

# SCALING UP SUCCESS

Sustainability report 2019

**LEIFHEIT**





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The Leifheit Group's sustainability report is addressed to customers, business partners, shareholders and employees, as well as all other stakeholders who are interested in our company's values and principles. Our sustainability report covers Leifheit AG and the companies controlled by it. Deviations are noted accordingly. As part of this sustainability report, the Leifheit Group has prepared for financial year 2019 a separate non-financial Group report as defined under sections 315b and 315c, in conjunction with 289c to 289e, German commercial code (HGB), which is publicly available on the Leifheit website.

This report was not subject to an external audit. The 2019 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 Organization (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

In 2017, we initially held an internal workshop to define the focus of our sustainability concept with the goal of recording the sustainability aspects from our strategy that we deemed relevant, as well as stakeholder interests and demands. 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. Since then, this assessment has been validated annually, most recently at the end of 2019.

Non-financial topics are deemed to be material within the meaning of section 289c of the German commercial code if they have a major impact on CSR aspects (environment, employees, human rights, social issues and anti-corruption) and are relevant to the company's business activity (business performance, outcomes, situation). Our customers' trust and satisfaction, an efficient value chain, and dedicated and highly trained employees are material to the Leifheit Group's business success. We have identified the topics for the non-financial Group report against this background.



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The portions of the non-financial Group report in accordance with section 315b, 315c of the German commercial code in conjunction with section 289c et seq. of the German commercial code in this report are marked with a vertical line.

In this sustainability report, we also describe measures and initiatives by the Leifheit Group that demonstrate our wide-ranging commitment to corporate responsibility. Specifically, we take respecting human rights in the supply chain seriously and report on the topic on page 30, even though it is not materially relevant to the assessment of the Group's net assets, financial position and results of operations.

External links guide readers to websites with further information that is not part of the non-financial Group report. For reasons of readability, we have not used both male and female gender descriptions in this report. At all times, however, we mean persons of both male and female genders.

## 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 (CFO) 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.



# Our business model

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The Leifheit Group is one of the leading European brand suppliers of household items. The company offers high-quality and innovative products and solutions that make everyday life at home easier and more convenient.

The Leifheit Group divides its operating business into Household, Wellbeing and Private Label segments. Our core business consists of the Household and Wellbeing segments with the Leifheit and Soehnle brands – two of Germany’s best-known brands in our market. Our products in these segments are known for high quality in connection with great utility for consumers. With our French subsidiaries Birambeau and Herby, we maintain a market presence in the service-oriented Private Label segment through a selected product range that is primarily marketed as private-label brands.

We focus on core areas of expertise in the product categories of cleaning, laundry care, kitchen goods and wellbeing across all three business segments. Laundry care products, accounting for around 41% of turnover, are the largest product category. We generate 34% of Group turnover with cleaning products; some 16% of Group turnover comes from kitchen goods. The wellbeing category includes the Soehnle brand products and accounts for around 9% of turnover. We develop our products using our own in-house development departments. This is especially beneficial for the Household and Wellbeing segments.

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 operate 14 locations and branches of our own, including five logistics and production sites in Germany, the Czech Republic and France. Production takes place at our own production plants, as well as at the facilities of suppliers located in various countries in Europe and Asia.

The Leifheit Group sells its products in more than 80 countries around the world. The key sales markets are our domestic market of Germany, accounting for a share of around 40% of turnover, and the countries of Central Europe, with a share of approximately 43%. The sales and distribution region of Central Europe includes the Netherlands, France and Austria, for example. In 2019, we generated around 13% of our turnover in Eastern European growth markets, such as the Czech Republic, Poland and Slovakia.

We are focusing our sales and marketing activities on European target markets. In addition, we intensified our efforts in the Asia/Pacific region in the reporting period. In other regions outside of Europe, such as in the US and the Middle East, we distribute our products mainly through distributors and conduct spot business if corresponding market opportunities present themselves. Non-European markets currently account for roughly 4% of Group turnover.

Additional information can be found in the combined management report of the Leifheit Group in the chapter “Foundations of the Group”. › [Annual financial report](#)



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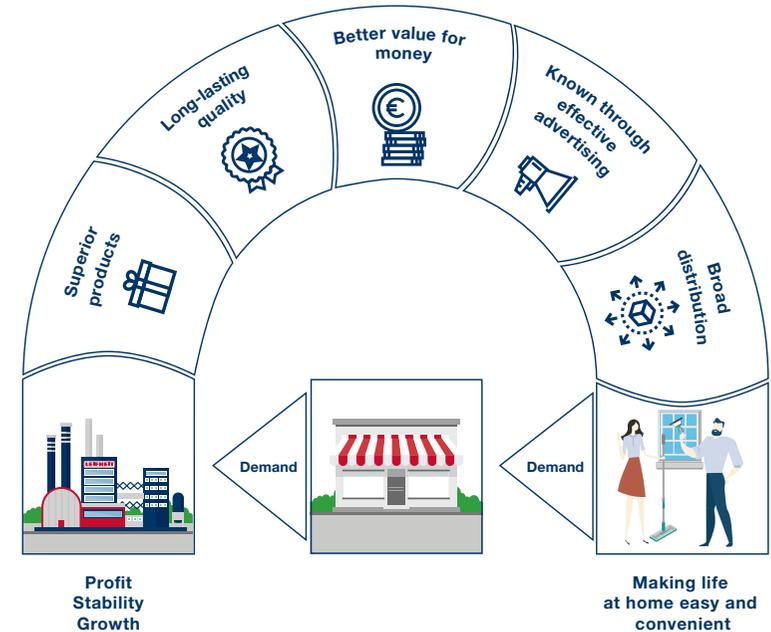
# Our strategy

For over 60 years, we have been helping to make everyday life at home a little easier and more convenient by way of our products. That is our mission. Through it all, our focus is always on the needs of consumers.

