

CSR REPORT

Einhell Germany AG
2017



einhell.com

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Corporate Social Responsibility Report Einhell Germany AG

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1. ABOUT THE REPORT

In its first CSR Report, Einhell Germany AG, as the head office of the Einhell Group, is reporting on its corporate responsibility in relation to CSR and sustainability.

The company describes the influence of its activity on the environment and society, documents key performance ratios and targets and measures via which it controls its activities.

In compliance with the statutory obligation to prepare a non-financial statement pursuant to section 289c of the German Commercial Code (Handelsgesetzbuch, HGB) and the CSR Report Implementation Act deriving from it, the key risks in relation to aspects of the law are addressed separately in the respective sections.

The central focus of reporting is the essential nature of the information:

Essential nature of the information:

- Important for an understanding of the business performance, the business results, and the company's situation and
- Necessary for an understanding of the effects of the business activity on the non-financial aspects

Risks along the value-added chain

- Key risks and how these risks are managed
- Risks associated with the business relations of the corporation, its products and services

Essential nature of the risks and ancillary conditions

- Risks have a high probability and have serious negative effects on the non-financial aspects
- Information is important and reporting on these risks is proportionate

Fundamentally, here, net risks are to be the starting point.

Definition:

Gross risks, are identified risks which to date are not mitigated by the company using measures to minimize the risk

Net risks are all risks, taking into account all risk-reduction measures implemented.

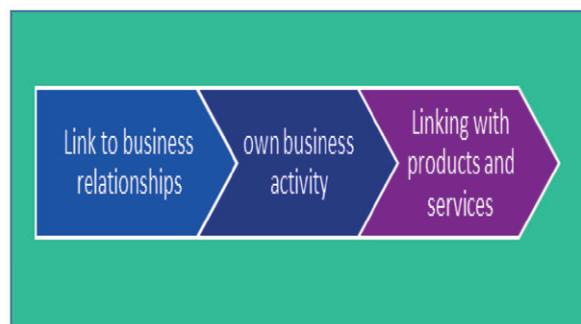
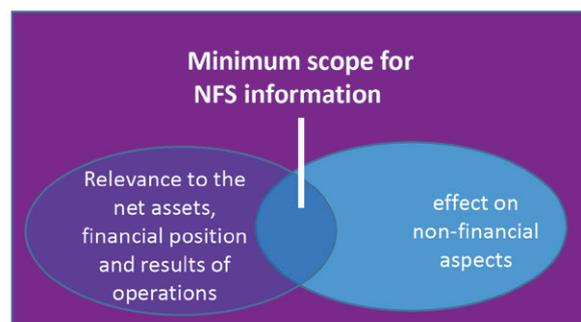


Illustration based on Kajüter (2017): Non-financial statement according to the CSR Directive Implementation Act, Der Betrieb No. 12 / 24.03.2017

In drawing up the Einhell Germany AG CSR Report, the universal and fundamental 10 principles of the UN Global Compact were taken as the basis for the Einhell standard.

| | |
|---|--|
|  | <p>Acting against active and passive corruption, creating binding transparent Compliance rules.</p> |
|  | <p>Predictive and sustainable view of environmental issues. Promoting environmentally-friendly technology.</p> |
|  | <p>Active inclusion of employee issues in the deliberations of the enterprise, including rejecting child labor or bonded labor.</p> |
|  | <p>Avoiding and eliminating discrimination in any form.</p> |
|  | <p>Protecting human rights and active avoidance of human rights violations.</p> |

The contents of the report relate to the global functions of Einhell Germany AG and to the Einhell Group sites. In principle, four different types of company were considered within the Einhell Group, which by reason of their structure and function face differing challenges with regard to sustainability and CSR.

1.) Corporate headquarters: Einhell Germany AG, with the central functions: Strategy; Group management, Product development, Product range strategy, Group HR, Group accounting, sales and commercial Group management, After-sales services; Information technology, Einhell Digital

2.) Sales-oriented Group subsidiaries: Group-internal sales companies which take on responsibility for sales locally and are connected to the supply chain within the Group.

3.) Sourcing companies: Companies within the Group whose main task consists of identifying, managing and supporting supplier enterprises for components and products.

4.) Semi-autonomous companies with other Group brands. Companies which, because of their size, but primarily because of a product portfolio that deviates from the Group standard, cannot be assigned to the above categories, since they combine functional areas from different groups.

In this report, we are geared to the thematic differentiation that underpins section 289c HGB:



The reporting period is the 2017 financial year (1 January to 31 December).

Editorial notes: The use of the pronoun "he" throughout in this report is purely for ease of readability; all references to persons are to be understood as gender-neutral. The editorial deadline was December 31, 2017. The CSR Report is available in German and English. All versions can also be downloaded from the internet at www.einhell.com.

2. "EINHELL – UNITED BEHIND SUSTAINABLE GROWTH"



From the left: Jan Teichert (CFO),
Dr. Markus Thannhuber (CTO),
Andreas Kroiss (CEO)

Dear Reader,

Including the risks from one's own actions for all stakeholders in entrepreneurial decision-making and accepting responsibility for that in respect of sustainability - this is a definition of corporate social responsibility with which the Einhell Group, as an SME stock corporation with the strong, traditional structures of a family-run company, can identify particularly strongly.

The entrepreneurial family of Thannhuber has always lived the connection with its employees, for the location of Landau an der Isar and the region in a special way. This approach is now being continued in full by the present-day Executive Board, with its validity transformed to reflect the local circumstances of our global subsidiaries.

Today, the concept of social responsibility is a fixed component of public and entrepreneurial actions, and increasingly also the actions of private individuals. In the Einhell Group, we similarly count sustainability amongst our strategic goals.

In this first CSR Report, we are documenting the approaches we are taking, which in terms of reporting go beyond what is required for compliance with the CSR Report Implementation Act. We do so deliberately, but at the same time knowing how far we still have to travel down that path. CSR and sustainability are not a project with a pre-defined end-point, but rather a constant striving at all levels.

We structure our sustainable activities into four areas which in many respects are interconnected and which impose conditions on each other:

- Economic responsibility, to which traditionally our attention as entrepreneurs and business people is paid first, along with
- Social responsibility,
- Societal responsibility, and
- Ecological responsibility.

With regard to the economic aspect, we have been able to achieve much for the fitness for future of the Einhell Group and its partners, even if we do not go into the details explicitly in a sustainability report. In this area, alongside organizational concerns, it is primarily the groundbreaking orientation in our product range policy and continuous brand development that is of significance.

CSR and sustainability has much to do with entrepreneurial far-sightedness. For instance, our company founder gave a lot of thought about his own personal position and planned for the long term, establishing the management and control of the Group on pillars that will endure over time.

Josef Thannhuber, founder of the Einhell Group, set an early course for a transfer of responsibility, geared to the best interests of the company, to younger shoulders across the positions on the Executive Board, whilst continuing to contribute his expertise in the role as chairman of the Supervisory Board and, in an advisory function, at all levels.

The handover of responsibility as chairman of the Supervisory Board, as planned, from founder Josef Thannhuber to the long-term board member Prof. Spath and the appointment of the founder's second son, Philipp Thannhuber, as a new member of the Supervisory Board continues the focused line of this sustainable value.

In other areas, too, we have made great efforts to involve stakeholders sustainably in the development of the company.

We have founded our Einhell Academy and established 'Einhellig Gesund!' (Einhell health management) as a key pillar of our values-oriented management. In our Group, we similarly encourage and support responsible managers to adopt these approaches and, with regional adjustments for their areas of responsibility, to include them sustainably in their strategic orientation. We continue to be strongly committed for the regions, we constantly and critically examine how we handle resources, and we take account of the relevant megatrends for the stakeholders in our Group proactively and for the long term.

We are aware that sustainable and socially responsible action is a description of the route and not a defined goal, since the dynamic developments in the systemic context of our business activity call for anticipatory, but also reactive components. We will, as in the past, take on this challenge in a highly practical form.

In any case, CSR and sustainability cannot be understood as an abstract concern. Each individual is challenged to accept responsibility for the future. With this in mind, we will not ease up in our efforts to act sustainably.

