

Digital Transformation

As one of the world's leading suppliers of pumps, valves and related support services, KSB is a pioneer in top-tier technology. And the expertise of our highly qualified employees makes this the foundation for our success. To improve the efficiency, performance and reliability of our pumps and valves in industry and energy generation, water and waste water, building services and mining applications, KSB has expanded its research and development work and embraced digital technologies. These enable us to continually enhance our products and services, paving the way for KSB's profitable and sustainable growth.

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MANAGEMENT



Dr. Stephan Timmermann

took over as the Chairman of the Board of Management of KSB AG on 13 November 2017. Since 17 January 2018 he has been a Managing Director and CEO of KSB Management SE. His areas of responsibility include Strategy, Human Resources, Communications, and Legal and Compliance.

Ralf Kannefuss

has been responsible for Sales and Service since 1 July 2017. Having initially taken charge of these areas as a member of the Board of Management of KSB AG, he is now assigned this responsibility as a Managing Director of KSB Management SE.

**Dr. Stephan Bross**

has been responsible for Technology as well as the Corporate Unit Pumps and Corporate Unit Valves since 15 September 2017, initially as a member of the Board of Management of KSB AG and since 17 January 2018 as a Managing Director of KSB Management SE. In 2018, he also took on responsibility for Global Operations.

Dr. Matthias Schmitz

was assigned responsibility for Controlling/ Finance, Information Technology and Global Procurement as a member of the Board of Management of KSB AG on 1 June 2017. Since 17 January 2018 he has been in charge of these areas as a Managing Director of KSB Management SE.



Dr. Stephan Timmermann

Dear Shareholders and Business Partners,

As a global company, we operate in a market environment that can change dramatically overnight due to political or social events. At the same time we are facing developments that may be less sudden, but will nevertheless have radical consequences for the economy and working life.

For a mechanical engineering company like KSB, it is above all the rapid change in technology that calls for new solutions in research and development. The ongoing trend towards globalisation is also putting traditional production concepts into question. Similarly, the rapid rise of some emerging markets is changing the economic areas we serve, which is something we have to adapt to in terms of sales and service. Finally, demographic trends make it necessary for us to adjust our work and life models in relation to age. For this purpose, we are developing regionally differentiated concepts, including qualification and development programmes.

People shape our brand

To change KSB in a positive way, and thus make it better and well-equipped for the future, is a task we are focusing on. In doing so, we can rely on the readiness to learn, creativity and commitment of our employees. With their work they represent what the KSB brand stands for. And it is they who keep our brand promise every day: Technology that drives success. Wherever they do more for their customers than others, they lay the foundation for future success.

To lead our staff through the present changes, to develop their professional skills so they can meet new requirements, and to provide an inspiring work environment for them – these are the tasks which we, as the company's management, are dedicated to achieving in an effective manner.

Digitalisation generates ideas

Currently we are succeeding particularly well in this with our Business Innovation Lab, where KSB staff collaborate with external specialists and students, and which won an award in 2017. An unconventional approach to thinking and working helps us adapt to digital change and overcome the boundaries between mechanical engineering and information technology.

Linking together these fields of technology creates space for innovations which lead to new products, services and business models. From 3D printing to cloud-based service solutions, our aim is to be a pioneer in the industry.

Growth opens up new avenues

Change requires ideas, performance, and the will to make the most of both. It also requires financial resources to bring promising concepts to a successful conclusion. We achieve this through profitable growth and a sustainable ownership structure. Both of these give us the necessary freedom to act.

In 2017 we made good progress with a leap in profits of almost 40 %. Our order intake rose by 5.0 % and sales revenue will follow this development in due course. In addition, a comfortable net financial position provides us with sufficient leeway to do all that is needed to help our customers, motivate our employees and secure our future.

A new structure creates a new basis

From an organisational point of view, we are also on the road to change. In mid-January KSB AG converted into a KGaA, a partnership limited by shares. This follows a resolution passed at last year's Annual General Meeting. With this change in legal form, we have opened up new financial and strategic options for our company, as well as providing a solid basis.

The operative business of the new KSB SE & Co. KGaA will be managed by my three colleagues on the former Board of Management and myself as Managing Directors of a newly founded management company. In this KSB Management SE, we rely on the advice and experience of a five-member Administrative Board. It is formally the highest management body of the KGaA.

As shareholders, you have automatically become limited partners of the KGaA. Apart from this your status and rights at the Annual General Meeting remain largely unchanged. One exception is the discontinuation of the Supervisory Board's personnel decision-making competence: The new organisation with four Managing Directors no longer has a board of management to be elected by this monitoring body.

In the present configuration we will work intensively with the Administrative Board and the Supervisory Board to continually improve both the competitiveness and profitability of the company. We feel that we are currently on the right track here. We will be glad if you, as shareholders or business partners, continue with us on the road ahead.



Dr. Stephan Timmermann, CEO

REPORT OF THE SUPERVISORY BOARD

The 2017 financial year was dominated by personnel and structural changes, including the change in legal form of KSB Aktiengesellschaft to a partnership limited by shares [*Kommanditgesellschaft auf Aktien*] by resolution of the Annual General Meeting on 10 May 2017, which was successfully completed by entry in the *Handelsregister* [German Commercial Register] on 17 January 2018. Under section 203, sentence 1 of the *UmwG* [*Umwandlungsgesetz* – German Transformation Act], the members of the Supervisory Board of KSB Aktiengesellschaft became members of the Supervisory Board of KSB SE & Co. KGaA for the rest of their term in office. By contrast, a *Kommanditgesellschaft auf Aktien* (KGaA) has no Board of Management; the latter's tasks have been performed by the general partner of the company, KSB Management SE, Frankenthal, since the change in legal form came into effect. This company is represented by Managing Directors, with the previous members of the Board of Management of KSB AG having been appointed to these positions. For the 2017 financial year and the subsequent period until 17 January 2018, this report is based on the former structure of a public limited company under German law [*Aktiengesellschaft*] with the Board of Management as the management and representative body. Where periods after 17 January 2018 are discussed herein, this report refers to the new legal form of a KGaA.

Throughout the last financial year, the Supervisory Board continued to perform its tasks with great care in accordance with the law, the Articles of Association and the Rules of Procedure. We regularly advised the Board of Management on corporate management issues and monitored its work. The Supervisory Board was consulted directly and at an early stage with regard to decisions of fundamental importance. The Board of Management informed us in a comprehensive and timely manner, and in compliance with its duty to inform under the law and Rules of Procedure, about the position of the company, in particular its business, financial and staffing situation, planned investments, as well as relevant corporate planning and strategic and organisational development issues via written and oral reports prepared regularly and on an ad hoc basis. As in the past, we continued to meet on a regular basis to discuss selected issues in the absence of the Board of Management.

