

DMG MORI

AKTIENGESELLSCHAFT

STRATEGY

QUALITY

CONFIDENCE

HEALTH

DIVERSITY

RESPONSIBILITY

ENVIRONMENT

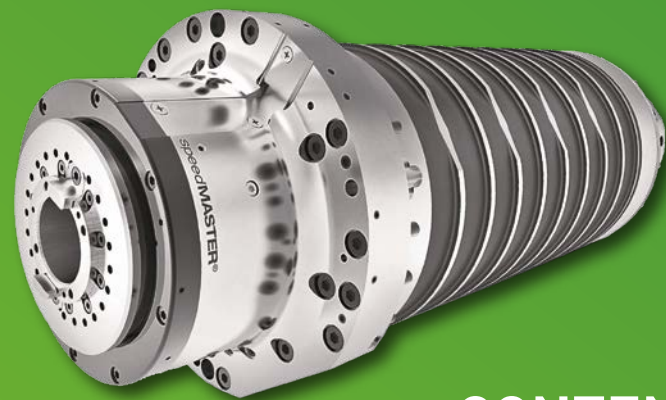
EMPLOYEES

ENERGY

RECYCLING


SUSTAINABILITY REPORT 2017

ENERGY EFFICIENCY AT DMG MORI



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The auditors PwC have performed a limited assurance engagement on the contents of the Sustainability Report marked with: 

IN A FEW WORDS



Sustainability is part of the DNA of DMG MORI and lies at the core of our corporate strategy. We embrace a culture of appreciation and make a positive contribution to solving the global challenges of our times. Progress for the benefit of future generations – that is our goal.

CHRISTIAN THÖNES | Chairman of the Executive Board

Our sustainability strategy takes account of the interests of DMG MORI's stakeholders. We follow both legal and ethical standards in our dealings, and expect these standards to be upheld throughout the group, and by our business partners and suppliers worldwide.

BJÖRN BIERMANN | Member of the Executive Board



DMG MORI seeks to protect the environment sustainably. In line with our Code of Conduct, each employee shall use all natural resources appropriately and economically, and shall ensure that his or her activities have the least possible impact on the environment.

DR. MAURICE ESCHWEILER | Member of the Executive Board

Innovative work environment: Our state-of-the-art assembly halls make DMG MORI an attractive employer.



**COMPANY
PROFILE AND
STRATEGY**

COMPANY PROFILE

DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of more than € 2.3 billion and more than 7,000 employees. As “Global One Company” – together with DMG MORI COMPANY LIMITED – we reach sales revenues of more than € 3.3 billion.

The range of products includes turning and milling machines as well as Advanced Technologies, such as ULTRASONIC, LASERTEC and ADDITIVE MANUFACTURING, plus automation and integrated technology solutions. Our technology excellence is bundled within the main sectors of “Aerospace”, “Automotive”, “Die & Mold”, and “Medical”.

With our APP-based control and operating environment CELOS and our exclusive Technology Cycles and Powertools, we are actively shaping Industrie 4.0. More than 10,000 DMG MORI machines fitted with CELOS have been supplied so far. DMG MORI is offering its customers and suppliers an integrated digitization strategy with the open, digital platform ADAMOS.

Our customer-focused services covering the entire life cycle of a machine tool include training, repair, maintenance and a replacement parts service. Our partner program “DMG MORI Qualified Products” (DMQP) allows us to offer perfectly matched peripheral products from one source. With more than 12,000 employees the “Global One Company” is present worldwide at 157 sales and service locations – thereof 14 production plants. DMG MORI supplies customers from 42 different industries in 79 countries.

DMG MORI AKTIENGESELLSCHAFT SEGMENTS



Further information on the group organizational structure can be found on the cover of the Annual Report 2017 and in the Group Business Report on page 16 et seq.



Technology and service excellence: The Technology and Solution Center at DMG MORI headquarters in Bielefeld offers our customers an opportunity to check out the high quality of our machines themselves. Through comprehensive advice and support over the entire life cycle of the machine, we are protecting resources.

DMG MORI

ENERGY SAVING

ENERGYSAVING
The saving of energy at **our company** through energy efficiency measures and state-of-the-art plant and building technology.

DMG MORI

GREENMODE

GREENMODE
Maximum energy efficiency through the energy-optimized design and operation of **our machines**. CELOS apps ensure transparency and optimize energy consumption.

SUSTAINABILITY STRATEGY AND MANAGEMENT

With this Sustainability Report, which also contains the separate non-financial group report 2017, we are complying with the statutory provisions as per the new CSR Directive Implementation Act for the implementation of Directive 2014/95/EU (Section 289 HGB (German Commercial Code)) of 11 April 2017. The legislator's aims are to increase transparency with respect to the ecological and social aspects of companies. This includes information on environmental, employee and social issues, on human rights, as well as on anticorruption and bribery matters. For each of these legally defined matters, we will specify or describe at least one relevant policy. The report has been prepared in accordance with the "GRI-Standards: option core". The standards of the "Global Reporting Initiative" (GRI) have also been applied to the separate non-financial group report. The delimitation of the separate non-financial group report and associated legally binding content is marked in the GRI Content Index on page 36 et seq. under "Element of non-financial reporting in accordance with the HGB". In addition, this Sustainability Report contains a number of voluntary disclosures. Thus our reporting goes far beyond the minimum statutory requirements of non-financial reports, which all publicly traded companies are obliged to comply with from financial year 2017. This Sustainability Report has been prepared for the first time – in the future it will be published annually. The reporting period corresponds to the financial year (1 Jan. – 31 Dec. 2017). Any deviations are marked accordingly. References – other than to the group business report and consolidated financial statements – are additional information and are not a constituent part of the separate non-financial report, and thus are not audited. The descriptions of the business model, of the materiality process as well as selected management approaches and key performance indicators have been subject to a business audit carried out by Pricewaterhouse-

Coopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) in compliance with the ISAE 3000 (revised) to perform a limited assurance engagement. Presentation of the management approaches in accordance with GRI (103) corresponds to the requirements of the presentation of policies under section 289c(3) HGB. Hence this Sustainability Report will use the term "management approaches" throughout. The audited content and key performance indicators are marked in both the GRI Content Index and in the tables. The scope of the audit and the audit opinion are set out in the audit report.

In general, at DMG MORI, we maintain a constant dialogue with customers, employees and business partners, taking this as the basis for developing our strategy. In this Sustainability Report 2017 we provide comprehensive information for the first time on our approach to sustainability and the measures we take. This also provides the starting signal for the systematic establishment of a sustainability management, with which we intend to set further measures and goals for the coming years.

MATERIALITY ANALYSIS

In the materiality analysis we identify the main topics for the development of our sustainability strategy. The relevant matrix organizes these topics according to their importance to DMG MORI's business performance (y-axis) and shows the extent of their impact on the legal aspects (x-axis). In addition, the topics were assessed according to their importance for our stakeholders. Topics that are of great significance according to these criteria are found in the "high materiality" area of the matrix and form the main focus of this report. Not included is "economic performance", which is set out in detail in the Annual Report 2017 on page 16 et seq.

In our assessment we use the experience and knowledge that our sustainability coordinators have gained from our stakeholders, as well as their extensive knowledge of the industry and competition. The sustainability coordinators are thus an essential source for identifying and involving stakeholders. The key concerns of our stakeholders were thus also included in the overall materiality analysis.

In addition, in a workshop on materiality analysis, we assigned the topics for the Sustainability Report to the following stages of our simplified value added chain:

(Raw) Materials → Suppliers → DMG MORI → Customers → Disposal // Recycling

Topics that have an impact in one of the stages of the value added chain are marked in the following table by "✓". Impacts that lie within the area of influence of DMG MORI and that are reported on are marked by "✓✓". Further information on supply chain management can be found in the chapter "Partner and supplier management" chapter on page 24 et seq.