The Executive Board



Company founder Josef Thannhuber

3. SUMMARY OF KEY INFLUENCING FACTORS AND RISKS FOR STRATEGY

The key international and local influencing factors and the anticipated risks are addressed in detail in the annual reports of Einhell Germany AG and of the Einhell Group, which are available to be consulted. They can be downloaded at any time from www.einhell.com, in the INVESTORS RELATIONS tab.

The speed with which structural changes are completed in retail has increased in recent years. How the future of retail will look is very difficult to predict. New digital channels and high consumer expectations for service and communications, along with taking customer needs into account, are presenting retail with massive challenges. Companies have to adjust to constant change in their environment, and anchor anticipatory action in their management.

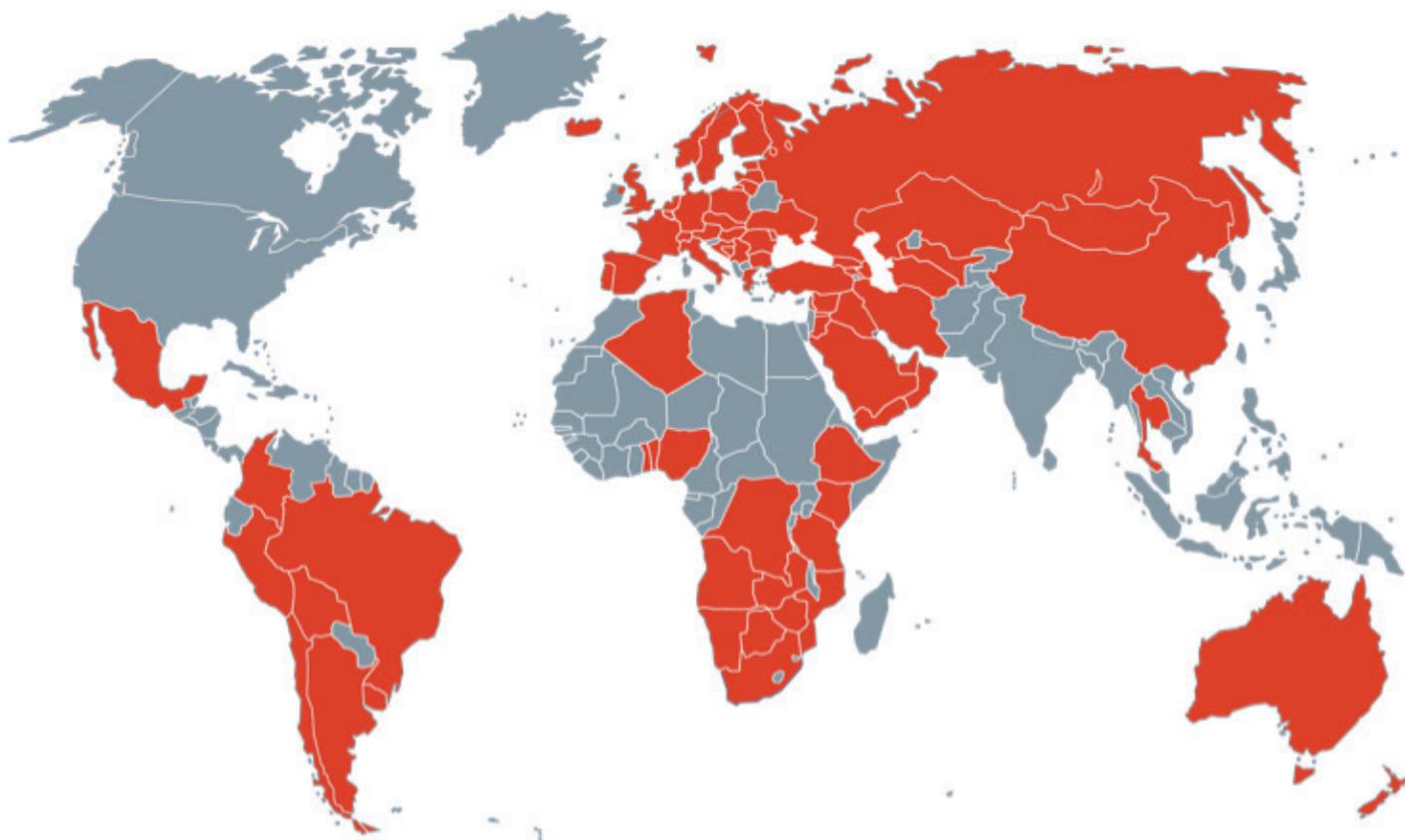
Online retail is becoming increasingly important as an additional sales channel, including in the DIY sector. This area was already being serviced in recent years, but compared to bricks-and-mortar shops so far – including for Group customers – it has not represented a focus with regard to sales. In recent years, however, there have been more significant displacements within existing sales channels. E-commerce is establishing very rapidly in the DIY sector as well. The Einhell Group has devised a detailed online strategy for this, pursuing the goal of making the Einhell brand as present as possible on the internet. Einhell has built up resources in e-commerce personnel, and has established a dedicated e-commerce team comprising specialists in e-commerce sales, IT and e-commerce marketing.

Electrical tools with high battery capacity are becoming ever more popular. More and more consumers are tending to opt for cable-free devices when purchasing electrical tools. Not only are they more practical to use, because of their greater range of operation, but with their lithium-ion battery they are also more high-performance than nickel-cadmium batteries. In some markets, such as in Australia, over half of end-consumers have already switched over to battery-powered devices. This trend is not so advanced in Europe to date, but battery-powered devices are set to become more important here in the years ahead.

4. ABOUT THE COMPANY

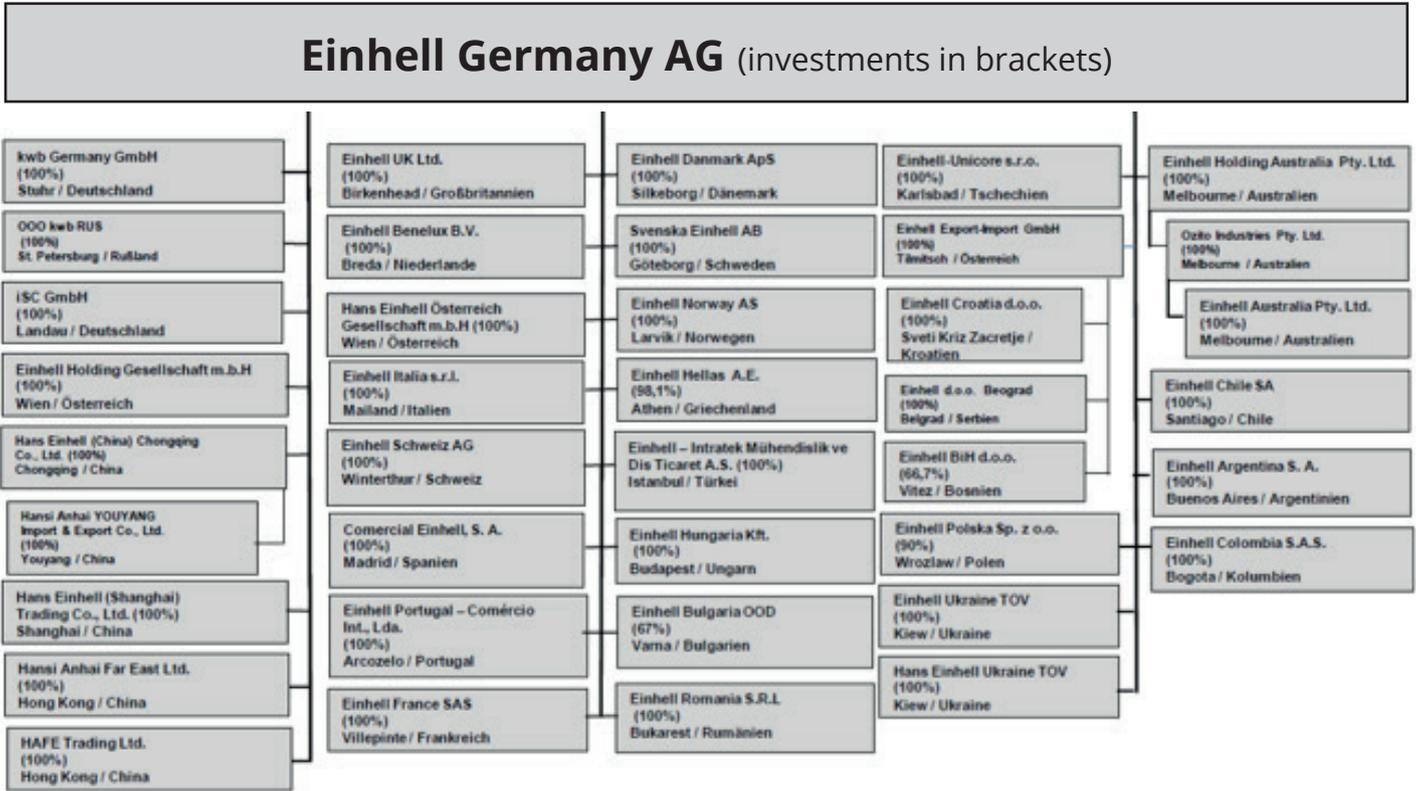
Einhell Germany AG of Landau an der Isar (Germany) is the parent company of the international Einhell Group. Einhell develops and sells products for DIY enthusiasts and craftsmen for use at home, in the garden and for leisure activities. The principles underpinning our product policy are to react faster, more flexibly and more innovatively than others. Einhell supports the global operations of its customers through its highly internationalized structure. Subsidiaries and affiliated partner companies throughout the world ensure that Einhell Germany AG is always ready and available to support its customers' businesses all over the world. The subsidiaries comprise sales companies primarily located in Europe, but also in South America and Australia, and retail companies in Asia.

