

SEPARATE NON-FINANCIAL GROUP REPORT

- 281** The Management Board's commitment
- 282** Sustainability approach and material issues
- 313** Limited assurance report



SEPARATE NON-FINANCIAL
GROUP REPORT

281 The Management
Board's commitment

282 Sustainability approach
and material issues

313 Limited assurance
report

THE MANAGEMENT BOARD'S COMMITMENT

As is clearly demonstrated once again by the current debates about climate change, scarcity of resources and social inequality, sustainability is increasingly becoming a key criterion for companies' economic success. In this context, we also want to strengthen the positive influence we exert in our environment and reduce the negative effects of our business activities.

As Europe's leading consumer electronics company, we consider it our duty to address current challenges and act responsibly – for our customers and employers as well as for the environment and society.

This is why we are going to integrate sustainability in all of CECONOMY's processes in line with our sustainability approach – and in accordance with the United Nations Sustainable Development Goals.

We already prepare a statement of greenhouse gas emissions that now also includes selected Scope 3 emissions. This enables us to identify our impact on the environment even better and take corrective action. By offering new services, we are increasingly managing to lengthen product lifecycles and help our customers make responsible purchase decisions.

We also rely on close partnerships to further incorporate sustainability in our business. Whether it is with our suppliers, selected social organisations or other companies – we build networks in order to develop effective solutions together.

In this separate non-financial group report, we give an account of the implementation status of our sustainability approach. We report on successes, progress and our plans for the months ahead. After all, we want to make our business fit for the future and therefore also sustainable.

The Management Board of CECONOMY AG

Dr Bernhard Düttmann

Karin Sonnenmoser



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

SUSTAINABILITY APPROACH AND MATERIAL ISSUES

About this report

In accordance with the "Act to Strengthen Non-Financial Reporting by Companies in their Management Reports and Group Management Reports" (CSR Directive Implementation Act, CSR-RUG), CECONOMY AG has prepared a separate non-financial group report in accordance with Sec. 315b and 315c of the German Commercial Code (HGB) in conjunction with Sec. 289c to 289e HGB for the CECONOMY Group for the financial year. To this end, a materiality analysis of the reported aspects was performed in order to identify non-financial matters that are necessary for understanding the business performance, results and position and have a significant impact on CECONOMY's business activities.

➤ Further information on the materiality analysis can be found in the section on the sustainability approach and sustainability management.

The separate non-financial group report contains the key information on CECONOMY AG and its biggest investment, the MediaMarktSaturn Retail Group (MMSRG), with regard to the five legally required aspects of environmental issues, employee issues, social issues, respect for human rights, and combating corruption and bribery. Unless indicated otherwise, the reported information relates to MMSRG for reasons of materiality, as this investment accounts for the largest share of sales, employees and effects on the environment and society within CECONOMY.

Particularly when it comes to describing concepts and presenting various key performance indicators (KPIs), this report is guided by the standards of the Global Reporting Initiative (GRI standards 2016). References to disclosures in the combined management report and elsewhere constitute – except for the description of the business model – further information and do not form part of the separate non-financial group report.

The content of this declaration¹ has been audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft in accordance with ISAE 3000.

➤ The audit report by the independent auditor can be found in the section with this name.

¹ Except for Scope 3 greenhouse gas emissions (indirect greenhouse gas emissions from upstream and downstream activities), as this data was collected for the first time



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

Reported topics

Aspects in accordance with CSR-RUG	Allocation of material issues
Environmental issues	Energy and resource management
	Climate protection
	Employee development
Employee issues	Working and social conditions
	Diversity
Social issues	Innovation and new business models
	Sustainable products and services
	Brand management and customer communication
	Data protection and information security
	Sustainability in supplier management
Respect for human rights	Working and social conditions
	Diversity
Combating corruption and bribery	Opportunity and risk management
	Compliance

Business model

➤ The required description of the business model can be found in the combined management report in the section "The Group's business model".

Sustainability approach and sustainability management

Understanding of sustainability

For CECONOMY, the way in which the company grows and creates value is crucial. In order to be successful on a long-term basis,

CECONOMY needs and wants to bring its business activities along the entire value chain in line with the environmental and social conditions. The Group therefore informs all direct suppliers and business partners about the sustainability requirements and continuously gathers information on corresponding sustainability efforts. Particularly with the leading European consumer electronics retailer MMSRG as the core of its activities, CECONOMY also serves as a model for the entire sector – the Group has undertaken to shape and influence responsible, sustainable business.

Materiality analysis

In the materiality analysis performed in the 2017/18 financial year, CECONOMY both identified key strategic approaches for the future development and determined the content to be included in the separate non-financial report in accordance with CSR-RUG.

Based on the definition of the scope, potentially relevant topics were identified in a longlist and then grouped together in logical clusters. This sustainability context formed the basis for the next steps of the analysis (point 1 of the diagram). In order to make well-founded statements about the impact on the environment and society (point 2 of the diagram) and relevance to business (point 3 of the diagram), over 30 interviews were held with various managers at the company and systematically analysed. Based on the assessment of the impact and relevance to business, priorities were then set (point 4 of the diagram) by identifying topics where CECONOMY has a significant impact on the environment and society in its business activities and that are also highly relevant to the company's business. The results were validated and honed by the Management Board of CECONOMY AG and the management of Media-Saturn-Holding GmbH (MSH) (point 5 of the diagram). Ultimately, CECONOMY identified twelve topics for which corresponding approaches are presented along with concepts and measures again in this separate non-financial report.

CECONOMY is currently in dialogue with selected external stakeholders in order to align the results of the materiality analysis more closely with the opinions of the stakeholder groups.



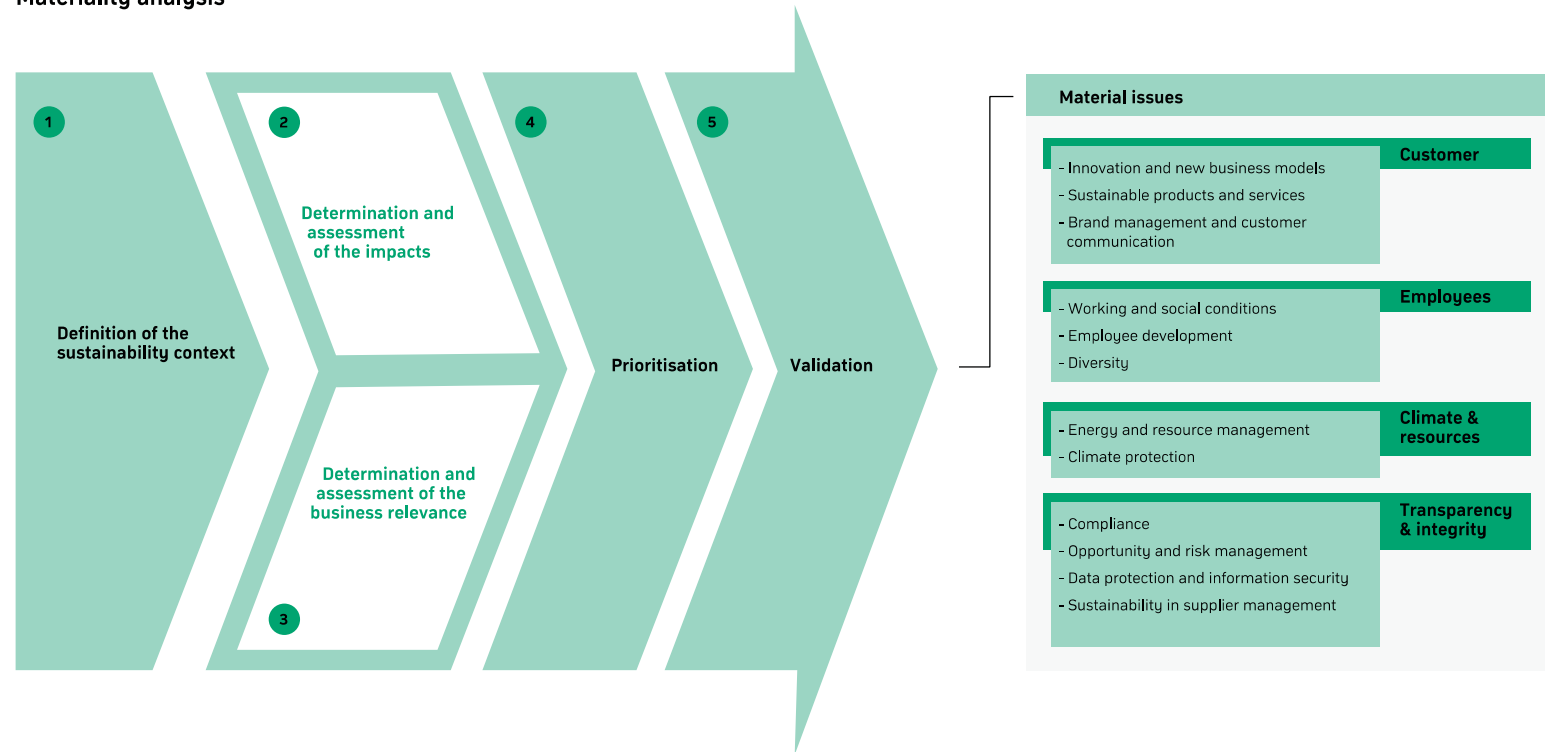
**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance report

Materiality analysis





**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

Global sustainability goals

With its 17 Sustainable Development Goals (SDGs), the United Nations has set out a clear plan for how to shape a sustainable social development while also taking account of environmental constraints. CECONOMY sees these global sustainability goals as a specific mandate and has therefore set itself the goal of linking its business model with the SDGs. This means that the Group wants to strengthen its positive influence while also systematically reducing negative effects.

With regard to the business model and the possibilities for influence, five SDGs where CECONOMY has particular influence have been identified on the basis of the materiality analysis. The Group wants to contribute to achieving these goals that have high relevance for it. To this end, CECONOMY has specified them in its own guiding principles, which the company works on continuously:

8 DECENT WORK AND ECONOMIC GROWTH



SDG 8: DECENT WORK AND ECONOMIC GROWTH

"As an employer of around 57,000 people worldwide, we believe that we have a responsibility to offer them safe and attractive jobs. We also aim to ensure that environmental and social standards are adhered to and promoted by our suppliers, too. We shape our growth as a company sustainably and in a way that contributes to the local economy. We support increased economic productivity by selectively promoting technological innovations."

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

"Promoting innovation and new business models is one of our core competencies. Digitalisation in particular is currently triggering critical transformation processes. It also offers us completely new possible solutions to current and future challenges – for example, we can use innovations to help reduce our consumption of resources and energy and to make our value creation sustainable."

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

"As the leading European company in the field of consumer electronics, it is our duty to create added value for consumers while also developing solutions for environmental and social challenges. With around six million customer contacts each day, we are able to and want to shape the market for sustainable solutions in our sector. We take our stakeholders' expectations, wishes and requirements seriously and support our customers with responsible, sustainable consumer behaviour."



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

**13 CLIMATE
ACTION**



SDG 13: CLIMATE ACTION

"In performing our business activities as a retail company, we produce CO₂ emissions that are harmful to the climate – for example, in operating our stores and in logistics and transportation. We are responsible for reducing our negative impact on the climate as far as possible and also making use of our influence outside our company."