We discussed all business transactions significant for the company in detail on the basis of the Board of Management's reports. Any departures in business developments from the plans and targets were reviewed and commented on in detail by the Board of Management. We adopted our resolutions on the reports and proposals by the Board of Management after thorough examination and discussion. Beyond the intensive work in the plenary sessions and in the committees, the Chairman of the Supervisory Board in particular and other Supervisory Board members were in frequent contact with the Board of Management outside the meetings to discuss the current business development and significant transactions as well as questions of strategy, planning, risk assessment, risk management and compliance.

Conflicts of interest of the Supervisory Board members Klaus Kühborth and Monika Kühborth within the framework of the below discussion of relations covering the supply of services of KSB AG to its majority shareholder, Johannes und Jacob Klein GmbH (formerly Klein Pumpen

GmbH), as well as to other related parties, were disclosed to the Supervisory Board; both did not participate in the taking of resolutions on this subject area. In the reporting period, no other conflicts of interest arose involving members of the Board of Management and Supervisory Board that would have been subject to disclosure in the Report of the Supervisory Board.

MAIN FOCUS OF WORK IN THE SUPERVISORY BOARD PLENARY SESSIONS

Key topics of our consultations with the Board of Management were the revision of strategic objectives, the monitoring of the roll-out of a shared services organisation decided on in 2016 and the continued development of the corporate organisation, including the appointment of four new members to the Board of Management with a view to the change in legal form implemented early in 2018. The analysis of business development in the segments and Regions represented an additional focus, as did major investment projects at various sites. We dealt on an ongoing basis with the company's economic position, the progress of the new efficiency improvement programme, and the prospects facing selected markets. Based on the recommendations and suggestions contained in the German Corporate Governance Code, we also looked at fundamental aspects of good corporate governance. Special emphasis was placed on corporate culture as KSB again recorded and evaluated employees' views concerning the company by means of an international spot check.

In 2017 four regular Supervisory Board meetings and a constituent meeting were held; the committee also met three times to discuss special topics. The performance of KSB Aktiengesellschaft and the Group was the subject of regular discussions, primarily with regard to net assets, financial position, employment levels and strategic direction, as well as material investment, divestment and acquisition projects.

The Board of Management regularly explained to us in detail the ways in which KSB can achieve the planned growth for the coming years, including the underlying methodological and strategic considerations. Required investments were subjected to critical analysis before being approved and their implementation was subsequently monitored by us. In this context, the Supervisory Board approved significant financial resources to maintain the high technical level of plants on a Group-wide basis, while at the same time taking into account specific site-related aspects. We also repeatedly dealt with the status of the comprehensive investments that were initiated in recent years. For instance, we convinced ourselves that, in particular, the expansion work in our French and our Indian subsidiary is making good progress at the sites in La Roche-Chalais and Shirwal. The fundamental upgrade of the Pakistani foundry and the construction of our new building in Moscow were largely completed. The latter will serve both administrative and production purposes, and we thereby aim to strengthen the close business relationships with Russia and in the neighbouring states. As reported in previous years, considerable technically demanding preparations were required to win a major Chinese order

for the delivery of pumps. We expect the successful implementation of this ambitious project, whose completion is scheduled for 2018, to strengthen KSB's market position over the long term. We therefore had the Board of Management continuously update us on the status of order processing. Where the start or expansion of business activities led to property acquisitions, we discussed the long-term impact of such measures.

In the light of the ongoing change of requirements to be met by an efficient corporate structure, we completed the discussion about the transformation of KSB AG. To align the company with the future requirements of capital markets and to secure its independence over the long term, the Supervisory Board decided at the start of 2017 to prepare the conversion of KSB AG into a – still stock exchange-listed – partnership limited by shares. After obtaining approval from the Annual General Meeting in May 2017, this was implemented by entry in the German Commercial Register on 17 January 2018.

We also used the past financial year for a fundamental redesign of corporate management. Following the proposal of the Personnel Committee in each case, four new members of the Board of Management were appointed, including Dr. Stephan J. Timmermann as the Chairman [*Sprecher*] of the Board of Management. With Dr. Peter Buthmann's departure as of the end of 2017 following his retirement, we completed the reshuffle. We see major potential for our business in the opportunities provided by a stronger focus on certain areas of responsibility. In the course of the change in the legal form of KSB, the members of the Board of Management were appointed Managing Directors of the general partner.

Repeatedly on the agenda was the continued development of other aspects of the corporate organisation. We devoted particular attention to the reduction in internal administrative expenses, for instance by monitoring the programme kicked off at the end of 2015 by the Board of Management to improve efficiency in all Group areas, which also includes reducing the number of Group companies. Against this background, the outsourcing of standardised processes to external services providers (shared services) was also of great importance. With this ambitious project, KSB aims to further standardise internal processes, in particular in the commercial areas, and optimise cost structures permanently in the future. Some adjustment requirements became apparent upon the start of the implementation of this demanding project; we discussed them in detail with the Board of Management. Another focus of our deliberations continued to be the progress made towards strengthening our value-based corporate culture, with the Board of Management providing regular updates. Both interesting findings and new needs for action emerged from a spot check employee engagement survey as a follow-

up process to the broadly designed 2016 survey. These have to be addressed in order to continue the constructive dialogue with staff and meet their expectations. By doing this we ensure that the employees' willingness to perform and engagement are continually strengthened.

We also considered the relations covering the supply of services of KSB AG to its majority shareholder and other related parties in the year under review. After initial indications that individual services to related parties may no longer have been provided on an arm's length basis or may have been settled either incorrectly or not at all in the past, the Supervisory Board, together with the Board of Management, commissioned auditing and tax consultancy firms as well as a law firm with a comprehensive independent examination of the facts along with the resulting consequences. The Chairman of the Audit Committee reported regularly on the status of this matter.

For the September session, the Supervisory Board convened for a meeting at the Lille site in France. On this occasion, we discussed in detail with the Board of Management its considerations on the realignment of the individual Board of Management portfolios. Within the scope of compliance with the non-financial reporting requirements imposed by law we commissioned the auditors to review this report. The local management informed us of the opportunities and risks of the French market. In addition, we visited the modern technical facilities at the plant.

At the two sessions in November and December, a focus was on the general economic development in China and the consequences this may have on the organisation of KSB's business in this important market. We also looked at business performance during the financial year and, in particular, at planning for 2018.

MAIN FOCUS OF WORK IN THE COMMITTEES

In order to perform its duties efficiently, the Supervisory Board worked with five committees in 2017. These prepare the Supervisory Board's resolutions and the special topics to be discussed in the plenary sessions. In addition, they also make their own decisions – to the extent that this is legally permissible – within the scope of their areas of responsibility. This allocation has proved worthwhile in practice. The Chairs of the committees regularly and comprehensively report in the plenary sessions on the content and results of the work carried out in the committees.