At Leifheit, multiple factors form the foundation for the further implementation of our business strategy: We have products that offer a high degree of consumer benefit and excellent quality, as reflected in excellent reviews. Many of our products regularly win top scores in tests by respected institutes. In 2019, Leifheit Group products received more than 20 awards.

At the same time, we are well positioned in many European markets thanks to our two high-profile brands, Leifheit and Soehnle. Another important factor for Leifheit is its employees. Their specific expertise and dedication help the company to achieve its goals and targets.

We aim to do an even more systematic and consistent job of building on our existing strengths – excellent products, strong brands and outstanding employees – to ensure sustained profitable growth going forward while also creating added value for consumers. For us, this means: **Scaling up Success.**





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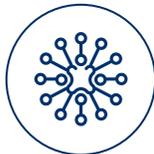
## Scaling up success: strategic areas of action

Through our Scaling up Success strategy, we are addressing four strategic areas of action:



### Exciting consumers

Consumers are at the centre of all our activities. We offer them products of convincing, durable quality that make life at home easier and more convenient, along with best-in-class service and attractive value for money. To significantly strengthen awareness of our brands and products among consumers, we are making targeted investments in tested and scalable consumer advertising.



### Expanding distribution

Our distribution activities focus on leveraging distribution potential within sales structures and attracting additional bricks-and-mortar and online retail partners, both nationally and internationally. Our investments in consumer advertising and our strengthened brands will help us in this process. In addition, we are helping to increase sales for our retail partners through joint marketing activities and POS campaigns.



### Increasing profitability

We are focusing all of our activities on sustainable and profitable growth and are structuring our organisation accordingly. At the same time, we are reducing complexity and optimising our cost structures throughout the value chain. In the process, we are sharpening our focus on our higher-margin, Europe-made core products. Through a focused approach to innovation, we are also gearing our research and development processes towards this goal.



### Shaping culture

Our employees are the basis for our success. They play a key role in the success of the company through their specific expertise and dedication. For this reason, we plan to continue boosting our attractiveness as an employer. We are investing in our employees' personal and professional growth and are providing opportunities for training and education. At the same time, we aim to create a fun, friendly, fast and fearless corporate culture in which we pursue our goals with joy, speed and boldness and act accordingly.

We derive the areas of action for sustainability from our strategy.



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# Risk management for non-financial aspects

Strategic management of opportunities and risks serves as the basis for the value-oriented development of the Leifheit Group. We have therefore set up a risk management system that helps identify risks early, analyse them and take suitable measures. More detailed information on the risk management system can be found in the combined management report of the Leifheit Group in the opportunities and risks report. › [Annual financial report](#)

The goal of our risk management system is to determine what adverse effects risks could have in defined risk areas, such as the business situation, net assets, financial position and results of operations or our image. Risks are also analysed to determine whether they pose a danger to Leifheit as a going concern. Sustainability aspects are also taken into account within the scope of the following Leifheit-specific risk areas:

- 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

Since 2019, the risk management system has also recorded non-financial risks associated with the company's business activities, business relationships and products, and the impact on the aspects of

- environmental issues,
- employee matters,
- social concerns,
- human rights and
- compliance (corruption and bribery)

as described in section 289c of the German commercial code. This risks have so far been recorded in a separate process.

No material issues became known in the reporting year which result from the Leifheit Group's operations and have or will have a highly adverse effect on the non-financial aspects described in section 289c of the German commercial code or which are extremely likely to occur.



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# Stakeholder dialogue

Dialogue with stakeholders is essential to responsible corporate governance. Leifheit is therefore open to constructive dialogue with all stakeholders.

## Our key stakeholders



**Consumers and retail customers**



**Investors and capital market participants**



**Employees**



**Suppliers**

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. We also communicate with the general public, by which we mean media, associations, initiatives, municipalities and civil society. Constant exchange promotes our understanding of the requirements and needs of all sides.



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## Consumers and retail customers



Consumers are the most important target group. They are at the centre of all our activities. We make targeted investments in consumer communication and are constantly enhancing our consumer service. Through consumer research, we involve consumers in our product development process at an early stage. In addition, the analysis of product reviews on online portals gives us insights into how consumers perceive our products and our service. By closely involving our consumer hotline, the development team and quality management, we ensure that consumers' comments and criticism are taken into account. Our websites > [leifheit-group.com](https://leifheit-group.com), > [leifheit.com](https://leifheit.com) and > [soehnle.com](https://soehnle.com), as well as social media accounts on platforms such as Facebook, offer consumers direct contact options.

We encourage and maintain contact with 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 staff.

## 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 the capital market with 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.

The Board of Management is in direct contact with analysts and investors through analyst conferences and regular participation in capital market conferences, as well as one-on-one meetings. Our Annual General Meeting offers our shareholders a forum for direct dialogue. Our website also allows anyone interested 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 regular 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.

In addition, we offer our workforce supplementary information and dialogue formats such as the "Lunch and Learn" events, which were launched in the reporting period and are aimed at promoting exchange between employees from different departments. The annual appraisal meeting with direct supervisors also continues to play a central role here. Employees additionally have the opportunity to discuss their concerns with executives as senior as the Board of Management thanks to our "open door principle". In the reporting period, we began introducing agile working methods that contribute to the transparency of targets, progress and results through a weekly objectives and key results (OKR) report that is addressed to all employees at our locations in Nassau, Zuzenhausen and Blatná.

## 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 relevant business, financial and trade media, as well as the local media, as part of at least one annual press conference, as well as in interviews and at press events. We are also in contact with various professional organisations and interest groups, such as the German Brands Association, the German parquet industry association (Verband der Deutschen Parkettindustrie) and the German investor relations association Deutscher Investor Relations Verband (DIRK). In addition, we engage in regular dialogue with municipalities and civil society at our locations and take their needs and concerns into account.