**17 PARTNERSHIPS
FOR THE GOALS**



SDG 17: PARTNERSHIPS FOR THE GOALS

"Many current and future challenges are complex and affect a wide range of players all along the value chain. We therefore rely on close partnerships with our stakeholders in order to develop practicable and effective solutions for our sector together."

Following the mission of the sustainability goals, MMSRG joined the United Nations Global Compact (UNGC) – the world's biggest initiative for corporate responsibility and sustainable development – in August 2018. MMSRG is thus committed to the ten principles of the UNGC and undertakes to work actively on the realisation of the SDGs and to submit an annual report (communication on progress, CoP) to the United Nations regarding its progress on sustainability.

➔ MMSRG's UN Global Compact Communication on Progress 2017/18 is available on the website [www.mediamarktsaturn.com/en/under Company – Sustainability at MediaMarktSaturn](http://www.mediamarktsaturn.com/en/under_company-sustainability-at-mediemarktsaturn).



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

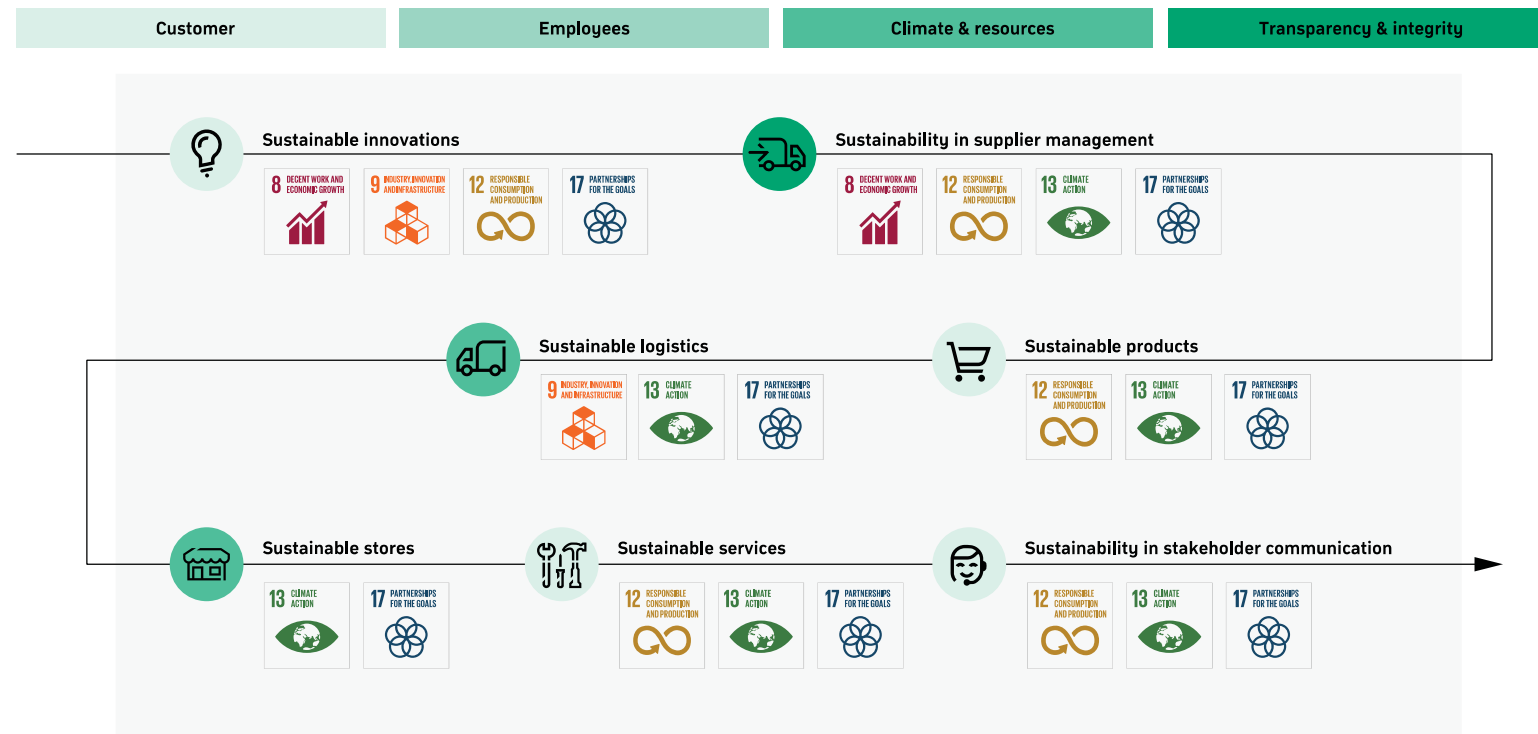
313 Limited assurance report

The strategic sustainability priorities

Together with the five SDGs, the key issues identified form the basis for CECONOMY's strategic sustainability priorities. They illustrate possibilities to exert influence, are backed up with specific goals and measures, and are closely linked to MMSRG's value chain.

With these priorities in its core business, CECONOMY aims to achieve the overarching goal of incorporating sustainability in the company's core processes. The sustainability approach is thus closely linked with the company's overall strategy while also making a positive long-term contribution to sustainable social development.

Strategic sustainability priorities





**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

Seven initiatives along the value chain





**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

Sustainability management

The Management Board of CECONOMY AG is the highest sustainability committee and is responsible for strategic decisions and tracking targets and progress. It regularly places the issue of sustainability on the agenda of Management Board meetings, where the various different sustainability projects are advanced and decisions are made. This results in assignments for companies or departments of the Group.

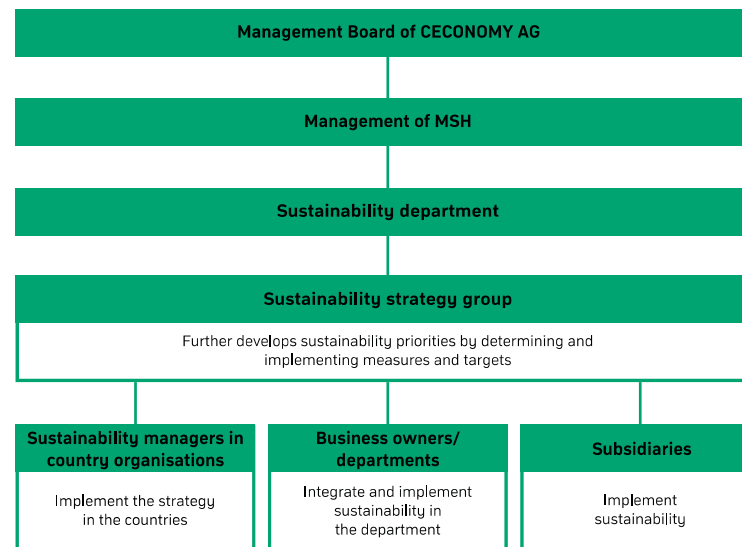
The strategic sustainability priorities are backed by sponsors at the highest management level and project managers from the different departments of CECONOMY. They advance the issues within their field of responsibility and are responsible for the integration and further development of sustainability within their area.

The Sustainability Strategy Group discusses the priorities and issues, develops them and devises measures for them. It serves as a platform for linking the issues with each other and advancing sustainability as a whole. Coordinated by the Sustainability department, experts regularly meet in this group to plan the specific implementation of the sustainability approach as part of the overall strategy and to combine it with the operating business.

Sustainability managers in the country organisations act as the primary local contacts and have the task of conveying the understanding of sustainability directly to the countries and deriving country-specific activities on this basis.

The role of sustainability management at CECONOMY consists of ensuring a high level of transparency both internally and externally, strengthening the conditions for the respective sustainability initiatives and tracking their development. In addition, CECONOMY's sustainability management promotes dialogue with internal and external stakeholders and further develops sustainability communication.

Sustainability organisation



Customer

The starting point for all strategic considerations is the needs and expectations of CECONOMY's customers. With its solutions, the Group aims to make their everyday lives easier and support them with responsible consumer behaviour. To do so, it is necessary to record and optimise the social and environmental impact throughout the lifecycle of the products and services. In the interests of high customer satisfaction, CECONOMY systematically works on incorporating sustainability as an integral part of the brand images. The opportunities presented by digitalisation are used to manage processes better and effectively inspire customers.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

Innovation and new business models

With product and service innovations as well as new business models, CECONOMY can inspire customers and drive forward sustainable changes. The focus here is on the entire value chain – from supplier management and logistics processes to the products and services offered, the stores, the utilisation phase of the products and services, and through to recycling. Existing business models must be analysed in view of changing customer expectations and effects on the environment and society. In this context, it is also important to check that the short-term sales and earnings logic is up-to-date. CECONOMY aims to develop forward-looking concepts and generate sustainable added value for customers, the company and society. Within the company, processes are to be improved by means of innovative technologies, while the customer experience in stores and online is to be continuously enhanced.

To make the company fit for the future and permanently adopt a pioneering role when it comes to innovation in retail, CECONOMY attaches particular importance to promoting and developing new business models, technologies and methods that could transform retail in the future. Owing to its strategic importance for the Group, innovation management comes under the responsibility of the chairman of the management of MSH. In order to promote innovations in an agile way, MSH has founded its own company, MediaMarktSaturn N3XT (MMS N3XT), which works in close coordination with the operating country organisations and subsidiaries of MMSRG and is managed by the Chief Innovation Officer (CINO) of MSH. The CINO in turn coordinates closely with the Chief Technology Officer (CTO).

MMS N3XT consists of three areas:

– **Innovation Research** continuously evaluates new technologies, solutions and companies. The aim is to challenge the existing business model continuously with innovation activities, find possible disruptive paths and assess digital technologies. From among the wide range of innovations, the team identifies the relevant ones and prepares tests or pilot projects for the business context together with the Project department.

– In a co-creation process with the **Innovation Projects & Culture** area, the results are assessed and selected based on their practical relevance. After the test, the results are summarised, processed and provided to other departments.

– The **Retailtech Hub partnership** approaches tech start-ups along the entire retail value chain, including other sectors besides consumer electronics, and is also open to collaborations and partnerships with other retail companies. The programme is run together with other retailers and the accelerator experts from the “Plug and Play Tech Center” in Silicon Valley. It focuses on the joint implementation of pilot projects for the future of retail.

➤ More information on the Retailtech Hub can be found on the website www.retailtechhub.com.

With MMS N3XT, important, innovative pilot projects have already been initiated in the key topic areas of digital point of sale, automation, connectivity, virtualisation and digital culture. CECONOMY aims to become a pioneer for sustainable innovations in retail with its Retailtech Hub. Since June 2018, sustainability has therefore been an additional criterion for the selection of the start-ups to be supported. The selected start-ups are supported with mentoring in several areas – since mid-2018, corporate responsibility and sustainability management have also been part of the programme as coaching topics.

In summer 2019, the Retailtech Hub's selection process was explicitly geared towards start-ups whose business purpose is to develop innovations for sustainable business activities. The goal was to select and support young companies that have a positive effect on the Group's own sustainability goals.

Sustainable products and services

CECONOMY has the most influence over the sustainability of the products in its range when it comes to its own brands. Together with the suppliers,



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

it pursues the goal of making the manufacture and packaging of the products sold more sustainable. Other relevant environmental effects, particularly of electronic devices, arise in the product's utilisation phase. For example, devices with high sustainability standards can help reduce energy consumption. In addition, the lifecycle of a product can be lengthened with innovative service concepts, thus making an important contribution to conserving resources. In promoting products and services with significant environmental and social benefits, CECONOMY sees great potential for more sustainability, a wide range of positioning options, and not least for a growing market. It also assumes responsibility at the end of the lifecycle, when electronic waste is produced.