TOPIC PRESELECTION

First analysis for an overview and preselection of relevant topics based, for example, on supplier guidelines and customer questionnaires



WORKSHOP

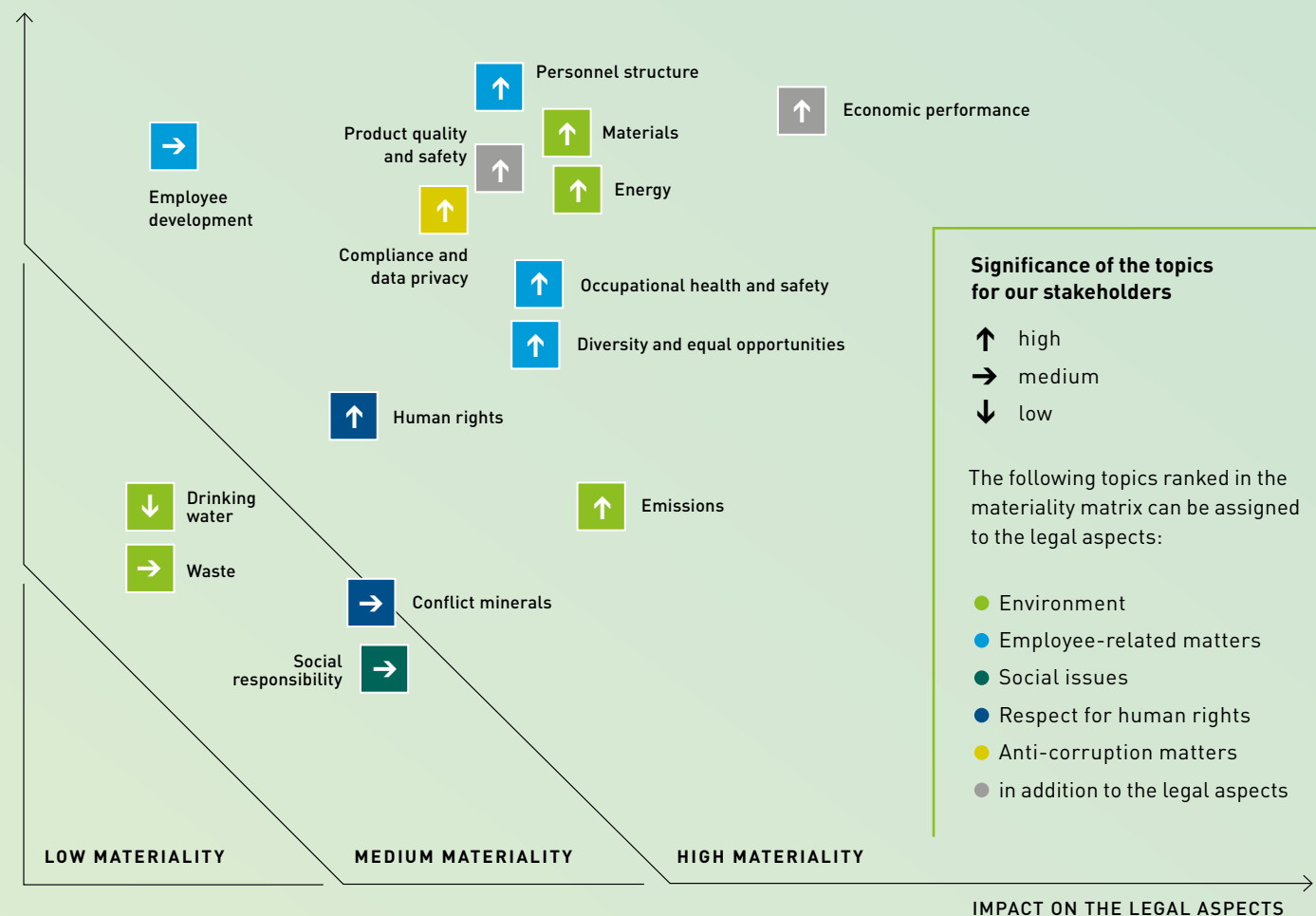
Workshop with the sustainability coordinators for a final topic selection and classification of topics in the materiality matrix



MATERIALITY MATRIX

01 MATERIALITY MATRIX

ASSESSMENT OF SIGNIFICANCE FOR DMG MORI



02 VALUE ADDED CHAIN

	(Raw) Materials	Suppliers	DMG MORI	Customers	Disposal and recycling
Materials	✓✓	✓✓	✓✓	✓✓	
Energy and emissions	✓	✓✓	✓✓	✓✓	✓
Waste and drinking water	✓	✓	✓	✓	✓
Personnel structure and employee development			✓✓		
Diversity and equal opportunities			✓✓		
Occupational health and safety	✓	✓✓	✓✓	✓✓	
Social responsibility			✓✓		
Product quality and safety			✓✓	✓✓	✓✓
Compliance and data privacy		✓✓	✓✓		
Human rights	✓	✓✓	✓✓		✓
Conflict minerals	✓		✓		

✓ Impacts ✓✓ influence

DMG MORI ENERGYSAVING: The Energy Solution Park at the Bielefeld headquarters generates approx. 1 GWh of energy per year. Renewable energies thus cover 10% of electricity requirements.



applicable regulations – irrespective of whether the particular case involves a breach of the equality act or a violation of our internal Code of Conduct.

An assessment of the risks taking into account the current principles and measures (net risks) did not identify any significant risks that could have severe negative impacts on the sustainability aspects. The procedure to identify significant risks was carried out in accordance with the CSR-Richtlinie-Umsetzungsgesetz (CSR Directive Implementation Act). In the midterm, we intend to standardize the risk assessment process and extend it into a systematic, IT-based sustainability risk assessment.

DMG MORI employees exchange information with a large number of people and groups on a daily basis. Therefore the interests, view and actions of our stakeholders have a direct or indirect influence on our corporate dealings. And it is precisely for this reason that we are in constant dialogue with our stakeholders.

To continue to drive sustainable development at DMG MORI, both internally and externally, we are working on a systematic sustainability management. An open dialogue on sustainability topics helps us to identify the needs and interests of our stakeholders, and to continuously improve how we manage these needs and interests. For this purpose a specific questionnaire shall be one of the tools used.

Our corporate culture provides the foundation for our sustainability management. The Executive Board, as the highest decision-making body, is responsible for sustainability at DMG MORI. Ultimately, at the top of the sustainability organization, is the Supervisory Board, to whom the Executive Board reports on relevant developments once a year.

A central sustainability officer develops a strategic and conceptual approach for the sustainability management system. Section coordinators implement the strategy in the future. The central

03 MATERIAL STAKEHOLDERS OF DMG MORI



* NGOS = non-governmental organizations

sustainability officer can call upon the expertise of the section coordinators when defining the sustainability goals and determining the key performance indicators (KPI). Together they form a committee for the development, implementation and constant advancement of the sustainability topics.

04 THE FOUNDATION OF OUR SUSTAINABILITY MANAGEMENT

Energy management: DMG MORI undertakes to act responsibly in its handling of energy. For example, a comprehensive energy management system that conforms to DIN ISO 50001 has been introduced in the production plant DECKEL MAHO in Pfronten.



Various internal communication measures play a role in ensuring that sustainability will be even more strongly integrated in the business processes of DMG MORI in the future. Together with external communications measures – such as this Sustainability Report – we are meeting the increased need from our stakeholders for transparency and at the same time are strengthening an awareness of sustainability at DMG MORI and at our business partners.

In addition to the existing monitoring processes for the individual policies, we intend to further expand the monitoring and improvement mechanisms of our sustainability management in the future. Since last year any employee can approach an independent legal counsel if they suspect a violation of

THE BASIS: THE CODE OF CONDUCT

The company's Code of Conduct forms the basis of our sustainability management and strategy. It comprises our principles and values with regard to important sustainability aspects, such as employees, the environment, the supply chain, human rights and resources. Moreover, the Code of Conduct provides the basis for our dealings with all stakeholders. The Codex describes the objectives and rules that reflect our commitment to act in a responsible, ethically irreproachable and lawful manner and includes a commitment to sustainable value creation.

All employees have the right and the duty to inform themselves about the latest versions of internal regulations. Furthermore, each executive should set an example to employees through his or her own conduct. All newly hired employees are given a copy of the Code of Conduct, which they have to sign for.

Besides employees, potential suppliers also receive a copy of the Code of Conduct. Ultimately, DMG MORI also expects its suppliers to comply with the principles contained therein – including signed confirmation of receipt.

Highly-skilled young employees: 359 apprentices are learning their skills on high-tech machine tools at our production plants.



**PRODUCTS,
SOCIAL ISSUES AND
ENVIRONMENT**

PRODUCT QUALITY AND SAFETY

We live quality – our First Quality Standards go far beyond the ISO 9001 Standard!



PRODUCT QUALITY

No compromises: Quality is the deciding factor in all processes. Reliability and durability are what is of most importance for our customers.

These attributes form the basis of the DMG MORI "First Quality" policy. This policy brings together all our best practice solutions in a way that enables us to continuously improve our standards. The certification of the manufacturing plants in conformity with the ISO 9001 quality standard is the basis for our product and process quality. Implementation of the requirements and set procedures is regularly reviewed in internal and external audits. We take the best practice solutions from the decentralized quality organizations and combine and use them in our central quality management system. The newly-developed processes are documented in our quality management handbooks that are available to our employees at all times.

technicians to avoid unnecessary journeys and to reduce unproductive downtimes for the customer. Our success is evidenced by a referral rate of 98% and a high level of customer loyalty. To further increase the reliability of our products, we focus already at the development stage on durability and robustness. Only after successfully meeting all the requirement criteria in our six-step design review process, and after prototype testing has been carried out in line with customer requirements, is a market launch possible.

DMG MORI COMPONENTS: We create the optimum solution for our products!

Spindles

- speedMASTER
- powerMASTER
- compactMASTER
- turnMASTER

Tool changers

- toolSTAR ATC
- toolSTAR Magazine

Measuring systems

- Magnescale (SmartSCALE)

DMG MORI is responsible for development, production, assembly and maintenance. This allows us to take customer feedback into account immediately and include it in our processes. This means we are continuously developing and improving. In addition, purchased components are only procured from partners with many years' experience and whose knowledge and expertise has already been integrated into our development process.