COMMITTEES OF THE SUPERVISORY BOARD

and their Chairs, as well as number of meetings in the year under review

CORPORATE DEVELOPMENT COMMITTEE

Until 28 February 2017
Dr. Martin Auer
 From 23 March 2017
Oswald Bubel
 No. of meetings: 4

NOMINATION COMMITTEE

Until 28 February 2017
Dr. Thomas Seeberg
 From 23 March 2017
Dr. Bernd Flohr
 No. of meetings: 3

PERSONNEL COMMITTEE

Until 28 February 2017
Dr. Thomas Seeberg
 From 23 March 2017
Dr. Bernd Flohr
 No. of meetings: 9

AUDIT COMMITTEE

Until 14 April 2017
Dr. Jörg Matthias Großmann
 From 15 April 2017
Klaus Burchards
 No. of meetings: 7

MEDIATION COMMITTEE

Until 28 February 2017
Dr. Thomas Seeberg
 From 23 March 2017
Dr. Bernd Flohr
 No. of meetings: 0

The **Nomination Committee** prepared proposals for the appointment of shareholder representatives to the Supervisory Board, in particular the Supervisory Board's nominations for the election of Supervisory Board members by the Annual General Meeting on 10 May 2017. It convened three times in the year under review. In looking for and evaluating suitable candidates with the requisite expertise and experience of the industry, long-term succession planning is a key factor.

The **Corporate Development Committee** deals with the company's strategic development, as well as with annual planning and finance, and technology issues. At four meetings in the year under review, it discussed in particular the areas of strategy controlling, production management and innovation, and – on an ongoing basis – looked at a number of major investments, which require the approval of the Supervisory Board. The development of certain business types, including but not limited to the general and project businesses, also figured on the agenda, as did tie-in measures during acquisitions and selected projects. The Committee looked in detail at the optimisation of production capacities within our international manufacturing network and the progress of global production integration. Another focus was on the opportunities offered by digitalisation, which need to be closely observed and harnessed. In addition to members of the Board of Management, the Heads of the relevant specialist departments also regularly took part in the committee meetings.

The **Personnel Committee** held nine meetings in the year under review. It primarily addresses personnel decisions as well as topics relating to the Board of Management's remuneration, including the terms of the individual service contracts, as well as other Board of Management issues. Decisions on the appointment and remuneration of members of the Board of Management were made in plenary session, with the committee acting in a preparatory capacity in each case. In the year under review, the Committee also discussed staff development issues with the aim of ensuring that any need for action in terms of filling Board of Management positions and positions at the management level directly below the Board is identified at an early stage and followed up. Not least, the Committee is promoting the internal developments within the company that aim at an increased proportion of women in leadership roles.

The main focus of deliberations in the financial year was the specific preparation of the personnel decisions for Board of Management positions. For instance, the Supervisory Board consented to the early resignation of Werner Stegmüller from the Board of Management – at his own request – effective 31 May 2017. As successor for the Finance portfolio and member of the Board of Management, the Supervisory Board appointed Dr. Matthias Schmitz on 22 March 2017, initially for a term of office of three years from 1 June 2017 to 31 May 2020. Ralf Kannefass was appointed on 9 May as the Board of Management member responsible for the Sales portfolio for a term of three years, from 1 July 2017 to 30 June 2020. The term of office of the long-standing member of the Board of Management and Human Resources Director, Dr. Peter Buthmann, was extended, for six months until the end of 2017, to ensure adequate continuity in the Board of Management. The Supervisory Board approved that the age limit applicable to members of the Board of Management was moderately exceeded. On 12 September 2017, Dr. Stephan Bross was appointed member of the Board of Management (Technology) for five years with effect from 15 September 2017 until 14 September 2022. Finally, the Supervisory Board appointed Dr. Stephan J. Timmermann as Chairman [*Sprecher*] of the Board of Management on 18 October 2017 from 13 November 2017 until 30 November 2020 and therefore for about three years; from 1 January 2018, Dr. Timmermann also assumed the role of Human Resources Director. All the above decisions were based on the proposals of the Personnel Committee.

The competencies of the committee changed with the coming into effect of the change in legal form. It now essentially decides on the approval of any internal transactions with KSB Management SE, its Administrative Board members and/or its Managing Directors, on the consent to other activities of these persons, the granting of loans to them and on any matters related to the remuneration of the Supervisory Board members.

The seven meetings of the **Audit Committee** in the year under review were always attended by a member of the Board of Management and, on several occasions, by the auditors and the Heads of relevant departments. The Committee discussed the 2016 annual and consolidated

financial statements, as well as the corresponding audit reports submitted by the auditors. The Audit Committee also prepared the independent examination by the Supervisory Board of the financial statements, the management reports and the proposal on the appropriation of the net retained earnings. In addition, the 2015 half-year financial report was discussed with the Board of Management. Moreover, the Committee presented a substantiated recommendation to the Supervisory Board for the election of the auditors at last year's Annual General Meeting. It then assigned to the auditors the audit of the annual and consolidated financial statements for the 2017 financial year and specified the key audit areas. The declaration of independence by the auditors was obtained in accordance with the recommendations of the German Corporate Governance Code (section 7.2.1), and the auditors' continued independence and performance of non-audit services were monitored. The Committee also focused on monitoring accounting, the accounting process, the risk management system – taking into account the relevant reports from Internal Audits – and the effectiveness of the internal control and auditing system, including compliance and the auditing of the annual financial statements. In this context, the committee members discussed in detail the supply of services to Johannes und Jacob Klein GmbH, as well as to other related parties. In the context of the clarification of facts and rectification, they also examined the measures taken by the Board of Management to obtain compensation for any disadvantages experienced by the company.

There was no requirement during the financial year under review to convene the **Mediation Committee** required by section 27(3) *MitbestG* [*Mitbestimmungsgesetz* – German Co-Determination Act]. It became obsolete with the coming into effect of the change in legal form.

CORPORATE GOVERNANCE AND STATEMENT OF COMPLIANCE

The Supervisory Board continuously monitored developments in corporate governance standards throughout the financial year. The Board of Management and the Supervisory Board have so far reported on corporate governance at KSB in accordance with section 3.10 of the German Corporate Governance Code as part of the Corporate Governance Statement pursuant to sections 289f(2 and 3) and 315d *HGB* [*Handelsgesetzbuch* – German Commercial Code]. On 12 September 2017 they issued a joint updated statement of compliance in accordance with section 161 of the *AktG* [*Aktiengesetz* – German Public Companies Act] and made it permanently available to shareholders on the company's web site. The general partner will now take the place of the Board of Management at KSB SE & Co. KGaA. KSB Aktiengesellschaft complied with the German Corporate Governance Code's recommendations subject to a few justified exceptions. The same applies to KSB SE & Co. KGaA, unless limited deviations from the Code arise from the change in legal form. On 21 March 2018, the Supervisory Board and the general partner, acting via its Managing Directors, issued a joint statement of compliance updated in this respect.