Several different areas within the Group are responsible for progress on a more sustainable product range. The Sustainability Strategy Group serves as MMSRG's central platform for connecting, coordinating and discussing suggestions and concepts. The management of MSH is regularly informed of progress.

Except in the case of its own brands, the biggest challenge for making the product range sustainable is the Group's limited influence on the development of new products and on manufacturers. There is more scope for manoeuvre when it comes to services, as these are sometimes developed by CECONOMY itself or in very close cooperation with service providers. The greatest potential for sustainable development can be found in dialogue with business partners in order to develop joint solutions.

Alongside this, customer information together with appropriate labelling and presentation of sustainable products and services in the stores and online shops also plays a key role in promoting sustainable consumption.

➤ More information on the inclusion of sustainability in customer communication can be found in the section on brand management and customer communication.

CECONOMY supports innovative product solutions and service concepts that facilitate sustainable consumption. In this context, the Group is guided by the vision of a circular economy: Some of the services offered already help enable products to be used for longer or recycled properly at the end of their lifecycle. The "SmartBars" offer a wide range of innovative

services – from display protection and extended warranties to on-the-spot smartphone repair. These services lengthen the products' lifecycle, thus making an important contribution to conserving resources. A "SmartBar" has now been set up in every MediaMarkt and Saturn store. In the 2018/19 financial year, a total of over 700,000 repairs were carried out at the "SmartBars" (2017/18: 440,000). In Germany, a technical and repair service at customers' homes is provided via Deutsche Technikberatung (DTB) and the RTS Service Group. Internationally, CECONOMY works with various different service partners. CECONOMY also offers the possibility to rent appliances or share them with others.

With its maintenance and repair services, CECONOMY optimises product lifecycles and provides impetus for more sustainable consumer habits. At the same time, these services offer interesting growth potential for the company.

Informing customers about the different possibilities to lengthen their products' lifecycles is crucial to the success of innovative service concepts. CECONOMY uses its presence with around six million customer contacts each day and more than 1,000 stores in Europe to provide extensive information on the correct handling of old and used devices, thereby promoting responsible consumer behaviour. The specific measures in this area form part of the strategic priority "Sustainability in stakeholder communication".

OWN BRANDS: SUSTAINABLE PRODUCTS FROM IMTRON GMBH

With its own brands from IMTRON GmbH (Imtron), the Group has the possibility to implement new product ideas and solutions itself. It will make increasing use of this opportunity in the future. Selected products from the Imtron portfolio already meet the EcoTopTen criteria. The product platform of the independent research organisation Öko-Institut evaluates both third-party and own brands on the basis of environmental criteria. Its product evaluations are regularly revised – at present, for example, eleven own-brand models from the TV range are included in the EcoTopTen evaluation. In the long term, the number of products that meet the requirements of this list of criteria is set to increase.

➤ Further information on the EcoTopTen criteria can be found on the website www.ecotopten.de.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

Customers are also informed about their product by means of labelling on the packaging. In addition to meeting the legal requirements, further information and guidance may also be provided in the product presentation.

In order to reduce the environmental impact in the products' utilisation phase, separate concepts are being developed for individual product groups. For example, since 1 October 2019 only recycled ink cartridges have been sold in Germany. In the area of lighting, Imtron offers an energy cost calculator under its own brand Isy. This allows customers to calculate how much they can save by purchasing an LED lamp and when an investment in a new lamp will have paid itself off. The calculation of energy saved and transparency with regard to the increased service life are intended to encourage customers to switch to the more energy-efficient LED lamp.

➤ The Imtron energy cost calculator can be found on the website www.imtron.eu/#exklusivmarken.

When manufacturing own-brand products, packaging is also an important environmental factor. To effectively counter the substantial volume of packaging waste, Imtron has issued its own packaging guideline based on five values: remove, reduce, reuse, renew and recycle. In the long term, less material is to be used and the overall (transportation) packaging volume is to be reduced. To this end, Imtron is examining the use of certified materials, new concepts and new types of packaging materials, and is reducing the share of plastic used. Imtron is also required to follow the provisions of the German Packaging Act.

In the reporting period, the management of Imtron resolved to avoid unnecessary (transportation) packaging materials. The suppliers are currently being informed about this and the first orders subject to this requirement are already being placed. Since 1 October 2019, there has also been a change in the packaging for LEDs. The plastic used has largely been replaced with cardboard that is now only printed in two colours.

OLD ELECTRONIC DEVICES AND THEIR CONTRIBUTION TO RESOURCE EFFICIENCY

As a consumer electronics retailer, CECONOMY brings technical devices onto the market. When the devices can no longer be used, they need to

be disposed of correctly. Correct handling of old electric/electronic devices is thus an important factor for increasing resource efficiency. As the leading European company in the field of consumer electronics, CECONOMY is called upon to assume comprehensive responsibility for the electric/electronic devices it sells.

The concept for increasing resource efficiency is based on optimising product lifecycles and promoting the recovery of secondary raw materials from old electric/electronic devices. While the service concepts take effect in the product's utilisation phase, proper collection and recycling of old electric/electronic devices is also ensured in line with the legal requirements. If a device cannot be reused or repaired, it needs to be collected and recycled properly. The return and recycling of old electric/electronic devices is legally regulated in the European Union (EU) by the WEEE (Waste Electrical and Electronic Equipment) Directive. This directive is implemented in the national laws of the respective member states.

As a retailer, CECONOMY is thus legally required to take back old devices. MMSRG's companies and stores therefore take back old electric/electronic devices from customers in all EU countries where it operates. This applies both to in-store retail and to the online shops. Responsibility for operational implementation lies with the respective country organisations, as the national implementation of the WEEE Directive and the national waste management systems vary between the different member states.

The Legal Affairs department within MSH, which reported to the Chief Executive Officer (CEO) in the 2018/19 financial year, is responsible for Group-wide support with legal issues relating to waste. The legal departments in the country organisations advise the stores on local implementation.

Customers can return their old devices either to the stores or to the delivery company when they receive a new delivery at their home. In some cases, CECONOMY also accepts returns of old electric/electronic devices that go beyond its legal obligations. The devices handed over and collected are passed on to waste management companies for processing and recycling.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

IMTRON'S OBLIGATIONS AS A MANUFACTURER

In addition to the obligations that CECONOMY has as a retail company, there are further regulations for Imtron as a manufacturer of electronic products. In Germany, Imtron is registered with the "stiftung ear" (register for waste electric equipment) as a resident manufacturer. It reports the volumes received to this register and accordingly provides a guarantee that it will ensure their environmentally friendly recycling or disposal. At the instigation of "stiftung ear", Imtron has the full collection bins for old electric/electronic devices, as provided by the public waste management authorities, collected. This electric waste is passed on to the waste management partner for environmentally friendly processing, recycling and disposal. The disposal or reprocessing of the devices produced by Imtron is organised on a decentralised basis and managed in the country organisations based on the applicable national legislation.

Brand management and customer communication

In recent years, there has been a significant increase in awareness of sustainable consumption in society. A decline in customers due to a lack of communication with regard to sustainability could result in lower sales and job losses. In addition, the sale and use of electrical appliances whose energy consumption is too high or whose production requires high consumption of resources may have a negative environmental impact. For this reason, CECONOMY has a responsibility to inform its customers about sustainability aspects of the products and services it offers through corresponding communication and to enable them to make independent purchase decisions on this basis.

Overall responsibility for strategic retail marketing lies with the Chief Marketing & Digital Officer (CMDO), a member of the Executive Board of MSH. The operational implementation of the brand strategy is mostly carried out by redblue Marketing GmbH.

With its two major brands MediaMarkt and Saturn, MMSRG essentially has a decentralised organisation. This means that the individual marketing campaigns are implemented independently in the different countries, but follow MMSRG's strategic goals and the overarching marketing strategy.

This is set out in the "brand books" and passed on to the country organisations as a guideline for marketing. Responsibility is thus shared, allowing for freedom of decision within a marketing framework that applies throughout the Group.

In order to provide customers with more sustainability information and support responsible consumption, the Group pursues the goal of making sustainability visible at the point of sale, on the websites and in its product and image communication.

At Saturn, this goal is implemented in the form of a guidance system for sustainability with the motto "Jetzt auf grün schalten" ("Switch to green now"). This makes it easy for customers to see which appliances are particularly resource-efficient with regard to their utilisation.

➤ Details on the list of criteria that forms the labelling basis for the guidance system can be found in the section on sustainable products and services and on the website www.ecotopten.de.

MediaMarkt has also implemented a guidance system for sustainability communication. Both the online shop and the bricks-and-mortar stores in Austria draw attention to top energy-saving products with the motto "Grün und Gut" ("Green and Good"). In Germany, this distinction can be found on the MediaMarkt website under the label "Alles im grünen Bereich" ("Everything in the green zone"). In Poland, a total of eleven stores have implemented the concept, while others are implementing selected communication measures.

The findings from these measures are valuable for the purposes of strategically incorporating sustainability aspects in the brands and communication in the future. Sustainability aspects are thus already taken into account in the current overhaul of MediaMarkt's brand image – for example, by helping customers make sustainable purchase decisions.

CUSTOMER SATISFACTION

Only a satisfied customer will use CECONOMY's products and services – which is why customer orientation and customer satisfaction are key elements of the company's strategic goals.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

The starting point for all strategic considerations is the customers' needs: CECONOMY determines and analyses customers' needs, behaviour and satisfaction and implements the insights gained at all points of contact with the customers. MSH's Customer Care & Customer Experience and Market Research & Analysis departments are responsible for this and thereby make a significant contribution to strategic decisions and operational measures in the stores. Its findings are reported directly to the management of MSH and the Management Board of CECONOMY AG, among others. The net promoter score (NPS) serves as the main performance indicator here.

The NPS framework consists of three main components: NPS calculation, closed loop feedback and action management. The NPS development is analysed together with individual countries and – if necessary – corresponding measures and recommendations for action are derived on this basis.

During the reporting period, CECONOMY introduced the role of Customer Experience Manager in the stores in most country organisations. The Customer Experience Manager collaborates closely with the management of the respective store and the Customer Experience department in the respective country organisation. In this way, CECONOMY ensures that customer satisfaction measures are implemented in all stores, and it return it gets direct feedback from employees and customers on site. In future, there is to be a permanent Customer Experience Manager at every store.

The analysis has been expanded with regard to delivery services. In addition, the Group has started to link the data from the customer survey with information from the contact centres in order to gain an overall picture of customer satisfaction. In the reporting period, CECONOMY introduced a Group-wide classification system for customer concerns in order to improve the evaluation of feedback. At the same time, the measurement of satisfaction using the NPS figure is being expanded to other parts of the company.

In addition, several customer retention tools are used. Service is particularly important in this context. Loyalty programmes not only strengthen customer retention, but also support the goal of increasing long-term customer satisfaction. The MediaMarkt loyalty programme focuses both on specific campaigns for members and on selected national and local services. Saturn has established a similar customer loyalty programme in the form of a customer card with several levels. The special feature is that customers can work their way up the levels of the customer card by collecting "bits", which allows them to claim certain advantages. This is done not only by making purchases online or in-store; product reviews, recommendations and profile information also have a positive effect. The Saturn Card thus also supports customer feedback.

