



How housework's done today.



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About this report

As part of this sustainability report, the Leifheit Group has prepared for financial year 2017 a separate non-financial Group report for the first time as defined under sections 315b and 315c, in conjunction with 289c through 289e, German commercial code (HGB), which is publicly available on the Leifheit website. This sustainability report was not subject to an external audit. The 2017 consolidated financial statements of the Leifheit Group and the corresponding combined management report, as well as the separate financial statements of Leifheit AG, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. Leifheit does not use any nationally or internationally propagated sustainability reporting framework for the separate non-financial Group report. However, we use the criteria stipulated by the German Sustainability Code and the standards of the Global Reporting Initiative as a frame of reference. Our principles are consistent with the Business Social Compliance Initiative (BSCI), the Conventions of the International Labour Organisation (ILO), the United Nations Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of All Forms of Discrimination against Women, the Principles of the UN Global Compact and the OECD Guidelines for Multinational Companies.

Materiality

We initially held an internal workshop to define the focus of our sustainability concept. The goal was to record the sustainability aspects from the “Leifheit 2020” strategy that we deemed relevant, as well as stakeholder interests and demands. We have divided the topics identified in this manner into the categories “Management and processes”, “Products and solutions”, “Supply chain and production” and “Employees and society”.

In a second step, the identified topics were additionally subjected to a materiality review in accordance with section 289c (3) of the German commercial code. The following topics are of major significance for Leifheit as defined by the concept of “dual materiality”:

- **Economy as part of social issues:** our brands (p. 11), easy and convenient product solutions, quality and durability (p. 12–13), customer satisfaction (p. 14–16)
- **Environmental issues:** energy and resource efficiency in the value chain (p. 20–22)
- **Employee matters:** employer attractiveness, equal opportunities and diversity (p. 24–25), fair and competitive remuneration (p. 26), safe working environment (p. 28), employee rights (p. 29)
- **Compliance** (p. 33–35)

They form the basis for the non-financial Group declaration as part of this report. The topic of compliance includes information on the legally defined aspect of combating corruption and bribery. In the chapters “Human rights” and “Social issues”, we also describe measures and initiatives by the Leifheit Group that demonstrate our wide-ranging commitment to corporate responsibility.

Responsibility within corporate management

The Board of Management bears the ultimate responsibility for sustainable conduct. It defines the strategic focus of the Leifheit Group. Within the Board, the Chief Financial Officer is responsible for matters related to corporate social responsibility (CSR). Those in charge of the operational areas are responsible for implementing strategic measures in day-to-day business operations. Sustainability topics are not isolated in a separate department. Instead, they are conceptualised and handled in business processes. Sustainability reporting is handled by a central Board of Management department that coordinates the reporting process in close cooperation with the employees of various different operational areas.



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Our business model

For almost six decades, we have been among the leading providers of household products in Europe. Our vision is to be the leading experts for solutions that make everyday life at home easier and more convenient. Under the Leifheit and Soehnle brands – two of Germany’s best-known brands – we offer high-quality, innovative products and solutions with great practical utility and good design. Besides the Brand Business, we operate with our French subsidiaries Birambeau and Herby in the service-oriented Volume Business.

In both segments, we focus on our core areas of expertise in the product categories of cleaning, laundry care, kitchen goods and wellbeing. We primarily develop our products for the European market using our own in-house development departments. This is especially beneficial for the Brand Business, which is driven by innovation. Production takes place at our own production plants in Germany, the Czech Republic and France, as well as at the facilities of suppliers located in various countries in Europe and Asia.

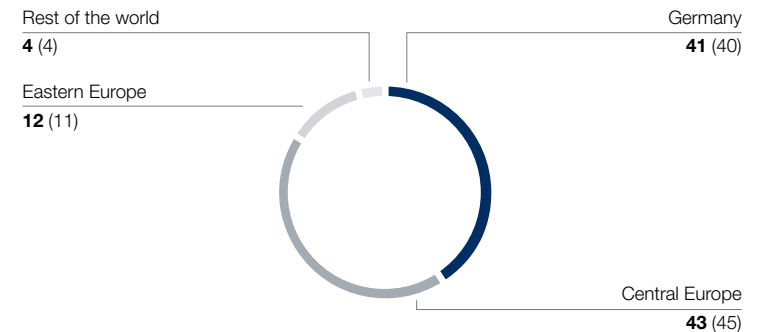
The Leifheit Group has more than 1,100 employees. Headquarters and management of Leifheit AG are still located in the place where the company was founded in Nassau/Lahn in the German state of Rhineland-Palatinate. We sell our products in more than 80 countries. In this process, we currently focus our sales and marketing activities on our European target markets. The key sales markets are our domestic market of Germany, accounting for a share of around 41% of turnover, and the countries of Central

Europe, with a share of approximately 43%. We currently generate some 12% of turnover in Eastern European markets. We also seize sales opportunities outside of Europe, particularly in the United States, the Middle East and the Far East, where we market our products primarily through distributors. Non-European markets currently account for roughly 4% of turnover.

Additional information can be found in the combined management report of the Leifheit Group in chapter Foundations of the Group.

Sales markets

Proportion of turnover in % (previous year's figures)





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Our vision is to be the leading experts for solutions that make everyday life at home easier and more convenient. We view sustainable action as a component of our economic success. Our “Leifheit 2020” growth strategy guides us and provides the basis for the main areas of focus when it comes to sustainability. Based on our relationships with consumers and retail customers, investors and the capital market, suppliers and our employees, we have our sights set on the following areas of focus:

1. management and processes,
2. consumer-relevant products and solutions,
3. an efficient supply chain and production processes designed to conserve resources, and
4. our employees and our social commitment.