# Our brands

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Our Scaling up Success strategy centres around the further expansion of our strategic core business involving the Household and Wellbeing segments. Through the significant strengthening of consumer advertising, we intend to systematically develop the Leifheit and Soehnle brands, enhance their profiles and strengthen their competitive positions.

### Leifheit – How housework’s done today

For 60 years, Leifheit has been one of the leading brands for household products in Germany and many European markets. Our aim is to offer product solutions in the cleaning, laundry care and kitchen goods categories under the Leifheit brand 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 the home more attractive – so that there is more time for the important things in life. The claim “How housework’s done today” underscores this positioning.

### Our brands



### Soehnle – Passion for precision

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, more than 150 years later, Soehnle is among the leading providers of bathroom and kitchen scales.

With market share of 27.0% for bathroom scales and 39.2% 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 with its claim “Passion for precision”. From scales and blood pressure gauges to new product categories such as air treatment and the innovative Soehnle Connect app, Soehnle has been drawing on its brand expertise for over 150 years to help people stay in shape and live healthier – consciously!



# Innovation and product management

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Leifheit aims to develop products and solutions that make consumers' lives at home easier and more convenient. Consumer-relevant products and solutions play an important role in the further organic growth of the Group. Our Scaling up Success strategy focuses on the development of innovations with unique consumer benefits and tremendous market potential.

## Innovation strategy and product development process

For the innovation and product development strategy, this means in particular:

- focusing innovation resources on a limited number of major innovation projects
- intensifying consumer research in order to understand unsolved consumer problems and suitable potential benefits that are completely new for consumers
- upholding our proven strengths of excellent practicality and product durability combined with functional yet aesthetically appealing design as a foundation
- stepping up systematic activities to draw inspiration from outside the company (scouting)
- introducing agile working methods such as Scrum to do an even more targeted and efficient job of meeting consumers' needs

Additional information on the innovation strategy can be found in the combined management report of the Leifheit Group in the chapter "Foundations of the Group". > [Annual financial report](#)

## Sustainability aspects in product development

We provide durable, high-quality products. They should provide outstanding benefits while also having a minimal impact on the environment – during production, in use and after disposal. We start laying the groundwork for achieving this goal while creating our products. Development and product management take an in-depth look at consumers' needs when it comes to their daily housework. They then use this information to derive potential improvements to existing products and assess opportunities for new solutions. After that, designers and developers get to work on innovative ideas and new concepts. A network of international suppliers and innovation partners support us in implementing our ideas. Consumers, whom we involve in our product development process at an early stage by way of consumer research and usability tests, provide us with important feedback. Our design credentials help to ensure that our products are not only easy and convenient to use, but also aesthetically appealing.

Even after launch, we remain close to consumers and their needs. To this end, we have increased our focus on our consumer hotline and on evaluation product reviews on online portals. All of this helps us to constantly improve the practical utility and quality of our existing products while also quickly launching demand-driven innovations.



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Leifheit takes sustainability aspects into account throughout the development process. At the beginning of the product development process, we define the requirements for the product in a detailed specification document. Sustainability aspects are also taken into account. During the development 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 at the end of the development process ensure that the product truly meets all defined requirements.

We start laying the groundwork for conserving resources during production in the development and design phase. 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. Computer simulation programs (known as finite element programs) 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.

During the development phase, we also review the extent to which recycled materials can be used in production. For example, nearly all excess material, such as casting parts, is reused during the plastic injection moulding process. As a result, most of the plastic parts we produce are made up of roughly 5% to 15% recycled materials.

We take steps towards conformity to ensure compliance with applicable regulations, guidelines and laws in the manufacturing of products, their use and finally disposal, including

- 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).

## Product safety

It is our aim to rule out health and safety risks for consumers. We therefore test our products extensively. Independent testing institutes such as VDE, DEKRA or TÜV are also involved in the process. Many of our products undergo GS testing, for example. The globally recognised GS mark confirms that our products meet the quality and safety standards of the German product safety act (ProdSG).

## Our products

We have high standards for our products in terms of their quality and workmanship, but above all their functionality and the results they provide consumers. Many of our products work without electricity. As a result, our Leifheit 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 our electrical cleaning appliances, 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. One consideration is the energy savings associated with the manufacture and use of our products. Another important aim is to manufacture long-lasting products, as a long product life cycle likewise markedly improves our products' eco-efficiency. We achieve this objective by ensuring the high quality, functionality and durable design of our products. As anchored in our strategy, we view high quality, functionality and durable design as being the key to achieving this objective.



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# Marketing and distribution

## Consumers in focus

Consumers are at the centre of our new Scaling up Success strategy. We want to excite them with our excellent products. Consumers are therefore also at the centre of our marketing activities. We reach them through significantly increased consumer advertising, which we tested successfully in selected markets in the reporting period.

We plan to make massive investments in TV advertising in Germany, Austria, the Netherlands, Belgium and other selected test markets in 2020. In the reporting period, we carefully tested and evaluated some 30 commercials prior to the campaign. The TV adverts will focus primarily on proven Leifheit bestsellers. These activities will be supported by targeted online and offline advertising measures, as well as tailored POS and product presentation concepts for our retail customers.

Our goal is to be close to the consumer, to react to enquiries as quickly as possible and to understand the current needs of our customers. We are constantly working to further improve our communication and our consumer service.

## Expanding distribution

We distribute our products through all relevant channels, from classic bricks-and-mortar retail to pure e-commerce. Our distribution activities focus on leveraging distribution potential within sales structures and attracting additional bricks-and-mortar and online retail partners, both nationally and internationally. Our strengthened investments in consumer advertising will help us in this process.