The results of customer satisfaction measurement at MediaMarkt and Saturn have been at a consistently high level in recent years. Although the overall NPS declined in the 2018/19 financial year, the figures for some individual country organisations increased year-on-year – in both online and in-store retail.

Employees

The transformation into a more agile, digital and customer-oriented company is based on the skills and abilities of the approximately 57,000² employees. They are the most important asset for overcoming the challenges of the future. It is therefore very important to CECONOMY to ensure good, fair and sustainable working conditions for its entire workforce. In addition, diversity and employee development and support are essential to the company's success and are therefore enshrined in the Group strategy. Creating optimal conditions for employees is therefore a high priority at all CECONOMY companies.

² Unless stated otherwise, the key figures for employee always relate to the average headcount not including senior executives, trainees, interns or students.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

Overall responsibility lies with the Chief Executive Officer of CECONOMY AG, who has the role of Labour Director. The Human Resources (HR) department of CECONOMY AG maintains continuous close dialogue with the subsidiaries in this context.

The Human Resources department of MSH coordinates all strategic HR issues for MMSRG and supports and advises the HR departments of the country organisations and subsidiaries. The department is headed by the Chief Human Resources Officer (CHRO), a member of the Executive Board, who reports to the CEO. The International HR Workshop, held twice a year, brings together the HR departments and managers of the country organisations and subsidiaries of MMSRG and CECONOMY. At these meetings, the participants develop strategic HR issues and set priorities. In addition, various expert and project committees are set up as needed to deal specifically with individual issues such as employee and manager development, which have been identified as key issues.

The HR Steering Committee was formed in 2019. It is made up of international representatives from HR and other departments and pursues the goal of interconnecting HR issues with the corporate strategy even more effectively and advancing HR projects.

Working and social conditions

It is very important to CECONOMY to offer its entire workforce good and fair working conditions and thereby achieve high employee satisfaction. For this reason, CECONOMY continuously works on measures that offer its employees a safe and attractive working environment.

In the 2018/19 financial year, employee surveys were conducted in individual country organisations of MMSRG, for example in Spain and Sweden. More surveys are already planned for the coming financial year.

EMPLOYER/EMPLOYEE RELATIONSHIP

CECONOMY encourages open dialogue between the employees or their representatives and the management at different levels. CECONOMY aims to ensure sustainably good working conditions for its employees and thereby contribute to growth. Specifically, this means:

- The principles of fair working conditions and social partnership are applied to all activities.
- The management is encouraged to create an open, trust-based working environment in which people share their ideas and problems.
- Employees and/or their representatives are regularly informed about business and asked for feedback.

In 2019, additional works council elections were initiated at the stores and administrative companies. Furthermore, delegates for the European works council, the Euroforum, were nominated in June 2019 – in Germany, this was done at a meeting of all works council chairpersons and their representatives. The constitutive meeting of the new Euroforum is to be held before the end of this year.

MediaMarktSaturn Technology was aligned internationally and repositioned in close cooperation with the works council. By way of an extensive reskilling programme, the employees are prepared for future requirements and qualified accordingly. Agreements on restructuring and retraining were negotiated and concluded with the responsible works council.

As part of the reorganization and efficiency program, processes, structures and business activities are being streamlined at the Ingolstadt campus and the headquarters. The programme was initiated and set up by the management. If employee issues were concerned, the local works councils were involved by way of co-determination and preserved the employees' rights by working on the conditions of implementation together with the employer. For example, employees who are affected by downsizing have the opportunity to apply for vacant positions on the internal jobs portal or to participate in a voluntary programme that also includes outplacement advice.

At the regular Saturn works council conferences, current issues are presented and discussed by the employer. An equivalent MediaMarkt works council conference is also planned.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

WORK-LIFE BALANCE

Enabling employees to balance their career and family lives is an important issue. Wherever possible, we naturally offer flexible working time models and extensive options for working from home. Not every job allows for flexible work to the same extent. The goal is for all employees, whether they work in a store or in administration, to be able to combine their private lives and their career as best possible.

At its headquarters in Ingolstadt, MSH has been certified as a family-friendly business by the Hertie Foundation since 2010. In June 2019, MSH was awarded the Hertie Foundation's "berufundfamilie" certificate for the fourth time in a row. This seal of quality is granted in recognition of HR policies that are family-friendly and take account of different stages of life.

As part of a range of measures to make it easier to combine career and family, childcare during the school holidays and nursery places are offered for children of employees in Ingolstadt. In emergency situations, the services of the association Mobile Familie e. V. can be used for issues concerning childcare or nursing care. Support with flexible organisation of working time is offered with the "three-month sabbatical". This gives employees the option to take a longer break from their everyday working life. The "My Day Off" programme allows them to take off up to 24 additional days of leave each year. This is offset by a reduction in their salary.

The part-time ratio at CECONOMY is 22.6 per cent. In Germany, 19.2 per cent of employees work part-time, while internationally the figure is 25.2 per cent.

OCCUPATIONAL SAFETY AND HEALTH MANAGEMENT

Accidents on the way to work or illnesses caused by work can result in employee absences. Occupational safety and health management play an important role in a labour-intensive sector like retail. As a result of demographic change, their significance is increasing even further. CECONOMY is responding to these requirements with methodical and structured action. For example, some locations offer employee support programmes that give employees the opportunity to get psychological advice. In work-related conflict situations, as well as for personal concerns, external

experts are available to provide independent, anonymous support with finding solutions.

CECONOMY is working on a uniform Group-wide method for collecting key performance indicators on occupational health and safety so as to allow suitable measures to be devised on the basis of improved data quality.

The sickness-related absence rate at CECONOMY increased slightly to 3.5 per cent in the reporting period (2017/18: 3.2 per cent).

Employee development

CECONOMY has set itself the goal of promoting continuous lifelong learning among its employees in order to meet the current and future challenges in retail. Development and training opportunities are equally crucial for qualification and personal development, for CECONOMY's positioning as an attractive employer and for the further development and future viability of the Group.

In the coming years, HR development will primarily focus on the three strategic topics of leadership, talent development and customer orientation. The goal is to enable employees to share and participate in the company's transformation process. The respective country organisations are responsible for the operational implementation of training and development measures.

Employees' individual strengths are promoted with a wide variety of further training programmes at each stage of their career. MSH has further developed the Foundation Leadership and Advanced Leadership management programmes and plans to roll out the Advanced Leadership programme internationally from the 2019/20 financial year onwards.

Technical solutions help increase efficiency and effectiveness – for example, perfectly tailored training options and e-learning programmes can be found for employees. The Leadership Principles are specified by MSH in line with the competence model that applies throughout the company.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

In the 2018/19 financial year, two support programmes were implemented in the German country organisation, for example. The Talent programme supports employees as they start their career, while the Potential programme focuses on the development of young managers for the next steps in their management and specialist careers. In addition, programmes for managers are also offered in the stores. Talent and manager development was also advanced further in the Dutch and Italian country organisations.

Employee development is based on a combination of external, internal and on-the-job training. With regard to digitalisation, the company also relies on a blended learning approach.

The plan for employee development and further training is to be continuously improved. For this reason, CECONOMY is also continuing to work on defining and introducing suitable key performance indicators for the whole company.

Diversity

Customers and their demands are very varied – which is why CECONOMY needs employees who can contribute different perspectives and solutions: the more diverse the employees, the more extensive the skills and knowledge within the company. Staff from 121 different countries were employed throughout the CECONOMY Group as at the end of the 2018/19 financial year (2017/18: 128). Promoting this diversity is an important factor for the company's success. The CECONOMY Code of Conduct and MMSRG's compliance guideline "Style & Practice", for example, create the necessary conditions for all employees to be given the same opportunities, irrespective of their ethnic background, sexual identity, any disabilities or their religion or ideology. In this way, diversity is purposely strengthened in the company.

➤ Further information on compliance can be found in the section on compliance.

➤ The CECONOMY Code of Conduct is available on the website www.ceconomy.de/en/ under Company – Compliance.

➤ MMSRG's compliance guideline "Style & Practice" is available on the website www.mediamarktsaturn.com/en/ under Compliance.

Valuing social diversity also includes working towards a proportion of women management positions that reflects the overall employee structure. The proportion of women on the Management Board of CECONOMY AG is currently 50% (2017/18: 0%). Back in 2011, CECONOMY AG voluntarily committed to supporting women at the top three management levels. The goal of increasing the proportion of women at the first two management levels below the Management Board to 15% at the first management level and 45% at the second management level by the end of the 2018/19 financial year was achieved. At the first two management levels below the Executive Board at MSH (including senior executives), the share of women is 20.1 per cent at the first management level and 8.4 per cent at the second management level. Overall, the share of female employees in management positions at CECONOMY is 19.9 per cent (2017/18: 20.5 per cent), while in the total workforce the figure is 39.2 per cent (2017/18: 39.4 per cent).

Proportion of women at CECONOMY

	2016/17	2017/18	2018/19
Proportion of women in the total workforce (in %)	39.6	39.4	39.2
Proportion of women in management positions (in %)	18.9	20.5	19.9

To increase the general proportion of women throughout the Group, CECONOMY supports them in young talent programmes and manager development initiatives. It also plans to launch the "Empower Women in Retail" initiative in the 2019/20 financial year with the aim of further increasing the proportion of women in management positions.

➤ Further information on employee issues can be found in the "Employees" section of the combined management report.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 [Sustainability approach and material issues](#)

313 Limited assurance report

Climate and resources

With its business activities as a retail company in the field of consumer electronics, CECONOMY has an impact on the climate and the availability of resources. The administrative locations, the vehicle fleet and the more than 1,000 stores consume energy and other resources. Emissions that affect the climate are also produced in upstream and downstream parts of the value chain, for example in production and logistics. In order to make growth and development sustainable, CECONOMY handles issues such as climate protection and intelligent energy and resource management using the sustainability approach. The topics and the progress made on them are regularly reported to the Management Board of CECONOMY AG. In this way, the Group aims to systematically develop solutions for the environment, the climate and the scarcity of resources.

Energy and resource management

Electricity purchased by the MMSRG stores accounts for a large share of the Group's operational energy requirements. CECONOMY thus faces the task of systematically and sustainably reducing consumption in the stores in particular. In order to reduce the locations' energy consumption, the Group is relying on an efficient energy management system and continuous modernisation of the stores and administrative buildings.

Total energy consumption in thousands of MWh (direct energy import by stores and administrative buildings)¹

	2018/19
Total energy consumption	665.2
Scope 1 energy consumption	72.2
Natural gas	12.2
Heating oil	0.2
Diesel	54.1
Petrol	5.6
Scope 2 energy consumption	593.0
Electricity	587.1
District heating	5.5
District cooling	0.4
Energy consumption per m² of selling space in kWh²	214.5
Electricity consumption per m² of selling space in kWh²	208.1

¹ The figures for the energy sources gas, heating oil, electricity and district heating/cooling for stores have been extrapolated from the consumption data of 25 stores selected as representative in terms of energy consumption on the basis of their share of the total selling space. Different climatic conditions were taken into account by country clustering. As the figures have been extrapolated, there is uncertainty regarding their reliability, and comparability with the energy figures reported in the previous year is only limited.