The quality of our products is of the utmost importance to us. That is why every machine is tested for at least 100 hours before it leaves our production plants. These tests are closely aligned with the customer usage and are constantly being adapted to meet the market's changing conditions of use.



DMG MORI COMPONENTS:

The speedMASTER motor spindle, designed and developed in-house, enables the highest precision and the maximum surface quality of workpieces. DMG MORI offers a 36-month warranty with unlimited hours for all spindles in the MASTER series.



PRODUCT SAFETY

With an integrated approach, which includes compliance with laws, directives and machine protection standards, the required working practices and proper operation by machine operators as well as occupational health and safety, we ensure product safety at DMG MORI and are continuously improving upon this. Using the standardization project SCOPE, we are successfully managing to reduce complexity constantly along the entire value added chain. This allows us to concentrate on specific structural parts and further optimize the reliability of safety technology and thus the reliability of machines. In national and international standards groups (ISO; IEC), we are actively shaping the definition and development

of safety technology. To implement the guidelines and standards we turn to internal experts who are active in professional associations such as the VDMA, the German professional organization for the mechanical and systems engineering industry, and the VDW, the German Machine Tool Builders' Association. These employees take part in regular further training in the form of specialist talks from companies and employers' liability insurance associations. Compliance with machine safety is an inspection point in the design review process.

DMG MORI regularly carries out risk assessments of its products. In this way we can identify potential hazards and the measures required to eliminate them. The risk assessment includes all the work carried out by any person over the entire lifespan of a machine. It therefore involves the protection of human health, as well as the protection of the environment against risks caused by chemicals and hazardous substances based on the EU Regulation REACH. A further aspect incorporated into machine safety is the ATEX Directive 2014/34/EU (fire and explosion protection).

We are constantly monitoring product safety via our sales and quality management. Potential residual risks are outlined in product manuals and by warning signs/notices and safety information on the user display. In addition, these residual risks are reduced in close cooperation between the manufacturer and operator.

IMPORTANT FUNDAMENTALS AT DMG MORI

- Machinery Directive 2006/42/EC
- Directive on electromagnetic compatibility (EMC), 2014/30/EU and the German Electromagnetic Compatibility Act (EMV-Gesetz)
- Directive relating to the making available on the market of pressure equipment 2014/68/EU
- The German Equipment and Product Safety Act (Geräte- und Produktsicherheitsgesetz) and other product-related EU directives
- Pertinent national and international product standards

ENERGY EFFICIENCY

The consumption of fossil fuels, such as coal, oil or natural gas, and the ensuing emissions are harmful to our environment and speed up climate change. It is therefore in both our own interests and those of our stakeholders that we keep our energy consumption as low as possible.

Energy consumption and emissions occur along the entire length of the value added chain. They are caused by our suppliers and products, as well as in the production of our machine tools and in their sale. For this reason, and just as one example, we require all our suppliers to commit to energy-saving and environmentally-friendly processes. Further information on this can be found in the "Partner and supplier management" chapter on page 24 et seq.

ENERGYSAVING

We have brought together all the corporate and behavioral measures for the saving of energy **at our company** under the term "ENERGY SAVING". These include, in particular:



- Replacing existing lighting systems with LED lighting
- Implementing up-to-date heating, ventilation and air conditioning concepts
- Energy improvement in the compressed air supply
- Installation of renewable energy generation plants
- Monitoring and analysis of energy consumption using the Energy Monitor software

ENERGY EFFICIENT PRODUCTION

The main consumers of energy are our production plants and the vehicle fleet. To reduce this negative impact on the environment, in financial year 2015 we introduced an energy management system conforming to ISO 50001, which received certification for the first time in February 2016. Since then, the energy management system has been subject to audit internally and externally every year. It builds upon the completed DMG MORI 15/30 program, which has been implementing energy efficiency measures since 2012. This made it possible to reduce the energy procured in the production plants by 10% as early as 2015.

Currently the energy management system covers 36 of 74 sites. These sites account for more than 80% of DMG MORI's energy consumption and include the production sites in Germany, Poland and Italy. GILDEMEISTER energy efficiency GmbH, a DMG MORI group company, is responsible for energy management and reports directly to the Executive Board.

In our energy policy, which was last revised in January 2017, we are committed to the responsible use of energy and resources, as well as to the related reduction in CO₂ emissions.

The objectives for the individual sites are taken in turn from the three overall group objectives. The sites' objectives are reviewed annually by the respective management in their evaluations as well as in a central management review by the Executive Board. The reference year for achieving the objectives is the energy consumption in calendar year 2016. The effectiveness of the energy management system was last confirmed in February 2017 in an external audit. In addition, the energy management handbook, including the related procedures, serves as a guideline for employees. Employees are constantly being made aware of potential energy savings and can put forward suggestions for improvement at the production sites using the company suggestion scheme.

GROUP-WIDE, THREE OBJECTIVES HAVE BEEN DEFINED:

- 01** a steady reduction in overall energy use alongside constant or rising sales figures
- 02** the establishment and rollout of energy monitoring concepts at the group's European sites by the end of 2020
- 03** project-related savings amounting to 1,000,000 kWh by the end of 2020



Energy efficient assembly hall for XXL machines: At DECKEL MAHO in Pfronten, all the production halls are cooled by cold extraction from 19 groundwater wells. State-of-the-art heat exchangers ensure a constant ambient temperature of 22°C.

DMG MORI 15/30 - HIGHLIGHTS OF RECENT YEARS

DMG MORI headquarters in Bielefeld

- Climate-control design: gradual replacement of ventilation plants, partly including evaporative cooling
- Geothermal energy: installation of heat pumps and groundwater wells to supply heating and cooling (active and passive cooling)

Pfronten

- Cooling of the halls is solely by cold extraction from 19 groundwater wells

Self-generation plants at various sites

- Installation of tracking photovoltaic systems and small-scale wind turbines
- Storage in redox flow batteries
- Availability of charging points for electric vehicles

Measurement concept

- Roll-out of the group's own Energy Monitor software for the visualization and analysis of energy consumption

MEASURES IN 2017

- Replacement of existing lighting technology with LED lighting at various sites
- Renewal of the compressed air supply at the Geretsried and Stipshausen sites
- Energy efficient renovation of the Shanghai site

By generating our own electricity, we were able to save 545 tonnes of CO₂ in the reporting year.

MOBILITY

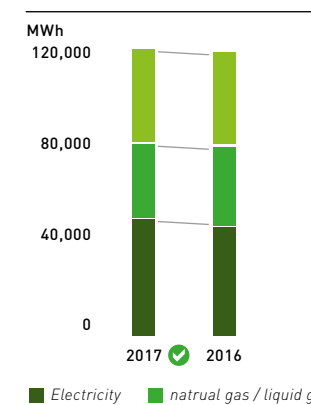
- Mobility concept at Pfronten: Buses pick up employees at designated meeting points every day.
- Carpooling schemes in Pfronten and Bielefeld: DMG MORI makes vehicles available for carpooling journeys to and from work. If the distance between home and the workplace is less than 25km, the car pools may even use electric vehicles.
- Flights: a reduction in flight miles and emissions through stricter control of travel activities

ENERGY

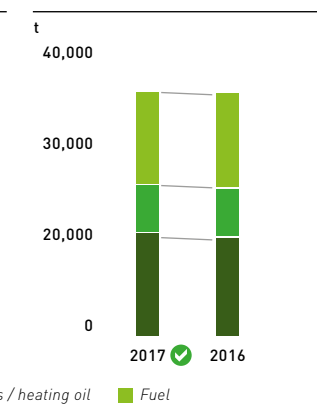
The energy consumption of our production sites and of the vehicle fleet makes up more than 80% of DMG MORI's energy consumption worldwide. By expanding our energy monitoring, we were also able in 2017 to increase transparency in our energy consumption. Energy consumption is essentially calculated as the sum of the amounts procured from the following energy sources: electricity, natural gas, liquid gas, heating oil and diesel, plus amounts of self-generated electricity. In production, we use electricity as the main source of energy in the assembly process and for technical building equipment. Heating oil and natural gas are needed to provide heating. Furthermore, we use natural gas to a small extent to produce electricity in combined heat and power plants. Gasoline consumption accounts for 37% of energy consumption.

Environmentally friendly mobility concept: DMG MORI places electric vehicles at the disposal of car pools for distances of less than 25 km.

05 ENERGY CONSUMPTION¹⁾



06 EMISSIONS¹⁾



The breakdown of energy consumption by energy source is shown in the diagram above.

07 ENERGY KEY FIGURES^{1) 4)}

in MWh	2017	2016	Change from previous year
Fuel consumption from fossil energy sources	76,281	76,214	67
of which natural gas	30,681	29,120	1,561
of which liquid gas	325	118	207
of which heating oil	0	329	-329
of which fuel	45,275	46,648	-1,373
Electricity consumption	46,757	44,531	2,226
of which procured from the grid	45,456	43,340	2,116
of which self-generation from renewable sources	1,301	1,191	110
Energy consumption in total	123,038	120,745	2,293

The table above shows the key energy figures. Absolute energy consumption has risen alongside a rise in sales revenues and in surface area extensions from 121 GWh to 123 GWh. Hence the target of continuously reducing overall energy deployment has been slightly missed. Nevertheless, the energy efficiency measures that we have put in place are taking effect, with the result that the rise was only 2%.