AUDIT OF THE 2017 ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board examined the annual financial statements and the management report of KSB SE & Co. KGaA (formerly KSB AG) for the year ended 31 December 2017, which were prepared in accordance with the provisions of the *Handelsgesetzbuch (HGB)*, as well as the consolidated financial statements and the group management report for the year ended 31 December 2017, which were prepared in accordance with the International Financial Reporting Standards (IFRSs), and the proposal by the general partner on the appropriation of the net retained earnings. This also applies to the combined separate non-financial report of the company and the Group.

The accounting documentation, the proposal by the general partner on the appropriation of the net retained earnings, the non-financial reports and the audit reports submitted by the auditors were provided in good time to all members of the Supervisory Board. The documents were discussed in detail by the Audit Committee, in particular on 14 March 2018, as well as in the Supervisory Board plenary session on 21 March 2018 and explained in depth by the Managing Directors of the general partner. The auditors attended the meetings of both bodies, reported on the findings of the audit and were available to provide additional information.

The Mannheim office of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, audited the annual financial statements and the management report of KSB SE & Co. KGaA (formerly KSB AG) for the year ended 31 December 2017, as well as the consolidated financial statements and the Group management report for the year ended 31 December 2017, and issued an unqualified opinion. The key audit areas defined for the auditors by the Audit Committee for the year under review mainly included the recognition of sales revenue based on the accrual principle of accounting and the recording and presentation of transactions with related parties. The non-financial reports were reviewed. The auditors reported on their findings on these key audit areas both orally and in writing.

The Supervisory Board concurs with the auditors' findings. Following the final result of the examination by the Audit Committee and its own review, the Supervisory Board raised no objections to the annual financial statements, consolidated financial statements, management report and Group management report, as well as the separate non-financial report of the company and the Group. In accordance with the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements prepared by the general partner. The proposal of the general partner on the appropriation of the net retained earnings of KSB SE & Co. KGaA, and in particular the increase in the dividend to EUR 7.50 per ordinary no-par-value share and EUR 7.76 per preference no-par-value share, is deemed to be appropriate by the Supervisory Board in accordance with its own review; it concurs with it.

DEPENDENT COMPANY REPORT

The auditors also audited the dependent company report for the 2017 financial year prepared by the general partner in accordance with section 312 of the *AktG* and issued the following unqualified audit opinion on this report:

“On completion of our audit and assessment in accordance with professional standards, we confirm that

1. The actual amounts and disclosures in the report are correct.
2. The consideration paid by the company for the transactions listed in the report was not inappropriately high, or disadvantages were compensated.”

The report of the general partner and the audit report were provided in good time to all members of the Supervisory Board and were also discussed by the Audit Committee and in plenary sessions. The auditors attended the meetings of both bodies, reported on the material findings of the audit and were available to provide additional information. The Supervisory Board concurs with the auditors' findings. Both the recommendation by the Audit Committee and the final results of the Supervisory Board plenary session's examination did not give rise to any objections to the dependent company report prepared by the general partner and to the statement by the general partner at the end of the dependent company report.

CHANGES TO THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The changes to the Board of Management, i.e. the appointment of Dr. Stephan Bross, Ralf Kannefass, Dr. Matthias Schmitz and Dr. Stephan J. Timmermann as well as the departure of Werner Stegmüller and Dr. Peter Buthmann are described above in detail.

Dr. Martin Auer and Dr. Thomas Seeberg resigned from their office as members of the Supervisory Board as of 28 February in the reporting year, with Dr. Seeberg also stepping down from his position as Chairman of the Supervisory Board. Dr. Stella Ahlers and Dr. Jörg Matthias Großmann resigned from their office as members of the Supervisory Board with effect from the end of 20 March and 14 April 2017, respectively. Monika Kühborth, Oswald Bubel and Dr. Bernd Flohr were appointed members of the Supervisory Board by order of the *Amtsgericht Ludwigshafen am Rhein* [Local Court] on 21 March 2017 and Klaus Burchards by order of 18 April 2017, as successors for members who had stepped down. The Supervisory Board elected Dr. Flohr as its Chairman in the session of 22 March 2017. All new members were confirmed in their office by the Annual General Meeting on 10 May 2017, and Dr. Flohr

was re-elected as the Chairman of the Supervisory Board in the immediately following constituent Supervisory Board meeting. Due to his appointment as member of the Board of Management, Dr. Stephan Bross left the Supervisory Board with effect from 14 September 2017; Dr. Hans Stefan Wiß succeeded him as the elected replacement candidate. Monika Kühborth and Oswald Bubel resigned as members of the Supervisory Board as of the end of January 2018 in order to focus on their responsibilities at KSB Management SE. In their stead, Arturo Esquinca and Prof. Dr.-Ing. Corinna Salander were appointed members of the Supervisory Board by order of the *Amtsgericht Ludwigshafen am Rhein* dated 26 February 2018. The Supervisory Board would like to thank the members who have left the Board for their close cooperation. We also thank Dr. Seeberg for his prudent leadership.

The Supervisory Board would like to thank the Board of Management, the employees and employee representatives of all Group companies for their continued constructive and committed work during the past financial year.

Frankenthal, 21 March 2018

The Supervisory Board

A LOOK BACK AT 2017

Q1



KSB ZAMBIA

The South African holding company KSB Pumps S.A. (Pty) Ltd. acquires KSB Zambia Limited. Based in Kitwe, the company supplies pumping equipment for the mining industry and water applications.



BEREAVEMENT

Dr. Wolfgang Kühborth dies at the age of 92 on 31 January; many employees mourn his loss. A descendant of the Klein family, KSB's founders, Dr. Kühborth occupied various positions at KSB, playing a central role in the company's history for around 50 years.

USA

KSB divests the business activities of US company KSB AMRI, Inc. with effect from 31 January. Located in Houston, Texas, the company produces butterfly valves and actuators for the chemical industry. The sale is part of an initiative to streamline the Group's structure.

NEW PRESSURE BOOSTER SYSTEM

KSB showcases its new range of fully automatic pressure booster systems, KSB Delta Compact, at the ISH trade fair. The energy-efficient systems are designed for water supply applications in residential buildings, trade and industry. They ensure constant pressure even with fluctuating water consumption.



Q2



TRAINING

KSB is considered one of "Germany's top training companies 2017" according to a study commissioned by Deutschland Test and the Focus Money business magazine. The study evaluated the training quality of the 5,000 largest employers in a range of industries.



NEW FACTORY

After just ten months of construction work, KSB opens a modern factory in Shirwal, India, for producing pumps destined for power plants. Representing an investment of 40 million euros, the building fulfils high standards with regard to energy efficiency and environmental protection. It also provides the necessary space for modernising and expanding pump production. India is one of a group of countries with an underdeveloped energy supply infrastructure.

