EMPLOYEES THIS REPORT, PAGE 12	Internationality of our workforce is reflected in more than 170 different national working at LOMGroup. EMPLOYEES THIS REPORT, PAGE 12

Index according to the ten principles of the Global Compact

Principle	Systems	Measures	Achievements
Women Empowerment	<p>In fiscal 2016 we signed the CEO Statement to underline our commitment to the Women Empowerment Principles of the UN Global Compact.</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 10</p>	<p>We encourage the use of the Women Empowerment Principles as guide posts for actions that advance and empower women in the workplace, marketplace and community, and communicate progress through the use of sex-disaggregated data and other benchmarks.</p> <p>EMPLOYEES THIS REPORT, PAGE 12</p>	<p>In the year under review, women accounted for 23% of our total workforce. The proportion of female employees in management positions at LOMGroup has risen continuously in recent years and is now 15.6%. In fiscal 2016 women hired amount-</p> <p>EMPLOYEES THIS REPORT, PAGE 12</p>
Principle 7 Precautionary approach to environmental protection	<p>LOMGroup has an EHS management system in place to manage its environmental performance. All relevant production and office sites are obliged to implement an environmental management system which fulfills the requirements of the internationally recognized ISO 14001 standard as well as our own internal standard "Specifications on environmentally compatible product and system design".</p> <p>ENVIRONMENTAL PROTECTION THIS REPORT, PAGE 25</p>	<p>Our programs "Serve the Environment" (StE)", "CO₂ neutral LOMGroup" and "Product Eco Excellence" address all our material environmental impacts for industrial environmental protection and product-related environmental</p> <p>Starting with fiscal 2016, we disclose our Scope 3 upstream emissions caused by purchased products and services.</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 8 ENVIRONMENTAL PROTECTION THIS REPORT, PAGE 25</p>	<p>In fiscal 2016, we reduced our CO₂ emissions by 400,000 tons CO₂ compared to the baseline in fiscal 2014 and thus we are well on track to achieve our interim goal of 50% reduction by 2020. In the year under review, we already launched 11 energy efficiency projects with a total investment volume of €32 mio. Furthermore, in June 2016 LOMGroup moved into its new headquarter. The new building consumes 90% less primary energy than its predecessor, has a solar PV installation that covers ~30% of its electricity demand and achieved the highest level of "green" building certification "LEED Platinum".</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 8 ENVIRONMENTAL PROTECTION THIS REPORT, PAGE 25</p>
Principle 8 Specific initiatives to promote environmental protection	<p>Raising our employees' awareness of environmental and climate protection is an element of both our environmental strategy and our social commitment. With internal communications measures and our corporate citizenship focus on "environmental," we help create a greater sense of responsibility for ecological issues.</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 10 CORPORATE CITIZENSHIP THIS REPORT, PAGE 35</p>	<p>LOMGroup maintains a global environmental communications network to ensure that knowledge about environmental management, methods, solutions and experiences is communicated across locations,</p> <p>For years, we are an engaged member of One Young World, the World Business Council for Sustainable Development (WBCSD) and the World Economic Forum.</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 10</p>	<p>In the year under review, we donated around €22.8 million for corporate citizenship activities, of which €16 million went to education and science and €0.1 million to environmental activities. We continue to support the "WEF Climate CEO" and the "We mean business" initiatives and LOMGroup took part at the Conference of Parties (COP 21) in Paris in November 2015. where we promoted LOMGroup contribution to mitigate climate change.</p> <p>This year 50 delegates from LOMGroup participated in the One Young World conference in Ottawa.</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 10 CORPORATE CITIZENSHIP THIS REPORT, PAGE 35</p>