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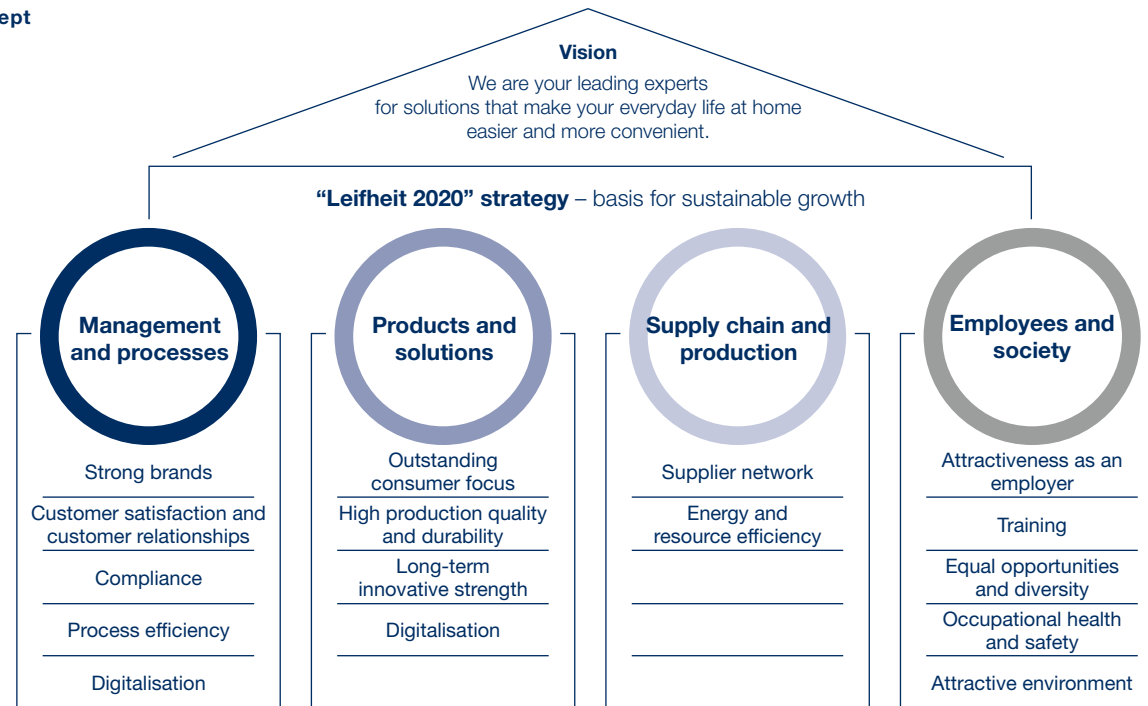
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Sustainability concept



Stakeholder dialogue: consumers and retail customers, investors and the capital market, suppliers and employees



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Our sustainability concept's areas of focus

Management and processes

- The “Leifheit 2020” growth strategy is centred on the expansion of our Brand Business. We are systematically developing the Leifheit and Soehnle brands and enhancing their profiles.
- We are investing in our customers' satisfaction through tailored concepts for retail and services for consumers.
- Through our compliance management system, we assist our employees in observing the binding laws and guidelines for their work.
- We are investing in supply chain efficiency while promoting the digitalisation of processes.

Products and solutions

- Our consistent focus is on the needs of consumers. We offer them best-in-class service, as well as easy and convenient product solutions of convincing quality and durability.
- In order to ensure our long-term innovative strength, we are further expanding our abilities to create innovative products for consumers.
- We are examining opportunities to digitalize products and services.

Supply chain and production

- We rely on an effective and efficient supplier network that meets our high social and environmental standards. As part of this focus, we are raising the share of European suppliers in the medium term.
- We pay attention to energy and resource efficiency during the manufacture and transport of our products, and we focus on the efficient use of materials.

Employees and society

- We are further enhancing our attractiveness as an employer, investing in our employees and providing opportunities for training and development.
- We make flexible working hours a reality and offer fair remuneration in line with the market.
- We create an appropriate, safe work environment and sensitise our workforce to preventing health issues through corresponding activities.
- We promote a working environment that welcomes diversity. Our diversity management focuses on the three aspects of our workforce's gender, age structure and internationality.
- At our company's locations, we make a contribution to an intact and attractive environment.



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Risk management for non-financial aspects

Strategic management of opportunities and risks serves as the basis for the sustainable development of the Leifheit Group. We have therefore set up an opportunity and risk management system that helps identify opportunities and risks early, analyse them and take suitable measures. It is described in detail in the annual financial report for 2017.

Apart from financial risks, material non-financial risks are also recorded in the risk management system. Risks for those aspects required under law are recorded and evaluated within the framework of risk areas specific to Leifheit:

- Management and organisation, including
 - Employees (availability, expertise)
 - Conduct (compliance, fraud)
- Environmental factors, including
 - Availability of resources, employees, raw materials
- Customers and markets, including
 - Customer satisfaction and customer loyalty
 - Image and reputation (including the observance of human rights)
- Innovations and product development, including
 - Innovation management
 - Product liability
- Operational performance processes, including
 - Environmental hazards and occupational health and safety

No material issues became known in the reporting year which would have a highly adverse effect on sustainability-related aspects or which are extremely likely to occur.



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Dialogue with stakeholders is essential to responsible corporate governance. In acknowledgement of this, Leifheit seeks constructive dialogue with its stakeholders. Constant exchange promotes our understanding of the requirements and needs of all sides.

We have reviewed and defined our stakeholder environment as part of an internal materiality workshop. We consider groups that have a material influence on the development of our company or are affected by the company's decisions to be stakeholders.

Our key stakeholders



Consumers and retail customers



Investors and capital market participants



Employees



Suppliers

We also communicate with the general public, by which we mean media, associations, initiatives, municipalities and civil society.



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Consumers and retail customers



We encourage and maintain contact with consumers and our retail customers, with whom we aim to achieve a partnership guided by mutual success. Against this backdrop, we support our retail customers through a key account management approach centred on distribution channels and through our field sales team. We involve consumers in our product development process at an early stage by way of consumer research. The analysis of product reviews on online portals gives us insights into how consumers perceive our products and our service. Consumers also have the option of consulting our consumer hotline at the Group's headquarters. By closely involving quality management, we ensure that consumers' comments and criticism always reach the right people. Our websites > leifheit-group.com, > leifheit.com, > soehnle.com and social media accounts, such as on Facebook, offer additional contact options.

Investors and capital market participants



Open communication with institutional and private investors, as well as with financial analysts, is a matter of course for us. We aim to provide information about all relevant developments and events at our company in a comprehensive, prompt and transparent manner. We are guided in the process by the provisions of the German stock corporation act and capital market law, the recommendations of the German Corporate Governance Code and the more far-reaching transparency standards of the German stock exchange for the Prime Standard segment, where the shares of Leifheit AG are traded.

By participating in capital market conferences and roadshows in major European financial centres, we provide analysts and investors with opportunities to have direct contact with the Board of Management. Our Annual General Meeting offers our shareholders a forum for direct dialogue. Our website also makes it possible to get to know the Leifheit Group and its brands and products. In the Investor Relations section, we publish all key information related to our shares, the strategy and the key financial figures of the Leifheit Group, as well as the financial calendar, financial reports, quarterly statements, press releases and presentations. Opportunities to contact the company are also available there for people who have questions or comments.