CHANGE IN LEGAL FORM

The Annual General Meeting adopts a resolution to convert KSB Aktiengesellschaft into a partnership limited by shares [*Kommanditgesellschaft auf Aktien – KGaA*]. From 2018, the company can trade under the name of KSB SE & Co. KGaA and will be led by a separate management company.



AWARD

KSB's Business Innovation Lab is crowned "Newcomer of the Year 2017" by the Capital business magazine. KSB specialists, external experts and students have been developing new business models at the think tank since the beginning of the year. Their mission is to facilitate KSB's digital transformation.



Q3



WASTE WATER PUMPS

KSB is awarded the contract to supply the pumping equipment for a large waste water treatment plant in Qatar. The plant is being built approximately 50 km north of the capital city, Doha. After it has been commissioned, the plant will treat around 56,000 cubic metres of waste water every day.

FORCES OF NATURE

A hurricane, earthquakes and heavy storms in August and September impact business operations at several of our smaller facilities in Texas, Mexico City and Zarautz in Spain. Emergency plans are initiated, highlighting the effectiveness of alternative work processes.

PUMPS FOR MEDINA

KSB supplies more than 100 pumps for a district cooling system designed to handle the air-conditioning of new hotel complexes which are being built in the Saudi Arabian pilgrimage city of Medina. The pumps are exclusively equipped with mechanical seals manufactured by KSB.

ONLINE ACCEPTANCE TESTING FOR PUMPS

KSB pioneers a world first by offering online acceptance testing in Halle, Pegnitz and Shanghai. While in the past customers had to attend acceptance testing on site, they can now remotely monitor the process in real time, saving them travel time and costs.



NEW BUTTERFLY VALVES

The new APORIS double-offset butterfly valve with elastomer sealing element extends KSB's product range. This valve is used for applications where customers need to transport water through pipelines under high pressures over long distances.



Q4



DIGITALISATION

October sees more than 2,500 KSB employees worldwide start working with the new Cloud for Customer (C4C) system to manage their customer data and respond more quickly to customers' needs. Sales and Service staff can access the information on their mobile devices any time, anywhere.



PUMP TEST STAND

A new pump test stand for standard pumps is commissioned in Frankenthal capable of testing approximately 3,000 pumps a year. Testing times are reduced by a third.

NEW MEMBERS OF THE BOARD OF MANAGEMENT

Dr. Stephan Timmermann joins the company as the Chairman of the Board of Management. Over the course of the year, the Supervisory Board has made four new appointments to the company's executive management body: Dr. Matthias Schmitz (Finance), Ralf Kannefuss (Sales and Service), Dr. Stephan Bross (Technology) and the new Chairman of the Board of Management.



PROTOTYPE

KSB completes the prototype for a compact, high-efficiency motor. By integrating the frequency inverter into the motor, developers have been able to reduce the unit volume by over 25 percent compared with the traditional design.



CORPORATE SOCIAL RESPONSIBILITY

COMBINED SEPARATE NON-FINANCIAL REPORT

The term “sustainability” is commonly used in a variety of ways. At KSB, we define sustainability as aligning our business with environmental, social and economic values. As well as responsible use of natural resources and the environment, it includes our responsibility towards our employees and our commitment to society. We present these issues in a separate combined non-financial report pursuant to sections 315b and 315c in conjunction with sections 289c to 289e of the HGB [*Handelsgesetzbuch* – German Commercial Code]. The report fulfils the requirements of the CSR Directive Implementation Act [*CSR-Richtlinie-Umsetzungsgesetz*] and combines the statement at company level with the Group statement outside of the management report.

The concepts outlined here apply to both the Group and to KSB AG (on 17 January 2018 the conversion into the new legal form KSB SE & Co. KGaA took legal effect); any instances where this is not the case are duly indicated. All information in the non-financial report relates to the former KSB AG in 2017. References to information not included in the group management report and any captions in this section represent supplementary information and are not part of the separate non-financial report. PricewaterhouseCoopers GmbH, Mannheim, performed a limited assurance engagement on the information in this report in accordance with ISAE 3000 (Revised) and issued an independent assurance report.

The concepts and activities outlined in this report follow the principles of the UN Global Compact² in the areas of human rights, labour standards, the environment and anti-corruption.

In accordance with our business model, we aim to supply customers worldwide with high-quality pumps and valves, as well as related support services. The vast majority of our products are developed in-house and are manufactured in factories on four continents. Our products are sold via our own sales organisation, supported by dealer networks composed of selected partners. KSB’s business model is presented in our group management report on page 56.

By signing the UN Global Compact in 2010, we committed ourselves to aligning our business activities with ten universal principles. But it is not only our managers and employees who endorse the principles of the Global Compact – our suppliers and business partners also share these commitments. We ask our strategically most important business partners whether and to what extent they use these or comparable standards as a source of orientation.

KSB’s sustainability principles are binding for all locations and companies of the KSB Group. These principles are set forth in our sustainability policy which applies to the entire Group. Our progress in these areas is regularly reviewed by a committee. Group management also receives a compliance report twice a year as well as an annual review of management issues relating to quality, the environment and occupational health and safety.

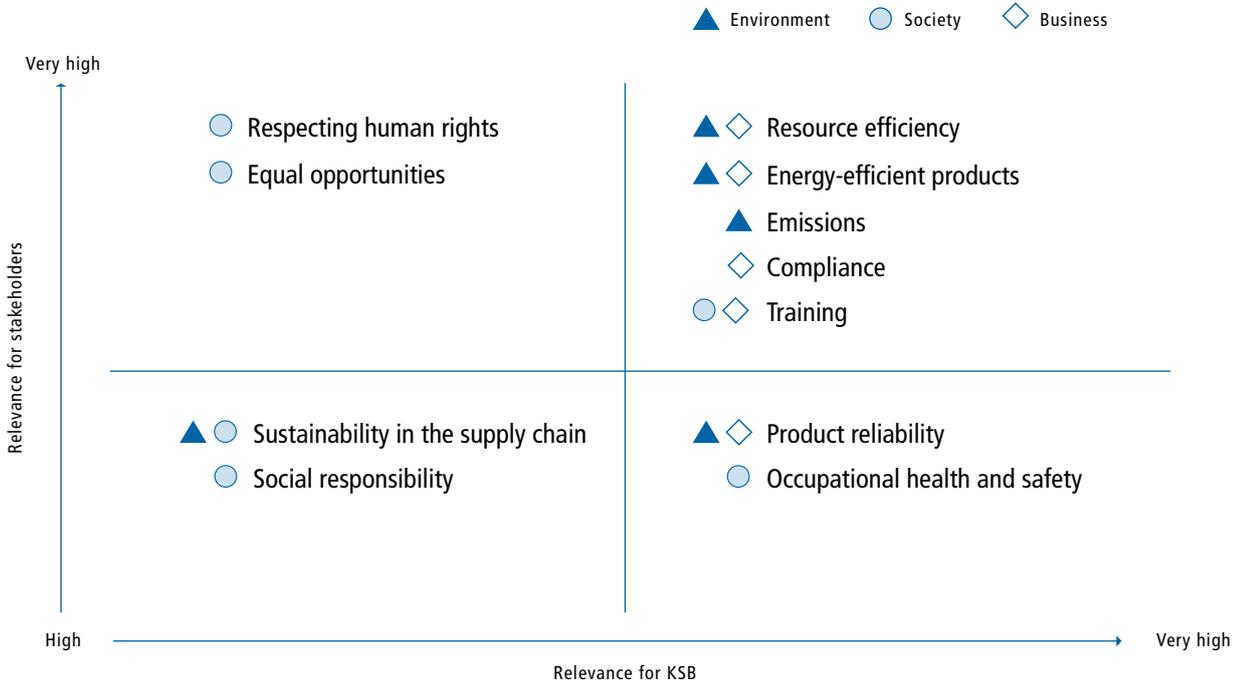
KSB operates a globally integrated management system in order to fulfil the same high standards worldwide with regard to quality, risk, environment, occupational health and safety, and sustainability. The management system is process-oriented and complies with the requirements of the international ISO 9001, ISO 14001, OHSAS 18001 and ISO 26000 standards as well as the UN Global Compact. It governs the organisational processes and workflows, responsibilities, procedures and processes at Group level and at our individual locations.