² Not including vehicle fleet



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

The respective country organisations are responsible for managing energy resources. MMSRG's building-related energy consumption is aggregated in Corporate Property Management, which also analyses savings potential and further develops energy and resource management. In addition, the definition of Group-wide energy saving targets is also coordinated with this department. It also advises and supports the country organisations and subsidiaries with the implementation of construction and renovation work. The property managers at all MMSRG's country organisations meet at least once a year for the International Corporate Property Meeting in order to coordinate strategies, measures and processes, exchange experiences, and discuss new legal or social conditions and their effects on property management.

The extensive data basis required for efficient energy and resource management is obtained with digital energy meters and sensors for temperature and air quality. Using smart metering systems, a location's electricity, gas, district heating/cooling and heating oil consumption is continuously measured. It is possible to respond to increasing consumption immediately if necessary.

MMSRG already met its energy-saving goal – a 15% reduction in electricity purchased directly by the stores by 2020 as compared to the base year 2011 – ahead of schedule in 2018, actually achieving a reduction of more than 23%. Based on this success, it is preparing a follow-up programme that envisages a further reduction in electricity consumption of 15% by 2025. The targets are set on a like-for-like basis, i.e. based on comparable adjusted figures, and therefore include around 700 of the more than 1,000 stores. The energy-saving targets are backed by various measures such as a comprehensive changeover to more energy-efficient lighting at the locations.

CECONOMY aims to set new standards with sustainable, resource-efficient and environmentally friendly construction. To this end, MMSRG has drawn up the Sustainable Property Guideline, which is based on the Gold Standard of the Leadership in Energy and Environmental Design (LEED) classification system for energy-efficient and environmentally friendly building planning. In addition to energy efficiency, this also covers increased comfort and well-being, responsible use of resources, and a reduction in hazardous substances in building materials and other materials. The goal is to incorporate sustainability in the construction and day-to-day operation of the stores in all country organisations. The first LEED-certified store was opened in Italy at the end of 2018.

In addition, the Group aims to support customers in the stores with sustainable purchase decisions. One specific contribution is to offer alternatives to and systematically reduce the share of throwaway plastic bags.

Climate protection

As a retail company, CECONOMY supports efforts to combat climate change and takes responsibility for the emissions caused directly or indirectly by its business activities. The largest share of CO₂ emissions caused that can be influenced directly is produced in the stores and by external logistics providers – more in-depth analyses are currently being conducted in this regard. In order to minimise these effects and also remain competitive, CECONOMY has undertaken to reduce emissions that are harmful to the climate along the entire value chain. For this reason, CECONOMY published a statement of greenhouse gas emissions in accordance with the Greenhouse Gas Protocol for the first time in the 2017/18 financial year.



SEPARATE NON-FINANCIAL
GROUP REPORT

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

Climate footprint (greenhouse gas emissions in thousands of tonnes of CO₂ (CO₂ equivalents))^{1,2,3}

	2018/19
Total greenhouse gas emissions⁴	90.9
Greenhouse gas emissions not including vehicle fleet	76.1
Scope 1: Direct greenhouse gas emissions	17.4
Natural gas	2.5
Heating oil	0.1
Vehicle fleet	14.8
Scope 2: Indirect greenhouse gas emissions	73.5
Electricity ³	71.8
District heating	1.6
District cooling	0.1
Scope 1 + 2 greenhouse gas emissions per m² of selling space in kg, not including vehicle fleet	27.0

¹ Emission factors: VDA emission factors updated in 2019 used for 2018/19

² Emissions calculated based on energy audit values (cf. footnote 1 to energy audit).

³ Market-based emissions according to the GHG Protocol Scope 2 Guidance. For all countries without green electricity procurement, country-specific residual mix emissions factors from the Association of Issuing Bodies (AIB) are used based on the market-based method.

⁴ Total greenhouse gas emissions according to the location-based method for 2018/19: 289.7 thousand tonnes of CO₂ equivalents

As a result of improved processes and data collection, selected Scope 3 emissions can also be reported for the first time in this reporting period. Scope 3 accounting is to be expanded continuously to include additional categories.

Selected indirect greenhouse gas emissions from upstream and downstream activities (Scope 3) in thousands of tonnes of CO₂ (CO₂ equivalents)

	2018/19
Scope 3.1 – Purchased goods & services	545.2
Scope 3.2 – Capital goods	126.8
Scope 3.3 – Fuel- and energy-related emissions	62.3
Scope 3.4 – Upstream transportation and distribution	202.2
Scope 3.6 – Business travel	3.5
Scope 3.7 – Employee commuting	26.7

➤ Further information on the project “Greenhouse gas accounting for Scope 3 emissions” can be found in the section on sustainable logistics.

CO₂ EMISSIONS IN STORES

Each store is supplied with energy for its operation. CECONOMY therefore works continuously to reduce its energy consumption per square metre of selling space. In this way, the Group makes a key contribution to conserving resources – as well as to climate protection, since the production of energy causes CO₂ emissions. In the 2018/19 financial year, the total energy consumption of the stores and administrative buildings (not including the vehicle fleet) came to 605.4 thousand megawatt hours. This corresponds to 214.5 kilowatt hours per square metre (2017/18: 225.0 kilowatt hours). In addition to energy-saving measures, which are described in the section on energy and resource management, the electricity supply in the stores is steadily being converted to green electricity. Economic necessities are also taken into account in this context – but as at 30 September 2019, 73 per cent of the stores had already been converted (electricity purchased by MediaMarkt and Saturn).



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

Store emissions (greenhouse gas emissions not including the vehicle fleet but including administration) totalled 76.1 thousand tonnes of CO₂ in the 2018/19 financial year. In relation to selling space, this corresponds to 27.0 kilograms of CO₂ per square metre. The data for Scope 2 are based on a market-based calculation. Under this method, the electricity volumes purchased are accounted for with the emissions factor provided by the utility company. Electricity from green power tariffs and renewable energy sources is accounted for with an emissions factor of 0 and therefore does not produce any emissions in Scope 2. In the case of countries where no green electricity is purchased and there is no specific emissions factor from the utility company, a "residual mix" emissions factor from the Association of Issuing Bodies (AIB) is used for that country. As a large proportion of the stores now purchase certified green electricity, the Scope 2 emissions have been reduced significantly in the past. CECONOMY will work on taking advantage of further potential for reductions.

SUSTAINABLE LOGISTICS

The first step in order to sell goods to the end customer is for the suppliers to deliver them directly to the bricks-and-mortar stores or to one of the warehouses. If the product is ordered online, it is delivered either to the store for collection or directly to the customer's home. There may also be product returns. This transportation produces CO₂ emissions.

Overall responsibility for MMSRG's logistics lies with the Chief Technology Officer (CTO). The logistics and transportation flows are managed by the country organisations.

As the country where MMSRG generates the highest sales, Germany also has a special role when it comes to the volume of goods transported: the current supply chain is divided into online retail and in-store retail. In the case of in-store retail, there is still a predominantly decentralised procurement model under which each store has its own flow of goods that is organised independently by the store manager. Responsibility for delivering the goods to the stores lies with the industrial partner. This partner commissions its own forwarding agents, which deliver either directly to the store or to the respective external warehouse rented by the store. Goods transportation ultimately ends with the customer who picks up the product directly from the store or has it delivered. At present, this delivery is generally still organised by each store itself. However, CECONOMY is currently working on organising this procurement model centrally.

In online retail, the MMSRG country organisations commission fulfilment partners to run online warehouse sites from which goods are delivered directly to customers. Alternatively, customers are also able to collect their products in-store, thus reducing CO₂ emissions. In some cases, goods for online retail are taken from the stores' inventories instead of from the online warehouses.



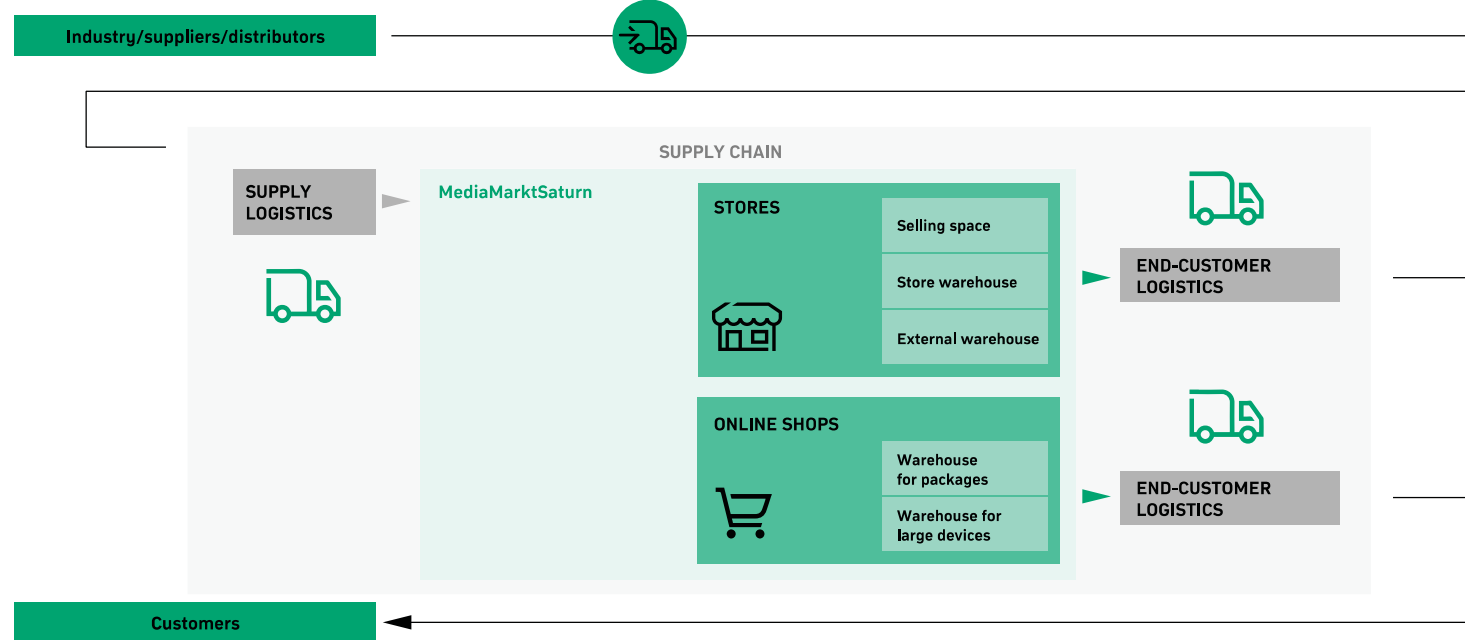
SEPARATE NON-FINANCIAL
GROUP REPORT

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

MediaMarktSaturn supply chain – at present



In order to organise logistics activities and transportation flows more efficiently and transparently in the future, the company's supply chain management is undergoing a transformation. The new concept aims both to optimise the logistics processes in terms of speed and reliability and also to increase transparency and data availability with regard to the CO₂ emissions caused by logistics services.

The plan is to replace the individual decentralised flows of goods with centrally managed processes. Inventories and transportation, which are currently organised on a decentralised basis, are to be made easier to plan and more convenient by establishing national warehouses. Starting from the national warehouse, the stores will then be supplied by way of centrally planned trips. The aim is to move the goods as little as possible in

order to deliver them to the destination punctually, efficiently and in line with demand. This benefits not only the stores but also the industrial partners, which get a central contact and delivery point.