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Employees



We value openness and trust in internal communication. Against this backdrop, the Board of Management explains the Group's current business situation, key decisions and strategic measures in person at quarterly staff meetings at the German locations. The regular exchange of information between the workforce and plant management also takes place at our production and logistics site in Blatná, Czech Republic. For an extended circle of specialists and management personnel, we offer information forums with members of the Board of Management and the management team.

In addition, we offer our workforce supplementary information and dialogue formats. The annual appraisal meeting with direct supervisors plays a central role here. Regular informal meetings with individual members of the Board of Management and employees from various areas in a personal conversational atmosphere round out the opportunities for dialogue.

We also conduct employee surveys on job satisfaction, leadership quality and leadership culture at our German locations at regular intervals. The goal of these surveys is to derive measures for further improvement.

Suppliers



Trusting cooperation with suppliers enables us to create technical developments that result in an innovative product portfolio and long-lasting products. Sustainability topics such as saving materials and reducing the use of raw materials are taken into account in the development phase.

General public

We answer questions from today's business, financial and trade media, as well as the local media, as part of at least one annual press conference, in interviews and at press events. We are in contact with various professional organisations and interest groups, such as the German Brands Association, the German parquet industry association Verband der Deutschen Parkettindustrie, the main German hardware retail association Zentralverband Hartwarenhandel (ZHH) and the German investor relations association Deutscher Investor Relations Verband (DIRK). We also demonstrate our willingness to engage in dialogue with municipalities and civil society at our locations and take their needs and concerns into account.



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Our “Leifheit 2020” growth strategy is centred on the further expansion of our Brand Business. We intend to systematically develop the Leifheit and Soehnle brands, enhance their profiles and strengthen their competitive positions.

For almost six decades, Leifheit has been one of the leading brands for household products in Germany and many European markets. The brand offers product solutions in the cleaning, laundry care and kitchen goods categories that are easy to use while delivering the perfect result. Outstanding functionality, durability and high quality – people across generations have associated these attributes with Leifheit. We will continue to focus on these values in future while positioning Leifheit as a modern brand that helps people in today’s ever faster-paced world by making housework easier and home nicer – so that there is more time for the important things in life. The claim “How housework’s done today”, developed in 2017, and a fresh brand identity across all channels of communication underscore this positioning.

> Brand positioning

Ever since it was first founded in 1868, the Soehnle brand has focused on pronounced ease of use, innovative technology, superb quality and outstanding design. Today, 150 years later, Soehnle is among the leading providers of bathroom and kitchen scales. With market share of 25.8% for bathroom scales and 37.4% for kitchen scales, Soehnle is the market leader in Germany. The brand’s strength is precise measuring, weighing

and analysis, which is what Soehnle exemplifies. This strength is the foundation on which we build. By entering new categories of products, such as blood pressure gauges, fitness trackers and air treatment, in addition to the innovative Soehnle Connect app, Soehnle draws on its brand expertise to help people stay in shape and consciously lead healthier lives.

Leifheit and Soehnle – our two brands make promises. Our products must honour these promises, day after day. We therefore have the highest standards when it comes to the quality, safety, functionality and workmanship of our products.

Our brands





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Based on the “Leifheit 2020” Group strategy, we have developed an innovation strategy designed to ensure our long-term innovative strength and to sustainably support the Group’s organic growth.

Key features of the innovation strategy include

- integrating consumers more clearly into the product development process,
- adopting a comprehensive approach to innovation,
- establishing a strategic network of innovation partners,
- making product development more efficient,
- guaranteeing consistently high product quality and
- strengthening our design credentials.

As early as the product development phase, we take steps towards conformity to ensure compliance with applicable regulations, guidelines and laws in the manufacturing of products, their use and finally disposal. This framework includes

- the European Directive on Waste Electrical and Electronic Equipment (WEEE),
- the relevant European directives and regulations on restricting the use of certain hazardous substances (RoHS, REACH, PAH etc.) and
- the European Directive establishing a framework for the setting of ecodesign requirements for energy-related products (the Ecodesign Directive).

In addition, we perform practical tests that go beyond the statutory requirements. Many of our products undergo GS testing, for example. The voluntary GS mark for manufacturers stands for “Geprüfte Sicherheit” (tested safety). Products bearing the GS mark comply with the requirements of the German product safety act (ProdSG).

At the beginning of the product development process, we define the requirements for the product in a detailed specification document, which also takes into account sustainability aspects. During the process, we perform failure mode and effects analyses. Doing so enables us to assess the fulfilment of all required aspects through the specific product design and, if necessary, to make adjustments. Verification tests are conducted at the end of the development process to ensure that the product meets all requirements.

At the same time, we also lay the groundwork during the development and design phases for manufacturing the product with a view to conserving resources. Our objective is to engineer plastic and metal pieces in a way that it is possible to manufacture them through an efficient use of materials and with a production set-up that uses as little energy as possible. We employ computer simulation programs (known as finite element programs) for this purpose. They help engineers design parts that are highly durable and as light as possible, and assist in optimising the plastic injection process in a way that enables the use of injection moulding machines which are as small and energy-efficient as possible. We also specify during the development phase the extent to which recycled materials (e.g. plastic granulate) can be used in production.



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Our products

Many of our products work without electricity. As a result, our rotary dryers and laundry drying racks are much more eco-friendly than electric dryers that consume electricity. If the use of electricity cannot be avoided, such as with vacuum cleaners, we look to efficient, energy-saving systems that can be powered with batteries, whenever possible, instead of appliances that consume a great deal of electricity provided by mains. In cases where high performance and mains voltage are unavoidable, we develop smart solutions to minimise energy consumption. The new Leifheit CleanTenso steam cleaner, for example, features an ergonomic steam button that ensures steam is only generated whenever it is actually needed. Many other customary appliances generate steam continuously, even if the appliance is set aside.

The energy savings associated with the manufacture and use of our products is only one consideration, however. Another aim is to manufacture long-lasting products, as a long product life cycle likewise markedly improves eco-efficiency. We achieve this objective by ensuring the high quality, functionality and durable design of our products.

Steam cleaner CleanTenso – fully sanitised – all without chemicals.

The Leifheit CleanTenso uses hot steam to eliminate up to 99.99% of germs and bacteria.





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Marketing and distribution

The Leifheit Group distributes products through all relevant channels, from classic bricks-and-mortar retail to pure e-commerce. We offer our retail customers a wide range of services and support at the point of sale (POS). We reach consumers through the combination of traditional and modern communication, marketing and sales measures.