Percentage of renewable energy
in our power consumption:

33.3%

(KSB AG: 51.0 %)

Key sustainability topics for KSB



We continually assess the requirements and expectations of the various stakeholders with regard to our company. In 2016, we carried out an analysis of this for the first time in order to identify the key sustainability topics for KSB. Against the background of the new requirements defined in the HGB for non-financial reporting, the results were evaluated by the relevant specialist departments and our sustainability committee together with Group management in 2017. This enabled us to identify aspects and factors necessary for understanding the development and performance of the business and the position of the company as well as the impact of our activities on the following issues:

- Environment (resource efficiency, manufacturing of energy-efficient products, emissions and product safety)
- Combating corruption and bribery (compliance)
- Respecting human rights (sustainability in the supply chain)
- Employee concerns (training and development, equal opportunities, occupational health and safety)

These issues are directly related to our manufacturing activities, our products, our business partners and our employees. Our products also directly contribute towards protect-

ing the environment, for example, by saving energy or through their use in waste water treatment applications.

KSB's corporate responsibility also includes our commitment to society. In this section we report on our social engagement, including activities which do not have a direct or material impact on our business success.

KSB does not see any material risks, as assessed based on the net evaluation method, associated with our own business or the business relations of the company, its products and services which have or could have a serious negative impact on non-financial aspects, like the environment, anti-corruption, human rights, employee concerns and social issues. All other risks with an impact on our business activities are described in the group management report from page 75.

The non-financial report – unless otherwise stated – encompasses 28 key companies within the KSB Group. We have chosen these companies due to their impact in terms of aspects such as energy consumption and the percentage of employees involved. The 28 Group companies include all consolidated subsidiaries with production plants and two service companies with energy-intensive workshops.



Social commitment: In 2017, KSB supported an aid project to repair well pumps in Ivory Coast (large image), improving the drinking water supply for almost 2,000 Ivorians. Alongside measures to secure water supply, educational initiatives are central to KSB's social commitment.

To spark an interest in technology and science among young people, KSB regularly invites children and youngsters to its factories (small image) and supports projects run by the *Wissensfabrik – Unternehmen für Deutschland e.V.* [Knowledge Factory – Companies for Germany] initiative.



Financial aid: In India, KSB is regularly engaged in initiatives around its locations. These benefit socially disadvantaged children, the disabled, the elderly and the sick (upper image). As well as providing financial support, we also support facilities and organisations by donating technical equipment. In 2017, we financed multiple projects in Asia for supplying school facilities with water.

In Nepal (image on the left), this enabled two schools in Dakshinkali and Bhattapur to solve problems with water supply and sanitary facilities.

Energy consumption

	Total	KSB AG	Europe***	Asia / Pacific	Americas	Middle East / Africa
Total energy consumption*	273,750 MWh	94,868 MWh	141,900 MWh	38,258 MWh	80,432 MWh	13,160 MWh
Total electricity**	156,407 MWh	37,260 MWh	58,296 MWh	33,708 MWh	53,202 MWh	11,200 MWh
Electricity from renewables	52,064 MWh	18,989 MWh	23,629 MWh	5,712 MWh	19,908 MWh	2,815 MWh
CO ₂ emissions	97,248 t	22,072 t	31,042 t	29,916 t	28,871 t	7,418 t

* Electricity, gas, fuel oil, district heating, wood, etc.

** Total deviates due to rounding

*** Including KSB AG

ENVIRONMENT

As a manufacturing company, we strive to minimise our impact on the environment and to reduce energy consumption as far as possible. By pursuing this approach, we help to conserve natural resources and also increase the economic efficiency of our products in times of rising raw material prices. Furthermore, we avoid economic and legal risks which could potentially result from environmental damage and failure to comply with laws and regulations.

KSB follows the internationally recognised ISO 14001 [environmental management system](#) to ensure we deal responsibly with the natural environment. To date, we have established the environmental management system at 37 production and assembly locations (KSB AG: 3 locations), covering 90 percent of our production operations. As part of an evaluation process, we ask our strategically most important suppliers whether they comply with the requirements of applicable national or international environmental management standards. In 2017, we wrote to 1,058 of these suppliers, 537 of which responded. The proportion of these suppliers using recognised environmental standards as a source of orientation was 45 %.

In order to reduce energy consumption and CO₂ emissions, we conduct regular energy audits at our European locations. The resulting measures include the energy-efficient refurbishment of our buildings and foundries. To help cut electricity consumption, for example, we use high-efficiency lights and sensor-controlled lighting. We are also continually expanding our video conference system worldwide in

order to minimise the need to travel for our employees and to keep the associated costs and impact on the environment as low as possible.

We regularly record our energy consumption and CO₂ emissions so we can analyse this data. In the year under review, our energy consumption was 273,750 megawatt hours (KSB AG: 94,868 megawatt hours). With regard to energy consumption, 33.3 % (KSB AG: 51.0 %) of our energy came from renewable sources. We want to increase this percentage. In accordance with Scope 1 and Scope 2 of the GHG protocol [we calculated CO₂ emissions of 97,248 tonnes \(KSB AG: 22,072 tonnes\).](#)

Waste is produced during the manufacturing and transport of industrial products. KSB strives to keep waste levels as low as possible, returning materials to the material cycle wherever possible. For example, we collect paper and metal which is then sent for recycling.

