

CECONOMY

Declaration of the Management Board of CECONOMY AG

of 29 November 2017 on Corporate Governance

This Declaration on Corporate Governance is based on § 289a HGB (*Handelsgesetzbuch* – German Commercial Code) in the version applicable from 1 January 2016 through 18 April 2017 ("**§ 289a HGB (previous version)**").

The following Declaration on Corporate Governance restates the most recent Declaration of Conformity of the Management Board and of the Supervisory Board of CECONOMY AG pursuant to § 161 AktG (*Aktiengesetz* – German Stock Corporation Act) and contains a description of the functioning of Management Board and Supervisory Board as well as the composition and functioning of the committees of the Supervisory Board. Furthermore, this declaration contains information on material corporate governance practices and on the determinations for the promotion of equal opportunities of women and men in executive positions as well as the minimum quota of women and men on the Supervisory Board. Additional information on the Corporate Governance in the company are published annually in the Group Annual Report of CECONOMY AG in the chapter 'Corporate Governance Report' and are also available on the website www.ceconomy.de in the Company – Corporate Governance section.

1. Functioning of Management Board and Supervisory Board

A key element of Corporate Governance in German stock corporations is the separation of company management and company control. Tasks and responsibility are clearly allocated between Management Board and Supervisory Board.

a. Management Board

At the time of the issuing of this declaration, the Management Board of CECONOMY AG comprises three members who according to the schedule of responsibilities that forms an annex to the rules of procedure for the Management Board are allocated the areas of responsibility of Chief Executive Officer, Chief Financial Officer and Chief Legal & Compliance Officer. In their respective areas of responsibility, the members of the Management Board are in charge, in particular, of the tasks designated below:

- Pieter Haas (Chairman of the Management Board, Chief Executive Officer and Labour Relations Director)

Responsibilities include the following, in particular: MediaMarktSaturn, Strategy, Business Development, Portfolio Management, Communication, Public Policy, Sustainability, Human Resources, Audit and Retail Media Group

- Mark Frese (Chief Financial Officer)

Responsibilities include the following, in particular: Accounting & Controlling, Reporting, Treasury, Investor Relations, M&A, Pensions, Organisational & IT Support, Tax and Supply Chain Management

- Dr. Dieter Haag Molkenteller (Chief Legal and Compliance Officer)

Responsibilities include the following, in particular: Corporate Law, Corporate Office, Competition & Antitrust, Data Protection, Compliance and Risk Management, including the GRC Committee

The Management Board manages CECONOMY AG and the company group of CECONOMY AG in its own responsibility. The key management tasks of the Management Board include the setting of the corporate targets and the strategic focus of the Group, its control and monitoring as well as the corporate planning. In addition, the Management Board ensures the availability of funds for investment, decides on their allocation within the Group and is responsible for attracting and promoting highly qualified executives.

Fundamental provisions for the functioning and the collaboration of the Management Board are set forth in rules of procedure which the Management Board has stipulated for itself with

the consent of the Supervisory Board. The members of the Management Board are jointly responsible for the overall management of the Company. They collaborate in a collegial manner and inform each other on an ongoing basis about important measures and matters in their respective areas of responsibility. Notwithstanding the joint responsibility of all members of the Management Board, each individual member of the Management Board manages his business areas on his own responsibility. The Management Board of CECONOMY AG has not established any committees. Matters requiring the adoption of a resolution by the Management Board in its entirety are stipulated in the rules of procedure of the Management Board. This includes, for example, all questions of a general nature regarding the organisation, the business policy as well as the investment and financial planning of CECONOMY AG and the company group. The coordination of all business areas and the representation vis-à-vis the shareholders as well as the public are the responsibility of the Chairman of the Management Board. He is also the designated contact for the Chairman of the Supervisory Board.

Pursuant to its rules of procedure, the Management Board usually adopts resolutions in meetings, which are to take place at least twice per month. The rules of procedure of the Management Board contain requirements for the calling and the conducting of these meetings and also governs the required majority in the case of resolutions.

b. Supervisory Board

Pursuant to the applicable statutory provisions and the articles of association, the Supervisory Board of CECONOMY AG comprises ten representatives of the shareholders and ten representatives of the employees, and at least 30 percent women (i.e. at least six) and at least 30 percent men (i.e. at least six). The members collectively have the legally required familiarity with the sector in which CECONOMY AG operates.