The Asian subsidiaries are also responsible, amongst other things, for product sourcing, product preparation and procurement. Since Production is in Asia, it is also where Quality Assurance is based. Worldwide, Einhell employs around 1,600 employees (from a capacity perspective, approx. 1,500 FTE). In FY 2017, Group sales were EUR 552 million (2016: EUR 487 million).



4.1. GROUP STRUCTURE WITH PARTICIPATIONS.

Group structure of the Einhell Group



The requirements concerning corporate social responsibility differ within the Group network, having regard to the respective function of the company, particularly in relation to prioritization.

Fundamentally, we have been similarly guided in this by the thematic differentiation in section 289c HGB, but we have emphasized the focus for the individual types of company. Given the overall responsibility of Einhell Germany AG as the parent company of the Group, this is naturally also more comprehensive in scope. Under this umbrella, the semi-autonomous companies with their own product portfolio, Ozito (Australia) and kbw Germany GmbH exhibit particularly extensive responsibilities.

With their close contact to our producer partner companies in Asia, the focus of the CSR issues for our sourcing companies is naturally also located here, with a view to the entire supply chain.

Most companies within the Group are sales subsidiaries, which focus on CSR issues in relation to the local product ranges and compliance with the relevant national and international standards and integration of all local stakeholders.

4.2. OUTLINE OF MATERIALITY

Regarding the legal specifications of section 289c HGB and the SCR Report Implementation Act, we have reflected on the non-financial aspects in the course of our business that are essential to our understanding of our business model, and we outline these as set out below. In doing so, we have consistently maintained the orientation to the thematic differentiation and to differentiation by types of company within the Group.

The differentiation necessary under the structure of the statutory obligation for reporting in respect of materiality does not constitute a fundamental statement by Einhell Germany AG regarding the value placed by the company on themes considered as not material for our course of business. Rather, it is to be taken to indicate those areas where we see ourselves as having a very particular responsibility and are able to set accents through corresponding concepts.

Einhell Germany AG Group HQ functions

Requirements for sustainability

- Sustainable product and product range development
- Sustainable management of the global supply chain
- Instructions and support on all HR issues
- Managing a sustainable quality policy
- Instructions and support on questions relating to protecting the environment
- Clear policies and management in all Compliance issues

Semi-autonomous companies with own product portfolio (currently Ozito and kwb)

Requirements for sustainability

- Sustainable product and product range development
- Sustainable management of the global supply chain
- Managing a sustainable quality policy
- Instructions and support on questions relating to protecting the environment
- Respecting the relevant work safety standards
- Promoting equal rights and respecting human rights

Sourcing companies Overarching SCM functions

Requirements for sustainability

- Sustainable choice of production partners
- Sustainable management of the global supply chain
- Respect for human rights by suppliers
- Managing a sustainable quality policy
- Instructions and support on questions relating to protecting the environment for partner companies
- Clear policies and management in all Compliance issues for partners and suppliers
- Respecting the relevant work safety standards

Sales companies Local distribution functions

Requirements for sustainability

- Sustainable local product range management
- Sustainable choice of local customers and partners
- Respecting the relevant work safety standards
- Promoting equal rights and respecting human rights

The approach set out here is, naturally, dependent in its expression on the Group structures and on the underlying history.

Despite all its international activities, the company has always remained true to its principles. These include working together on a basis of trust, loyalty, and a company policy geared to long-term, mutual success.

Building on these values, a refined balance between high levels of autonomy and own responsibility for the subsidiaries on the one hand and helping, advisory management by the central departments in the Group head office on the other is practiced in coordinating the extensive international tasks.

Einhell is known as a particularly efficiently-operating business – and therefore we help all companies in the company group with our experience in efficient, customer-oriented sales, service, logistics and administrative processes.

4.3. EXECUTIVE BOARD AND SUPERVISORY BOARD.

Coordination of the Group sits with Einhell Germany AG, which is managed by three managing directors, Mr. Andreas Kroiss (CEO since 2003); Mr. Jan Teichert (Chief Financial Officer since 2003) and Dr. Markus Thannhuber (Chief Technology Officer since 2006). The Sales, Procurement, Marketing and Corporate Strategy areas come under the responsibility of the CEO. The Finance and Accounting, Taxation, Legal, Controlling, Investor Relations, HR and Logistics areas come under the responsibility of the CFO. The Technology, Product Management, Product Preparation, Quality Assurance, Service, IT and Maintenance areas come under the responsibility of the CTO.



From the left: Jan Teichert (CFO), Dr. Markus Thannhuber (CTO), Andreas Kroiss (CEO)

A three-person Supervisory Board serves as a supervisory committee. Since 2015, the Chairman of the Supervisory Board has been Prof. Spath (a member of the Supervisory Board since 2006). In 2015, Mr. Philipp Thannhuber was appointed to the Supervisory Board as successor to his father. On the staff side, the Chairman of the Works Council, Mr. Maximilian Fritz, was elected to the Supervisory Board.



From the left: Maximilian Fritz, Prof. Spath, Philipp Thannhuber

The 3,774,400 shares in Einhell Germany AG are structured as 2,094,400 common shares with voting rights and 1,680,000 preferred bearer shares. Since a large part of the common shares with voting rights continue to be held by the Thannhuber family (the founder's family), even in the strategic decision-taking it is possible to maintain the sustainable structures of an SME, family-run enterprise with a tradition stretching back over 50 years.

4.4. OUR PHILOSOPHY: WELL DONE.

This is the basis on which Einhell develops and sells products for DIY enthusiasts and craftsmen for use at home, in the garden and for leisure activities. The consistent high quality of its products and an attractive, customer-friendly pricing policy which is focused on stability have remained the essential success factors right from the beginning. The basis of our product policy is to react faster, more flexibly and more innovatively than others. "Move on when others are just getting there!"

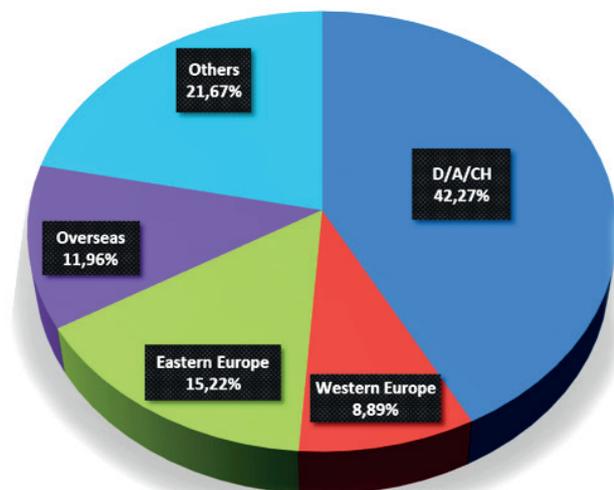
The scope of Einhell's international operations caters to the needs of its customers, namely DIY and building chains, mail order companies, garden centers and discount chains. Its subsidiaries and associated partners throughout the world enable Einhell to offer unrivaled comprehensive global service. Subsidiaries ensure that we maintain close ties to the global customers of Einhell Germany AG. Associated partners worldwide market Einhell products under license in their own name.