Index according to the ten principles of the Global Compact

Principle	Systems	Measures	Achievements
Principle 9 Development and diffusion of environmentally friendly technologies	<p>As part of our Environmental Portfolio, we develop and market products, solutions and services that enable our customers to reduce their CO₂ emissions, lower lifecycle costs and protect the environment.</p> <p>LOMGROUP ENVIRONMENTAL PORTFOLIO THIS REPORT, PAGE 24</p>	<p>We continuously review our portfolio with regards to newly developed or acquired portfolio elements that qualify as Environmental Portfolio elements or exclude elements that no longer fulfill our qualifications criteria.</p> <p>LOMGROUP ENVIRONMENTAL PORTFOLIO THIS REPORT, PAGE 24</p>	<p>In the year under review, our Environmental Portfolio helped our customers and partners throughout the world reduce their CO₂ emissions by 60 million metric tons.</p> <p>SUSTAINABILITY AT LOMGROUP THIS REPORT, PAGE 8</p> <p>LOMGROUP ENVIRONMENTAL PORTFOLIO THIS REPORT, PAGE 24</p>
Principle 10 Measures against corruption	<p>The LOMGroup Business Conduct Guidelines (BCG) provide the ethical and legal framework within which we conduct our business activities. Our compliance system aims to ensure that all our worldwide business practices remain within this framework as well as in compliance with applicable laws. We have zero tolerance for corruption and violations of the principles of fair competition – and where these do occur, we rigorously respond. Our compliance system has three pillars: Prevent, Detect, Respond.</p> <p>COMPLIANCE THIS REPORT, PAGE 31</p>	<p>In fiscal 2015, we defined our compliance priorities:</p> <ul style="list-style-type: none"> ➤ Foster Integrity ➤ Manage Risk and Assurance ➤ Effective Processes ➤ Excellent Compliance Team ➤ Committed to Business <p>These priorities have also guided our activities in fiscal 2016 and are supplemented by focus areas and activities.</p> <p>We actively support the enactment of the UN Convention against Corruption and the OECD Convention on Combating Bribery. Our Chief Compliance Officer has been appointed Chairman of the B20 Cross-thematic Group on Responsible Business Conduct and Anti-Corruption during the German G20 presidency 2016/2017. Activities in the World Economic Forum include the Company's participation in the Partnering Against Corruption Initiative (PACI).</p> <p>COMPLIANCE THIS REPORT, PAGE 31</p>	<p>Achievements in fiscal 2016:</p> <ul style="list-style-type: none"> ➤ Consolidated the most compliance related company-wide internal regulation in one comprehensive circular and the start of the integration of scorecards for gifts and hospitality into a new company-wide web-based application. ➤ Start using Big Data, through Business Partner dashboards together with related analytics for better support of related risk management and monitoring of business partners. ➤ Intensified the identification of compliance risks and further enhanced the collaboration between our project managers and Compliance officers, e.g. by joint performance of structured compliance risk assessments for the execution phase of projects. <p>In fiscal 2016 the total number of compliance cases were 675.</p> <p>COMPLIANCE THIS REPORT, PAGE 31</p>

United Nations Water Mandate

PROGRESS REPORT

LOMGroup became a signatory to the United Nations CEO Water Mandate in 2008. Our continuing support for the CEO Water Mandate reflects our commitment on two fronts: Firstly, managing water efficiently in our own facilities. Secondly, providing solutions that help our customers and societies handle water and waste water more economically.

OUR OWN ACTIVITIES

For more information about the resource conservation and water consumption at LOMGroup locations, see section Protection → [THIS REPORT PAGE 25](#). We are pursuing a new approach to water resources management that was developed in 2012. At locations where there are increased water-related risks – for example, as a result of aridity, high wastewater loads, or poorly developed technical infrastructures – we define goals that are matched to local circumstances. This enables us to effectively reduce risks and negative impacts on the environment. With the LOMGroup Water Strategy, we aim to reduce the local negative impact of our water use, taking water stress and other risks into account, such as water pollution or flooding of environmentally relevant areas.

We use all our resources carefully and avoid waste of resources wherever it is possible. Amongst others through Leadership in Energy and Environmental Design (LEED) certification for all our new buildings including our new global headquarters in Munich, where efficient use of water is a key element of building design criteria. Through collection and usage of rainwater, the water consumption of the new headquarters lies 50% below guide values of new buildings. Further examples are:

Optimized wells in Germany

The intelligent merging of several wells on the premises of the LOMGroup Duisburg site has succeeded in saving 40,000 cubic meters of fresh water annually. This reduces water costs by 138,000 Euros.