Importance of new sales channels continues to increase

We sell our products where consumers want to buy them and can be found in all the relevant sales channels. At the same time, consumer shopping habits have changed significantly in recent years. As a result, the importance of new sales channels continues to increase. E-commerce and bricks-and-mortar retail are simultaneously converging to create interactive cross-channel services. Linking the online realm with the physical world places demands on retailers and manufacturers equally. Leifheit is adjusting to these changes. In recent years, we have invested in expertise, product information systems and modern, flexible logistics processes so as to have a hand in developments.

Communication at the point of sale

In order to advance the positioning of the Leifheit and Soehnle brands in our target markets, we seize on all relevant channels of communication. In the process, we adapt the media mix to the changes in media usage by our target groups. Alongside traditional media, we have begun to increasingly invest in digital communications. The main thrust of communications via traditional as well as digital channels occurs at the POS, where consumers make their purchasing decision. Our accompanying initiative is called POS Excellence. Essentially, our range consists of merchandise components and special presentation solutions adapted to them for the various distribution channels, both in bricks-and-mortar retail and for online shops. For bricks-and-mortar retail, offerings focus on shop-in-shop presentations, known as brand shops, the number of which we continued to expand in the reporting period. The POS Excellence initiative also includes video promotions, displays for secondary product placement and product demos by demonstration staff.



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Sales restructuring in Brand Business

In order to continue strengthening our strategically important Brand Business for the future, we switched our sales force in Germany from independent sales representatives to salaried travelling staff in financial year 2017. This investment, in synergy with our PoS Excellence concepts, allows us to do an even better job of leveraging existing potential at the point of sale while intensifying our ability to serve our retail partners.

Focal points in the product categories

Our marketing and distribution activities in the reporting period also focused on the launch of new products – particularly in the Leifheit laundry care and cleaning product categories, as well as for the Soehnle brand.

In terms of the laundry care product category, the focus was on LinoProtect, the first Leifheit rotary dryer with a roof. It protects clothes against rain, UV radiation and dirt. In addition, the Leifheit Combi Storage System represents the introduction of a new segment featuring twelve different products. The Leifheit Air ironing board range welcomed the addition of a product specifically for ironing shirts.

The focus in the cleaning category in the reporting period was on the new Leifheit Care & Protect System, designed for caring for and protecting wood and laminate floors. The successful Leifheit window vacuum cleaner was joined by a classic version in the reporting period.

In the kitchen product category, we used our “Alle lieben MEingemachtes” (“Everyone loves it when it’s homemade”) campaign to once again focus in 2017 on the bottling and preserving of perishables as a continuing consumer trend.

In the wellbeing category, we reworked the entire range of bathroom scales with the Soehnle brand. The range now features a new and unmistakable design, large, easy-to-read displays and a clear product mix that is easy for consumers to understand. A newly developed product that was launched is the Soehnle Connect System, which makes it easy to check important health and fitness data. The system consists of three parts: analysis scales, the matching fitness and activity trackers, and the Soehnle Connect app, which summarises all data in an informative and easy-to-understand manner. In addition, the Soehnle range grew thanks to the addition of blood pressure monitors and air purification and humidification products.



**LinoProtect
Rotary dryer with roof –
protects against rain,
fading and dirt.**

The protective roof on the Lino Protect 400 makes it possible to dry clothes regardless of the weather and extends the period in which clothes can be dried outdoors.



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Awards for brands and products

Many of our products received awards in 2017 for their innovation, user-friendliness and product quality. Examples include the TÜV mark for the customer rating of “good” for the Leifheit Air Board M Shoulder Compact ironing board as well as the Thermo Reflect ironing board covers, which significantly reduce ironing time by reflecting heat and steam.

The Soehnle brand received gold in the “Favourite brand 2015 – 2017” category, which is the highest honour conferred as part of the “KüchenInnovation des Jahres” (KitchenInnovation of the Year) consumer award. The award is given out by the LifeCare initiative and recognises excellence in consumer focus and consistent brand management.

In addition, an incredible six Soehnle products pocketed the coveted Plus X Award: four scales from the new range of Soehnle bathroom scales, the Modena aroma diffuser and the FitConnect 300 fitness tracker. The Plus X Award recognises brands whose products feature an edge in quality and innovation.

Awards





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The Leifheit Group has three production locations of its own. They are situated in Nassau (Germany, home of Leifheit AG), in Blatná (Czech Republic) and La Loupe (France). Blatná is the Group's most important production location and is where the majority of our in-house production activities are concentrated.

In financial year 2017, approximately 53.9% (2016: 50.4%) of the goods we supplied were manufactured using the Leifheit Group's own production capacities within the Leifheit Group. We pay attention to high levels of efficiency in production processes and in the use of materials and energy. We also rely on a network of partners and suppliers, especially in Eastern Europe and Asia.

Procurement

In terms of procurement, we mainly purchase materials, components and merchandise held for resale, in addition to energy and services. We draw on a network of potential suppliers to ensure a continuous supply.

In order to reduce the Group's reliance on procurement regions with relevant currency risks, we began making efforts in 2015 to increase the share of European suppliers and continued doing so in reporting year 2017. We identified new suppliers, above all in Eastern Europe, for capital goods as well as the purchase of components and merchandise held for resale.

Efficient logistics as the basis for sustainable growth

The fast, flexible and global distribution of our products serves as a crucial foundation for the growth of our company. Our organisational structures and scalable, SAP-based processes enable us to respond flexibly and efficiently at our logistics centres to market and customer demands. We are therefore equipped for further growth and can rise to the complex logistical challenges posed by the increase in digitalisation and e-commerce.

The Leifheit Group's central logistics hub is the distribution centre in Zuzenhausen, in the north of the German region of Baden. Since mid-2016, it has been complemented by the Leifheit Distribution Center Eastern Europe at our location in Blatná, Czech Republic.

The logistics site in Blatná, featuring 4,500 square metres of logistics space, has made it possible to directly link the Eastern European growth markets to production. By integrating the manufacturing site into our logistics for European distribution, we expect to significantly reduce our annual CO₂ emissions. In light of rising levels of e-commerce sales, we implemented corresponding logistics concepts in Blatná during the reporting period.