To implement the new logistics system, specific functions will initially be tested in selected regions of Germany in consultation with suppliers and other business partners. Step by step, both the functions and the test regions will be expanded. The pilot location for a national warehouse was implemented in the reporting period.

In addition to the national warehouse, regional warehouses are also planned. These will be distributed across Germany systematically and are primarily designed for large equipment requiring two-man handling.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

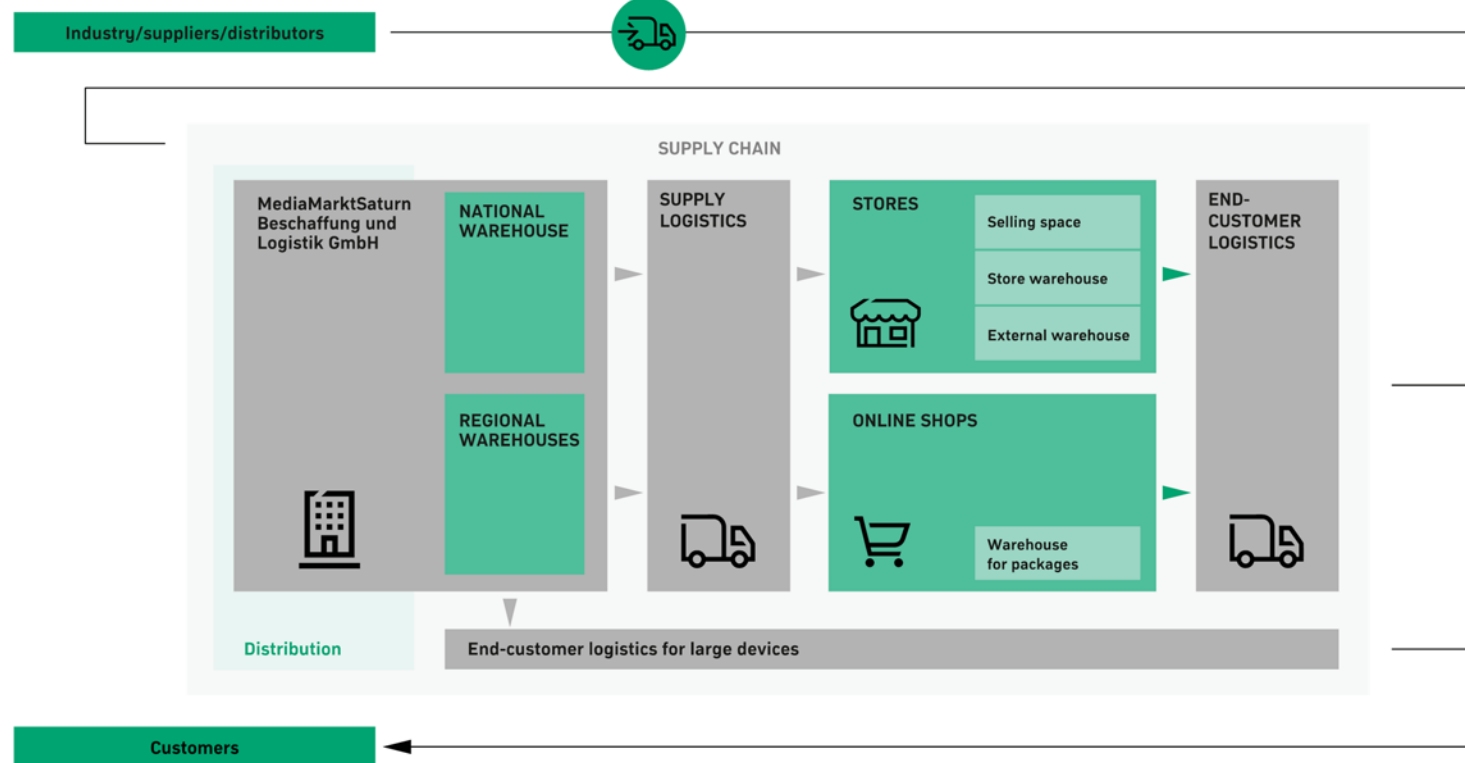
282 Sustainability approach and material issues

313 Limited assurance report

The regional warehouses will supply to either the individual stores or the customer directly. In addition to efficient delivery, they will ensure that customers are offered additional services such as set-up, installation and collection of old devices in a more customer-oriented way in the future.

Tests are being carried out in several regions for this purpose. The results are promising: by optimising trips, it is possible to offer customers a three-hour delivery window of their choice as standard, while also ensuring high delivery precision.

MediaMarktSaturn supply chain – target





**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

GREENHOUSE GAS EMISSIONS FROM LOGISTICS

With the new, more centralised concept, CECONOMY will establish greater transparency with regard to transportation routes, kilometres driven, fuel consumption, and how full the lorries are. The key figures obtained will create transparency as to the type and amount of CO₂ emissions caused by logistics and transportation. On this basis, targets can be derived, progress reported and greenhouse gas emissions reduced in the long term. Starting from the 2019/20 financial year, CECONOMY will place greater emphasis on recognised standards (Greenhouse Gas Protocol; DIN EN 16258) and methodological formats (Global Logistics Emissions Council Framework).

As part of a pilot project, CECONOMY is focussing on calculating the Scope 3 logistics emissions resulting from a switch to national and regional warehouses. The future logistics chain is thus being examined. The focus is on logistics flows that are commissioned centrally and are relevant in terms of volume – in future, this will primarily be deliveries to stores from the central and regional warehouses in store business and deliveries to customers in online business. For these logistics flows, primary data is being requested from the forwarding companies so that the emissions associated with transportation can be recorded. The pilot project allows for more efficient deliveries to stores and customers, while also providing a considerably improved basis for actively recording and managing the greenhouse gas emissions caused by external logistics partners.

TRAVEL MANAGEMENT

Business travel also results in CO₂ emissions. These are particularly caused by the use of means of transport such as cars, trains or aeroplanes and by the frequency of trips and the distances travelled. Within the Business Travel Management department, established in March 2018, the Department Manager is responsible for the topic of sustainability and communicates closely with the Sustainability department. Business Travel Management regularly brings sustainable travel to employees' attention – for example, in the business travel and hospitality guideline published in March 2019.

External service providers present Business Travel Management with monthly CO₂ reports for the categories of rail and air travel. In addition, the

department is provided with information on its suppliers' sustainability initiatives on request. If needed, Business Travel Management can draw up CO₂ reports on transport that include the CO₂ emissions relating to air travel, rail travel and rental vehicles. In addition, a cloud solution for travel expense accounting is currently being rolled out in order to reduce paper consumption.

Transparency and integrity

Good corporate management and the expansion of standards to the supply chain are fundamental requirements for the long-term success of CECONOMY. This includes transparent, compliant, reliable and secure processes, as well as integrity and responsible behaviour.

The Management Board of CECONOMY AG has the responsibility and legal obligation to implement effective governance, which includes opportunity and risk management, the internal control system, compliance and internal audit as elements of CECONOMY's governance, risk and compliance (GRC) system.

The business activities throughout Europe and the decentralised corporate structure make it complicated to implement a Group-wide GRC system, but this also makes it all the more important. It is a matter of taking the different social and legal conditions in the country organisations into account and integrating the sometimes different corporate cultures and processes of the individual companies. The cornerstone for activities is the Code of Conduct, which defines the shared basis of values. CECONOMY is clearly committed to transparency, integrity, fairness and respect and complies with the law and regulations. Violations of these values and regulations may entail existential risks and reputational damage for the company and shake its stakeholders' trust in it.

Compliance

Corruption and unethical business conduct not only lead to economic problems, but also have tangible effects on the company and its



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

employees. Compliance violations may result in large fines on the company, criminal sanctions against employees, compensation claims from customers, competitors and suppliers, as well as enormous reputation damage and a loss of trust. Serious violations may result in financial losses at a macroeconomic level and fundamentally damage the population's trust in business and politics.

Integrity as the driver and goal of compliance is the guiding principle for CECONOMY's business activities and an integral part of its management approach. Creating the right conditions for compliance with regulations is a management task.

The risk-based compliance management system (CMS) is chiefly geared towards avoiding, detecting and sanctioning corruption and violations of antitrust law and serves to protect the employees of the companies belonging to CECONOMY from compliance violations. In addition, it is intended to protect the company from reputational and economic damage and limit the corporate management's liability in the event of compliance violations by individual employees. The focus of compliance is on preventing or avoiding significant risks (prevention) and is thus delimited from the responsibility of the Group Internal Audit department of CECONOMY AG (GIA, for MSH Group Audit & Consulting). GIA conducts regular audits and forensic investigations (detection), while sanctioning is implemented by the HR department. CECONOMY regularly identifies compliance risks, establishes the necessary organisational structures and tasks the responsible departments with managing and controlling the risks. Responsibility for ensuring compliance lies with the Management Board of CECONOMY AG and the management bodies of the Group companies. The Group-wide Compliance function supports the corporate management with the development and continuous improvement of the CMS. The Supervisory Board and the Audit Committee regularly deal with monitoring the Group's CMS. In the Group Committee for Governance, Risk and Compliance (GRC Committee), relevant current issues and the further development and improvement of the CMS are discussed at regular intervals. The governance, risk and compliance process (GRC process) at the level of CECONOMY has the aim of presenting the Management Board and Supervisory Board of CECONOMY AG – and also, in the case of the annual report, the shareholders – with a uniform and comprehensive overview of

CECONOMY's opportunity and risk portfolio and the effectiveness of the individual sub-systems.

To counter violations of regulations on a long-term basis, the compliance culture must be put into practice equally at all levels of the company – from the Management Board to the managers to each individual employee. The Management Board of CECONOMY AG and the management of MSH support this culture with an appropriate "tone from the top" and company-wide training and communication measures.

The CECONOMY Code of Conduct also supports the compliance culture. It is available internally and externally and is mandatory for all employees, managers and Management Board members. The compliance guideline "Style & Practice", which is consistent with the Code of Conduct, also applies to all employees of MMSRG.

➤ The CECONOMY Code of Conduct is available on the website www.ceconomy.de/en/under-Company-Compliance.

➤ MMSRG's compliance guideline "Style & Practice" is available on the website www.mediamarktsaturn.com/en/under-Compliance.

Specific guidelines from CECONOMY and the Group companies supplement and flesh out this guideline by taking account of local conditions and business practices in the different countries or issues relating to specific tasks.

Violation of laws, the Code of Conduct or other guidelines and regulations are not tolerated at CECONOMY. Managers and compliance officers respond to employees' queries, receive information about possible violations and ensure the necessary confidentiality.

CECONOMY has established a Group-wide compliance reporting system as a central element of the CMS. This provides all employees and external parties with a point of contact for tip-offs: observed or suspected compliance incidents can be reported anonymously or otherwise through this system. To raise awareness among all CECONOMY employees, the Group Compliance department also regularly organises individual or computer-



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

based compliance training. No significant incidents of corruption were reported to the Group Compliance department during the reporting period.

Opportunity and risk management

Highly dynamic market developments, game-changing technological innovations, digitalisation, accompanying government regulation – the risk environment has changed radically over the past few years. These global challenges are accompanied by climate change and increasing scarcity of resources. Together with the rapidly growing global population, they give rise to new risks to the environment, society and the economy – but they can also present new opportunities. For CECONOMY, it is important to identify the relevant challenges at an early stage, understand them and assess them correctly. Misjudgements can result in serious business risks or missed opportunities.