In 2019, we continued our projects launched in 2018 that are aimed at more efficiently linking online and offline sales channels. Our aim in doing so was to centrally coordinate online activities throughout Europe and create a common platform. One focal point was to create our own web shop of Leifheit products in Germany, which went online in early 2020.



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## Awards for brands and products

For many consumers, seals of approval are an important source of information when it comes to judging product quality. We take a closer look at the various test results and initiate measures to improve our products if necessary. In 2019, many of our products were once again tested, certified or received awards for their innovation, user-friendliness and product quality.

For example, two Leifheit floor wipers from the Profi line and the Leifheit CleanTenso steam cleaner received a score of “very good” from the magazine “Haus- und Garten-Test”. The CLEAN TWIST cleaning system won top scores in a test by Consumentenbond, the largest consumer organisation in the Netherlands.

The Regulus PowerVac 2in1 cordless vacuum cleaner won four awards, including the coveted Plus X Award, in 2018, its first year on the market. It was also named Best Product of the Year 2018. In the reporting year, it received a score of “good” from “Haus- und Garten-Test”. The magazine also tested the Leifheit Dry & Clean window vacuum cleaner and awarded it a score of “very good”.

In 2019, the LinoPop-Up 140 rotary dryer received the Plus X Award for high quality and ease of use. From our range of drying products, the Pegasus 180 Solid laundry drying rack, the LinoProtect 400 rotary dryer and two Linomatic-series rotary dryers scored highly in tests by “Haus- und Garten-Test”. With a score of 1.0 – the highest rating possible – the proven Columbus insulation jug, a product of our kitchen category, won the test.

Also Soehnle scales, blood pressure monitors and air treatment devices received positive test results in 2019, as well as various certification and recommendation seals.

ETM Testmagazin named the Soehnle Food Control Easy nutritional analysis scale and the Silva Stainless Steel analogue kitchen scale its test winners. The magazine rated two Soehnle blood pressure monitors from the Systo Monitor series “good” and “very good”, and the Systo Monitor Connect 300 even won the test in its category in “Haus- und Garten-Test”. The AirFresh Hygro 500 air humidifier and AirFresh Clean 300 air purifier also received top scores from the online platform testsieger.de.



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Awards for Leifheit products<sup>1</sup>



LinoProtect 400  
rotary dryer



Linomatic 500  
Deluxe Cover and 400 easy  
rotary dryers



Columbus  
insulating jug



LinoPop-up 140  
standing rotary dryer



Pegasus 180 Solid  
drying rack

<sup>1</sup> Selection for 2018 and 2019

## Awards for Leifheit products<sup>1</sup>



Dry & Clean  
window vacuum cleaner



Regulus PowerVac 2 in 1  
cordless vacuum cleaner



CleanTenso  
steam cleaner



Profi Micro Duo Aluminium  
floor wiper



CLEAN TWIST  
mop system

<sup>1</sup> Selection for 2018 and 2019



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## Awards for Soehnle products<sup>1</sup>



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kitchen scale



Food Control Easy  
kitchen scale



Silvia  
kitchen scale



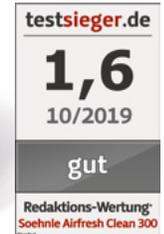
Systo Monitor Connect 300  
blood pressure monitor



AirFresh Hygro 500  
air humidifier



AirFresh Clean 300  
air purifier



<sup>1</sup> Selection for 2018 and 2019



# Procurement, logistics and production

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The Leifheit Group has three production locations of its own. They are situated in Nassau (Germany, headquarters 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 2019, as in the previous year, approximately 54% 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.

Fast and efficient logistics are essential to the international growth of the Leifheit Group. Our central distribution centre in Zuzenhausen (Germany), with its logistics satellite in the Czech Republic (Blatná) and a logistics platform in Asia, form the foundation for the efficient and on-time global distribution of our products.

Our organisational structures and SAP-based processes enable us to respond flexibly and efficiently at our production sites and 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.

## Procurement

In terms of procurement, we mainly purchase raw materials, components and merchandise held for resale, in addition to energy and services. We draw on a global network of qualified supplier partners with the aim of a continuous, cost-optimised supply with a high level of quality. In financial year 2019, we initiated projects to shorten replacement times.

## Logistics

The Leifheit Group's central logistics hub is the distribution centre in Zuzenhausen, in the north of the German region of Baden, where we employed 120 people at the end of 2019 (2018: 129 employees). In the reporting period, we further optimised the parcel delivery processing system at the site in order to meet the demands associated with the growth in e-commerce, allowing us to efficiently handle the growing number of parcels to be delivered directly to consumers and create the logistics conditions for the start of our new web shop in Germany.



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By implementing a system in 2019 to consolidate the shipments that used to be handled by shipping companies, we have improved the delivery quality and punctuality of our shipments to customers. We successfully completed the introduction of Pick-by-Vision as part of picking and warehousing processes aided by augmented reality in the reporting period, leading to the expected efficiency and quality gains in logistics.

We plan to further strengthen our distribution activities in selected Eastern European markets. Since mid-2016, our logistics activities have been complemented by the Leifheit Distribution Center Eastern Europe at our location in Blatná, Czech Republic, which features 4,500 square metres of logistics space. As a result, we have been able to directly link the Eastern European growth markets to production. The growing e-commerce business, direct delivery to consumers by the two web shops in Poland and the Czech Republic, and the direct distribution of large-scale campaigns have also been successfully expanded. By integrating the manufacturing site into our logistics for European distribution, we expect to further significantly reduce our annual CO<sub>2</sub> emissions.

Besides founding the distribution company Guangzhou Leifheit Trading Co., Ltd., Leifheit partnered with a logistics service provider to set up a small-scale logistics hub near the eastern Chinese city of Ningbo in 2018. In the reporting period, we succeeded in expanding our distribution activities in the Asia/Pacific region and delivering selected product ranges with shorter transport distances directly to customers in the region with the help of this hub.