Styling and quality are the features that make a product distinctive. In the future all Einhell products will have a unique and unmistakable shape and design.

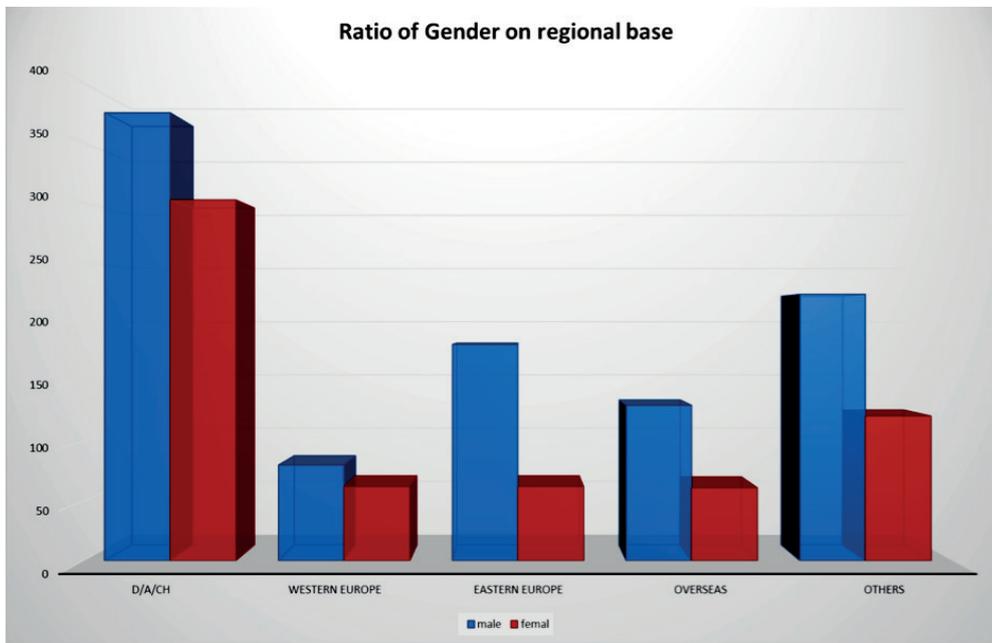
4.5. DISTRIBUTION OF THE GROUP HEADCOUNT

The distribution of staff to the individual companies is heavily dependent on the local circumstances and the established synergies within the Group. Fundamentally, we seek to balance out economic fluctuations by using flexible HR policy measures, in order to be able to offer the core workforce secure, long-term employment. This also means that staff increases are always planned on the basis of sustainable, sufficiently probable positive trends in the business.

Headcount on regional base



Gender is in principle not used as a criterion when selecting and promoting our employees. This is due to a firmly-rooted value concept that gender does not exercise a decisive influence on a person's ability to perform, integration and capacity for development.



5. VALUES AND SUSTAINABILITY STRATEGY

Since, in our understanding, strategy is not just a one-off determination of the target ratios to be pursued, but a process that continuously combines opportunities and risks with abilities and opportunities as objectively as possible, we have already started to develop and introduce a structured, rolling strategy development process some time ago. This process combines our tradition as a family-run SME with the demands from the markets.

Vision

We create freedom and flexibility by having at least one Power X-Change battery in every home/every flat with a garden

VISION

Mission Statement

- Einhell is the brand for all work in and around the home and garden
- With our unique PXC system, we are giving our customers cable-less freedom and simplification, thereby becoming a "2synonym" for battery-changing systems

MISSION

Strategic thrust

- Expanding the brand
- Category lead + development competence in battery technology
- Internationalization: Further development of subsidiaries + partners through strategic partnerships
- Digitalization: Exploiting digital opportunities across the value-added process, creating a digital organization

STRATEGIC THRUST

Strategic objectives

- Significant expansion in sales and return on sales
- Increasing assisted and supported brand awareness
- Digital leadership in DIY
- Digitalization of the business model

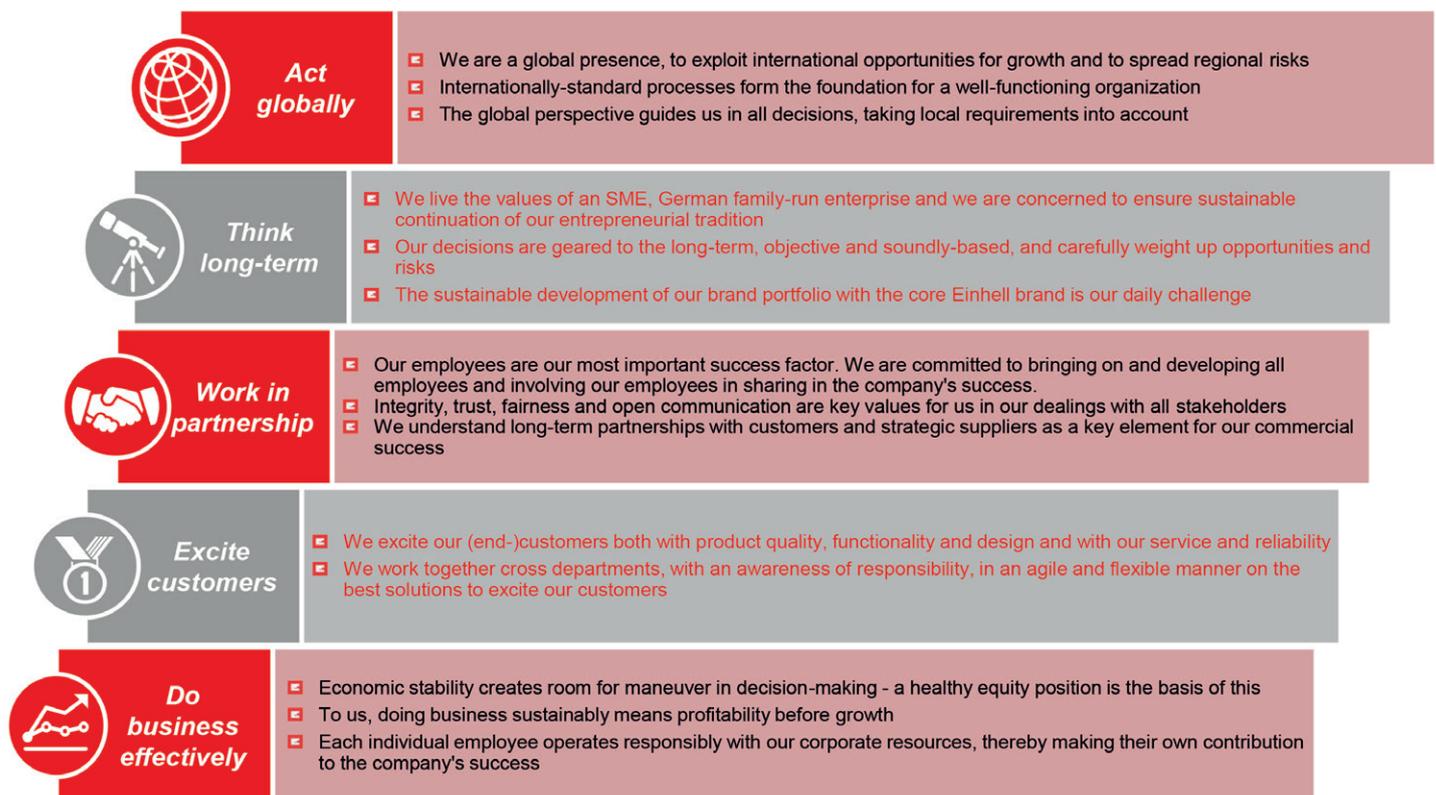
STRATEGIC OBJECTIVES

5.1. CORE VALUES OF THE EINHELL GROUP

Every action by the Executive Board members, managers and all employees is based on the dignity of the individual, mutual respect and a service approach to all employees.