The success of the company depends to a large extent on whether and how it deals with opportunities and risks. CECONOMY ensures this by means of extensive opportunity and risk management.

The appropriateness and effectiveness of the opportunity and risk management system is the responsibility of the Management Board of CECONOMY AG, and in particular the Chief Financial Officer. The Group companies identify, assess, manage and monitor the risks – supported and coordinated by Corporate Risk Management at CECONOMY AG and at MSH. This financial year, the opportunity and risk management system successfully underwent an appropriateness and effectiveness review. The scope covered both CECONOMY AG and MMSRG.

The Management Board of CECONOMY AG is informed promptly and continuously by Corporate Risk Management about significant developments in risk management. The same applies to the management of MSH.

In order to identify relevant opportunities and risks, CECONOMY carries out macroeconomic studies, analyses the relevant trend landscape and evaluates market and competition analyses. The company also deals with the critical success factors of the business models and the company's

main cost drivers. Opportunity and risk management is an integral part of the overall organisation.

Effective processes and maximum transparency are achieved by means of a combination of top-down and bottom-up approaches in which the different departments of CECONOMY AG and the Group companies are actively involved.

CECONOMY already identifies environmental and social risks and assesses them in terms of their relevance to the company – for example, with regard to risk exposure in supplier management or potential risks arising from climate change or electronic waste.

All material business risks are presented in the opportunity and risk report in CECONOMY's combined management report. Other than this, no non-financial risks with a very high probability of occurrence and a serious negative impact have been identified.

With its opportunity and risk management, CECONOMY pursues the overarching goal of identifying potential positive and negative developments for the company at an early stage, assessing these, initiating appropriate measures where necessary, and monitoring the implementation of these measures. In order to implement its sustainability approach effectively, the Group has linked its sustainability management even more closely with its opportunity and risks management. For this reason, an expert from the Risk Management department is now a member of the Sustainability Strategy Group, for example. An integrated, comprehensive procedure has been defined in order to make more efficient use of the synergies in these two areas.

➤ Further information on the topics of compliance and opportunity and risk management can be found in the combined management report in the opportunity and risk report and in the Corporate Governance report, as well as in the declaration on corporate governance. The declaration is available on the company's website www.ceconomy.de/en/ under Company – Corporate Governance.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

Data protection and information security

As an international technology company, CECONOMY is pressing ahead with digitalisation and uses intelligent networking of different data and information for its business model. Responsible handling of data from customers, employees, business partners and investors is therefore very important in the context of its business activities and processes. Advances in digitalisation facilitate data processing – which can have effects on the rights and freedoms of individuals. If violations occur with regard to data protection, this may result in sanctions and reputational damage. CECONOMY prevents misuse of data and the associated risks using all means available to the company.

DATA PROTECTION

Data protection means protecting individuals from infringements of their personal rights and privacy that arise from the misuse or unauthorised use of data. This principle and compliance with relevant laws, such as the EU General Data Protection Regulation (GDPR), are incorporated at the top decision-making level at CECONOMY and represent a top priority at all companies.

Responsibility for compliance with legal requirements for data protection lies with the Management Board of CECONOMY AG and the management bodies of the individual Group companies. The Head of Data Privacy manages data protection matters at CECONOMY AG as the data protection officer and reports directly to the Management Board on issues relating to data protection law. At the level of MMSRG, the Privacy Department Manager is appointed as the Group data protection officer of MSH and is in charge of the data protection organisation within MMSRG. The Privacy Department Manager coordinates the data protection departments throughout the company and the overarching data protection strategy within MMSRG, regulates the general orientation, and advises the individual MMSRG subsidiaries and DTB on the implementation of internal and external requirements with regard to data protection. All CECONOMY companies have appointed their own data protection officers where legally required and relevant to business.

The general Group data protection guideline rolled out by CECONOMY in the 2018/19 financial year reflects the principles of data protection and constitutes a general guideline for all CECONOMY companies. The Group has thereby committed itself to a uniform level of data protection. Compliance with data protection laws is checked by means of internal audits.

Data protection incidents or potential for improvement can be reported via contact points such as central e-mail addresses for all stakeholders. Each report is promptly reviewed and answered. In the 2018/19 financial year, there was one regulatory investigation due to a violation of legal provisions in this area. No sanctions in the form of fines were imposed due to data protection violations.

Within MSH, data protection activities are based in the Data Privacy Office (DPO). The DPO is the central point of contact for all national and international companies of MMSRG. To ensure compliance with internal and legal requirements, it supports the collection, processing and deletion of personal data on customers, partners and employees. In addition, DPO provides advice on the necessary technical and organisational measures to ensure lawful processing of the personal data collected by MMSRG.

In addition, there are policies and procedural instructions, both for multiple divisions and specific divisions, at MMSRG on the structuring and standardisation of data processing. Further national considerations and individual decisions concerning the data subjects of stores or the respective country organisations are handled by the national data protection officers of each country organisation.

CECONOMY implemented a variety of strategic and organisational measures as part of its preparations for the GDPR, which has been in force since May 2018. The GDPR preparation project launched in 2016 was completed at the start of the 2018/19 financial year. It focused on the comprehensive and correct implementation of measures to satisfy the GDPR's requirements, taking into account the balance between business necessity and compliance challenges. Corresponding measures on accountability and data protection management, documentation, duties to provide information and the rights of data subjects are being implemented on an ongoing basis.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

Employee awareness of data protection requirements is still a priority at all levels of the Group. A regular newsletter explaining data protection problems and the latest data protection issues in day-to-day operations was launched. Furthermore, training and awareness campaigns are organised on a regular basis. In order to establish the issue in the company's culture, an e-learning programme on relevant GDPR matters was developed and has been rolled out at all MMSRG companies since the middle of the 2018/19 financial year. This training is mandatory for all employees.

In addition to managing directors, employees in departments who have access to and work with sensitive data in particular receive regular and intensive training on data protection and data security.

A data protection management system was also introduced to further systematically establish data protection at all MMSRG business units. This system keeps the entire procedure log and regularly checks all business processes to ensure that they comply with the latest developments in data protection.

INFORMATION SECURITY

Alongside data protection, the Information Security department is of central importance at CECONOMY in safeguarding the confidence of our customers, business partners and other stakeholders.

The Group relies on comprehensive IT security measures to prevent the failure of IT-based business processes, IT security incidents and cyber-attacks, which count among the biggest threats in retail especially.

➤ Further information on the most significant risks can be found in the opportunity and risk report in the combined management report.

This way, CECONOMY is aiming to ensure its protection goals of confidentiality, availability and integrity, to protect personality rights and to reduce threats and the financial damage they cause.

In strategic coordination with the Data Protection department, Information Security creates the technical requirements to implement data protection

in operations as well. Information Security is divided into three functions. Essentially, these are:

- maintaining the IT infrastructure;
- preserving the confidentiality of data and information;
- the technical implementation of data protection.

The following principles apply to all these functions:

- **Protection of availability:** relevant information is always available when needed.
- **Protection of confidentiality:** relevant information is only disclosed to the small group of authorised persons.
- **Protection of integrity:** relevant information has not been falsified and is complete at all times. Changes to this information can only be made by authorised persons.

At the level of CECONOMY AG, the IT infrastructure and IT security are managed by the IT Security Officer. At MSH, the newly created role of Chief Information Security Officer (CISO) is fully responsible for Information Security for MMSRG and all its investments. He reports to the Chief Technology Officer (CTO) of MSH.

In the reporting period, the governance structure for information security was adapted to the widespread model of three lines of defence – a model for a systematic approach to the risks that can arise in companies.

Information Security is an integral part of the new technology strategy, which allows a holistic analysis of the company's risk and security situation. Furthermore, using the three lines of defence model allows the implementation of security by design – an approach in which security requirements are taken into account during a product's development phase. It also implements full responsibility for Information Security with the CISO at strategic, tactical and operational level. The central body for



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

adopting, developing and reviewing the IT security strategy and drafting proposals is MMSRG's IT Security Board, which comprises all the necessary departments. Within MMSRG, the information security issue is controlled by the comprehensive IT security management system (ISMS). The CISO manages and coordinates the ISMS and is responsible for issuing its guidelines. He thus sets the information security objectives and defines the information security standards for MMSRG.

The ISMS clearly regulates responsibilities and functions for ensuring information security. MediaMarktSaturn Technology's Cyber Security Office assists the CISO in implementation and, within MMSRG, serves as the department with global operational responsibility for IT services and service providers. It enacts and establishes standards, processes and technical controls to implement the IT security strategy at Group level.

Additional IT Security departments at the country organisations and subsidiaries are affiliated with MediaMarktSaturn Technology's Cyber Security Office, implement the IT security strategy in their companies and also adhere to special considerations or regulations specific to their country.

By implementing its advanced IT security strategy, CECONOMY is prepared for both current and future cyber and data protection requirements. This applies in particular to intensive activities to raise the awareness of all employees to information security risks. As part of this strategy, various technical and organisational detection and prevention measures, and in particular measures to raise awareness, were implemented in the 2018/19 financial year.

In particular, the launch of an initiative to identify software errors and security vulnerabilities serves the continuous security improvement of the services available online. The establishment of holistic vulnerability management allows a significantly faster response to identified technical risks. Furthermore, an integrated security information event management with affiliated security operation centre was established to detect and prevent threats and attacks on MMSRG systems.

Sustainability in supplier management

As Europe's biggest consumer electronics retailer, CECONOMY wants to give its customers the best products and services across the board and at any time through its various sales channels. Its range includes brand products from internationally renowned manufacturers and products from its own-brand company Imtron. Both of these require long and complex supply chains with branching global production, procurement and supply networks from which CECONOMY benefits economically. The upstream stages of these chains can potentially impact people and the environment. Designing value chains in line with the principles of social, ecological and business sustainability entails a variety of challenges – from ensuring humane working conditions to climate and resource protection. On the one hand, CECONOMY feels it has a duty to improve transparency within its supply chains. On the other, the Group intends to gradually assume more responsibility for the social and ecological compatibility of the processes involved in the production of all its products – own brand and third-party alike. CECONOMY firmly believes that more sustainable procurement practices help it to stand out from the competition, improve its reputation with customers, partners and employees and reduce potential business risks.

At CECONOMY, procurement and supplier management is particularly relevant for MSH, its biggest division and the one that generates the most revenue. Responsibility for strategic procurement and supplier management for consumer electronics currently lies with MSH's International Procurement department, which is in charge of supplier relationships and works in close coordination with the respective procurement departments of the country organisations. It is headed by the Vice President of Procurement, who reports to the CEO of MSH. In this context, the Procurement Committee operates as an international management and decision-making body. The management of MSH is also involved if necessary.

Partnerships are the key to improving sustainability standards in the supply chain. An ongoing dialogue with suppliers and business partners is required to systematically raise environmental and social standards along the value chain. The company sees the market significance of this as a major opportunity.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

MSH is also responsible for the controlling and ongoing strategic development of sustainability aspects within supplier management. This is implemented in cooperation with suppliers and the respective procurement departments, and other relevant departments if necessary. The concept for sustainable supplier management at MMSRG consists of various elements:

Together with other companies in the electronics industry, MSH is part of the Responsible Business Alliance (RBA; formerly: Electronic Industry Citizenship Coalition). The RBA works on a uniform standard for social, ecological and ethical issues within the supply chain, thereby endeavouring to improve the industry's supplier management in the long term. Supplier management is also based on the standards of the amfori Business Social Compliance Initiative (BSCI). These standards form a key foundation for CECONOMY's supplier relationships.