## Manufacturing and production

Measures aimed at increasing resource efficiency in production help us to strengthen our competitiveness while also reducing the impact on the environment. Our goal is therefore to focus on lean and efficient production while also ensuring process stability and our ability to deliver. That is why we are constantly investing in improving our production facilities.

This is especially true at our Czech location in Blatná, the largest plant within the Leifheit Group. Our subsidiary Leifheit s.r.o. employed 436 people there as at the end of 2019 (2018: 436). Measuring roughly 25,500 square metres, the plant in Blatná, Czech Republic produces laundry dryers, ironing boards and cleaning appliances in particular.

In preparation for our large-scale TV campaign in 2020, we expanded our laundry drying rack and wiping device production facilities in Blatná by roughly 50% in 2019. Furthermore, a component with powerful cyclonic technology for fast colour changes was added to the modern powder-coating facility that went into operation in 2017. The component makes changing colours fast and efficient, without the loss of materials. We already took measures to shorten distances at the plant and to reduce heat thermal losses in 2018.



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The use of fully automatic sewing units, which use robotic support to loop and sew wiper covers in a single step, was also increased. Such equipment reduces the amount of space needed and ensures precise consistency during the sewing process while reducing the amount of material used for thread.

We mainly use plasticiser-free polypropylenes in most of our plastic products. Sprayers, in addition to the semi-finished goods from parts, are regranulated directly on the machine and are reused. All machines at the Nassau and Blatná locations have been equipped with flexible regranulators. Larger colour extruders are regranulated using large central regranulators and are reused. As a result, we have been able to reduce material consumption by roughly 7% to 10%.

With 57 employees (2018: 61 employees), Leifheit AG operates an injection moulding plant and a highly automated production line for rotary dryers in Nassau, Germany. Constant technical improvements to equipment and our employees' outstanding professionalism and flexibility made it possible to produce large quantities at this location without downtime.

Our French subsidiary Herby, located in La Loupe, chiefly produces tower dryers, classic dryer racks and wall dryer racks for the Private Label segment. As at the end of financial year 2019, it had 81 employees (2018: 86 employees). The integrated manufacturing process includes metal forming, surface finishing and injection moulding.

**Efficiency through digitalisation**

Further improving the efficiency of our internal processes is a strategic goal. We have analysed and further improved our processes with the help of process mining by optimising the order-to-cash (OTC) process at the point where distribution and logistics information intersects. In particular, we completed the standardisation of SAP scheduling with order processing times, integrated freight cost controlling systems with a service provider interface, and fast and lean incoming order processes with the parallel introduction of SAP ERP at the Blatná location in 2019. This will contribute to efficient processes along the supply chain in future.



# Resource management

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## Efficient use of resources without compromising on quality

One of our important strategic goals is a high level of efficiency in the value chain. In addition to efficient processes, the continuous improvement of resource efficiency in production plays an important role in this. This not only helps to protect the climate and the environment, but also saves costs and guarantees our competitiveness. We therefore emphasise the efficient use of materials in the manufacturing of our products in order to counteract the growing scarcity of resources and rising prices of commodities – something we already take into consideration 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 high standards for product quality, functionality and durability.

## Use of resources

In financial year 2019, we used a total of 17.3 kilotonnes of materials (2018: 16.9 kilotonnes) in the manufacturing of our products. The majority of that comprises metals in the form of steel and aluminium, as well as plastic granulate, 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. Waste is recycled and reused to a large extent. Only small amounts of hazardous waste are generated during the production process, 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.

## 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		2017	2018	2019
Raw materials	kg	4,981	4,890	3,997
Consumables and supplies	kg	50,920	52,879	44,229
Semi-finished products or goods	kg	15,038,349	14,969,730	15,348,864
Packaging material	kg	1,929,988	1,892,545	1,889,488



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Energy consumption within the organisation

Energy consumption		2017	2018	2019
Fuel	MWh	1,450	2,262	2,142
Electricity	MWh	15,807	15,943	15,457
Heating energy	MWh	17,834	17,431	19,445
Total energy consumption	MWh	35,092	35,568	37,044
Electricity needs in relation to the semi-finished products or goods used and processed	kWh/kg	1.05	1.07	1.01

In the reporting period, total energy consumption increased slightly compared to 2018. This development was due in particular to the weather-related rise in heating energy consumption. The increased energy consumption within the organisation since 2018 was attributable to the switch from independent sales representatives to an in-house field sales team in Germany.

The percentage of electricity from renewable sources depends on the electricity mix of our energy suppliers. In Germany, that figure stood at around 66% in 2019 (2018: roughly 64%). The calculations are based either on measurements; in some cases, we draw on the consumption bills from the utility companies.

Water withdrawal by source

Water withdrawal		2017	2018	2019
From municipal water supplies	m <sup>3</sup>	13,458	13,724	14,673

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		2017	2018	2019
Hazardous waste					
	Landfill	t	72	82	47
Non-hazardous waste					
	Reuse	t	446	618	555
	Recycling	t	860	780	948
	Composting	t	95	134	187
	Incineration (mass burn)	t	314	296	374
	Landfill	t	75	21	37

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

Dual system

The reuse and recycling of packaging as part of the dual system plays an important role in saving energy, resources and emissions. Recycling is geared towards harvesting secondary raw materials, such as plastic regranulate, that can be used to make new products. The use of secondary raw materials therefore saves primary raw materials such as mineral oil, thereby reducing decrease in greenhouse gases. Leifheit AG works with Der Grüne Punkt to recycle packaging within the scope of the dual system.