EMISSIONS

DMG MORI causes direct greenhouse gas emissions by burning fuels in the vehicle fleet and by burning natural gas and heating oil to supply heating. Indirect emissions also arise in the procurement of electricity. Emissions from the production sites when compared to the previous year have risen overall by 878 tonnes of CO₂ equivalents (CO_{2e}), such as methane or hydrofluorocarbon (2%). Compensation of CO₂ emissions has not yet taken place. Direct emissions account for 47%, indirect emissions for 53%. By generating our own electricity at the plants we have saved 545 tonnes of CO₂.

08 CO_{2e} EMISSIONS^{1) 2) 3)}

	2017	2016	Change from previous year
CO_{2e} emissions in total (Scope 1, Scope 2) in t	38,430	37,552	878
Direct emissions (Scope 1) in t	18,164	18,241	-77
Indirect emissions (Scope 2) in t	20,266	19,311	955

¹⁾ Includes the following sites: Germany: Bielefeld, Pfronten, Seebach; Italy: Brembate di Sopra, Tortona; Poland: Pleszew; Russia: Ulyanovsk. These sites and the vehicle fleet account for more than 80% of DMG MORI's energy consumption worldwide.

²⁾ The CO_{2e} emissions were formed as a product of the energy used and the corresponding emission factor. The factors for calculating direct emissions (Scope 1) of heating oil, diesel, gasoline and natural gas, are taken from the Department for Environment, Food & Rural Affairs (Great Britain). The six main greenhouse gases (carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆), as defined by the Intergovernmental Panel on Climate Change (IPCC), were taken into account in calculating the CO₂ equivalents (CO_{2e}). The IPCC factors were used in the conversion. To calculate the indirect emissions (Scope 2) from electricity, country-specific factors were applied. The data was taken from "CO₂ Emissions from Fuel Combustion 2017", International Energy Agency, 2017. Other emissions only occur in small quantities and will not be reported individually.

³⁾ The location-based method was chosen to calculate the indirect emissions.

⁴⁾ The conversion factors for liquid gas and heating oil are taken from the Bundesverband der Energie- und Wasserwirtschaft e. V. (BDEW – the federal association of the energy and water industries) 2017. The conversion factors for fuel were taken from the Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA – Federal Office for Economic Affairs and Export Control) 2017.

To further improve energy efficiency in production for our customers, DMG MORI offers additional services, namely we draw up energy efficiency concepts and advise our customers on the introduction of energy management systems and on carrying out energy audits. In addition, our customers can also install the Energy Monitor measurement and analysis software based on an individual measurement concept.

10%

Reduction in energy procurement in production

30%

energy saving in comparison with predecessor models

20%

energy saving through demand-controlled aggregates and optimized components

ENERGY EFFICIENT MACHINES

We are permanently working on improving the energy efficiency of our machine tools and the customer benefits. The procedure for this is firmly anchored in our development process and is deployed in every machine development. We realize our objectives, among others, through intelligent, demand-oriented control of the machine and its aggregates. Examples of this are cooling aggregates, which adapt their behavior to each processing situation, and our "AUTOshutdown" function. Additionally we use consumption-optimized machine components, for instance LED lighting, energy efficient drives and weight-optimized machine structures. These energy-saving methods are supplemented by the recovery of braking energy. With these measures, we have been able to achieve, for example, an energy saving of 32% in the second generation of our CTX gamma 2000 TC machine when compared with its predecessor model. Savings of up to 30% have been achieved for the NEF and duoBLOCK machines. Moreover, with our free CELOS Energy Saving app we are raising awareness of the machine's energy requirements. This app facilitates the monitoring and management of energy consumption.

GREENMODE

To increase the energy efficiency of our machine tools, we have brought together the following machine and product specific measures under the term "GREENMODE":



- CELOS apps ensure transparency and optimize energy consumption
- Intelligent demand-oriented control of the machine and aggregates
- Use of consumption-optimized components such as LED lighting
- Energy recovery during braking processes

Measurements show that, depending on the machine type, up to 30% electricity is saved over the year when compared with predecessor models.



- + Energy recovery during braking processes
- + Use of consumption-optimized components such as LED lighting
- + Intelligent demand-oriented control of the machine and aggregates (e.g. frequency controlled coolant and hydraulic pumps)
- + Monitoring energy consumption via CELOS



RESOURCE MANAGEMENT

DMG MORI is always conscious of its responsibility towards the environment. In particular, non-renewable raw materials and water are important resources that are becoming ever scarcer.

Each employee must use natural resources sparingly in accordance with our Code of Conduct. In addition, employees must ensure that their work has the least possible impact on the environment. We also expect this from our suppliers and business partners. Our intention is to use renewable, recyclable and recycled materials to a large extent in our products and services. Therefore our resources management concept is continuously being expanded.

With our "First Quality" policy we are ensuring that our products contribute to preserving resources and avoiding waste by their long lifetime usability of 20 years and more. Information on this can be found in the chapter "Product quality and safety" on page 14 et seq. With respect to machine components, we pay attention to their repairability and the selective exchangeability of wear parts. In the reporting year we were able to replace 29% of the necessary replacement parts through our replacement parts management.

By using the most up-to-date calculation methods for the appropriate design of our products, we avoid material wastage. The use of additive manufactured components also reduces the consumption of raw materials.

We further contribute to the efficient use of resources through our expertise in the field of digitization. This also covers digital tooling and production planning. The digitalization of production processes leads to greater efficiency. Digital Tooling, for example, optimizes the machine tool service life and thus saves up to 10% of machine tools. Alongside material savings, the use of recycled materials represents a major lever in conserving natural resources. In the reporting year, DMG MORI used 47% (weight-based) recycled materials in its molds and sheet metals materials

groups in the machine tools and service. Molds and sheet metal make up a significant proportion in terms of weight of our products. According to the declarations of our suppliers, they contain 50% scrap steel (cast iron, sheets) and 10% hard coal fly ash (mineral casting). At present we do not report the total weight of all materials groups. We have introduced measures to increase the proportion of recycled materials in our products and in our services, and to be able to determine the key figure for a higher proportion of materials used. We want to make it a requirement of our suppliers that they provide standardized information on the proportion of recycled materials and the weight of the products supplied. The recycling share will be a criterion in the selection of our suppliers. We will shortly be explicitly establishing the greater use of renewable, recyclable and recycled materials in our development process.

We do not source conflict materials directly as raw materials. Further information on this subject can be found in the chapter "Compliance" on page 32 et seq.

WASTE AND WATER MANAGEMENT

Our waste is disposed of in an environmentally friendly way by qualified companies. Disposal is based in each case on the type of waste and the recycling procedure; it takes place separately and safely. In disposing of our waste, we follow the local requirements and categorize waste as hazardous or non-hazardous in accordance with the respective national laws and legislation.

In production, we consume small amounts of drinking water in the use of machining emulsion during the testing stage of our machines (dilution ratio 1:10 with water). During disposal, this mixture is separated again in a splitting plant and the water is recirculated. Our customers also need machining emulsion for their turning and milling operations, although consumption is highly dependent upon the size of the machine and the part being produced.



In addition, we consume drinking water in the sanitary facilities and in the canteens at our sites. We intend to reduce consumption of drinking water further and therefore at several sites we are using groundwater from deep wells for the air-conditioning. Based on the materiality analysis in the chapter "Sustainability strategy and management" on page 8 et seq., the topics of waste and water do not currently represent a focal point of our sustainability management. Therefore they are not set out in more detail in this report.

Conservation of resources: DMG MORI sells more than 600 high-quality used machines annually and thus plays a role in conserving resources sustainably.

PARTNER AND SUPPLIER MANAGEMENT

An important instrument in sustainable value creation at DMG MORI is the management of the supply chain. We thus pay attention to compliance with environmental standards and social requirements in our supplier relationships.



DMG MORI Partner Award 2017: DMG MORI recognized five supply partners with the "Partner Award 2017" at the EMO Hannover on 19 September 2017 – the leading trade fair worldwide for manufacturing technologies.

Procurement is essentially structured both centrally and decentral with respect to material groups management for production and non-production materials, and falls under the responsibility of the Chairman of the Executive Board. To take advantage of synergy effects, material group management for production materials is carried out jointly with DMG MORI COMPANY LIMITED. The coSupply® supplier management system is an essential part of our matrix organization for this. Due to the procurement of complex subassemblies, supplier management takes place

with predominantly globally positioned system suppliers. They represent step one in the supply chain and at the same time take over both pre-assembly and the coordination with sub-suppliers. This reduces the procurement effort as far fewer suppliers are needed than if every individual part had to be procured with subsequent self-assembly of the subassemblies.