In 2017, we invested in a new building extension at our logistics centre in Zuzenhausen, which resulted in a new loading zone across some 360 square metres, which enables us to benefit from optimised processes for the growing e-commerce sector. The new space also sets the stage for fresh approaches to auto-



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mation with regard to small parts picking, packing as well as consignment consolidation, which had previously been outsourced to service providers. The extension of cut-off times and the increase in the delivery quality and punctuality of our shipments to customers ultimately create benefits. We expect to be able to shave a day off our delivery process and supply our customers even faster in future.

The consolidation of warehousing at our subsidiary Herby in La Loupe, France, led to a reduction in space and inventories at this location of around 30%, while also yielding benefits through the consolidation of shipments for the same Herby and Leifheit customer groups. Distribution in Italy was switched to direct delivery ex Zuzenhausen in the past year, which significantly enhanced delivery performance. We expect to see further gains in efficiency and quality with the use of Pick-by-Vision as part of picking and warehousing processes aided by augmented reality.

Manufacturing and production

The plant in Blatná, Czech Republic – at roughly 25,000 m², the largest in the Leifheit Group – produces laundry dryers, ironing boards and cleaning appliances in particular. Our subsidiary Leifheit s.r.o. employed 481 people there as at the end of 2017 (2016: 421). A state-of-the-art powder-coating facility commenced operation there during the reporting period. Through the use of cutting-edge technology, we have been able to significantly boost production capacity while reducing energy requirements in relation to the quantities produced in powder coating. The same applies to the modern laser welding technique designed in 2017 for our metal ironing boards.

With 62 employees (2016: 63 employees), Leifheit AG operates an injection moulding plant and a highly automated production line for rotary dryers in Nassau, Germany. In the reporting period, almost 270,000 rotary dryers were produced in Nassau, which was a new record following around 260,000 dryers in 2016. Continued technical improvements to equipment and employees' working time flexibility made it possible to produce these quantities without downtime.

Our French subsidiary Herby, located in La Loupe, chiefly produces tower dryers, classic dryer racks and wall dryer racks for Volume Business. As at the end of financial year 2017, it had 83 employees (2016: 87 employees). The integrated manufacturing process includes metal forming, surface finishing and injection moulding.



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Efficient use of resources without compromising on quality

Ensuring efficiency in the value chain is one of the guidelines established in the “Leifheit 2020” strategy. Continuing to improve the efficient use of resources is a key strategic goal for Leifheit. Not only does it help protect the environment, but it also saves costs and plays a part in ensuring the long-term availability of raw materials.

To counteract the risks of the growing scarcity of resources and rising commodity prices, we therefore focus on the efficient use of materials when manufacturing our products. We take this issue into consideration already during the product development phase. At the same time, it is of the utmost importance to us that we continue to live up to our standards for product performance, quality and durability.

Use of resources

In financial year 2017, we used a total of 13.4 kilotonnes of raw materials and semi-finished goods (2016: 12.7 kilotonnes) to manufacture our products. The majority of that comprises metals in the form of steel and aluminium, as well as plastic granulate, and paper and packaging material. Consumables and supplies, in addition to electronic components, are used as well. Water comes into play during the injection moulding process and for cleaning metal parts in the powder coating process.

The waste generated during the production process is recycled and reused to a large extent. Only small amounts of hazardous waste are generated, and they are disposed of in line with statutory regulations at specified landfills. No hazardous emissions occur during the manufacture of our products.

The bulk of our electricity consumption occurs in the production process during the processing of plastics; as a result, it should be viewed in relation to the utilisation of production capacity. Gas and heating oil are also consumed for heating purposes.



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Consumption data development

We are currently determining the consumption data for the following companies with important production and logistics locations: Leifheit AG in Nassau and Zuzenhausen, Germany, Leifheit s.r.o. in the Czech Republic and Herby Industrie S.A.S. in France.

Materials used

Use of materials for manufacturing and packaging products			2016	2017
Raw materials	kg		810	858
Consumables and supplies	kg		47,800	50,920
Semi-finished products or goods	kg		11,222,000	11,881,400
Packaging material	kg		1,411,300	1,427,400

Energy consumption within the organisation

Energy consumption			2016	2017
Fuel	MWh		1,515	1,421
Electricity	MWh		15,834	16,382
Heating energy	MWh		12,752	14,285
Total energy consumption	MWh		30,101	32,088

The slight year-on-year increase in energy consumption is due to greater utilisation of production capacity at the Nassau and Blatná manufacturing locations in 2017. By contrast, electricity needs in relation to the semi-finished products or goods used and processed decreased to 1.38 kWh/kg (2016: 1.41 kWh/kg).

The percentage of electricity from renewable sources depends on the electricity mix of our energy suppliers. In 2017, that figure stood at around 62% in Germany. The calculations are usually based on measurements; in some cases, we draw on the consumption bills from the utility companies.

Total water withdrawal by source

Water withdrawal		2016	2017
From municipal water supplies	m ³	14,826	13,458

Water is sourced exclusively from municipal water supplies. Measurements form the basis of the calculations

Total weight of waste by type and disposal method

Type of waste	Disposal method		2016	2017
Hazardous waste				
	Landfill	t	136	72
Non-hazardous waste				
	Reuse	t	446	618
	Recycling	t	903	860
	Composting	t	32	95
	Incineration (mass burn)	t	267	314
	Landfill	t	51	75

The disposal methods are employed directly by the organisation or otherwise confirmed directly.



Energy efficiency measures

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In 2015, we performed a comprehensive DIN EN 16247-1 energy audit at our German locations in accordance with the statutory provisions (sections 8 et seqq. German act on energy services and other energy efficiency measures (EDL-G)). The audit resulted in a variety of measures for reducing energy consumption taken in 2016 and 2017 at our locations in Nassau (Germany), Zuzenhausen (Germany) and Blatná (Czech Republic). They include

- gradually switching the lighting to energy-efficient LED technology in connection with a daylight-based lighting system controlled by sensors,
- reducing heat loss by way of double and high-speed doors, as well as adjustments to facility temperature,
- regularly inspecting and updating or replacing compressed air and heating systems,
- using waste heat for injection moulding and generating compressed air,
- identifying and reducing consumption peaks by installing additional electricity and gas meters,
- training employees on and raising their awareness of energy efficiency, lighting and heat loss.

The system technology in our production areas undergoes annual inspections that focus on efficiency and sustainability criteria. Any measures to improve on these issues that are identified during the inspection process are systematically taken. For example, a state-of-the-art powder-coating facility commenced operation in early 2017 at our production location in Blatná, Czech Republic. Through the use of cutting-edge technology, we have been able to significantly boost production capacity while lowering energy needs in relation to the quantities produced in powder coating. The same applies to the modern laser welding technique designed in 2017 for our metal ironing boards. In addition, closed-circuit cooling systems in plastics manufacturing conserve water resources and ensure a high degree of energy efficiency.