MSH's Procurement Policy is the prime directive and is mandatory for all the Group's procurement organisations. It applies to all employees, creates binding and transparent minimum standards for all procurement activities for third-party brands and defines responsibilities, processes and documentation requirements. The Procurement Policy also documents the significance of sustainability.

As part of the fundamental revision of our management approach to sustainable supplier management, the International Supplier Sustainability Agreement was developed as an addendum to supplier agreements in the 2017/18 financial year. The aim of this is to communicate our expectations in terms of sustainability to suppliers moving ahead. CECONOMY is striving to have all suppliers acknowledge the International Supplier Sustainability Agreement and the requirements it sets out, and to provide the Group with relevant information on the sustainability work. It also covers working and social conditions, respect for human rights, environmental protection, the fight against corruption and bribery and suppliers' duty of care along their own supply chain. Expectations are communicated to suppliers directly through the respective procurement representative so as to also ensure a continuous dialogue on sustainability issues.

CECONOMY can only successfully achieve its goals if it works with its partners in the long term – which is why the Group first attempts a dialogue

with its suppliers should irregularities or breaches occur, in order to work together on improvements. Suppliers are expected to have implemented these measures by a deadline jointly agreed in advance. This method is intended to aid the development of non-compliant suppliers, and to give them support in achieving improvements. However, if suppliers do not make improvements or enter into zero tolerance areas, for instance in the event of severe corruption, as a last resort CECONOMY may decide to terminate the supplier relationship after considering each case individually. Breaches that are observed or suspected can be reported, even anonymously, through the compliance whistleblower system.

CECONOMY is committed to the German government's National Human Rights Action Plan and is working to implement it. MSH adopted its Human Rights Policy in the reporting period and implemented a complaints tool.

MMSRG sees procurement practices, guidelines and regulations as dynamic processes subject to continuous improvement, which allows the company to continue its development in its own right.

➤ MMSRG's Human Rights Policy is available on the website www.mediamarktsaturn.com/en/under Company - Sustainability at MediaMarktSaturn.

INDIRECT SPEND

In addition to procuring the third-party and own brand products that it retails to customers, CECONOMY also sources products and services for its own operations and administration. Separately from the Procurement department, which handles merchandise, the Sourcing Indirect Spend department coordinates the procurement of non-retail goods and services. It manages indirect procurement for MMSRG as a whole and performs this function as a service for CECONOMY AG. At the level of MSH, the department is run by the Vice President of Investment & Costs, who reports directly to the Chief Financial Officer.

The company is also committed to the principles of the RBA Code of Conduct in its indirect spending activities. The Sustainability Strategy Group discusses and assesses key aspects of sustainable procurement in addition to measures and successes. These measures also included preparing the MMSRG Sourcing Indirect Spend department's own Code of Conduct



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management Board's commitment

282 Sustainability approach and material issues

313 Limited assurance report

on the basis of the RBA Code of Conduct. This will be rolled out centrally and in the Sourcing Indirect Spend department for all new procurement agreements in the 2019/20 financial year, and it will be binding if the contractual partner does not already have an equivalent or superior certification.

OWN BRANDS: SUPPLIER MANAGEMENT AT IMTRON

In addition to trade with brand-name products from world-renowned manufacturers, MMSRG also sells products from its own-brand company Imtron. As a wholly-owned subsidiary of MSH, it is responsible for its own supplier management. The business purpose of Imtron is to supply the MMSRG country organisations centrally with high-quality own-brand products, including ok., Koenic, Peaq and Isy.

Imtron's own Procurement Policy ensures compliance with defined procurement processes and methods, and is the responsibility of Imtron's management. The framework regulates all procurement processes and minimum requirements for all products and goods-related services. It also defines process and documentation requirements and responsibilities to ensure the utmost transparency in procurement processes. The policy takes into account CECONOMY's higher-ranking Group policies and is binding for all employees and departments of Imtron and its wholly owned subsidiary Imtron Asia Hong Kong Limited. Compliance with Imtron's Procurement Policy is reviewed by the internal control system and on a test basis by Internal Audit at MSH. The results of this are reported to the management of both Imtron and MSH, and are applied in detailed improvement action plans. The Procurement Policy itself is subject to annual internal plausibility checking and is thus updated and revised regularly. It was last updated in September 2019.

Since 2014, Imtron has been a member of amfori BSCI, which was founded to protect workers' rights in production facilities. The amfori BSCI Code of Conduct is based on Social Accountability International's SA8000 standard, the United Nations Universal Declaration of Human Rights, the UN Global Compact, the core labour standards of the International Labour Organisation and OECD directives. amfori BSCI principles therefore include the active management of operational and environmental protection, health and safety at work, the fight against corruption and the general prohibition of child and forced labour. These are compiled in a Supplier's

Code Of Conduct and are communicated to all Imtron suppliers and business partners. The Supplier's Code of Conduct is a fixed component of all contracts in connection with products, and therefore mandatory for all Imtron suppliers. All new and existing suppliers of Imtron own-brand products are compelled by this Code of Conduct to comply with sustainability criteria.

The Sustainability, Compliance & Contract Management department conducts central monitoring of compliance with criteria and requirements. For example, it investigates whether a business partner has undergone a valid amfori BSCI audit. All active Imtron suppliers (business relationships within the past two years) are required to sign a code of conduct based on amfori BSCI as an annex to their contract. 100 per cent of Imtron suppliers have signed this code of conduct as at 30 September 2019. Every order by Imtron is also subject to this department's approval. Imtron's procurement decisions are thus defined by amfori BSCI, establish a minimum standard for business partners and secure a commitment from every manufacturer.

As a member of amfori BSCI, Imtron is required to regularly audit its suppliers. A BSCI audit is considered to have been passed or to be successful if the supplier has at least scored a D grade.

Successful BSCI audits¹

	2016/17	2017/18	2018/19
Number of suppliers audited (absolute)	104 of 116	117 of 124	121 of 127
Share of suppliers audited (in %)	89.7	94.4	95.3

¹ Successful social audits based on own imports (audits of all producers in defined risk countries in which Imtron manufactures imported goods, show the successful implementation of BSCI or an equivalent social standard system through an independent third-party certificate).

In the reporting period, Imtron worked to ensure that suppliers that got a D on their audit rapidly take corrective measures and are audited again within a few months to improve their results. This contributed to a positive development in audits.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

**282 Sustainability approach
and material issues**

313 Limited assurance
report

In the reporting period, Imtron also requested and processed data from suppliers on accessories and small parts, thereby expanding the scope of its audits.

Out of Imtron's 127 suppliers from what are referred to as risk countries, 95.3 per cent have undergone successful audits. Imtron defines risk countries as those countries that amfori BSCI has also classified as risk countries. The monthly overviews of improvements and setbacks produced from this allow regular reporting to Imtron's management. In particular, the tracking of audit results and the preparation and implementation of action plans in cooperation with suppliers are to be intensified in the long term.

➤ Further information on risk classification can be found on the amfori BSCI website at www.amfori.org under Country Risk Classification.

Outlook

In the 2019/20 financial year, in line with the transformation of its business model, CECONOMY will continue to align its sustainability strategy and the associated activities more closely to the needs of its stakeholders.

Even today, a wide range of sustainability projects and initiatives have already been successfully implemented at the country organisations. So that CECONOMY can keep an eye on all relevant issues and identify new challenges early on, the Group will regularly perform a materiality analysis and engage in an intensive dialogue with its stakeholders. This will result in the regular scrutiny of its own actions and the systematic evolution of sustainability activities.

CECONOMY wishes to help customers to make a sustainable purchase decision. It is therefore stepping up its efforts to provide customers with information, and to advise them on the energy-efficient and resource-friendly use of products. CECONOMY also intends to expand the services offered throughout the Group. By doing so, the company – guided by the notion of a circular economy – wishes to make an important contribution to extending product lifecycles.

To reduce the consumption of resources, CECONOMY would like to advance the optimisation of product and logistics packaging. The Group is already working on sustainable alternatives.

In keeping with the significance of sustainability and climate protection, the company will also develop a climate strategy as part of its ongoing strategy process.



SEPARATE NON-FINANCIAL
GROUP REPORT

- 281 The Management Board's commitment
- 282 Sustainability approach and material issues

313 [Limited assurance report](#)

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE SEPARATE NON-FINANCIAL GROUP REPORT¹

TO THE SUPERVISORY BOARD OF CECONOMY AG, DÜSSELDORF

We have performed an independent limited assurance engagement on the Separate Non-Financial Group Report (further "Report") of the CECONOMY Group (further "CECONOMY") as well as the section 'Group business model' of the Combined Management Report, which has been qualified as part of the Report by reference, according to Sections 315b and 315c in conjunction with 289c to 289e HGB (German Commercial Code) for the business year from October 1, 2018 to September 30, 2019.

As disclosed in the section 'Own brands: supplier management at Imtron', audits of suppliers were conducted by external firms mandated by CECONOMY to ensure compliance with the environmental, social and health standards of the amfori Business Social Compliance Initiative (BSCI). The appropriateness and accuracy of the conclusions from the audit/certification work performed was not part of our limited assurance procedures.

Management's Responsibility

The legal representatives of CECONOMY are responsible for the preparation of the Report in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

¹ Our engagement applied to the German version of the Report 2019. This text is a translation of the Independent Assurance Report issued in the German language, whereas the German text is authoritative.



**SEPARATE NON-FINANCIAL
GROUP REPORT**

- 281 The Management Board's commitment
- 282 Sustainability approach and material issues

313 Limited assurance report

Independence and quality assurance on the part of the auditing firm

We are independent from the CECONOMY in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the national statutory provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance of whether any matters have come to our attention that cause us to believe that the Report of the entity has not been prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, provide a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance

engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following assurance procedures:

- Inquiries of personnel on corporate level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of CECONOMY.
- A risk analysis, including a media search, to identify relevant information on CECONOMY's sustainability performance in the reporting period.
- Reviewing the suitability of internally developed Reporting Criteria
- Evaluation of the design and implementation of the systems and processes for determining, processing and monitoring of disclosures relating to environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including the consolidation of the data
- Inquiries of personnel on corporate level who are responsible for determining disclosures on concepts, due diligence processes, results and risks, for conducting internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documentation
- Analytical evaluation of data and trends of quantitative information which are reported by all sites for consolidation on corporate level
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample at Barcelona (Spain)
- Assessment of the overall presentation of the selected sustainability performance disclosures



**SEPARATE NON-FINANCIAL
GROUP REPORT**

281 The Management
Board's commitment

282 Sustainability approach
and material issues

**313 Limited assurance
report**

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Report of CECONOMY, for the business year from October 1, 2018 to September 30, 2019, is not prepared, in all material respects, in accordance with Sections 315b and 315c in conjunction with 289c to 289e HGB.

Restriction of Use / Clause on General Engagement Terms

This assurance report is issued for the purposes of the Supervisory Board of CECONOMY AG, Düsseldorf, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of CECONOMY AG, Düsseldorf and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer (German Public Auditors) and Wirtschaftsprüfungsgesellschaften (German Public Audit Firms) (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms having taken note of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the attached General Engagement Terms with respect to us.

Munich, December 3, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
Original German version signed by:

Hell

ppa. Dollhofer