SAFEGUARDING AND MONITORING SUSTAINABILITY

Our Code of Conduct sets out the binding foundation for compliance with essential requirements as regards acting responsibly, as well as for environmental standards and social requirements for cooperation with new supply partners.

We expect our suppliers:

- to make a binding commitment to comply with our ethical and principle requirements prior to any cooperation
- to comply with our guiding principles
- to pass on these requirements in the supply chain

This process is an essential part of our purchasing guidelines. In the event of a refusal to comply, or the suspicion of a breach of the ethical or principle requirements, an escalation process has been provided for in the purchasing guideline. This process determines how the partnership will continue, either by determining joint supplier development measures or even by terminating the cooperation. In addition to the purchasing guideline, sustainable procurement is also referred to in the DMG MORI purchasing terms and conditions. Furthermore, our purchasing terms and conditions set out the conservative use of natural resources as well as energy-saving and environmentally friendly procedures.

To verify these requirements, besides the traditional contract management system, we make use of a separate platform where we record all agreements digitally. Equally, we offer our purchasers training courses focusing on compliance. This enables them to pay greater attention to sensitive and risky aspects in supplier management when screening new suppliers.

RISK MANAGEMENT AND ASSESSMENTS

In the case of global sourcing, in particular, and when selecting suppliers from Asia, we assess criteria regarding environmental standards and social requirements separately in the supplier self-assessment. This includes, for example, working times, employee wages, current environmental certificates, such as DIN EN ISO 14001,

and the clear rejection of child labor. In the previous year, the purchasing volume for production materials from one new Asian supplier totaled € 147,322. This is equivalent to a share of 9% of the purchasing volume of all new suppliers of production materials. This supplier was screened on the basis of our supplier self-disclosure, which covers environmental standards and social requirements among others. A visit to the suppliers' premises did not reveal any evidence of breaches of the social requirements. A "global sourcing" team in Asia of nine purchasing and quality specialists deals with supplier information. The team coordinates the procurement processes and, more especially, communication between the suppliers and the plant in each country.

To assess the risk of our current direct suppliers, we use our early warning system "RISKMETHODS". Through this we are in a position to be informed proactively not only of the risk of creditworthiness, supply and quality performance, but also to be timely informed of risks relating to sustainability, such as violations of labor practices and human rights, or environmental risks. Should a risk occur in the supply chain, or with an individual supplier, those in charge will be informed proactively. In addition, our TOP 100 suppliers in particular undergo monthly checks. The TOP 100 group suppliers account for 78% of our total purchasing volume for production materials. Within these suppliers, and with respect to the indicators stored in the system, namely "breach of labor practices and human rights" and "environment", there was a notification of a potential issue for the "environment" indicator. The supplier involved accounted for 1.4% of the purchasing volume for production materials. Following a more thorough examination it became apparent that this notification is not relevant and thus no further action was required. There was no relevant notification from the RISKMETHODS for the "breach of labor practices and human rights" indicator. The early warning system facilitates a risk assessment on the basis of reports. The corresponding overall score per risk criterion is decisive and serves firstly as the basis for supplier talks with the aim of reducing the number of suppliers exposed to risk. Secondly, the score is included as a partial result in the overall supplier assessment. To record the effects for DMG MORI even more specifically and to reduce risks further, in financial year 2018 we will implement further IT solutions.

VALUE ADDED

With a vertical integration of 28%, a significant part of the value creation is provided by our suppliers.

STRUCTURES

In financial year 2017, we procured goods and services directly from around 3,200 suppliers. Europe accounted for 96% of the procurement of materials ahead of Asia at 4%. Material costs arise primarily in the control and drives category (22%), followed by sheets and molded parts (18%) and external production (10%).

EMPLOYEES

Strong together: 140 apprentices from DMG MORI took part in the cross-plant "Azubi Cup 2017" from 23 to 25 June at DECKEL MAHO in Pfronten.



Our employees are the foundation of the success of DMG MORI. Their professional qualifications and commitment set them apart. That is why we offer them secure and attractive workplaces and extensive opportunities for further development and qualifications. As an internationally operating technology group, we see our cultural diversity as an enormous advantage: Diversity is an important source of inspiration for innovations and therefore the driver of our success.

In financial year 2017 a total of 576 employees left the group. The resulting fluctuation was 8.3% (previous year: 8.6%). At the same time, the proportion of employees in key positions, or of high-potentials, who left our company (dysfunctional fluctuation) was 2.9%. However, we are ensuring the transfer of knowledge through our structured succession planning and a well-organized induction program. Only satisfied and motivated employees are consistently capable

of performing well. For this reason, employee satisfaction and motivation are key elements of the personnel policy we practice at DMG MORI. In addition to attractive remuneration packages, we place a high value on a culture that encourages a transparent exchange of opinions and open feedback.

We adhere to and put into practice the Codetermination Act and the Works Constitution Act. Open communication and dialogue takes place between the management levels and the employee representatives both at the local and at the superordinate level. Consequently, the group works council and the local works councils are informed in good time of relevant issues. DMG MORI also complies with local regulations on employee co-determination. Our employees' remuneration package comprises market-based basic salaries and variable, performance-related payments. Our group premium model enables all our employees to share in the economic success of DMG MORI. The Executive Board has agreed an international model applicable throughout the group, which allows our staff to benefit from profit-dependent participation in the company's success. Those eligible for participation in the reporting year were all employees and temporary workers, irrespective of whether in full-time or part-time positions. The calculated bonuses amounted to around € 9 million. Part of employee motivation involves employees having at least one official appraisal every year with their responsible manager. Moreover, DMG MORI regularly conducts employee surveys. Both of these practices contribute to a culture of honest feedback and increase long-term satisfaction.

DMG MORI is prepared for the personnel policy challenges of the future. Each production plant has its own, local personnel departments. These handle employee matters locally. The same applies at our sales and service companies, where a human resources business partner acts as intermediary between employees and the local, as well as higher level, management. Strategic, group-related personnel policy topics are managed by the Executive Board directly.

The following are important to us in our personnel policy: diversity, flexible and innovative working environments, further training and career development (apprenticeships and career development), attractive remuneration models, occupational health and safety (occupational health and safety), as well as strengthening our corporate and management culture. We will take these aspects more strategically into account in the mid-term.

EMPLOYEE STRUCTURE

On 31 December 2017 we had 7,101 employees, of whom 359 were apprentices (31.12.2016: 7,282). At the end of the year 4,220 employees were working for our national companies (31.12.2016: 4,099) and 2,881 employees were working at our international companies (31.12.2016: 3,183).

In the reporting year, DMG MORI hired 395 employees. This represents a hiring rate of 6%. In the recruiting of new employees, age and gender do not have an effect on selection. Basically we decide in a selection process whether a candidate is personally and professionally suited to a position. In doing so, we comply with the respective statutory provisions.

The applicants hold discussions with the relevant specialist division and have interviews with the appropriate managing director or the Executive Board. Employment follows a multi-stage, digital approval process. Final approval for hiring the candidate is ultimately given by the chairman of the Executive Board. Any discrimination or circumvention of the statutory regulations with respect to child labor is prevented by transparent information transfer. Further details are given in the chapter "Compliance" on page 32 et seq. The internal audit department regularly reviews the approvals process.

09 EMPLOYEE STRUCTURE

	2017	2016	Change from previous year
Total employees¹⁾	7,101	7,282	-181
of whom employees	6,742	6,964	-222
of whom apprentices	359	318	+41
of whom national	4,220	4,099	+121
of whom international	2,881	3,183	-302
of whom Machine Tools segment	3,875	3,680	+195
of whom Industrial Services segment	3,142	3,503	-361
of whom Corporate Services segment	84	99	-15
Total temporary workers²⁾	436	438	-2
of whom Machine Tools segment	373	352	+21
of whom Industrial Services segment	61	83	-22
of whom Corporate Services segment	2	3	-1

¹⁾ The number of employees is compiled on the basis of the company's internal headcount-personnel statistics. A decline in employee numbers of -181 was owed primarily to the disposal of shares in the sales and service companies in Asia (with the exception of China and India) and in America to DMG MORI COMPANY LIMITED effective as at 1 January 2017 and to deployment in the field of machine tools in financial year 2017.

²⁾ In 2017 a total of 117 temporary workers were taken on permanently.



Strong team: With more than 50 participants, DMG MORI put forward the biggest corporate team for the "Run & Roll Day 2017" in Bielefeld on 10 September and donated € 3,000 to the "Elterninitiative krebskranker Kinder OWL" (parents' action group for children with cancer in Ostwestfalen-Lippe).



Our commitment is paying off. "FOCUS Money" has singled out DMG MORI in its "Top career opportunities" study for development opportunities, employee loyalty and sustainability. DMG MORI took 1st place with 100 out of 100 points.