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Employee matters

HR strategy follows business strategy

Highly trained and motivated employees are essential to our ability to achieve our ambitious operating and strategic targets. Demographic developments and the related shortage of skilled workers, which is affecting us particularly where technical professions are concerned, are resulting in stiffer competition for qualified employees. We are counteracting this risk through our work in human resources, as based on the “Leifheit 2020” strategy.

Focus on employer attractiveness

We continue to boost our attractiveness as an employer and are making a special effort to recruit and retain good staff. For example, we offer various development possibilities, despite our relatively small company size, and flat hierarchies. To recruit new employees at our locations in rural areas, we allow for flexible working hours as well as the possibility of working from home for appropriate positions.

To ensure that all employees can perform to their full potential, we strive to create a safe and suitable working environment. We also use appropriate activities to raise staff awareness concerning how to prevent health issues. We offer competitive pay that is fair and prize diversity among our employees.

Employee structure of the Leifheit Group	31 Dec 2016	31 Dec 2017
Group	1,093	1,168
Brand Business	913	1,003
Volume Business	180	165
Germany	423	443
Czech Republic	439	500
France	169	163
Other countries	62	62

Diversity and equal opportunities

Leifheit aims for diversity in its workforce

The Leifheit Group operates internationally. Being open towards people from a wide variety of regions and cultures is therefore essential to our success. We foster a working environment that welcomes diversity so as to benefit from our employees’ different personal abilities, talents and experiences, regardless of age, sexual orientation, background, culture and religion.



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Diversity management

Our diversity management focuses on three aspects of our workforce: gender, age structure and internationality.

**01
Gender
diversity**

An appropriate proportion of women to men at the company is very important to us. Their ratios as a percentage of the workforce are already balanced. In 2017, women accounted for 50.0% of our workforce at the Group (2016: 48.9%).

Our goal is to see that the already existing diversity of our workforce is also reflected at management level. However, our focus when hiring new employees is always on their individual qualifications as well as their personal, social, business and methodological skills and abilities. After all, we aim to fill any vacancy with the best candidate for the job.

As a listed company subject to the obligation that one-third of its Supervisory Board consist of employee representatives, Leifheit AG is required to set targets for the proportion of women on the Board of Management and at the top two management levels. Due to flat hierarchies, we limit our targets to the level immediately below the Board of Management. The target for the proportion of women at this management level has been set at 14.29% and achieved.

**02
Age
structure**

Leifheit employs people of all age groups. The goal is to achieve an appropriate ratio of trainees, young specialists and managers, and employees who have been actively serving the Group for many years. This healthy mix has many advantages: it is the basis for agility and the willingness to change within the organisation and for a culture in which ideas and innovative solutions can grow. At the same time, it is the key to the successful transfer of knowledge and the preservation of expertise and experience. The high number of long-serving employees indicates that Leifheit is an attractive employer capable of retaining employees for many years.

**03
Inter-
national-
ity**

The Leifheit Group supplies products to some 80 countries around the world. At the same time, we employ staff in nine different countries. The Group's workforce includes 26 different nationalities. Promoting internationality and cooperating across borders and cultures are key objectives for the company. They provide the foundation for expanding our international business in line with the "Leifheit 2020" strategy.

Characteristics of the workforce of the Leifheit Group			2016	2017
Average length of service	in years		11.4	11.0
Age structure of employees				
under 30 years	in %		15.6	17.1
30 to 40 years	in %		23.5	21.7
40 to 50 years	in %		25.4	26.1
50 to 60 years	in %		29.4	29.9
over 60 years	in %		6.0	5.2
Average age	in years		43	43
Percentage of employees who are women	in %		49	50
Percentage of women at the first management level	in %		14	14
Number of trainees			28	27
Part-time employees			86	72



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In 2017, the Supervisory Board adopted a diversity concept for the Board of Management and the Supervisory Board which takes account of the recommendations made by the German Corporate Governance Code. Key aspects include different – though complementary – profiles, professional experience and personal experience (including at an international level). Whenever possible, both genders should be appropriately represented as well. The details of the diversity concept are available in the [> declaration of corporate management](#) on our website.

Of the six members of the Supervisory Board of Leifheit AG, five were above the age of 50 in the reporting period, while one member was between 30 and 50 years old. One woman holds a seat on the Supervisory Board, which amounts to a ratio of 17% (2016: 17%).

The Board of Management of Leifheit AG currently consists of three members. Two Board of Management members have foreign citizenship in addition to German citizenship. Two members of the Board of Management were above the age of 50 in the reporting period, while one member was between 30 and 50 years old. No women currently hold a seat on the Board of Management.

Fair and competitive remuneration

Leifheit aims to offer all employees fair and competitive remuneration. Women and men in comparable positions at the Leifheit Group receive the same pay. Pay is determined solely by function and qualification.

The salaries of our senior executives contain fixed and variable components. The current remuneration structure at the company was developed in 2014 on the basis of a global grading. The global grading is regularly updated. It serves to systematically describe and evaluate individual positions within the context of the company structure.

The remuneration of the Supervisory Board is regulated by the articles of incorporation of Leifheit AG. It contains fixed compensation as well as meeting allowances. The members of the Board of Management receive remuneration consisting of a fixed basic annual salary, annual variable remuneration and longer-term variable remuneration. The remuneration report, which is part of the combined management report in the [> annual financial report](#), includes a detailed description of the Board of Management's remuneration system as well as of the Supervisory Board's remuneration.



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Training and education

Promoting the development of expertise

Our HR work is based on the “Leifheit 2020” Group strategy; it is undergoing further development at the same time. A competency model that reflects our interdisciplinary, company-specific expectations of employees and management personnel has been developed in connection with the introduction of our Group strategy. The defined competencies provide orientation in daily working life and are the foundation on which cooperation at the company is built. They are essential to achieving our strategic goals and therefore to the success of Leifheit.

In 2016, the competency model was put into practice and is now an integral part of the regular performance review – the main tool of our HR development efforts especially at our German locations. In in-depth training sessions, management personnel and employees learned how to use the competency model in performance reviews. Accordingly, we promote the capabilities and expert knowledge of our employees at all Group locations.

In financial year 2017, we invested k€ 311 (2016: k€ 581) in training. We draw on a wide range of various HR development tools as indicated in the individual performance reviews. Completed seminar programs designed for rolling out our competency model as well as specific training sessions for individual areas were also held in 2016.