# Energy efficiency measures

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In 2019, we again performed a comprehensive DIN EN 16247-1 energy audit at our locations in Germany and the Czech Republic in accordance with the statutory provisions (sections 8 et seqq. German act on energy services and other energy efficiency measures (EDL-G)). The next energy audit is planned for 2023. The most recent audit took place in 2014.

The energy audits resulted in a variety of measures for reducing energy consumption that we are successively implementing at our locations in Nassau (Germany), Zuzenhausen (Germany) and Blatná (Czech Republic). They include

- 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,
- identifying and reducing consumption peaks by installing additional electricity meters,
- training employees on and raising their awareness of energy efficiency, lighting and heat loss when setting machines, for example.

The system technology in our production areas also undergoes regular 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.

In this context, we invested in three fully-electric injection moulding machines and a hybrid machine for plastics manufacturing in Blatná in 2018. Two of those machines were installed in 2018, while two others went into operation in spring 2019. We expect their significantly lower energy consumption and lower cycle times, compared to the hydraulic systems used in the past, to result in energy savings of approximately 25%. Employees working with the fully-electric systems will also be subjected to significantly lower levels of noise.

In the reporting period, we initiated orders for three additional hybrid machines for plastics manufacturing with the aim of using multiple-cavity tools in line with a lean approach. The advantage of doing so is that we can make products on additional manufacturing cells directly in the injection moulding area, thereby reducing the transport of semi-finished goods. Closed-circuit cooling systems in plastics manufacturing also conserve water resources and ensure a high degree of energy efficiency.



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## HR strategy

Highly trained and motivated employees are essential to our ability to achieve our ambitious operating and strategic targets. Demographic developments and the associated worsening shortage of highly qualified workers, which is particularly noticeable where technical professions are concerned, are a key challenge. Our strategic HR work allows us to rise to the challenges presented by the labour market. We invest in our employees and provide opportunities for training and development. At the same time, we aim to create a fun, friendly, fast and fearless corporate culture in which we pursue our goals with joy, speed and boldness. Our vision is for our employees to tackle the challenges they face with a sense of fun and joy, and with speed and confidence, so as to better leverage our company's potential in future.

## Focus on employer attractiveness

We are making a special effort to recruit and retain good staff in the long term. For example, we offer various opportunities for development, despite our relatively small company size and flat hierarchies. 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 sensitise our staff to preventing health issues and provide activities to promote good health. We aim to offer all our employees competitive remuneration and prize diversity among our staff.

Employee structure of the Leifheit Group	31 Dec 2017	31 Dec 2018	31 Dec 2019
Group	1,137	1,119	1,106
Household	930	905	906
Wellbeing	48	56	52
Private Label	159	158	148
Germany	412	420	413
Czech Republic	500	454	457
France	163	162	153
Other countries	62	83	83

## Diversity and equal opportunities

### Leifheit aims for diversity in its workforce

The Leifheit Group is active in many different countries. 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. We do not tolerate any form of discrimination and are committed to providing equal opportunities regardless of age, gender, religion, ethnic background or sexual orientation.

Neither the ombudsman nor the works council or HR management team were made aware of any discrimination at the Leifheit Group in the reporting period, and no such cases were reported via the Integrity Line.



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**Diversity management**

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

**01  
Gender  
diversity**

We pay attention to an appropriate proportion of women to men at the company. Their ratios as a percentage of the workforce are already balanced. In the reporting period, women accounted for 50.4% of the workforce at the Leifheit Group (2018: 50.1%). We also want to see the diversity of our workforce 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 methodical skills and abilities.

After all, we aim to fill any vacancy with the best candidate. As a listed company, Leifheit AG complies with the legal requirement that it set targets for the proportion of women on the Board of Management and at the top two management levels. Due to our 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%. It was exceeded at year-end 2019.

**02  
Age  
structure**

Leifheit employs people of various age groups. We strive to achieve an appropriate ratio of trainees, young specialists and managers, and employees who have been actively serving the company 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 preservation of expertise and experience, as well as the successful transfer of knowledge.

The high number of long-serving employees demonstrates that Leifheit is an attractive employer that is capable of retaining employees for many years.

**03  
Inter-  
nationality**

The Leifheit Group supplies its products to some 80 countries around the world. At the same time, the company employs staff in nine different countries. The Group's workforce includes 33 different nationalities, with 19 nationalities at our German locations alone.

Promoting internationality and cooperating across borders and cultures are the foundation for the successful expansion of our international business.

Characteristics of the Leifheit Group workforce	2017	2018	2019
Average length of service in years	11.0	11.6	12.0
Age structure of employees			
under 30 years	in %	17	15
30 to 40 years	in %	22	21
40 to 50 years	in %	26	27
50 to 60 years	in %	30	30
over 60 years	in %	5	8
Average age	in years	43	44
Percentage of employees who are women	in %	50	50
Percentage of women at the first management level	in %	14	14
Number of trainees		27	29
Part-time employees		72	86



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## Fair and competitive remuneration

Leifheit aims to offer all employees fair and competitive remuneration. 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 2015 on the basis of a global grading and is regularly updated. The global grading serves to systematically describe and evaluate individual positions within the context of the company structure.

Remuneration of the Board of Management and the Supervisory Board aims to support a long-term successful development of the company. The remuneration of the Supervisory Board is set by the articles of incorporation of Leifheit AG. In the reporting period, the Annual General Meeting of Leifheit AG revised art. 12 of the articles of incorporation to amend Supervisory Board remuneration with effect from 1 June 2019. In addition to the reimbursement of expenses, and a flat-rate for office expenses, the Supervisory Board receives fixed remuneration, meeting allowances and short-term performance-related remuneration. The Annual General Meeting also resolved to give the Supervisory Board long-term variable remuneration within the framework of a Long Term Incentive Program (LTIP).

The Supervisory Board adjusted the remuneration system for the Board of Management with effect from 1 January 2019. The system consists of three components: a fixed basic remuneration component and two variable remuneration components – a short-term incentive (STI) and a long-term incentive (LTI). 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.