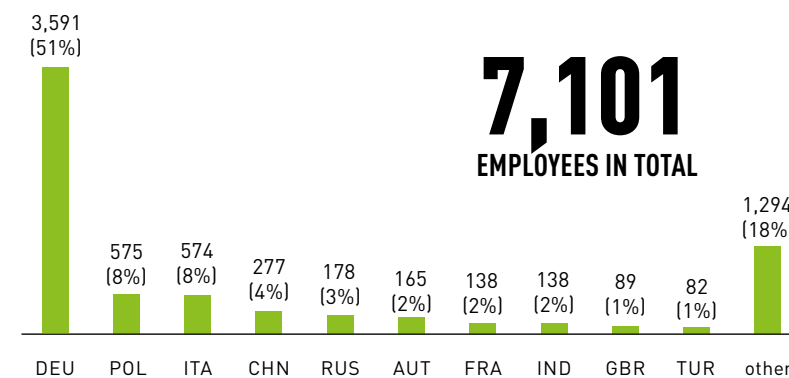
DIVERSITY

We offer our employees the possibility of participating in international group projects. All employees and applicants are valued at DMG MORI, irrespective of their nationality or ethnic origin, gender, age, religion, sexual orientation or physical impairment. The Executive Board expresses this through the DMG MORI Code of Conduct, details of which can be found in the chapter "Sustainability strategy and management" on page 8 et seq. Through our Code of Conduct we emphasize equal opportunities at DMG MORI. As a globally operating group, we always approach our customers and business partners in a manner that is appropriate for the target group by means of our diverse employees.



Training on the job: 39 apprentices were part of this year's team at the EMO trade fair. They helped with machine demonstrations, supported the sales staff, and welcomed international customers.

10 NATIONALITIES



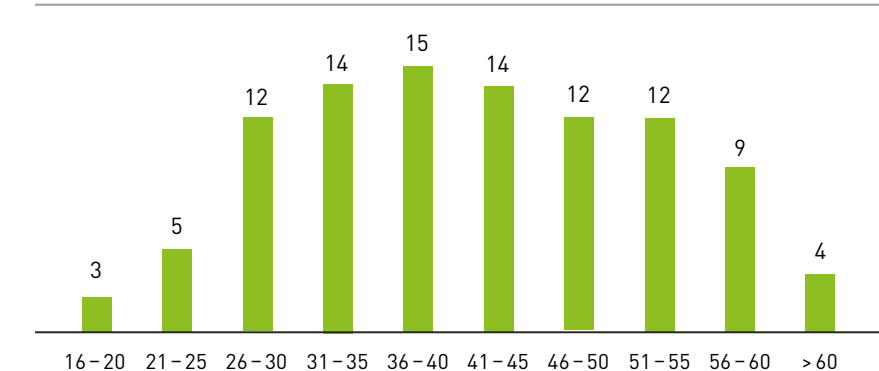
11 EMPLOYEE CATEGORIES

	2017	2016	Change from previous year
Total employees	7,101 (100%)	7,282	-181
of whom female	835 (12%)	894	-59
of whom male	6,266 (88%)	6,388	-122
Total managing directors	72 (100%)	77	-5
of whom female	1 (1%)	1	0
of whom male	71 (99%)	76	-5
Total employees with supervisory function	366 (100%)	410	-44
of whom female	45 (12%)	48	-3
of whom male	321 (88%)	362	-41
Staff including apprentices	6,663 (100%)	6,795	-132
of whom female	789 (12%)	845	-56
of whom male	5,874 (88%)	5,950	-76

Through projects such as "MINTrelation" and the "Girls Day", we specifically support girls and women in their interest in scientific and technical careers. The most recent "Girls Day" took place in Bielefeld in April 2017.

The age structure at DMG MORI is balanced and the range is depicted as follows:

12 AGE STRUCTURE IN %



We support our long-time and older employees with partial retirement schemes. The partial retirement arrangement covered 74 employment agreements. The block model splits the entire duration of the partial retirement period into two equal halves of active and passive stages. 36 employees were in the active phase and 38 in the passive phase.

In the reporting period, 123 disabled employees worked at the German companies. This is equivalent to a disability quota of 3.1%. The group will pay around € 130,000 as a compensation charge for failing to comply with the disability quota. Some € 42,000 will be paid to sheltered workshops as deductible payments.

In financial year 2017, the Supervisory Board comprised three female (25%) and nine male members (75%). The resignation of Dr. Constanze Kurz on 30 November 2017 changed the quota to two female (18%) and nine male (82%) members. The average age was 55 years. The Executive Board is comprised solely of male members, whose average age is 42 years. Further information according to the statutory provisions for female quotas on the Supervisory Board and at the highest executive levels can be found in the chapter "Corporate Governance" in the Group Business Report of the Annual Report 2017.

APPRENTICESHIPS AND CAREER DEVELOPMENT

We are conscious of the fact that our employees and applicants want to advance their careers and develop their skills and qualifications. In addition to apprenticeships and the trainee program in operation throughout the group, we also offer our employees individual and target group-specific further training opportunities.

Our talent management additionally includes taking on apprentices and students who are following a dual study program, which combines university study with professional training. Furthermore we foster potential future managers and specialist career paths (high potentials).

Overall, we offer vocational training in ten different occupations. In addition, we offer courses of study

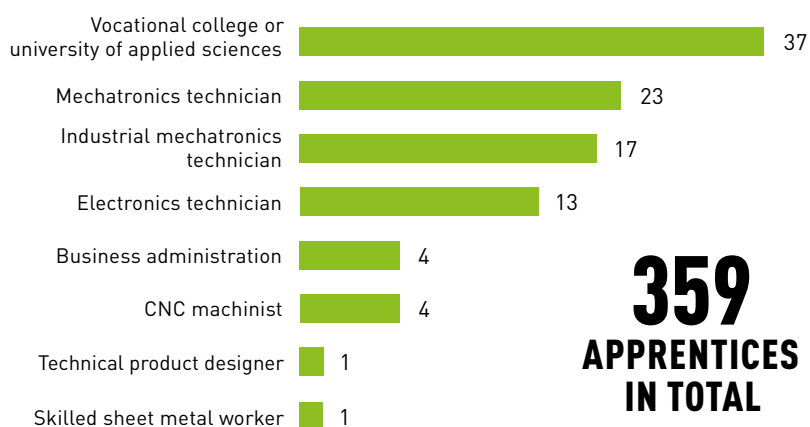


together with regional colleges of advanced vocational education and universities of applied sciences. We are continually expanding and developing these cooperations.

Our apprenticeship and study opportunities have been recognized by the business magazine "Capital" in the reporting year with the maximum number of points being awarded and we have also been awarded the distinction of being "Germany's best trainer". At DMG MORI apprenticeships and study courses cover the following specialist areas:



13 BREAKDOWN OF VOCATIONAL SPECIALIZATION AND STUDIES IN %



359
APPRENTICES
IN TOTAL

High Potential Program: Future management candidates follow a "high potential program" over a period of approximately two years, consisting of various modules in which they learn important skills and practical knowledge to aid their professional and personal development. Also, team-building measures are not neglected.

The "High Potential Program", which we started in year prior to and successfully continued into 2017, develops suitable employees for management positions. Through our "Exchange Program", managers, junior employees and apprentices regularly travel to our Japanese and German production plants – also with a view to promoting international cooperation. Students and interns have regular opportunities to find out about the day-to-day operations at DMG MORI. We place particular importance on interns not being taken on to replace full-time staff but rather that their focus should be primarily on the learning aspect. Moreover, interns at DMG MORI receive appropriate remuneration.

Membership of "FairCompany", the largest and most well-known employer action group in Germany for young talents, underscores our commitment.



In the area of human capital, we have been placing a high value on the qualification of our employees for years. We have a high qualification structure; in all, 97% of the workforce has a professional qualification or is currently receiving professional qualification.

14 PERSONNEL DEVELOPMENT

	2017	2016	Change from previous year
Number of employees on further training courses	4,321	4,991	-670
of whom female	477	470	+7
of whom male	3,844	4,521	-677
Cost of apprenticeships and further training	€ 16.2 million	€ 16.4 million	€ -0.2 million
Days for further training	19,867	19,983	-116

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is a key component of our value added system both nationally and internationally. We are fully aware that healthy, motivated employees are a basic condition for our economic success. DMG MORI complies with national, statutory provisions governing occupational health and safety – and goes beyond this.

New employees receive all relevant health and safety training as a matter of principle during their induction. Appropriate first aid facilities in the event of emergency are available. Additionally, each site makes its own individual arrangements for occupational health and safety. Hence our German Service companies have an HSE management (Health, Safety, Environment) that promotes occupational health and safety as well as environmental protection. The newly-formed corporate area of "Corporate Mobility & Security" takes over the management of higher-level security measures and is responsible, among others, for the travel safety of our employees. In return, our employees are actively prepared for their journeys. The group maintains regular contact with those employees traveling to countries with a high security risk.

Through regular health reports, company-financed check-ups and personal return-to-work discussions, we are working on further reducing the sickness rate. The rate in the reporting year was 3.8% and therefore, as in the previous year, it was below the most recent industry average of 5.2%. In the reporting year there were 195 work-related injuries, either at work or on the journey to or from work. In relation to the total number of employees, this corresponds to an injury rate of 2.7%.