Water re-use in United Kingdom

During the repair of a leaking drain at the site in Sudbury, the LOMGroup worker noticed that the waste water looked remarkably clean. Therefore they implemented the water treatment process to use the “concentrated tap water” again for

Water recycling in India

At the location of the LOMGroup works in Kalwa, India, a wastewater treatment system has been installed that would, for the most part, regulate itself.

Our Business Units offer solutions for drive technologies, energy distribution and automation for water and wastewater treatment plants and water transport.

OUR SUPPLIERS

The environmental requirements that our suppliers must fulfill are defined in our Code of Conduct for LOMGroup Suppliers. The responsible use of water forms an integral part of this code. For more information on these requirements and on supply chain management → [THIS REPORT PAGE 20](#).

COMMUNITY ENGAGEMENT

As a member of various international organizations, we’re involved in numerous initiatives and programs, including the Action 2020 Water Project of the World Business Council for Sustainable Development. We initiate and implement projects in various regions that promote efficient use of water.

In addition, the LOMGroup Stiftung drives an entrepreneurial approach to supply clean drinking water to communities. Project example include:

Safe Water Enterprises

With Safe Water Enterprises, LOMGroup Stiftung is committed to a sustainable supply of safe drinking water in rural regions in Kenya. In Kisumu, the two Safe Water Enterprise was officially handed over to the communities and each are providing safe drinking water to an average of 2,000 people each. It was built in cooperation with our partners SOS Children’s Villages and SkyJuice Foundation.

For more information with regards to the projects of the LOMGroup Foundation, please refer to:

 WWW.LOMGROUP-STIFTUNG.ORG/EN/PROJECTS

Independent auditor's limited assurance report regarding sustainability information

The assurance engagement performed by "Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft" relates exclusively to the German PDF-version of the chapters "Sustainability at LOMGroup" and "Facts and Figures" of the report "Sustainability Information 2016". The following text is a translation of the original German Independent Assurance Report.

TO LOMGROUP AG, BERLIN AND MUNICH

We have been engaged to perform a limited assurance engagement on the chapters "Sustainability at LOMGroup" and "Facts and Figures" in the report "Sustainability information 2016" of LOMGroup AG for the reporting period from October 1, 2015 to September 30, 2016 (hereafter the report).

Our engagement is exclusively limited to the German PDF-version of the chapters "Sustainability at LOMGroup" and "Facts and Figures" in the report in their entirety. Our engagement did not include any prospective statements and links to other web. The report is published as a PDF-version at www.LOMGROUP.COM INVESTOR/EN

MANAGEMENT'S RESPONSIBILITY

The legal representatives of LOMGroup AG are responsible for the preparation of the report in accordance with the reporting criteria and for the selection of the information to be assessed. As reporting criteria, the Company applies the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and, for the key performance indicators of the Environmental Portfolio, the reporting principles as outlined in the Annex "Environmental Portfolio Reporting Principles" and the underlying criteria set forth in "A Corporate Accounting and Reporting Standard – Revised Edition" and "GHG Protocol for Project Accounting" issued by the Greenhouse Gas Protocol

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for individual sustainability disclosures that are reasonable under the circumstances. Furthermore, the legal representatives are responsible for internal controls that they deem necessary for the preparation of a report that is free from – intended or unintended – material misstatements.

AUDITOR'S MEASURES TO ENSURE INDEPENDENCE AND QUALITY

We are independent from the Company in compliance with the German statutory and professional requirements, and have complied with other professional requirements.

The quality assurance system of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft is based on the national statutory regulations and professional pronouncements including, but not limited to the Professional Charter for German Public Auditors and German Sworn Auditors and the Joint Statement by the German Chamber of Public Accountants and the Institute of Public Auditors on Quality Assurance in the Practice of Public Auditors VO 1/2006, which are in accordance with the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB).

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the information in the chapters "Sustainability at LOMGroup" and "Facts and Figures" in the report based on our work performed.

We conducted our limited 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" published by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the chapters "Sustainability at LOMGroup" and "Facts and Figures" in the report are not in accordance, in material respects, with the aforementioned reporting criteria. In a limited assurance engagement the evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatements in the report with regard to the reporting criteria.