As part of our structured strategic development process, we have drawn up the following value statement.

EINHELLS Value Statement



This value statement is primarily aimed at an outside audience, since we are firmly convinced that the satisfaction of our customers, B2B or B2C, represents the basis for sustainable entrepreneurial success.

Drawing on this, we believe that the fundamental objectives being set can only be achieved in the long term if all stakeholders are similarly also included and if consideration is also given to their individual objectives.

Accordingly, we have drawn up the following guidelines on our corporate culture using a bottom-up approach.

Open and fruitful working with one another is the basis of our success. The guidelines on corporate culture drawn up by our employees are the touchstone of our commercial activity.

POLICY ON CORPORATE CULTURE

The Einhell Group is an SME company group operating on a global footing that is committed to the values of the founding family and the traditions of German business history.

To further expand the Einhell brand, thereby ensuring the company's future nationally and internationally, constant internal corporate renewal and further development is needed. This affects the Group as a whole, Einhell Germany AG as the company headquarters, and all subsidiaries and partners.

The guidelines set out here are policy for everyone in our professional day-to-day work, and must be lived by and mutually demanded of the Executive Board, managers and employees in equal measure.

The guidelines on corporate culture accompany implementation of the contents of the corporate strategy in brand development and internationalization.

The Executive Board of Einhell Germany AG declares these guidelines on corporate culture to be binding for itself and for all employees of the enterprise.

Landau, September 2017 | Einhell Germany AG

The Executive Board



GROW STEADILY

We motivate one another through recognition of the work and we give constructive feedback in order to improve the effectiveness and efficiency of our teams.

We seek the greatest possible transparency in the enterprise, but we also look to the wider picture and try to understand the content issues experienced in other areas of work.

We operate carefully with the corporate resources entrusted to us, and we offer factual views regarding possible optimizations.

We are aware that time is a limited resource.

We prioritize our tasks and flag up capacity bottlenecks at an early stage.

We actively monitor our corporate actions and have short decision-taking pathways, so as to be able to act proactively, quickly and in a considered manner. We respect established rules and processes.

However, we constantly check these for meaningfulness, and if necessary we adapt them in the overarching dialog.



EXCITE CUSTOMERS

We are excited about our product range and work daily to pass on this excitement by satisfying the quality requirements from our customers at the functional and emotional level.

We communicate openly and honestly with all colleagues, across departments, and we view upstream and downstream processes as internal customers and do our best to satisfy their expectations in the best possible manner.

We aspire to high satisfaction from our internal and external customers. We know and understand the requirements of our customers and gear our actions to this.

The success of our customers makes us and our company successful.



WORK IN PARTNERSHIP

We make a daily contribution towards realizing the company's goals, we engage in our teams and areas of work and we make active contributions.

We work together, inside and outside our departments, with consideration, in a collegiate manner, and with respect, and we assign tasks and responsibilities within our teams having regard to qualifications and experience.

We take up the CPD measures and training offered to us, in order to progress in our subject knowledge and personally.

We are willing to take on responsibility.

We maintain personal and friendly contact with our colleagues and partners.



LIVED TOLERANCE

We are open to other opinions, world-views and personalities, and accept them.

We do not differentiate in our appreciation by gender, age, sexual orientation, education, world-view, ethnic origin or individual capabilities.

We do not accept discrimination in any form. In the event of violations, we take active steps to remedy abuses.



SOLVE CONFLICTS CONSTRUCTIVELY

We view conflicts, i.e. different opinions and viewpoints, as an opportunity to identify risks and spot opportunities.

We name and solve conflicts openly, factually and constructively, in a respectful dialog.

We do not allow ourselves to be constrained by conflicts in our work.

We do not exploit conflicts to assert our own interests. In the event of unresolved conflicts, we approach third parties (arbitrators) since we are concerned to bring about a resolution.



MAKE POSITIVE USE OF MISTAKES

We learn from our own mistakes or wrong decisions and from those caused internally/externally, and we avoid these in future processes. Where the responsibility lies outside our own area of responsibility, we address the opportunity for improvement constructively and expect objective feedback from the organization and from colleagues. If we are given such advice, we work with it openly and in a goal-oriented manner.

Identify » Analyze » Remedy » Avoid

In the event of a mistake occurring, we fundamentally do not ascribe intent to the person causing it. On this basis, we put the emphasis moving forward on rectifying and avoiding mistakes, and not on searching for the party at fault.

If I notice a possible mistake, I draw the attention of the officer to it constructively and respectfully, and where possible I involve myself in seeking a solution.



THINK LONG-TERM

We recognize the importance of committing our colleagues to our company permanently and create a shared, positive working environment in which everyone feels at ease and is able to develop as an individual, to the benefit of that individual and of the enterprise.

We approach our colleagues respectfully at all times and build long-term, trust-based relations within and outside the Group.

We see potential and future colleagues as a key point in the development of our enterprise, and we welcome them openly. We integrate them into our professional environment and quickly establish a harmonious, professional home for them.



ACT GLOBALLY

We live the model of international collaboration at all levels with intercultural tolerance and without prejudice.

We practice an intensive, regular exchange of experience between the subsidiaries and the parent company and avoid language barriers by promoting the use of English at all levels.

We identify with our product portfolio and carry this in all functions in our global organization.

By specifying thought-through procedures and processes, taking account of local requirements, we act in a goal- and process-oriented manner at every level.

We optimize processes through an appropriate exchange of experience and meetings with all those involved.

5.2. SUSTAINABILITY STRATEGY

As part of our strategy, we identify significant future trends and derive concrete, sustainable areas of action and goals from this.

5.2.1. KEY CHALLENGES – MEGATRENDS

Nowadays, considerations regarding sustainability strategy can only be considerations looking beyond the horizon of local or regional impacts and focusing on the global stage. Accordingly, it is important to identify global trends, to evaluate them and, based on this, to determine one's own areas of action and the external influences on one's own capacities for action.

In doing so, the viewpoints of all stakeholders need to be suitably included in this deliberation. The global trends determined as a result in various overlapping internal processes were assessed in terms of their importance for the strategic decisions of the company and rated using a 12-point scale (1 = unimportant to 12 = very high relevance).

1. Health

Health is a great asset, and one which is rightly becoming an area of focus all around the world, both individually and also at the policy level. Health is no longer the absence of illness but the expression of an overarching sense of well-being, over which the work environment and the ability to maintain a sound work-life balance (amongst other things) exercise a significant influence. For Einhell, this means on the product side only launching products on international markets where they are at the highest technical level in terms of their safety engineering design, and preventing injury due to incorrect handling by having readily-understood, clear operating instructions.

In our duty of care as an employer of around 1,600 employees, it is associated with significant responsibility in workplace design, work safety and in value-oriented management, which we live up to fully, including via our occupational health management program, 'Einhellig gesund'.

WHO says:

Health is a state of complete physical, mental and social well-being!



2. Demographic trends

The consequences of population growth in various parts of the world and of the decline in population in the old industrialized countries, combined with aging societies, urbanization and the persistent trend towards smaller families and single households are not yet fully on the radar for many stakeholders. From Einhell's perspective, these trends are set to influence the procurement markets and sales markets, along with products, and they are therefore studied closely.

The effects on the staffing structure, employer branding and, with it, the underlying positioning of the company on the employment market are being addressed via comprehensive strategic HR management.

From the product policy viewpoint, we also derive from this megatrend a changed and far more differentiated target group structure, which we want to exploit via targeted product innovations in order to position the company sustainably.



3. Digitalization and Industry 4.0

There is barely any trend with such profound influence on practically all aspects of our lives as progressive digitalization, and barely any that encounters such minimal structured preparation for those changes.

The way in which we, Einhell, customers, suppliers and employees communicate with one another is undergoing rapid change, the speed of which is disturbing for many, since the scale of the technical aspects involved is no longer fully grasped by most people. For Einhell, it means on the one hand framing this change within the Einhell structures transparently, so that all employees are taken along on this important transformation process, and on the other hand identifying and exploiting the opportunities from digitalization through intensive scrutiny of both these and of the associated risks.