At the time of the issuing of this declaration, the Supervisory Board of CECONOMY AG comprises the members specified below:

- Jürgen Fitschen (Chairman, shareholder representative)
- Jürgen Schulz (Deputy Chairman, employee representative)
- Ulrich Dalibor (employee representative)
- Karin Dohm (shareholder representative)

- Dr. Bernhard Düttmann (shareholder representative)
- Daniela Eckardt (employee representative)
- Stefanie Friedrich (employee representative)
- Ludwig Glosser (employee representative)
- Julia Goldin (shareholder representative)
- Jo Harlow (shareholder representative)
- Dr. Florian Funck (shareholder representative)
- Peter Küpfer (shareholder representatives)
- Rainer Kuschewski (employee representative)
- Birgit Popp (employee representative)
- Dr. Fredy Raas (shareholder representative)
- Dr. jur. Hans-Jürgen Schinzler (shareholder representative)
- Regine Stachelhaus (shareholder representative)
- Vinko Vrabec (employee representative)
- Angelika Will (employee representative)
- Sylvia Woelke (employee representative)

The Supervisory Board of CECONOMY AG advises the Management Board and monitors its management, also with regard to achieving the long-term corporate targets. The Management Board involves the Supervisory Board in the planning with regard to the further development of the CECONOMY Group as well as with regard to decisions on significant measures and transactions. In addition to the statutory approval requirements, the Supervisory Board, in the rules of procedure of the Management Board, has stipulated additional approval requirements of its own for certain measures and transactions of the Management Board. The Supervisory Board is free to declare additional transactions and measures to require approval by adopting a resolution to that effect.

The Supervisory Board of CECONOMY AG convenes for at least four ordinary meetings per financial year. Provisions governing the calling of meetings as well as the adoption of resolutions are set forth in the rules of procedure of the Supervisory Board.

Details regarding the meetings and the collaboration of Management Board and Supervisory Board of CECONOMY AG outside of the meetings in the 2016/17 financial year are explained in the Report of the Supervisory Board.

The Management Board informs the Supervisory Board in accordance with applicable statutory provisions, the provisions of the German Corporate Governance Code, the stipulations in the rules of procedure of the Management Board, of the Supervisory Board or of a committee of the Supervisory Board as well as in response to other information requests of the Supervisory Board in the individual case.

In its work, the Supervisory Board is supported by four committees formed from among its members:

Executive Committee of the Supervisory Board

In observance of § 107 (3) sent. 4 AktG, the Executive Committee of the Supervisory Board adopts resolutions instead of the Supervisory Board with regard to the parts of the service agreements of the members of the Management Board that are not relevant for compensation, the consent to secondary employment activities of a member of the Management Board pursuant to § 88 AktG as well as the approval of the assumption of ancillary activities, in particular supervisory board memberships at enterprises outside of the Group, the succession planning of the Management Board and legal transactions with members of the Management Board pursuant to § 112 AktG. Besides, the Executive Committee of the Supervisory Board resolves on the granting of loans to the group of persons specified in §§ 89 and 115 AktG (in particular, members of the Management Board and of the Supervisory Board). However, where the granting of a loan to a member of the Management Board is to be deemed a compensation component, the Executive Committee of the Supervisory Board will merely act in a preparatory capacity. The Executive Committee of the Supervisory Board further resolves on the consent to agreements with Supervisory Board members pursuant to § 114 AktG. Equally, it resolves on legal transactions which pursuant to the rules of procedure of the Management Board of the Company require the consent of the Supervisory Board. In addition, the Executive Committee of the Supervisory Board has been granted the authority to adopt a resolution instead of the Supervisory Board in cases, where a postponement until the next meeting of the Supervisory Board is deemed inappropriate for averting material disadvantages from the Company and where no decision of the Supervisory Board can be brought about in the time available, either. Finally, the Executive Committee of

the Supervisory Board makes decisions on all other matters which the Supervisory Board has transferred to the Executive Committee of the Supervisory Board by resolution.