We are reducing the volume of hazardous substances by progressively modernising our existing plants. If we discover any environmental pollution at our locations, we set aside provisions to meet the liabilities for the necessary clean-up work. In 2017, these provisions amounted to € 775,000 for KSB AG.

In order to minimise the impact of our business activities on the environment, we ensure that our manufacturing processes are as environmentally friendly as possible. We go even further than this by aiming to produce products that

Number of employees trained in compliance topics:

5,240

only require a small amount of electricity during their service life and that contribute towards preserving our environment.

Our energy-efficient products help reduce the amount of energy consumed by our customers. Our specialists adopt an integrated approach to optimising our customers' plants, analysing the entire hydraulic system and the complete life cycle of the plant. This enables us to ensure that all system components are perfectly matched.

Our declared goal is continual growth in the area of energy-efficient products. The benefits are three-fold: reducing the environmental impact caused by our customers, increasing our sales revenue and ensuring the future viability of our company. Digital transformation also plays a key role by helping us to identify potential energy savings in our customers' plants. In the year under review, we set up a Business Innovation Lab ² where we develop new business models to be implemented as part of the process of progressive digitalisation.

If products fail to meet a sufficient standard of quality, this could result in accidents and environmental pollution. We therefore attach great importance to the safety of our products. During the manufacturing process, we comply with recognised standards such as CE ² and established quality management systems. We are therefore able to design processes such that systematic errors during product manufacturing can be avoided. Furthermore, we introduced an internal certification process: "Made by KSB". It ensures an equally high standard of quality at 13 locations which ex-

ceeds the requirements of the international quality management standard. Our internal certification stands for quality, short delivery times, professional support services and optimum manufacturing processes.

COMBATING CORRUPTION AND BRIBERY (COMPLIANCE)

Our customers and business partners expect KSB to conduct business with integrity. That is why compliance with legal regulations and Group-wide directives is part of our core values. The actions of a single individual can result in a permanent loss of trust in our company and seriously compromise our reputation.

To support employee compliance, we have developed a binding compliance management system. It ensures that legal requirements and internal KSB rules are adhered to, securing the success of our business in the long term. The compliance system is designed to ensure that KSB and its employees always act in line with applicable laws and directives.

Group management is responsible for organising compliance, monitored by the Supervisory Board's Audit Committee. A Group Compliance Officer is responsible for compliance management and reports to Group management on relevant topics every six months. Support is provided by a Group Compliance Committee, consisting of top-level managers from the company.

In the year under review, we revised our Compliance Manual which describes structures and processes to ensure compliant conduct. It also sets out responsibilities and compliance instruments.

A core element of our compliance system is the KSB Code of Conduct which applies across the entire Group. It describes the key legal and business policy principles, providing our employees with guidance for their actions. The Code also sets forth the corporate values which govern our conduct in our daily work: honesty, responsibility, profession-

alism, trust and appreciation. On this basis, we have formulated and communicated specific principles and rules of conduct.

In order to avoid risks resulting from a loss of reputation and legal repercussions, KSB introduced two binding Corporate Directives, one covering compliance with cartel/anti-trust law and one dealing with the prevention of corruption. Both of these directives help to prevent potential violations. Employees receive appropriate training in recognising potential risks and receive practical guidance on impeccable conduct.

Our goal is to train all relevant employees in cartel/anti-trust law and the prevention of corruption. Using a global matrix of requirements, we ensure that all personnel with customer or supplier contact are familiarised with these topics. Currently, 5,240 employees across the Group have received this training. We carry out this training at three-year intervals, with interim demand being met via additional training sessions every six months.

In the event that employees become aware of violations or are unsure whether their actions are compliant, they refer the matter to the compliance organisation, and specifically to the designated Compliance Officer. If necessary, reports will be treated anonymously. In addition, any circumstances that give rise to legal or anti-trust concerns can be reported directly to an independent ombudsperson, who can process potential cases without naming informants. If reliable evidence is presented, then this is pursued. In 2017, the om-

budsperson received one notification of suspected compliance violation. We were also notified of another suspected instance via an e-mail contact form. When the compliance organisation receives relevant information, the necessary steps and measures for clarifying the situation are initiated following a precisely specified procedure. KSB does not tolerate any violations of compliance by its employees. If investigations reveal sufficient evidence of a violation, this will have consequences for the individual concerned. Depending on the severity, sanctions range from a disciplinary warning to immediate termination of employment; law enforcement agencies may also be involved.

RESPECTING HUMAN RIGHTS

By signing the UN Global Compact (see page 20), KSB committed itself to respecting and supporting the protection of international human rights. We have also pledged not to indirectly tolerate violations of human rights, for example when it comes to selecting our suppliers. As a company, we comply with the conventions of the International Labour Organisation ² (ILO). Basic conduct requirements within the workforce are governed by the KSB Code of Conduct. We are aware that human rights infringements are not only morally unacceptable, they can also damage a company's reputation and thus result in financial losses.

KSB is therefore committed to combating all forms of forced and child labour. We do not tolerate any discrimination in our work environment on the basis of individual characteristics such as age, race, religion, appearance, gender, sexual orientation, disability or marital status. Furthermore, we respect the freedom of association and the right to collective bargaining in our companies. We also observe government sanctions such as embargoes and issue internal export control directives.

In order to identify and avoid risks in the supply chain, we practice active supplier management. For every order we place, the supplier declares that it complies with the rules in our Code of Conduct', which corresponds with the human rights principles defined in the UN Global Compact. This

96

Social projects actively supported by KSB or financially supported with at least EUR 5,000

enables us to make sure we avoid purchasing raw materials from areas of conflict where violations of human rights may have been involved in their production. We do not cooperate with companies that are known to have committed human rights violations.

In 2017, we wrote to 1,058 of our strategically most important suppliers asking whether they implement measures to counteract human rights violations. Of the 537 companies that replied, 445 confirmed such measures are implemented.

Our employees can contact the compliance organisation or an ombudsperson regarding human rights issues, following the same procedure as for suspected compliance violations (see page 25).

EMPLOYEE CONCERNS

Our company is defined by the people within it. Their commitment, skills and knowledge ultimately decide our economic success. KSB currently employs more than 15,000 staff. In order to achieve sustainable success, we continue to require well qualified experts. A lack of specialist personnel would harm KSB's economic future.

In order to stand our ground in the intense competition for top talent, we must succeed in recruiting highly qualified

expert engineers, securing their professional development and creating a long-term bond between them and KSB. Potential applicants and colleagues should perceive us as an attractive employer. We foster and develop our own talent to prepare them for high-level specialist and leadership positions, as well as pursuing structured succession planning.

A three-stage scheme enables us to systematically expand our employees' skill sets. It differentiates between company-wide, departmental and individual professional development measures. Annual performance evaluation interviews between managers and staff determine what is required. We offer task-oriented training measures covering technology, business, information technology and communication. In 2017, each member of our staff completed an average of 17.6 hours of professional development activities (KSB AG: 11.9). Regional differences (see chart below) emerge principally due to uneven qualification levels among new employees, meaning that more specialised training is required in some of our companies.