4. Globalization

In its early stages, globalization was considered primarily in relation to flows of goods and supply chain issues. This megatrend has long moved beyond that point. For Einhell, this trend masks a range of opportunities and threats. We constantly analyze the regional and local changes in our procurement and distribution regions, and examine the opportunities arising together with a clearly-structured appraisal of the associated risks.

Alongside the purely commercial criteria, we also include issues relating to protection of the environment, cultural awareness and social responsibility. That's because we are aware that the values which we fundamentally endorse are not standard everywhere in the world.





5. Scarcity of resources

The availability of technical resources – raw materials, semi-finished goods and components – will continue to be decisive for our success in a dynamic global economy. Even if new sources are always being developed from a technical perspective (the raw materials paradox), it is down to us as a responsible company to include in our own deliberations the environmental risks that are sometimes run in that regard.

For Einhell, this means – amongst other things – identifying and pursuing sustainable paths in the choice of components and raw materials for our product ranges in all new development.

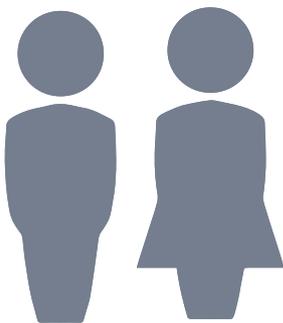
Through our unique Power X-Change platform, the necessary number of batteries and chargers is being drastically reduced. It's a step in the right direction!



6. Climate change and climate policy

Climate change and the associated international and also local environmental and climate policy are trends that Einhell also engages with intensively.

For example, when developing product ranges we give consideration to the ability to recycle the product components.



7. Customization

Customization influences our actions at a number of different levels. On the customer side, we are aware that our products need to satisfy the demands of the individual customer precisely.

But on the employee side, too, given the growing proportion of Generation Y and Z employees, individual and personal self-realization will have a decisive impact on the structures in our company.

8. Mobility

There is barely anything that impacts how we live in our globalized society as much as mobility. It forms the basis of our lives and our livelihoods. Today, we stand at the start of a multi-mobile era, with multi-faceted opportunities for implementing the new mobile demands and preferences economically, easily and sustainably. In this context, however, a distinction needs to be drawn between different mobilities. A) The growing trend, including internationally, towards more frequent and fast relocation of food outlets and B) the trend towards high levels of communication not constrained by geography, thanks to digital devices.



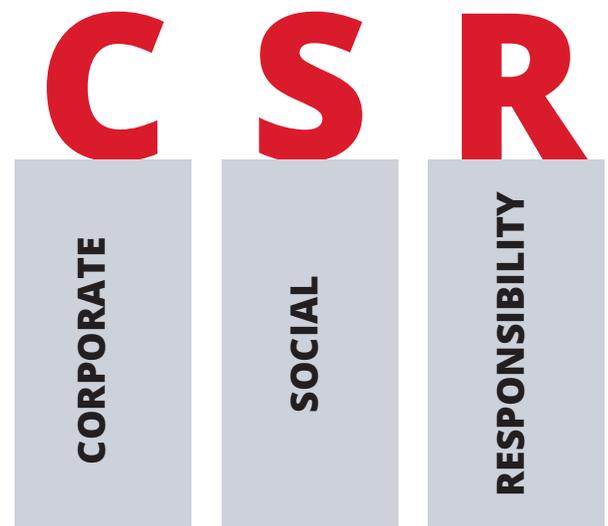
9. Security

Society feels insecure, and the state is over-challenged: We are moving towards a new culture of security that is characterized by two factors – all-encompassing global networking, and a shift in responsibility away from overarching state institutions towards companies and individuals.



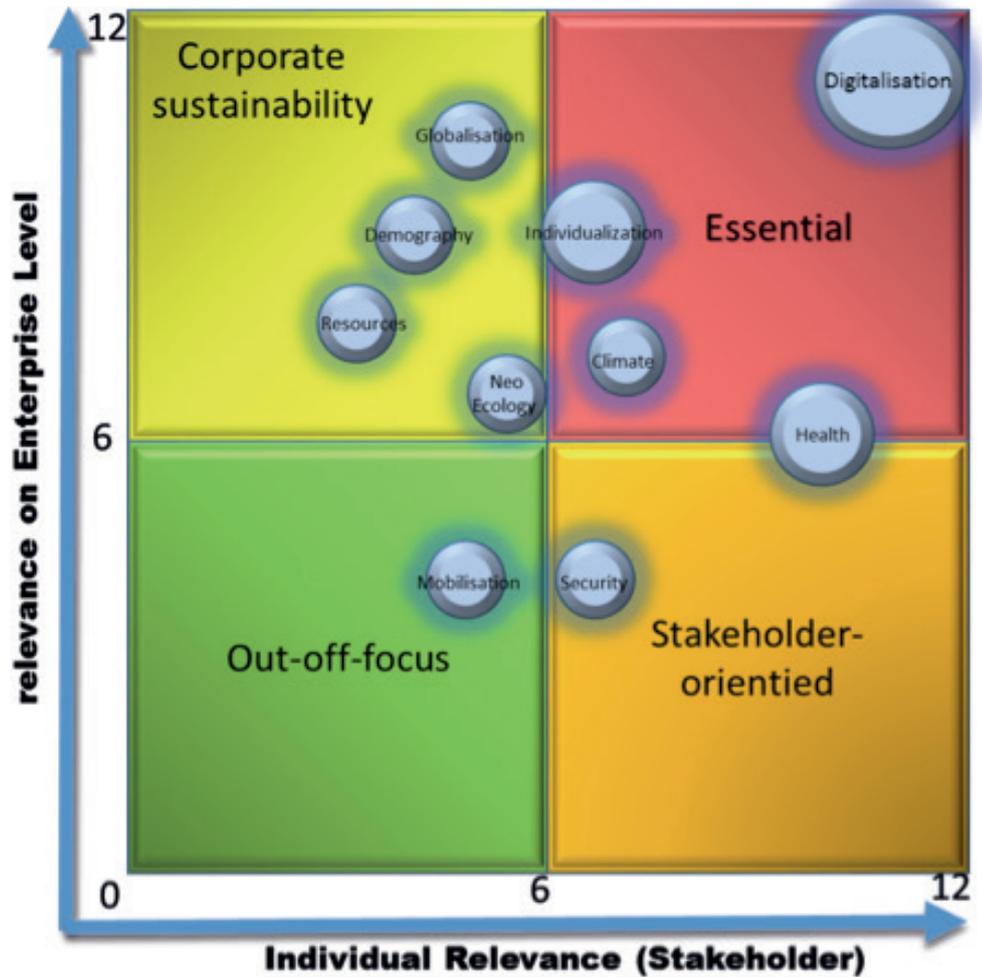
10. Neo-ecology

Environmental protection, conserving resources, corporate social responsibility The megatrend of neo-ecology is moving the axes of economic systems towards a new business morality that is radically transforming markets and consumer behavior. In future, growth will be understood as a new mix of economy, ecology and social engagement.



5.2.2. MEGATRENDS AND THEIR RELEVANCE AT EINHELL

All the megatrends described here have considerable influence on the development of our company, our markets and thus on the future strategic alignment of our company. However, a distinction needs to be made as to whether these developments find expression directly at the corporate level (relevance on enterprise level) or in the orientation of stakeholders (individual relevance).



As a third aspect, consideration needs to be given to the fact that the capacity for influence – the ability to generate genuine options for action within the megatrends – is very different.