## Training and education

### Competencies for a successful corporate culture

In the scope of strategy development in 2015, Leifheit created a competency model that defines the company's interdisciplinary, company-specific expectations of employees and management personnel. The defined competencies provide orientation with regard to the required behaviour in daily working life, and are the foundation on which cooperation at the company is built. They are also offer an important basis for our HR tools. The competency model is therefore an integral part of the regular performance review, the main tool of our HR development efforts. It helps us to identify and develop potential and talent. In training sessions, management personnel and employees have learned how to use the competency model in performance reviews, especially at our German locations.

We promote the capabilities and expert knowledge of our employees at all Group locations. In financial year 2019, we invested k€ 275 (2018: k€ 289) in training. We draw on various HR development tools as indicated in the individual performance reviews.



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### Outstanding vocational training

As an employer, we also have a social responsibility to the regions with our locations and offer young people the opportunity of vocational training. At the same time, we find qualified junior staff for our company through the various training courses.

We want our trainees to develop an understanding of interconnections and responsibility at an early stage. To achieve that, trainees are involved in cross-departmental projects that give them scope for independent action from the start of their training. The two most important of those projects are the junior company and training marketing. The junior company is headed by six to eight trainees and is responsible for the business management of the plant shops. In the scope of training marketing, the trainees independently manage our social media channels and join the vocational training team in representing the company at the appropriate fairs to promote and develop entrepreneurial thinking during training.

In the reporting year, as in the previous year, we were recognised as one of Germany's best vocational training companies for 2019 (Deutschlands beste Ausbildungsbetriebe 2019). The award was based on a study conducted by IMWF Institut für Management- und Wirtschaftsforschung GmbH on behalf of DEUTSCHLAND TEST and the business magazine FOCUS-MONEY. We are very pleased about this recognition. It confirms that we are on the right path with our vocational training concept.

A total of 34 young people were training as industrial management assistants, IT management assistants, graphic designers or specialists in warehouse logistics at the Leifheit Group's German locations at the end of 2019 (end of 2018: 29), including six 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. In the reporting year, we also supported 12 employees who were engaged in a part-time course of studies.

Through our vocational training programme, we also aim to make a contribution to the integration of refugees in the German labour market. Our trainees include two young men who completed introductory training as part of the Prospects for Young Refugees project ("Perspektiven für junge Flüchtlinge").

In 2019, we brought on board five young people (2018: seven) who successfully managed to complete their vocational training.



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## Promoting employee health

In light of 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, and information days dedicated to health. Likewise, we support applicable employee initiatives, such as participating in company runs.

### Accidents at work

	2017	2018	2019
Lost time injury rate (LTIR) per 100,000 working hours			
All regions	2.3	2.0	2.2
Germany	1.8	1.3	1.8
Czech Republic	2.2	3.3	2.3
France	4.8	3.8	3.0
Number of fatalities	0.0	0.0	0.0
Number of occupational diseases	0.0	1.0	2.0

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., Birambeau S.A.S. and Leifheit-Birambeau S.A.S. 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 Organization (ILO).



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### “Wir zusammen” initiative

Leifheit was a member of the > **“Wir zusammen”** (Joining forces) initiative, which pooled the integration initiatives of actors from German business and industry in one network between 2016 and 2019. Over 230 companies joined the “Wir zusammen” network to give refugees long-term professional prospects while also filling openings in their own workforce. The initiative focused on creating specific integration opportunities for finding common ground with people from different cultural groups and discovering differences that enrich and can advance our society.



### Employee rights

In our Code of Conduct, we state that we will comply with legally defined employee rights and honour co-determination rights. We work with our employee representatives to ensure 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 in Germany co-determination or the right of participation in social, personnel and economic affairs. We also observe the applicable employee rights at foreign locations. 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 Organization (ILO).



# Human rights

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## Social and environmental standards in the supply chain

Respecting human rights is a fundamental value for companies that do business ethically. Raw materials, semi-finished goods and finished goods are being traded on increasingly globalised markets. As a result, Leifheit also faces the risk of suppliers disregarding principles of sustainable corporate governance. We aim to ensure the acceptance and implementation of strict social and environmental standards in our supply 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 Organization (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.

By the end of 2020, we aim to have all active suppliers of direct material that goes into our products and all suppliers of goods purchased and held for resale within the Leifheit Group sign the agreement on compliance with the Social Code of Conduct. In the reporting year, we came a step closer to that goal. To date, the Social Code of Conduct has been signed by 61% (2018: 39%) of the suppliers of the Leifheit Group. That equates to approximately 91% of all suppliers of Leifheit Aktiengesellschaft.

Social accountability aspects are also examined as part of recurrent factory audits of current suppliers. In the reporting period, 32 (2018: 57) of our existing suppliers were subject to an audit. The audits indicated that most suppliers were in compliance with social, occupational health and safety, and environmental protection standards.

We generally audit new suppliers of production materials and goods purchased outside Europe before establishing business relations with them. Apart from performance, such audits also assess 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 100% (2018: 85%) of all new suppliers.

Our French subsidiary Birambeau, which primarily offers products for private-label brands, joined the amfori Business Social Compliance Initiative (amfori BSCI). BSCI is a programme for the improvement of social standards in the global supply chain. At Birambeau we have established processes to ensure that only suppliers with an acceptable amfori BSCI audit result, meaning at least an audit result of A, B or C, are used for future procurement in defined high-risk countries. We expect that at least 90% of Birambeau's current suppliers will conform to at least BSCI level C by the end of 2020. We aim to achieve 100% conformity by the end of 2021.



# Social commitment

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### **We are committed to making a difference at our locations**

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 many 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.