The Executive Committee of the Supervisory Board acts in a preparatory capacity for the Supervisory Board and, as the case may be, issues recommendations for resolutions with regard to the appointment and dismissal of members of the Management Board, the determination of the compensation system for the members of the Management Board as well as the individual determination and, as the case may be, reduction of the remuneration of the members of the Management Board pursuant to § 87 (1) and (2) AktG, the monitoring of the application of the German Corporate Governance Code as well as the preparation the annual declaration of conformity.

Pursuant to the rules of procedure of the Supervisory Board of CECONOMY AG, the Chairman of the Supervisory Board chairs the Executive Committee of the Supervisory Board. Pursuant to the rules of procedure of the Supervisory Board of CECONOMY AG, the deputy Chairman of the Supervisory Board is a further member of the Executive Committee of the Supervisory Board.

At the time of the issuing of this declaration, the Executive Committee of the Supervisory Board comprises the members specified below:

- Jürgen Fitschen (Chairman)
- Jürgen Schulz
- Regine Stachelhaus
- Vinko Vrabec

Audit Committee

The Audit Committee attends to the following tasks, in particular, for and instead of the Supervisory Board: Addressing accounting issues and monitoring of the accounting process, discussion of the quarterly financial reports and of the half-year financial report as well as discussion of partial results of the audit. The Committee's further tasks include the monitoring of the auditing of the financial statements as well as the determination of priority areas for auditing, the monitoring and ensuring of the independence of the auditor during the audit process as well as attending to the additional services performed by the auditor and the approval of the provision of non-audit services that are not prohibited by the auditor and his network to the Company or an enterprises of the group. Furthermore, the Audit Committee

has been tasked with the implementation of tendering and selection processes for the commissioning of the auditor in accordance with the statutory provisions applying to the external rotation of the auditor. The Audit Committee also addresses questions regarding group tax planning as well as the report of the Management Board on donations.

In addition, the Audit Committee acts in a preparatory capacity for the Supervisory Board with regard to the following issues and issues recommendations for resolutions: Addressing questions regarding risk management and monitoring of the effectiveness of the risk management system, monitoring the effectiveness of internal auditing, internal control mechanisms as well as anti-fraud measures. The Committee addresses issues regarding compliance and the monitoring of the compliance management system in the Group. The Committee reviews the annual and consolidated financial statements, including the respective management reports, on the basis of the results of the audit and the supplementary statements of the auditor and the evaluation of the audit reports as well as the review of the proposal of the Management Board for the appropriation of the balance sheet profits. Furthermore, the Committee discusses – in a preparatory capacity for the Supervisory Board – the proposal of the Supervisory Board to the general meeting of shareholders for the election of the auditor as well as the granting of the audit commission to the auditor and the conclusion of the audit fee agreement. Finally, the Audit Committee deals with the medium-term planning and the annual budget for the Group.

Pursuant to the rules of procedure of the Audit Committee, the Chairman of the Supervisory Board and his Deputy are by members of the Audit Committee by virtue of this function; they may, however, decline such membership. If the Chairman of the Supervisory Board and/or his Deputy do not assume membership in the Audit Committee, their places are taken in each case by a member elected by the Supervisory Board.

The personal requirements for the membership and the chairmanship in the Audit Committee are stipulated by statute and the rules of procedure of the Committee. The Chairman of the Audit Committee has to be a shareholder representative. Former members of the Management Board whose appointment ended less than two years ago are not to be elected as Chairman or Deputy Chairman of the Audit Committee. Also, the Chairman of the Supervisory Board should not at the same time be the Chairman or Deputy Chairman of the Audit Committee. The Chairman of the Audit Committee has to be independent and has to have expert knowledge in the areas of accounting or auditing as well as internal control procedures (financial expert). The other members should have sufficient knowledge and experience in these areas, and if possible, one member should also have special knowledge in the area of compliance. As a group, the members of the Audit Committee have to be familiar with the sector in which the company is operating. The above requirements are all fulfilled in the current composition of the Audit Committee.