Accordingly, the approaches to sustainable integration of these megatrends into strategic decisions need to differ too.

| Megatrends | | Relevance on Enterprise Level | Relevance on individual level | Suggestibility |
|------------|-----------------------------------|-------------------------------|-------------------------------|----------------|
| 1 | Health | 6 | 10 | 8 |
| 2 | Demographic trends | 8 | 4 | 3 |
| 3 | Industry 4.0 and digitalization | 12 | 12 | 10 |
| 4 | Globalization | 10 | 5 | 3 |
| 5 | Scarcity of resources | 7 | 4 | 4 |
| 6 | Climate change and climate policy | 7 | 7 | 2 |
| 7 | Customization | 9 | 6 | 7 |
| 8 | Mobility | 4 | 4 | 2 |
| 9 | Security | 4 | 7 | 2 |
| 10 | Neo-ecology | 7 | 4 | 4 |

| | 0 | 12 |
|-------------------------------|-------------------|---------------------|
| Relevance on Enterprise Level | no relevance | essential relevance |
| Relevance on individual level | no relevance | essential relevance |
| Suggestibility | no suggestibility | high suggestibility |

Fundamentally, we derive from this that the megatrends considered, apart from the Mobility megatrend, have in each case an influence on our sustainable, long-term constellation of our business activities and should therefore continue to be tracked. In terms of their expression, it is digitalization that will most occupy us, although even here there is considerable scope for flexibility. Identifying this flexibility, evaluating it and ultimately exploiting it for the success of the business will be the exciting challenge for the years ahead.

In an almost equally significant way, progressive individualization will bring opportunities and threats for us. From the perspective of our product portfolio and clear alignment of our target group orientation, we have already initiated appropriate steps to address this.

The megatrends of Globalization, Conserving Resources and Demographics are all highly relevant in the corporate context, but from the individual stakeholder perspective they are of lesser significance. For us, that means we need to profile and prioritize the necessary steps in these areas above all in our day-to-day communications, in order to make clear the relevance for sustainability.

Conversely, the megatrends of Health and the growing need for Security are more important at the individual level, but are of lesser significance at the enterprise level. In view of this, the enterprise must also gather a clear idea of stakeholder expectations in relation to these aspects too and take these into consideration in its decisions on sustainability, in order to avoid negative effects on the course of business.

Taking account of these overarching trends, we have identified the following 6 strategic areas of action for sustainability, which we address below.

- ECONOMY
- ECOLOGY
- WORK ENVIRONMENT AND WORKING CONDITIONS
- PRODUCT RESPONSIBILITY
- HUMAN RIGHTS
- COMPLIANCE AND CORPORATE GOVERNANCE CODE

Apart from the statements relating to economic sustainability issues, these also correspond to the aspects of the Non-Financial Statement required under section 289c HGB.



Environmental issues



Employee issues



Social issues



Respect for human rights



Combating bribery and corruption



Diversity (not a mandatory category)

(see section 289c HGB (2) no. 1-5)

5.3. ECONOMY



5.3.1. OBJECTIVE

Fifty years of our company's history have taught us as an organization that it is not necessarily the unqualified ambition to maximize profits, but the long-term framing of customer-supplier relations that enables healthy, and thus sustainable, growth. As is illuminated with greater precision in the following points on risk management, it is certainly a legacy of our tradition as a family enterprise that we vigorously seize opportunities as they present themselves, whilst also subjecting the risks to close examination. From our perspective, that also means actively not pursuing business if the risk is incalculable and disproportionately high. Only in that way can we maintain an enterprise operating on a sustainable footing for our customers, shareholders and staff, but also for our suppliers in the supply chain.

The objective of our economic action is the long-term maintenance of the enterprise, combined with well-calculated and balanced growth on the international level. For more information on this, please refer to the Einhell Germany AG and Einhell Group annual report.

5.3.2. ACTIVE RISK MANAGEMENT

We are aware that any commercial activity is associated with opportunities and risks. Accordingly, for us sustainable management means identifying these at an early stage, evaluating them and deriving clear decisions based on this. In doing so, we are guided by our experience and responsibility as a family-run SME enterprise. Opportunities whose risks jeopardize the company's existence are not taken up, even where there are prospects of major earnings. To ensure this, these far-reaching strategic issues are discussed and analyzed extensively in the Executive Board, with the Supervisory Board, and also with internal and external specialists. A structured risk management system is necessary in order to take on identified risks with full awareness.

Structurally, we have introduced a transparent risk management system for this and for the assessment of ongoing operational risks, in which the risks from every specialist department are listed comprehensively (risk identification), evaluated (risk analysis and evaluation) and subjected to regular checking (risk monitoring). This makes it possible for us on the one hand to raise awareness and engagement in all employees in the specialist departments, and on the other hand to obtain a constantly updated view of our risk factors. In our view, it is only on this basis that sustainable risk management is possible.



Risk management system

The structured assessment of risk areas is therefore part of the regular site appraisal at enterprise and also at the specialist department levels.

The risk management system, as part of the internal control system, is also geared to the risk of incorrect statements in the Group book-keeping and in the external reporting when it comes to Group accounting, and serves in particular to enable early identification of possible risks.

With the introduction of an IT-based risk management information system, we are seeking to provide the company management and officers with the necessary information to manage the company, in an assimilated, compact form provided in near-time. This simplifies data collection in the individual companies and minimizes the effort for risk manager in the Group.

The risk management process within the Einhell Group is structured in two stages.

In the first step, risks are recorded on a decentralized basis in the subsidiaries and departments of Einhell Germany AG, by the Risk Officers designated by the Executive Board. They are tasked with risk identification and evaluation. Here, the important aspect for the Einhell Group is firstly identification, since unidentified risks cannot be included further in planning. The evaluation of existing risks is achieved by calculating the product from the probability of the loss occurring and the maximum amount of the loss.

Risk = probability of occurrence x effect

The net risk is evaluated, i.e. the residual risk after taking various measures. The second stage involves bringing together, analyzing and managing risks by the risk manager and the company management.



Various methods are available to the enterprise to manage the risks. With risk avoidance, the risks and thus also the associated opportunities are not taken on. Another option for management minimizes the risk, including through organizational measures, and is therefore also referred to as risk reduction. A further method is risk hedging via insurance policies, contracts with suppliers, etc. The residual risks are knowingly taken on by the Einhell Group. The consideration here is whether the risk is suitably proportionate to the opportunities.

Fundamentally, the risks are identified and evaluated in the following categories, with these not representing an exhaustive listing, but being constantly checked to ensure they are up to date.

| EXTERNAL RISKS | | INTERNAL RISKS | |
|--|--|---|--|
| <p>Customers</p> <ul style="list-style-type: none"> · Creditworthiness · Price risk · Loss of / Reduction in business relations <p>Environment / Nature</p> <ul style="list-style-type: none"> · Environmental pollution (emissions; immissions) · Environmental protection (laws; organizations) · Harm to image from environmental harms · Losses from natural disasters <p>Competition</p> <ul style="list-style-type: none"> · New product technology · Price dumping · Potential new competition <p>Logistics</p> <ul style="list-style-type: none"> · Delay in supply · Transport costs · Loss of goods | <p>Economic position</p> <ul style="list-style-type: none"> · Framing economic conditions · State of and trends in the economy · Interest rates and trends · Labor market situation · Inflation · Exchange rate trends <p>Miscellaneous</p> <ul style="list-style-type: none"> · Replacement / Substitute products · Public fiscal policy · Legal requirements · Political relations · Ability to pursue claims | <p>Staff</p> <ul style="list-style-type: none"> · Motivation · Qualification · Churn · Loss of high performers · 'Bottleneck' positions · Corruption · Work safety · Employer branding <p>Sites</p> <ul style="list-style-type: none"> · Rights of entry · Respecting safety rules · Commitment of capital · Contracts (term; liability) · Construction projects <p>Finance</p> <ul style="list-style-type: none"> · Liquidity requirements · Financing · Investments · Disputed receivables · Too little equity | <p>Product risks</p> <ul style="list-style-type: none"> · Products not addressing needs · Technical changes by suppliers · Shortening the product lifecycle · Defective products · Materials bottlenecks <p>Internal processes</p> <ul style="list-style-type: none"> · Dependency on a few major customers · Dependency on key suppliers · Problems with procurement processes · Problems with sales processes · Loss of hardware or software |

The classifications used in the risk management system are also applied to the possible risks from the Non-Financial Area, on which an opinion must be given in accordance with section 289c HGB and the derived CSR Report Implementation Act in the Non-Financial Statement.

They are shown and explained after the outlining of each aspect of section 289c HGB, as an evaluation matrix.

5.3.3. FINANCIAL, INTEREST AND CURRENCY RISKS

CURRENCY HEDGES AND HEDGING

Our international business model is in principle characterized by time differences between order placement, production, delivery and equipping the sales areas of our customers with our products and the factual settlement of the resulting receivables. The financial, interest and currency risks are therefore not inconsiderable and need to be processed in a sustainably structured manner.