Our range of training options seeks to support our staff throughout their professional life. The goal is to strengthen our colleagues' capacity for self-directed learning, and we intend to initiate a corresponding expansion of the training we offer over the next few years. Our training is delivered using the latest learning techniques including e-learning and

Age structure

Age	Total	KSB AG	Europe*	Asia / Pacific	Americas	Middle East / Africa
Under 25	8 %	12 %	9 %	6 %	8 %	6 %
26 – 39	35 %	28 %	29 %	39 %	38 %	52 %
40 – 54	40 %	36 %	40 %	47 %	36 %	30 %
Over 55	17 %	23 %	22 %	9 %	17 %	13 %

As figures have been rounded, the total may deviate from 100.

* Including KSB AG

Training hours

	Total	KSB AG	Europe*	Asia / Pacific	Americas	Middle East / Africa
Hours per employee	17.6	11.9	14	16	10	65

* Including KSB AG

Health and family: Possibilities for reconciling the commitments of work and family are highly valued by many KSB staff. Family days like the one held at the Halle factory in 2017 allow a glimpse behind the scenes of working life at KSB. At the same time, children get the chance to try out their craft work skills (large image).

In implementing its company health management system, KSB seeks not only to protect its employees against occupational injuries and diseases but also to provide individualised preventive healthcare. At the Frankenthal location, company doctor Parvin Shahidi Asl (small image) looks after employees' health.



Well qualified staff: Innovative companies need specialist staff. Vocational training at KSB means practical learning (image on the left).

A wide range of professional development opportunities for enhancing and expanding new skills are available to employees. These are delivered using the latest learning techniques including e-learning and webinars (image on the right).

webinars. We also value the potential of learning from one another and foster the establishment of communities which facilitate the direct exchange of knowledge and experience.

In order to meet demand for specialist staff, we are continually engaged in training young talent. Our German locations participate in the country's dual vocational education system. In the year under review, we trained a total of 229 young people to take on a role in our company. 2017 saw us invest around EUR 6.6 million in vocational training.

KSB offers attractive prospects for dedicated young people. Promising talent can benefit from a career springboard we provide via vocational training, work placements and student projects.

Those who take up vocational training or dual work/degree programmes with KSB experience practical learning. Alongside specialist skills, we set great store by the sense of responsibility exercised by our trainee staff. They are, for example, also involved in social and ecological projects around their locations.

Many Western countries are experiencing ageing populations, and companies are affected by this demographic shift. We thus monitor the age profiles of our staff in different regions (see chart on page 26) so that we can take timely action in ensuring we achieve the right balance in each company, for example, by recruiting younger trainees in sufficient numbers. It is then possible for us to distribute

valuable knowledge within the company across different age groups.

KSB is committed to diversity and equal opportunities internationally. The binding human resources principles we updated in the year under review harmonise with the conventions of the ILO [\[2\]](#) and apply to all KSB companies. In keeping with these principles, when recruiting we focus solely on the professional requirements of the role to be filled and the individual performance and potential of the candidate. Clear responsibilities have been established to ensure this. Management works to ensure that the principles of equal opportunities and diversity are realised in company practice. Our human resources staff communicate these principles within the Group and adapt them where required. They also foster an awareness of this important topic and offers corresponding training and advice.

We have no doubt that diversity improves performance within our company. So we want to see leadership positions filled by diverse personalities, all giving their best for KSB. As well as recruiting more non-German candidates for management roles, we have set ourselves the goal of increasing the number of women in leadership positions. We wish to be seen as a fair company and an attractive employer for women with all kinds of qualifications. Currently, the proportion of female managers is 11 %. In terms of our workforce as a whole, women make up 15 %. In order to support our female staff, we are strengthening the measures taken by KSB to reconcile the commitments of family and work. Such measures include offering child-

Workforce by gender

	Total	KSB AG	Europe*	Asia / Pacific	Americas	Middle East / Africa
Male employees	85 %	84 %	83 %	89 %	87 %	87 %
Female employees	15 %	16 %	17 %	11 %	13 %	13 %
Male managers	89 %	92 %	89 %	90 %	88 %	90 %
Female managers	11 %	8 %	11 %	10 %	12 %	10 %

* Including KSB AG

care during the school holidays. We also offer advice on caring for family members, and both male and female staff can benefit from our flexible working time models.

We aim to reduce the risk of occupational accidents to avoid injuries to staff and limit periods of leave, with a focus on measures implemented in production areas. Appropriate training sessions, instruction and further preventive measures are implemented regularly. In the year under review, 35 of our manufacturing and assembly plants (including all of KSB AG's factories) were certified according to the OHSAS 18001 occupational health and safety management system. This represents 85 % of our locations. The requirements for prevention set out in the standard serve to increase levels of occupational health and safety.

However, health awareness at work is an important topic also at our administrative departments. We therefore offer training including an annual e-learning course on safety in the office.

Investment in the health and well-being of our staff is also an investment in our own successful future. KSB thus takes a holistic approach to actively implementing its company health management system.

This sees us fulfilling not only the legal requirements of the company health service, but also offering voluntary health-care services such as screening for skin cancer, flu vaccinations and events relating to healthy eating and exercise. Staff aged over 50 are additionally offered an annual preventive medical check-up covering their cardiovascular system, metabolism and musculoskeletal system. If necessary, further tests or treatment are recommended.

KSB greatly values the active engagement of its employees in the development of the company and its work processes. In 2016 we undertook a global survey of around 11,000 members of staff from the Group companies with the highest sales revenues. Respondents offered their opinions on their company, working environment and engagement. The

results revealed opportunities for improvements. These were translated into measures which we promptly started to implement.

SOCIETY

An awareness of our social responsibility motivates us to get involved in social initiatives. As a successful company, KSB is committed to sustainable development and well functioning cooperation within our society. With this goal in mind, and in line with our donation directive, we support organisations and projects dedicated to the education, social support and protection of children and young people. We are also committed to supporting the disadvantaged. In the event of disasters we provide assistance for both people and organisations. In the year under review, we actively participated in or provided financial support of at least EUR 5,000 to a total of 96 social projects.

Education for young people is a core element of our commitment to social issues. It is important for us that young people develop their skills early enough to then pursue a career that offers the right fit for their talents and capabilities. For this reason we joined other companies to found the initiative *Wissensfabrik – Unternehmen für Deutschland e.V.* [Knowledge Factory – Companies for Germany].

The provision of financial support for aid projects has a long tradition at KSB. This includes ongoing support for social developments in the areas around our locations. We donate regularly to projects seeking to supply people with clean drinking water, for which we also provide non-cash support such as pumps.

More information on our social commitment is available at www.ksb.com/csr