At the time of the issuing of this declaration, the Audit Committee comprises the following members:

- Dr. jur. Hans-Jürgen Schinzler (Chairman)
- Jürgen Schulz (Deputy Chairman)
- Ulrich Dalibor
- Karin Dohm
- Dr. Florian Funck (since 25 July 2017)
- Peter Küpfer
- Rainer Kuschewski
- Sylvia Woelke

Nomination Committee

The shareholder representatives on the Supervisory Board of CECONOMY AG are elected by the General Meeting. The Nomination Committee has the task of recommending suitable candidates to the Supervisory Board for its proposal to the General Meeting for the election of Supervisory Board members as shareholder representatives. The Committee identifies suitable candidates and issues recommendations to the Supervisory Board. In this respect, the Committee takes into account the statutory requirements and the recommendations of the German Corporate Governance Code for the composition of the Supervisory Board as well as the objectives set by the Supervisory Board itself for its own composition. The Nomination Committee also considers for its proposals that a professionally qualified composition of the Committees is possible.

The Nomination Committee only comprises shareholder representatives. Pursuant to the rules of procedure of the Supervisory Board, the Nomination Committee comprises the Chairman of the Supervisory Board as well as at least two additional shareholder representatives. The majority of the Supervisory Board members on the Committee has to be independent. These requirements are all fulfilled in the current composition of the Committee.

At the time of the issuing of this declaration, the Nomination Committee comprises the following persons:

- Jürgen Fitschen (Chairman)
- Dr. Bernhard Düttmann
- Dr. jur. Hans-Jürgen Schinzler
- Regine Stachelhaus

Conciliation Committee

The Co-Determination Act (*Mitbestimmungsgesetz*) stipulates that a Conciliation Committee has to be established. The Conciliation Committee has the statutory task of preparing proposals for the appointment or, as the case may be, the revocation of the appointment of members of the Management Board in the cases provided for in § 31 (3) sent. 1 MitbestG or, respectively, in § 31 (5) MitbestG in conjunction with § 31 (3) sent. 1 MitbestG.

At the time of the issuing of this declaration, the Conciliation Committee comprises the following members:

- Jürgen Fitschen (Chairman)
- Jürgen Schulz (Deputy Chairman)
- Dr. Bernhard Düttmann
- Ludwig Glosser

c. Information of the Supervisory Board by Committees and the Management Board

The Supervisory Board is informed of the resolutions and material aspects of the deliberations of the Committees by the respective Chairman of the Committee in a timely fashion, usually orally in the next following meeting of the Supervisory Board.

The information of the Supervisory Board or, respectively, its Committees by the Management Board is provided for by statutory law. The Management Board informs the Supervisory Board in accordance with applicable statutory provisions, the provisions of the German Corporate Governance Code, the relevant stipulations in the rules of procedure or the rules of procedure of the Supervisory Board or of a committee of the Supervisory Board as well as in response to

other information requests of the Supervisory Board in the individual case. In order to further specify the statutory information obligations, the Supervisory Board may – as part of the rules of procedure of the Supervisory Board or as part of the rules of procedure of the Management Board – issue a special information guideline and determine, for example, a schedule of meetings and matters of the Supervisory Board and its Committees, stipulating when which regular reports have to be made and the corresponding regular matters are to be discussed. So far, the Supervisory Board has not yet made use of this authority, since in view of the division of the former METRO GROUP that occurred in 2016/17 and of the establishing of CECONOMY AG as an independent enterprise no regular mode of operation in the form of a regular schedule has been established.

d. Efficiency evaluation by the Supervisory Board

The Supervisory Board of former METRO AG regularly reviewed the efficiency of its activities in intervals of two years. Considering the fact that in the past financial year half of the members of the Supervisory Board of CECONOMY AG were newly appointed – primarily due to the splitting up of METRO GROUP – no meaningful review of efficiency can yet be conducted in this year. The Supervisory Board of CECONOMY AG will return to the interval of regular reviews of efficiency in the second year after the division.

e. Declaration of conformity pursuant to § 161 AktG

Management Board and Supervisory Board of METRO AG have addressed the issue of fulfilment of the recommendations of the German Corporate Governance Code in detail in the 2016/17 financial year. In September 2017, they issued the following declaration pursuant to § 161 AktG:

*“Management Board and Supervisory Board of CECONOMY AG declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been complied with since the issue of the last declaration of the Management Board and Supervisory Board of METRO AG (now: CECONOMY AG – the “**Company**”) in September 2016, with the exceptions stated below.*

1. Clause 4.2.3 para. 2 sent. 8 GCGC

Since the issuing of the last declaration of Management Board and Supervisory Board of the Company in September 2016, the Company has prepared the division of the company group into two independent companies listed on the stock exchange, one with the business sector Wholesale & Food Specialist and one with the business sector Consumer Electronics.