COMPLIANCE

In our worldwide firmly-established Compliance Management System (CMS), we specify the rules and processes necessary to comply with our principles and values. The system ensures that we can prevent, discover and sanction any compliance breaches quickly and effectively.

Our Compliance Management System is already comprehensive. In addition to the standard obligations of antitrust law and anti-corruption – including bribery – it also includes company-specific topics such as export controls. New areas that will be fully integrated in the financial year 2018 are:

- IT security
- data privacy
- tax compliance
- money laundering

We analyze risks systematically and follow a standardized procedure. Compliance risks may occur in any area and in any company. Laws, regulations and company-internal guidelines can be violated. The DMG MORI compliance risk analysis has two components and is carried out twice a year in the areas of anti-corruption, antitrust law and export controls. The period under consideration is the following five years in each case.

The company-specific risk position is assessed on the basis of centrally defined and weighted criteria, this allows the companies that are most exposed to risk to be analyzed objectively. In addition, the scenario-based risk analysis involves both a central and decentralized assessment of all operating group companies. Through its Compliance Management System, DMG MORI aims to be able to identify company-specific risks so as to respond in the best possible manner and as early as possible. For the reporting year we have classified the compliance risks in the various areas overall as being manageable.

COMPLIANCE ORGANIZATION AND PROGRAM

The Chief Compliance Officer is the main person in charge and responsible for the overarching development and global coordination of all compliance activities. He reports directly to the Executive Board and also reports at least once a year to the Finance and Audit Committee of the Supervisory Board. In the operative segments, locally appointed compliance officers support the compliance management and implement among others the principles and measures developed. The Compliance Committee acts in an advisory capacity. This corporate body is made up of representatives from various areas:

- taxes
- internal audit
- legal
- risk management
- corporate communications
- human resources
- IT
- purchasing
- sales

We raise our employees' awareness regularly with various internal communication measures. To firmly establish principles of conduct and guidelines in the company long-term, DMG MORI provides regular training courses for relevant employees. In May 2016 we extended our training concept to include online training. Since then, more than 70% of the employees who registered for eLearning – production staff excluded – have



eLearning-AWARD 2018

completed the basic training course. Assuming an average time of one hour, this means that 948 hours were invested in the reporting year. The basic training course especially deals intensely with teaching the contents of our code of conduct. DMG MORI has been awarded the eLearning Award 2018 by the jury of the eLearning Journal in the compliance category for this elearning course.

To ensure that all rules and regulations are complied with, DMG MORI employs a guidelines management. This ensures that all group regulations are accessible worldwide to our employees via a SharePoint. In addition, targeted checks are carried out on the integrity of potential dealers and agents. The precise extent to which they are checked depends on the level of risk in each case.

DATA PRIVACY AND INFORMATION SECURITY

DMG MORI handles the personal data of customers and employees carefully and confidentially. This underpins trust-based corporate relations. In previous years we have taken various precautions to ensure that this data is handled in confidence. The EU General Data Protection Regulation provides the basis. Likewise, we also work constantly and with great intensity on the security of our IT systems to protect our data and also that of our customers. Our IT security management system was certified in accordance with ISAE 3000 in the reporting year.

AUDITING AND IMPROVEMENT

The senior management and the local compliance officers complete a questionnaire every year in order to identify timely any need for information or action. For the financial year 2017 the internal audit reviewed among others as an independent staff function the observance of the CMS for the areas of anti-corruption, antitrust law and export control.

HUMAN RIGHTS

Our dealings are in conformity with the pertinent health and social standards of the International Labor Organization (ILO) that are applicable worldwide. We promote fair working conditions and are against any form of child or forced labor. A clear acknowledgement of the right to freedom of association and the right to collective bargaining are a matter of course for us.

Due to our complex, multi-stage and global supply chain, there is a risk that we indirectly may find ourselves faced with legal violations or breaches of human rights. We counter these primarily with the relevant due diligence processes. Details of this can be found in the chapter "Partner and supplier management" on page 24 et seq.

In future we will extend our measures to cover more of the value added chain. We want to make the origins of conflict minerals, such as gold, tantalum, wolfram and tin, more transparent. The procurement of these minerals may prove problematic as they originate in part from mines in the Congo or neighboring states and are used to finance armed conflicts, which may lead to breaches of human rights. We do not procure minerals in their pure state but instead they may find their way into our production in tiny amounts via our complex, multi-stage and global supply chain. Using our company-wide digitization strategy, we intend to improve transparency in our supply chain in the future. In this way it should be easier for us to gauge the origin and quantity of the minerals.

Through appropriate measures, notably through our web-based training courses, we ensure that our high standards within DMG MORI are adhered to and applied worldwide. Further information on our management approach to human rights can be found in the chapter "Employees" on page 26 et seq.

SOCIAL AND LOCAL COMMITMENT

For us, social commitment goes without saying and is dear to our hearts. According to the materiality analysis, the topic “social responsibility” is not a main focus for the sustainability management. At this point we are reporting voluntarily on our activities and are not currently following a fixed strategy.

We get involved locally. For that reason our sites decide themselves which projects they want to support and the form this should take. The local management and, if required, the Executive Board, approve each project in accordance with our internal compliance guidelines. A further provision that must be observed is that DMG MORI focuses on three target groups in its social commitment: employees, schools and universities, and charitable associations.

For its employees, for instance, DMG MORI encourages solutions to reconcile work and family life by offering flexible working times and developing individual arrangements to achieve an optimum work/life balance. We support schools and universities through donations, cooperation and a lively exchange of ideas and knowledge transfer. Our guiding principle: Our research and innovations must quickly become integral to the training. We therefore regularly take part in the “Girls Day” as well as “Future Day”, and facilitate visits to our production sites for schoolchildren and students. In addition, we are heavily involved at all our sites in local organizations and projects so as to actively form networks and through these to be able to support the interests of the respective region. At our headquarters in Bielefeld and other German production sites, for example, DMG MORI sponsors projects in local communities, in education, science, the arts, culture and in encouraging young talent.

In the reporting year we invested about €450,000 million in donations and sponsoring. In Bielefeld and the Ostwestfalen-Lippe region, DMG MORI has been heavily involved for years as a sponsor for the Arminia Bielefeld football club. Our commitment is especially aimed at encouraging young talent. Moreover, we have sponsoring agreements with Bielefeld Marketing GmbH and the Bielefeld Kunstverein (art association).

The donations were made nearly exclusively to the benefit of local associations and institutions, as well as to universities such as RWTH Aachen University and to fostering young talents (machine building

foundation for young people). Many employees also dedicate their time and efforts to charitable causes and support DMG MORI in its social activities. For example, employees of GILDEMEISTER energy solutions GmbH (Wurzburg) were able to collect €3,000 at their Christmas party for the Elterninitiative leukämie- und tumorkranker Kinder Würzburg e.V. (non-profit parents’ action group in Würzburg for children suffering from leukemia and tumors).

DMG MORI AKTIENGESELLSCHAFT, too, dedicated its worldwide Christmas campaign to a good cause and donated €15,000 to the Good Hope Centre e.V. (Halle, Westphalia) a charitable society supporting disadvantaged children in Tanzania.

DMG MORI MEMBERSHIPS

People are the driving force. They create the innovative capacity in the machine tools industry. Our primary goal is therefore to foster the skills and competence of employees. A decisive requirement for this is education. DMG MORI holds among others memberships in and is involved in various industry associations:

VDMA – Verband Deutscher Maschinen- und Anlagenbau (German Engineering Federation) // VDW – Verein Deutscher Werkzeugmaschinenfabriken e.V. (German Machine Tool Builders’ Association) // The Chamber of Commerce and Industry East-Westphalia in Bielefeld // DKE – Deutsche Kommission Elektrotechnik (German Electrotechnical Commission) // Elektronik Informationstechnik im DIN und VDE (Electronic IT in the DIN and VDE) // Employers’ liability insurance association // TÜV – Technischer Überwachungsverein (Technical Inspection Association) // OWL Machine building // BME – Bundesverband Materialwirtschaft, Einkauf und Logistik (Association for Supply Chain Management, Procurement and Logistics) // DSW – Deutsches Studentenwerk (German National Association for Student Affairs) // It’s owl e.V. – Intelligent technical systems association in East-Westphalia-Lippe



Good Hope Centre e.V.: The charitable society supports disadvantaged children in Tanzania and runs several primary schools there.



Local commitment: Bielefeld Theater (left), Bielefeld Marketing GmbH, Japanese-German garden in Bielefeld.



FUTURE DAY 2017: More than 500 schoolchildren discovered the potential of up-to-date apprenticeships available at DMG MORI.

GRI CONTENT INDEX

This Sustainability Report follows the Sustainability Reporting Standards of the “Global Reporting Initiative” (GRI). This report has been prepared in accordance with the “GRI Standards: option core”. In addition, in February 2018 we completed a “Materiality Disclosures Service”. One of the key requirements of this is the GRI Content Index. This index lists the disclosures reported and where they can be found in the Sustainability Report 2017 of DMG MORI AKTIENGESELLSCHAFT. In addition, the demarcation of the non-financial report pursuant to the German Commercial Code (HGB) requirements is marked.