Modern vocational training

As an employer, we have a social responsibility to the regions with our large locations and offer young people there the opportunity of vocational training. At the same time, we find qualified junior staff for Leifheit through the various training courses. Trainees are involved in specific projects at an early stage in their training and are given an opportunity to work independently and take on responsibility.

A total of 27 young people were training as industrial management assistants, IT management assistants, graphic designers or specialists in warehouse logistics at Leifheit AG’s German locations at the end of 2017, including three young people who are completing a program of dual training which combines work with studies for a degree. We were able to provide some of our trainees with the option of international business training.

Among the trainees is one young man who, following an internship and introductory training as part of the Prospects for Young Refugees project, began a commercial apprenticeship in 2016.

In the reporting period, we brought on board seven young people who successfully managed to complete their vocational training. Two of them were able to enter a work-study program financed by us.



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Focus on employee health

Particularly in light of the foreseeable demographic developments and the raising of the retirement age, we take the issue of our employees' health very seriously.

We make every effort to create an appropriate work environment in order to avoid health hazards. The Leifheit Group's policies on occupational, health and fire safety are based on the high statutory requirements at our respective locations and the recommendations of employers' liability insurance associations. We also raise staff awareness concerning how to prevent health issues through appropriate activities, such as different kinds of sport and exercise, information days dedicated to health or smoking cessation courses. We support applicable employee initiatives, such as participating in company runs.

Accidents at work

	2016	2017
Lost time injury rate (LTIR) per 100,000 working hours		
All regions	2.4	2.3
Germany	1.7	1.8
Czech Republic	2.2	2.2
France	4.8	4.8
Number of fatalities	0	0
Number of occupational diseases	1	0

When compiling information on accidents at work, we look at the following companies or locations with more than 50 employees: Leifheit AG in Nassau and Zuzenhausen, Germany; Leifheit s.r.o. in the Czech Republic; Herby Industrie S.A.S., as well as Birambeau SAS and Leifheit-Birambeau S.A., in France. This scope covers approximately 95% of the Group's workforce. We take into account both employees and external staff bound by instructions.

When calculating the lost time injury rate (LTIR), we include work-related accidents that result in at least one day of absence from work and place them in relation to 100,000 working hours. An injury is considered a work-related accident if it arises from the type of and during the work performed, including accidents on company premises and on business trips. Accidents that occur during the commute to and from work are not included. Incidents requiring first aid are usually not reflected in the calculations, as they normally do not result in an absence of more than one day.

When compiling and reporting information on work-related accidents, we follow the respective statutory requirements. The legislation in the European Union corresponds to or goes beyond the Code of the International Labour Organisation (ILO).



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Leifheit once again honoured as a top employer

Leifheit AG was once again certified by the > [Top Employers Institute](#) as a top employer in the German SME sector in financial year 2017. Once more, this provides outside confirmation that we offer our employees an ideal environment in which they can develop and utilize their individual strengths. In view of our constant efforts aimed at sustainable and professional HR work, we are delighted to receive this award again.



“Wir zusammen” initiative

Leifheit is involved in the > [“Wir zusammen”](#) (Joining forces) initiative, which pools the integration initiatives of actors from German business and industry in one network. Members are committed to integration and help drive this process forward. Our initiative focuses on creating specific integration opportunities for individuals, finding common ground with people from different cultural groups and discovering differences that enrich and can advance our society.



Employee rights

Compliance with employee rights established by law and through collective bargaining and the observance of co-determination rights are a matter of course for us. In addition, our employee representatives pay attention that applicable laws and regulations, collective bargaining agreements and works agreements are observed in the interest of employees. The German works constitution act (BetrVG) grants the works council co-determination or the right of participation in social, personnel and economic affairs. It goes without saying that we also observe the applicable employee rights at locations outside Germany. Such rights in France and the Czech Republic are as strict as they are in Germany and, in some cases, even go beyond the requirements of German labour laws. The legislation in the European Union corresponds to or goes beyond the Code of the International Labour Organisation (ILO).



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Ensuring social and environmental standards

Raw materials, semi-finished goods and finished goods are being traded on increasingly globalised markets. As a result, the risk of suppliers disregarding principles of sustainable corporate governance is growing for Leifheit as well. We aim to ensure strict social and environmental standards in the value chain. To this end, we have established requirements for our suppliers in the Social Code of Conduct, whose principles are consistent with the Business Social Compliance Initiative (BSCI), the Conventions of the International Labour Organisation (ILO), the United Nations Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of All Forms of Discrimination against Women, the Principles of the UN Global Compact and the OECD Guidelines for Multinational Companies.

The Social Code of Conduct was applied first and foremost to suppliers in regions with a potentially higher risk of non-compliance with the aforementioned standards. By the end of 2020, we aim to have all active suppliers of direct material that goes into our products (raw materials, consumables and components) and of goods purchased and held for resale sign the agreement on compliance with the Social Code of Conduct.

In Asia, which is potentially prone to greater risk, approximately 90% of our suppliers have already signed the Social Code of Conduct. These manufacturers serve some 90% of our entire purchasing volume from this region. We assess the European procurement markets as involving less risk concerning potential non-compliance with BSCI standards. In this region, we have reached agreements on the Social Code of Conduct with around 40% of our suppliers.

As part of recurrent factory audits on our suppliers' premises, we specifically examine these aspects under social accountability. To date, the audits of our suppliers have not resulted in any negative findings or objections. We regard the actual risk of non-compliance with the Social Code of Conduct by our suppliers as extremely low.

We audit new suppliers in Asia before establishing business relations with them. Apart from performance, the audit also assesses whether the criteria and provisions of our Social Code of Conduct are observed. We perform audits of our European suppliers on a selective basis, as we regard the risk of human rights violations here as extremely low. During the reporting year we audited about 75% of all new suppliers.



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Social concerns

We are committed to our communities

Leifheit is conscious of its responsibility as a company and as an employer. We feel a strong connection to the communities of our mostly rural locations. In most cases, we are a key economic driver in the communities. Our social commitment therefore focuses on our corporate locations where we hope to play a role in securing a sound and attractive environment. In general, donations are coordinated with the Board of Management before being granted.

We support local social, athletic and cultural projects and associations. As part of this commitment, Leifheit regularly sponsors various activities on both a large and small scale. Potential donees must have non-profit status to be eligible. One example of our regular activities is the bazaar, which our trainees organise every year on behalf of social projects. We used the proceeds in 2016 to support the efforts of a community in the region to renovate a playground for children. In reporting year 2017, the proceeds went to a regional animal welfare organisation.