The division of former METRO GROUP has become effective upon registration of the division in the commercial register of the Company on 12 July 2017 and, thus, in the course of the 2016/17 financial year. The remuneration system of the Management Board, which was approved by the Supervisory Board in 2014, did not take the division of METRO GROUP into account. Against this background, new remuneration systems for the Management Board were developed in the last financial year, which are orientated specifically on the respective business operations of the two new entities and which will be introduced with effect from the point in time of the division becoming effective. Changes were made to the performance targets and comparison parameters for both the one-year variable remuneration ("Short Term Incentive") and the variable remuneration for several years ("Long Term Incentive"), and in this context the handling of the already granted tranches of the variable compensation for several years will also be decided.

As a consequence of these changes made in the course of the financial year, there was a deviation from the recommendation pursuant to Clause 4.2.3 para. 2 sent. 8 GCGC. According to this recommendation, subsequent changes to the performance targets or the comparison parameters for the variable components of the Management Board remuneration shall be excluded.

The deviation had been expected. Already in the forward-looking part of the last declaration of the Management Board and the Supervisory Board of the Company regarding the recommendations of the Government Commission German Corporate Governance Code pursuant to § 161 AktG from September 2016 it was pointed out that a deviation was expected to occur in the course of the financial year 2016/17 from the recommendation pursuant to Clause 4.2.3 para. 2 sent. 8 GCGC (in the then applicable version of 5 May 2015), if the division took place according to plan in the course of the financial year.

2. Clause 7.1.2 sent. 3 GCGC

Since after the approval of the intended division of METRO GROUP by the general meeting of shareholders of the Company in February 2017 the business sector

Wholesale & Food Specialist had to be reported in the balance sheet of the Company as 'discontinued operations' within the meaning of IFRS 5, the interim financial reports as per 31 March 2017 and 30 June 2017 concerned by this measure were made publicly accessible within the time periods prescribed by law, but – in deviation from Clause 7.1.2 sent. 3 GCGC – not within 45 days from the end of the reporting period. According to this recommendation, the mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.

The deviation had been expected. Already in the forward-looking part of the last declaration of the Management Board and the Supervisory Board of the Company regarding the recommendations of the Government Commission German Corporate Governance Code pursuant to § 161 AktG from September 2016 it was pointed out that a deviation was expected to occur in the course of the financial year 2016/17 from the recommendation pursuant to Clause 7.1.2 sent. 4 GCGC (in the then applicable version of 5 May 2015), since it had to be expected that both the measures for a reporting as 'discontinued operations' and the expected deconsolidation of the Wholesale & Food Specialist business division would entail significantly increased efforts, in particular in view of the size of the business division to be spun off.

It is foreseeable already at this stage that also in the coming financial year 2017/18 there will be a deviation from the recommendation pursuant to Clause 7.1.2 sent. 3 GCGC, since the publication of the notification H1/Q2 2017/18 is scheduled for 17 May 2018 and, thus, while within the legally prescribed period, not within the recommended period of 45 days from the end of the reporting period. Due to the reorganisation in connection with the division and the pertaining transition to an independent listed holding company, the publication will only be possible after expiry of the recommended period."

The current declarations pursuant to § 161 AktG and any declarations that are no longer current are made permanently available by CECONOMY AG on the website www.ceconomy.de/en in the section Company – Corporate Governance.

2. Determinations for the promotion of equal opportunities of women and men in executive positions

According to the relevant provisions of the German Co-Determination Act, of the Stock Corporation Act and the articles of association of the Company, the Supervisory Board of CECONOMY AG is composed of ten representatives of the shareholders and ten representatives of the employees as well as at least 30 percent women or, respectively, men in each case (i.e. three in each case on the side of the shareholder representatives and on the side of the employee representatives). The representation of women and men in the Supervisory Board of CECONOMY AG complies with the requirements of the Stock Corporation Act for securing equal opportunities of women and men in executive positions. Both the employee representatives and the shareholder representatives in each case surpass the gender quota of 30 percent applicable to the Supervisory Board of CECONOMY AG separately. At the time of the issuing of this declaration, the Supervisory Board comprises five female members on the employees' side and four female members on the shareholders' side.