GRI INDICATOR	Pages in the Sustainability Report 2017	Pages in the Annual Report 2017	Element of non-financial reporting in accordance with HGB	Externally audited by PwC ¹
GRI 102: GENERAL DISCLOSURES 2016				
ORGANIZATIONAL PROFILE				
102-1 Name of the organization	6			
102-2 Activities, brands, products and services	6			
102-3 Location of headquarters	7			
102-4 Location of operations	6	Cover GB		
102-5 Ownership and legal form	6	19-21		
102-6 Markets served	6	19-21		
102-7 Scale of the organization	6	Cover GB		
102-8 Information on employees and other workers ²⁾	6, 26-31			
102-9 Supply chain	8 et seq., 24 et seq.			
102-10 Significant changes to the organization and its supply chain		19-21		
102-11 Precautionary principle or approach	14 et seq., 25	66-71		
102-12 External initiatives	27, 33			
102-13 Membership of associations	34			
STRATEGY				
102-14 Statement from decision-makers	3			
ETHICS AND INTEGRITY				
102-16 Values, principles, standards, and norms of behavior	11			
GOVERNANCE				
102-18 Governance structure	10 et seq.	28-33		
STAKEHOLDER ENGAGEMENT				
102-40 List of stakeholder groups	10			✓
102-41 Collective bargaining agreements ³⁾				
102-42 Identifying and selecting stakeholders	8, 10			✓
102-43 Approach to stakeholder engagement	8, 10			✓
102-44 Key topics and concerns raised	8			✓
REPORTING PRACTICE				
102-45 Entities included in the consolidated financial statements	39	113-163		
102-46 Defining report content and topic boundaries	8 et seq.			✓
102-47 List of material topics	9		sec. 289c para.3	✓
102-48 Restatements of information ⁴⁾				
102-49 Changes in reporting ⁴⁾				
102-50 Reporting period	8			
102-51 Date of most recent report ⁴⁾				
102-52 Reporting cycle	8			
102-53 Contact point for questions regarding the report	39			
102-54 Claims of reporting in accordance with the GRI Standards	8, 36			
102-55 GRI Content Index	36 et seq.			
102-56 External assurance	8, 38			
CATEGORY: ECONOMIC				
GRI 201: ECONOMIC PERFORMANCE 2016				
103-[1-3] Management approach 2016		16-19		
201-1 Direct economic value generated and distributed		44-52, 79-163		

GRI INDICATOR	Pages in the Sustainability Report 2017	Pages in the Annual Report 2017	Element of non-financial reporting in accordance with HGB	Externally audited by PwC ¹
GRI 205: ANTI-CORRUPTION 2016				
103-[1-3] Management approach 2016	9, 24 et seq., 32 et seq.		sec. 289c para.2 no. 5 sec. 289c para.3	✓
205-1 Operations assessed for risks related to corruption	32			✓
CATEGORY: ENVIRONMENTAL				
GRI 301: MATERIALS 2016				
103-[1-3] Management approach 2016	9, 22, 24 et seq.		sec. 289c para.2 no. 1 sec. 289c para.3	
301-2 Recycled input materials used	22			
GRI 302: ENERGY 2016				
103-[1-3] Management approach 2016	9, 16-19		sec. 289c para.2 no. 1 sec. 289c para.3	✓
302-1 Energy consumption within the organization	18 et seq.			✓
GRI 305: EMISSIONS 2016				
103-[1-3] Management approach 2016	9, 16-19		sec. 289c para.2 no. 1 sec. 289c para.3	✓
305-1 Direct (Scope 1) GHG emissions	19			✓
305-2 Energy indirect (Scope 2) GHG emissions	19			✓
305-6 Emissions of ozone-depleting substances (ODS) ⁵⁾				
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016				
103-[1-3] Management approach 2016	24 et seq.		sec. 289c para.2 no. 1 sec. 289c para.3	✓
308-1 New suppliers that were screened using environmental criteria	25			✓
CATEGORY: SOCIAL ISSUES				
GRI 401: EMPLOYMENT 2016				
103-[1-3] Management approach 2016	9, 26 et seq.		sec. 289c para.2 no. 2 sec. 289c para.3	
401-1 New employee hires and employee turnover ⁴⁾	26 et seq.			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016				
103-[1-3] Management approach 2016	9, 24 et seq., 26 et seq., 31		sec. 289c para.2 no. 2 sec. 289c para.3	
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities ⁷⁾	31			
GRI 404: TRAINING AND EDUCATION 2016				
103-[1-3] Management approach 2016	9, 26-31		sec. 289c para.2 no. 2 sec. 289c para.3	
404-1 Average hours of training per year per employee	31			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016				
103-[1-3] Management approach	9, 26-30		sec. 289c para.2 no. 2 sec. 289c para.3	✓ ⁸⁾
405-1 Diversity of governance bodies and employees ²⁾	28-30			✓
GRI 412: HUMAN RIGHTS ASSESSMENT 2016				
103-[1-3] Management approach 2016	9, 11, 24 et seq., 26 et seq., 33		sec. 289c para.2 no. 4 sec. 289c para.3	✓
412-2 Employee training on human rights policies or procedures	32 et seq.			
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016				
103-[1-3] Management approach 2016	24 et seq.		sec. 289c para.2 no. 4 sec. 289c para.3	✓
414-1 New suppliers that were screened using social criteria	25			✓
GRI 416: CUSTOMER HEALTH AND SAFETY 2016				
103-[1-3] Management approach 2016	9, 14 et seq.		sec. 289c para.3	
416-1 Assessment of the health and safety impacts of product and service categories	15			
IN ADDITION TO THE GRI: PRESENTATION OF SOCIAL ENGAGEMENT				
Not a concept within the meaning of the CSR Directive Implementation Act	8 et seq., 34		sec. 289c para.2 no. 3 sec. 289c para.3	✓
Amount of donations made in Germany	34		sec. 289c para.3	✓
IN ADDITION TO THE GRI: PRESENTATION OF ADDITIONAL MINIMUM ELEMENTS OF THE NON-FINANCIAL REPORT				
Presentation of the business model	6	16-43	sec. 289c para.1	✓
Results of the risk assessment	11		sec. 289c para.3 no. 3-4	✓
Information on the framework used	8		sec. 289d	✓

1) See audit report of the independent auditors on page 38.

2) No further subclassification of the categories and data as these are not of material significance for our sustainability management.

3) Some domestic companies have collective agreements. At present we are examining the feasibility of reporting a possible key figure.

4) The Sustainability Report 2017 is a first report.

5) The use of or the emission of ozone-depleting substances could not be determined at DMG MORI.

6) As information on age and gender does not present any significant information regarding the hiring and departure of employees, this is not analyzed at DMG MORI.

7) Due to the low number of injuries at work, or traveling to and from work at DMG MORI, this information does not provide any key figures and consequently the resulting absenteeism rate has not been analyzed separately.

8) The audit covered only the key figures in Table 11.

ASSURANCE REPORT

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting and Sustainability Information¹

To DMG MORI AKTIENGESELLSCHAFT, Bielefeld

We have performed a limited assurance engagement on the disclosures denoted with  in the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") (hereinafter the "non-financial Report") of DMG MORI AKTIENGESELLSCHAFT, Bielefeld (hereinafter the "Company"), for the period from 1 January to 31 December 2017 contained in the Sustainability Report 2017. Our engagement in this context relates solely to the disclosures denoted with the symbol .

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Sustainability Report 2017 in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter: "GRI-Criteria") and the Non-financial Report contained in the Sustainability Report 2017, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and the relevant GRI-Criteria and for the selection of the Sustainability Information to be evaluated.


This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm


We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures denoted with  in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.


We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the disclosures denoted with  in the Company's non-financial report for the period from 1 January to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and the relevant GRI-Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities

- *Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement*
- *Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report*
- *Analytical evaluation of selected disclosures in the Non-financial Report*
- *Comparison of selected disclosures with corresponding data in the group management report*
- *Evaluation of the presentation of the information*

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the disclosures denoted with  in the Company's Non-financial Report for the period from 1 January to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and the relevant GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 12 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ppa. Nicolette Behncke ppa. Pia Schnüch
Wirtschaftsprüfer
[German public auditor]

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, which are based on current estimates of the management regarding future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors that could cause the actual circumstances including the results of operations, financial position and net worth of DMG MORI AKTIENGESELLSCHAFT to differ materially from or be more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI AKTIENGESELLSCHAFT are subject to a range of risks and uncertainties, which may likewise render a forward-looking statement, estimate or forecast inaccurate. Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results expressed, expected, anticipated, intended, planned, aimed at, estimated, projected or implied in these statements. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein.

There are two companies using the name "DMG MORI": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporation Act (Aktengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

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Languages

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 www.dmgmori.com

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¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the "Sustainability Report 2017" and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.



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