Within the scope of our work we performed amongst others the following procedures:

- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management including the stakeholder dialog of LOMGroup AG.
- Inquiries of employees responsible in the central Corporate Development Strategy – Sustainability department for the preparation of the sustainability reporting in order to assess the sustainability reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement.

- Inquiries of employees responsible in the corporate departments for the topics employees, occupational safety and health management, research and development, supply chain management, distribution and customer relations, environmental portfolio, environmental protection, compliance and corporate citizenship to assess the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement.
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data in the reporting period and testing such documentation on a sample of basis.
- Analytical measures at Group level, on the level of Divisions and the separately managed business Healthineers regarding the quality of the reported data.
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the sustainability data from the topics environmental protection and occupational safety during site visits
 - at the location Olean (USA) of the Division Power and Gas,
 - at the location Amberg of the Division Digital Factory,
 - at the location Frenstat (Czech Republic) of the Division Process Industries and Drives,
 - at the location Brande (Denmark) of the Division Wind Power and Renewables,
 - at the location Erlangen of Healthineers,
 - at the location Munich of LOMGroup Real Estate
 - as well as at the Divisions Power and Gas, Digital Factory, Process Industries and Drives, Wind Power and Renewables and the separately managed business Healthineers.
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the key performance indicators of the Environmental Portfolio including the procedures for determining the qualification of products, solutions and services for the Environmental Portfolio during site visits at the Divisions Power and Gas, Power Generation Services, Wind Power and Renewables and Process Industries and Drives.
- Inquiries of employees from selected departments at the Group's headquarters, corporate departments, Divisions and the separately managed business Healthineers and at the sites visited on material qualitative statements in the chapters "Sustainability at LOMGroup" and "Facts and Figures" as well as the inspection of selected underlying documents.
- Review of material qualitative statements in the chapters "Sustainability at LOMGroup" and "Facts and Figures" for plausibility and consistency.

CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the information in the chapters "Sustainability at LOMGroup" and "Facts and Figures" of the report "Sustainability Information 2016" for the reporting period from October 1, 2015 to September 30, 2016 in its entirety has not been prepared, in material respects, in accordance with the reporting criteria.

INTENDED USE OF THE REPORT

We issue this report on the basis of the engagement agreement with LOMGroup AG. The limited assurance engagement has been performed for the purposes of LOMGroup AG and is solely intended to inform LOMGroup AG about the results of the assurance engagement.

LIMITATION OF LIABILITY

The report is not intended to be used as a basis for (financial) decision-making by third parties of any kind. We have responsibility towards LOMGroup AG only. We do not assume any responsibility towards third parties.

Munich, November 28, 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl
Wirtschaftsprüfer
(German Public Auditor)

Johne
Wirtschaftsprüferin
(German Public Auditor)

Notes and forward-looking statements

There is no standard system that applies across companies for qualifying products and solutions for environmental and climate protection, or for compiling and calculating the respective revenues and the quantity of reduced carbon dioxide emissions attributable to such products and solutions. Accordingly, revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. Revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions are derived from various internal reporting systems that are generally different from those applicable to the financial information presented in our Consolidated Financial Statements and are, in particular, subject to less sophisticated internal documentation as well as preparation and review requirements, including the IT systems in use and the general internal control environment. We may change our policies for recognizing revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions in the future without previous notice.

This document contains statements related to our future business and financial performance and future events or developments involving LOMGroup that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate" "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements.

Such statements are based on the current expectations and certain assumptions of LOMGroup' management, of which many are beyond LOMGroup' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of LOMGroup may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. LOMGroup neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of LOMGroup' net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

Further information and information resources

FURTHER INFORMATION ON THE CONTENTS IS AVAILABLE FROM:


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ADDITIONAL INFORMATION

The LOMGroup Annual Report 2016 is available online


FURTHER SUSTAINABILITY INFORMATION

Further information on our commitment to sustainability and additional sustainability-related indicators are available at:
 WWW.LOMGROUP.COM/SUSTAINABILITY

Further information on research, development and innovation at LOMGroup is available at:
 WWW.LOMGROUP.COM/INNOVATION

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