For the appointment of members of the Management Board, the Supervisory Board takes into account the recommendations of the German Corporate Governance Code. In particular, in line with the Code the Supervisory Board strives for diversity and promotes an appropriate representation of women. In the 2016/17 financial year, the Management Board of CECONOMY AG – or METRO AG, respectively – did not yet comprise a woman. With regard to the provision in § 111 para. 5 of the Stock Corporation Act, which stipulates requirements as to target values for a gender quota in the Management Board, the Supervisory Board of former METRO AG had resolved on 30 September 2015 that in accordance with the planning of the Supervisory Board and on the basis of the applicable service agreements of the members of the Management Board it would not be possible for the Management Board of former METRO AG to comprise women until 30 June 2017. At the time of the adoption of the resolutions in September 2015, it was not yet foreseeable that due to the registration of the division a change in the composition of the Management Board would occur which requires a fundamentally new assessment of the target. Therefore, after the division the Supervisory Board again decided in the 2016/17 financial year, in accordance with the Act for Equal Opportunities of Women and Men in Executive Positions, on targets and time limits for the increase of the quota of female members on the Management Board. Under applicable statutory law, the respective time limits may not exceed five years. With a view to the current appointments of the acting members of the Management Board, the Supervisory Board resolved that the Management Board of CECONOMY AG is expected not to comprise women until 30 September 2020. However, the Supervisory Board combined this setting of a target with a long-term outlook, according to which in the long term, i.e. in a time frame until 30 June 2022, the Management Board should comprise at least one woman. In case of a possible composition of the Management Board of three or four persons, this would be equivalent to a quota of at least 25 percent.

In its meeting on 15 September 2015, the Management Board of former METRO AG set the target parameter of 25% in each case for the share of women in the upper two management levels below the Management Board of METRO AG until the relevant date of 30 June 2017. For both levels, the target was not achieved at former METRO AG before the division. At the same time, however, as a consequence of the division the composition in the upper two management levels below the Management Board has also changed in a manner necessitating a fundamentally new evaluation of the targets. Therefore, in its meeting on 25 September 2017, the Management Board of CECONOMY AG stipulated target values for the share of women on the first and second management levels below the Management Board of at least 15% for the first management level below the Management Board of CECONOMY AG and of at least 45% on the second management level below the Management Board in the CECONOMY AG, which are to be achieved until 30 September 2019.

3. Material corporate governance practices

a. Compliance

The business activities of the company group of CECONOMY AG are governed by manifold legal provisions and self-imposed standards of conduct. With the group-wide compliance management system, CECONOMY bundles the measures for compliance with these rules.

The compliance management system aims at systematically and permanently preventing breaches of regulations within the enterprises, to uncover such violations and to penalise them. For this purpose, CECONOMY Group regularly identifies conduct-related compliance risks, establishes the necessary organisational structures and has the risks managed and controlled consistently by the departments responsible in each case. As part of the systematic reporting regime, the material compliance risks and measures are described and documented in a transparent manner. By means of employee surveys, internal checks and auditing activities, it is determined which innovations of the compliance management system are advisable.

For all holding and local companies of the Group, there are compliance officers who are available as contacts and advisors for the responsible managements and employees. The compliance officer of CECONOMY AG reports directly to the Chief Legal & Compliance Officer of CECONOMY AG.

In order to manage conduct-related risks consistently, CECONOMY AG has allocated clear responsibilities for risk areas, communicated unambiguous guidelines for conduct and developed and made available suitable risk management and control processes. In addition,

there are mandatory compliance training courses, systematic and target group-adjusted communication measures as well as a consistent and uncompromising dealing with compliance incidents and their investigation. Besides, a professional reporting system is available to employees, business partners and customers of CECONOMY Group, by which they may report to the Company any observed or potential violations – if required also anonymously – in all group languages. The compliance function ensures that these reports are followed up adequately.