#### **Small projects with a big impact**

We support local social, athletic and cultural projects and associations. Here, Leifheit regularly sponsors various activities on both a large and small scale. Potential recipients must have non-profit status to be eligible. One example of our regular activities are the bazaars, which our trainees organise every year on behalf of social projects. In 2019, we used the proceeds to support various organisations, including the local primary school, which received a donation for the renovation of its playground. Our Zuzenhausen location supported “Anpfiß ins Leben e.V.” with sponsorship events in 2019.

We also support employee initiatives. In 2019, they included participation in charity regattas and runs, along with a trainee social day. In the reporting period, trainees enthusiastically participated in the town of Nassau’s Environment Day, thereby making an active contribution to a cleaner environment. They also

paid the elderly residents of a care home a surprise visit. Social competencies are not only a key element of the vocational training programme – such activities also allow our trainees to represent Leifheit AG as a good neighbour and an important part of the community.

#### **Promoting education at our headquarters**

We are involved in efforts to promote education and training at our headquarters in Nassau. Leifheit is a business partner of the Leifheit-Campus. The state-certified private grammar school opened in 2015 as the result of a private-sector initiative in reaction to the closure of local state schools. It 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 partnership between Leifheit-Campus and Leifheit AG includes financial support through a scholarship programme, equipping the school with our products, organising annual competitions and providing opportunities to explore the company, as well as career guidance measures and presentations by our experts on appropriate subjects.



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# Compliance management system

## Responsible corporate management

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.

The German Corporate Governance Code (Deutsche Corporate Governance Kodex – DCGK) describes compliance as the Board of Management's responsibility for ensuring observance of legal and company-internal requirements, and working towards adherence. Because the company must also comply with legal and administrative regulations regarding data protection, that subject is also covered by the section on compliance.

## CMS aims to ensure behaviour in line with the regulations

Our compliance management system (CMS) includes basic guidelines and measures aimed at ensuring behaviour in line with the regulations at the company. It should assist our employees in observing the binding laws and regulations that apply to their work, along with recognised standards, recommendations and our own guidelines.

Behaviour in line with the regulations 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. Operational responsibility (compliance officer) lies with the HR/Legal/IP division.

Compliance risks are recorded in the scope of the risk management system.

## Guidelines and measures

Our CMS includes guidelines and measures that reduce compliance risks and prevent violation of regulations and laws. Its principles and standards of conduct have been in place for years and are part of the day-to-day business routine. All compliance guidelines are available to Leifheit Group employees in at least German and English. The key guidelines are also available in Czech, French and Chinese language versions.

As part of their duty to set an example for others, Leifheit managers are instructed to impart and model the compliance policies for their employees. Managers are responsible for ensuring that our guidelines are followed.



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A concept that provides our employees with regular training on our compliance principles through online e-learning modules was also developed. In 2019, approximately 63% of employees to be trained at the German locations completed compliance training. We will continue to intensify our training and communication measures in the future.

### **Whistle-blower system**

We have established a whistle-blower system to give our employees and third parties the opportunity to safely pass along tip-offs to an ombudsman if they suspect or have evidence of potential legal violations at the company. Since the end of 2018, an online communication platform, > [Integrity Line](#), has been available to whistle-blowers, along with the option to submit reports to the ombudsman in person.

Compliance violations are not tolerated, and all indications of misconduct are followed up. Where applicable, findings are entered into our risk management system or our internal control and risk management system during the accounting process (ICS). Within the scope of the internal audit department, we initiate external audits of business processes at our sites at regular intervals.

No compliance violations were identified at the Leifheit Group in the reporting year.



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## Our guidelines

The following guidelines in particular serve as orientation for the Leifheit Group:

### German Corporate Governance Code (DCGK)

The Board of Management and the Supervisory Board of Leifheit AG base their work on the DCGK. Our declarations of conformity have been published and are permanently accessible. The corporate governance report is part of the annual financial report.

### Leifheit competency model

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

### Insider guidelines

Trade in stocks and the handling of insider information are subject to strict statutory regulations. 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, which was revised in the reporting year. The code of conduct is consistent with the Business Social Compliance Initiative (BSCI), the Conventions of the International Labour Organization, 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.

### Antitrust compliance policy

Leifheit believes in fair competition. Our stance against violations of antitrust law is also reflected by our antitrust compliance policy.

### Leifheit Code of Conduct

Our employees are bound by 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 Organization, 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

### Data protection guidelines

Our data protection guidelines are intended to ensure that the requirements of data security and data protection are met, and that the rules of the German Federal Data Protection Act (Bundesdatenschutzgesetzes – BDSG) and General Data Protection Regulation (GDPR) are complied with.



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# Combating corruption and bribery

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.

# Data protection

Protecting personal data is very important to us – in part because of our brands' online and app offerings. Our data protection guideline should ensure that we meet the requirements of data security and data protection when collecting, storing, processing and using personal data. That applies, in particular, in the context of the General Data Protection Regulation (GDPR) and German Federal Data Protection Act (Bundesdatenschutzgesetzes – BDSG). Our data protection officer works towards compliance with data protection requirements, supports the further development of data protection measures and advises the specialist departments.

In the reporting period, over 300 employees at our German locations received online data protection training.

There was one internal complaint regarding a violation of data protection regulations or privacy in the reporting period. After investigating, our external data protection officer confirmed that no violation had occurred. There were also no thefts or losses of data in the reporting period.



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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. They include, for example, 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.

# Contact

## **Leifheit AG**

PO Box 11 65  
56371 Nassau/Lahn

Telephone: +49 2604 977-218  
Fax: +49 2604 977-340

[www.leifheit-group.com](http://www.leifheit-group.com)  
Email: [ir@leifheit.com](mailto:ir@leifheit.com)

Design:  
MPM Corporate Communication Solutions, Mainz, Düsseldorf