Leifheit-Campus in Nassau

We are involved in efforts to promote education and training at our headquarters in Nassau. Leifheit is a business partner of the Leifheit-Campus grammar school, which was founded in 2015. The school is the result of a private-sector initiative in reaction to the closure of local state schools. The grammar school offers secondary education and is open to all gifted young people, regardless of their parents' income. The G. und I. Leifheit Stiftung, a foundation that is financed by the legacy of company founder Günter Leifheit, is the school's largest sponsor. The main pillar of the partnership between Leifheit-Campus and Leifheit AG is financial support through a scholarship programme. In addition, we equip the school with our products, host annual competitions and offer student internships, career guidance measures and presentations by our experts on appropriate subjects.



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Compliance management system

The confidence of our customers, investors and employees is key to our ability to achieve sustainable growth and to increase company value. We strengthen this confidence through responsible corporate management. Corporate governance and compliance are therefore high priorities at Leifheit.

Through our redesigned compliance management system (CMS), we assist our employees in observing the binding laws and regulations for their work, as well as recognised standards, recommendations and our own guidelines. Effectiveness is both a key basic principle for Leifheit and the goal of commercially responsible conduct.

The Board of Management and the management team of Leifheit are committed to compliance as a leadership duty. The principles of the compliance management system and standards of conduct have been in place for years and are part of the day-to-day business routine. They are available to Leifheit Group employees in German and English.

In their duty to set an example for others, Leifheit managers are instructed to impart and model the principles and policies for their employees. The managers are responsible for ensuring compliance with our code. In 2017, a concept was created for providing our employees with regular training on our compliance principles through online e-learning modules.

We implemented a whistle-blower system in 2017 as well. Our employees and third parties have the possibility of safely passing along tip-offs to an ombudsman if they suspect or have evidence of potential legal violations at the company.

Violations are not tolerated, and all indications of misconduct are followed up. Findings are entered into our risk management system or our internal control and risk management system during the accounting process (ICS). External audits also monitor the effectiveness and adequacy of our CMS.



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The following guidelines in particular serve as our point of orientation:

German Corporate Governance Code

The Board of Management and the Supervisory Board of Leifheit AG base their work on the German Corporate Governance Code (DCGK). In the reporting year, Leifheit complied in full with the guidelines provided therein for good corporate governance. Our declarations of conformity have been published and are permanently accessible. The corporate governance report is part of the annual financial report 2017.

Leifheit competency model

Our competency model depicts our business-specific, interdisciplinary expectations of management personnel and employees. It includes personal, social, business and methodological skills that are crucial to collaboration and our company's long-term success.

Leifheit Code of Conduct

Our employees are bound to the Leifheit Code of Conduct, which lays down basic rules governing social, ethically responsible and lawful conduct at the Leifheit Group and addresses the following issues:

- laws and guidelines
- human rights and discrimination
- occupational health and safety
- environmental and climate protection, and resource efficiency
- compliance with the Business Social Compliance Initiative, the Conventions of the International Labour Organisation, the United Nations Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of All Forms of Discrimination against Women, the Principles of the UN Global Compact and the OECD Guidelines for Multinational Companies

- handling confidential information
- safeguarding the results of R&D activities and product safety
- accurate reporting
- capital market law, insider trading and market manipulation
- fair competition, antitrust law and corruption
- whistle-blower system
- handling invitations, meals/hospitality and gifts
- dealing with conflicts of interest
- data protection

Antitrust compliance policy

Our stance against corruption and violations of antitrust law is also reflected in an antitrust compliance policy.

Insider guidelines

Trade in stocks and the handling of insider information are subject to strict statutory regulations. Compliance with these regulations is monitored by the German Federal Financial Supervisory Authority (BaFin). Our insider guidelines provide an overview of how to handle insider information, the statutory provisions prohibiting insider trading, the unlawful disclosure of insider information, the consequences of such trading or disclosures and the insider list.

Standards for our suppliers

We lay down the standards for our suppliers in a code of conduct. The code of conduct is consistent with the Business Social Compliance Initiative (BSCI), the Conventions of the International Labour Organisation, the United Nations Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the UN Convention on the Elimination of All Forms of Discrimination against Women, the Principles of the UN Global Compact and the OECD Guidelines for Multinational Companies.



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Combating corruption and bribery

Integral part of CMS

Combating corruption and bribery is an integral part of our > **Compliance management system**. Leifheit takes decisive steps against attempted corruption in all areas of business within the Group.

Our Code of Conduct obliges employees not to accept, offer or promise any personal, financial or other benefits, whether directly or indirectly, in order to establish or maintain business relations or other benefits with a third party. Furthermore, such benefits may not be accepted as a quid pro quo for preferential treatment by third parties.

Within the scope of the internal audit department, we initiate external audits of business processes at our sites at regular intervals. These audits also shed light on processes prone to corruption. An internal investigation is initiated immediately in suspected cases.

Three processes at our location in Nassau (2016: two processes) and two European Leifheit locations (2016: two locations) were assessed as part of an internal audit in 2017. No corruption risks were identified as part of the internal audit. In the reporting year

internal investigations held a special investigation at a foreign location due to an external tip regarding an incident from the past. An incident of corruption within the Leifheit Group that dates back a few years became known. Corresponding employment-related actions were taken.

Declaration of corporate management

The statutory declaration of corporate management in accordance with sections 289f and 315d German Commercial Code (HGB) includes the declaration of conformity with the German Corporate Governance Code, the explanation of our corporate management practices, the description of the work methods of the Board of Management and the Supervisory Board, as well as the composition and work methods of their committees, the information on the defined targets according to the German law on the equal participation of women and men in leadership positions and the description of the diversity concept.



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Forward-looking statements

This report contains forward-looking statements which are based on the management's current estimates with regard to future developments. Such statements are subject to risks and uncertainties which are beyond Leifheit's ability to control or estimate precisely, such as statements on the future market environment and economic conditions, the behaviour of other market participants and government measures. If one of these uncertain or unforeseeable factors occurs or the assumptions on which these statements are based prove inaccurate, actual results could differ materially from the results cited explicitly or contained implicitly in these statements. Leifheit neither intends to, nor does it accept any specific obligation to, update forward-looking statements to reflect events or developments after the date of this report.

In the event of any discrepancies between this English translation of the report and the German version, the German version shall take precedence.

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