The Code of Conduct of CECONOMY AG forms the focus in terms of content of the compliance initiatives of CECONOMY Group. Other significant components of the compliance programme include the policies and guidelines for conduct regarding anti-trust law as well as on the issue of anti-corruption. The initiatives of the compliance programme are directly connected with target group-oriented training programmes as well as the design and review of internal checks within the operational business processes. The effectiveness of the internal compliance checks forms a regular part of the audit plan of the internal auditing.

Further information regarding the issue of compliance is available on the website www.ceconomy.de/en in the section Company – Compliance. There, the Code of Conduct of CECONOMY AG is also available for download.

b. Management of risks and opportunities

Another integral part of the company management that is aimed at creating value is the risk management of CECONOMY Group. This is a systematic, comprehensive process for the entire Group, which supports the management in identifying, evaluating, managing and monitoring risks and opportunities. The management of risks and opportunities thus forms a unit. The risk management makes unfavourable developments and events transparent early on and analyses their effects. This way, the Company is enabled to initiate targeted suitable measures to handle such developments or events. At the same time, the possibility is provided for a deliberate utilisation of any arising opportunities. As is the case with the compliance management system, the management of risks and opportunities is also continuously developed further.

Additional current information on the issue of risk management is contained in the annual Annual Report of CECONOMY AG. This report is available for download on the website www.ceconomy.de/en in the section Investor Relations – IR Publications. Every year in mid-December, the Annual Report for the financial year ending on 30 September of the relevant year is published.

c. Responsibility

CECONOMY makes life in the digital world easier. At first glance, the relevant products and technologies are not necessarily sustainable, because of their power consumption. However, they also provide completely new possibilities for a sustainable lifestyle, for example by demand-based controls for heating, cooling and light. At the same time, the World Wide Web creates transparency regarding product features and the sustainability governance of enterprises. Since CECONOMY makes the benefits of digitalisation usable for customers, it is consistent to make them applicable also for ourselves. We therefore assume responsibility and guide our participation companies in reconciling their economic targets with the requirements of society, beyond statutory requirements. In this respect, we take into account the boundaries of our environment. Thus, we are acting today for tomorrow. For our business activities, this means to create added value and at the same time to reduce burdening effects. This way, we become sustainable in everything we do.

Sustainability approach

Since the division, CECONOMY AG is in a process for the conceptual design and development of an approach of its own, to award sustainability the necessary importance and presence in the strategy of the company as a whole. This approach is based on a roadmap for the next twelve months, which began with a comprehensive materiality analysis in the calendar year 2017.

Anchoring sustainability at CECONOMY

By formation of a “Sustainability Committee” we seek to ensure the anchoring of sustainability at CECONOMY AG. This is modelled after the blueprint of the “Sustainability Committee” of MediaMarktSaturn, which was established in November 2015 and holds meetings on a quarterly basis. The Sustainability Committee of CECONOMY will be responsible for the determination of the group strategy for sustainability, which applies as a basis and orientation for the individual strategies of the participation companies. In terms of content, both sustainability issues of CECONOMY AG and the status of the programmes and activities of the participation companies are to be discussed and decided.

The group of participants of the Sustainability Committee of CECONOMY will be composed by the Chairman and the Vice-Chairman from the company participations, with the proviso that

at first the majority of participants is intended to be invited from MediaMarktSaturn and CECONOMY AG.

Sustainability approach of MediaMarktSaturn Retail Group

The sustainability approach of MediaMarktSaturn, our largest participation, is closely linked to the vision and strategy of CECONOMY. On this basis, MediaMarktSaturn sees itself as a responsible and sustainable partner, daily companion and navigator for consumers in a world becoming more and more digital. As a supplier of products and services that have a significant influence on society and the environment, MediaMarktSaturn also derives sustainability targets from this mission, which it breaks down into three dimensions for action.

For the future, MediaMarktSaturn has committed itself to integrating sustainability as a fixed part of its business practice. In this respect, digitalisation and new service concepts as well as a broad offer of sustainable products offer more and more options for supporting especially the customer with regard to sustainability and for fulfilling our claim as a responsible enterprise.

Further information regarding the issue of sustainability is available on the website www.ceconomy.de/en in the section Corporate Responsibility.