In the financial area, there are long-term loans with banks with bilateral agreements. Likewise, the Einhell Group has conventional lines of credit at its disposal. The availability of both liquid assets and equity has always been excellent over recent years. The Einhell Group is also further expanding its netting system and cash pool, which is jointly formed by the parent company and the subsidiaries collectively. The financing of the subsidiaries is provided almost exclusively through internal loans. This reduced the risk of a non-transparent and inefficient loan structure in the Group. To that end, the parent company has set up internal lines of credit for the subsidiaries, the level of which is geared to the planning and the anticipated volume of business for the respective subsidiaries. Risks in connection with interest changes and fluctuations are managed as necessary through the use of derivative financial instruments such as long-term interest swap and interest cap agreements.

Risks in connection with currency fluctuations are mainly managed through the use of conventional forward exchange transactions. The risk of currency fluctuations in procurement is protected as far as possible via hedging transactions in the form of forward exchange transactions and option contracts. Currency hedging is undertaken in accordance with the IAS/IFRS regulations on hedge accounting for the individual hedging periods. Regarding interest, financial and currency risks, we further refer to the information provided in the Consolidated Notes under Point 6. "Risk reporting and financial instruments".

In this regard, please also refer to the annual report for the Einhell Group, where we address the current issues and the strategic considerations and determinations in relation to the economy in detail.

5.4. COMPLIANCE AND CORPORATE GOVERNANCE CODE



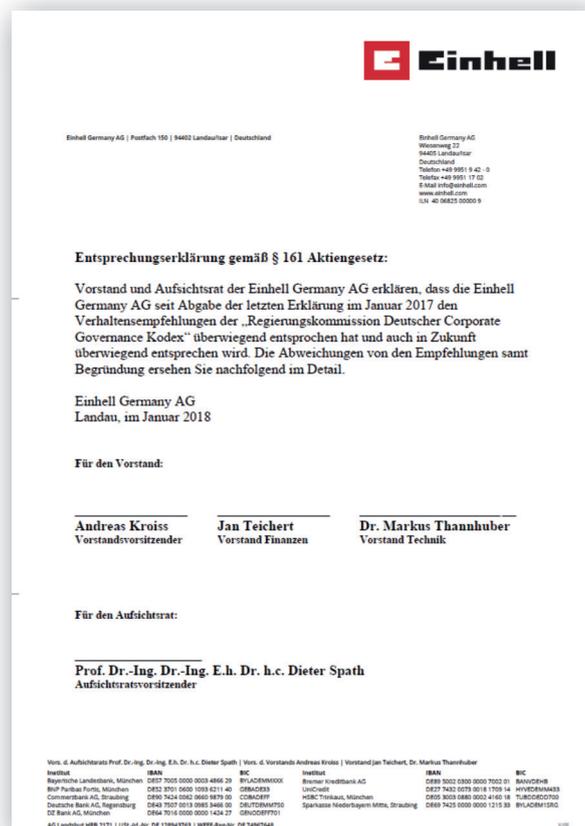
Einhell Germany AG has committed itself, through the voluntary submission of the Corporate Governance statement, to ensuring management and control of the Group that is aware of its responsibilities and aligned to sustainable value-added. The Corporate Governance Code developed in Germany by a government commission is intended to contribute to making the rules applicable in Germany for company management and monitoring transparent for national and international investors.

By this statement, Einhell Germany AG is creating transparency over the legal and enterprise-specific framing conditions and promoting the trust of its national and international investors, business partners, employees and the public. In this spirit, these principles for the Einhell Group govern relations with its shareholders and with the social and policy environment for the enterprise, the efficient collaboration between Executive Board and Supervisory Board, and the requirements for transparency and accounting.

Einhell Germany AG regularly reviews its Corporate Governance statement regarding new experiences and legal specifications and further developments in national and international standards, and adapts it as necessary. Through our Compliance policy, applicable Group-wide, the guidelines for acting as a prudent businessman are clearly communicated. Respect for the Compliance policy is transparently and regularly checked by processes introduced and standardized reports.

Fundamentally, in our Compliance policy the responsibility for respecting the rules at Group level is imposed directly on the management boards for its portfolios. We do this with full awareness and as a signal that we want to frame our business fairly and transparently from the highest tier in the Group down.

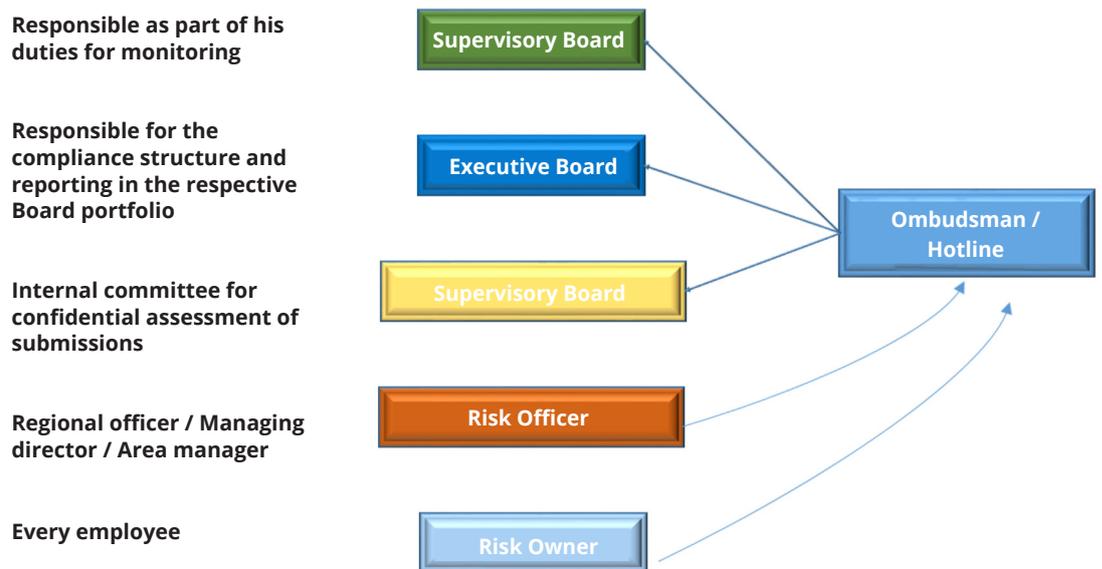
This requirement for transparency is reflected in the established Compliance structures.



Objective:

It is fundamentally important to us that our international business activity is 100 % compliant with international and also local legislation. We see ourselves as bound by the principle of "acting as a prudent businessman." Responsibilities and the associated reporting pathways are defined as part of our ICS system (Internal Control System) and in the Compliance system.

Fundamentally, we rely here on the fact that each responsible post-holder is initially himself responsible for respecting the relevant regulations. Our internal policies provide assistance in this and enable the involvement of third parties (Ombudsman + Compliance Committee) on open questions.



Our control system is aimed primarily at avoiding breaches of Compliance. Secondly, however, it also sets out the processes on how to act correctly and time-appropriately if suspicious circumstances arise in order to guard against harm to the enterprise and/or to individuals. In doing so, we pay attention to handling suspicious circumstances with the greatest confidentiality, in order to enable objective appraisal, without the risk of unjustified harm to the reputation of those involved.

5.4.1. COMPLIANCE – ANTI-CORRUPTION

Integrity is vital

It is essential for our customer relations that our market presence has integrity. For Einhell, it goes without saying that we observe the applicable laws and statutory regulations in all countries where we operate.

All employees are obliged to respect our Code of Conduct and to act with integrity in their dealings with customers, suppliers and state authorities. We win our orders fairly through the quality and prices of our products and services, and not by offering others non-permitted benefits.

The Code of Conduct also sets out that no employee may hold a participation in suppliers, customers and enterprises which are in competition with the Einhell Group. We thereby avoid conflicts of interest from the outset, and establish clear relations.

Through our Group-wide compliance management system, we achieve clarity and transparency regarding the expected ways of acting, we provide assistance and policies for marginal instances, and give our employees certainty and support in all questions relating to acting with integrity. It goes without saying for us that Executive Board members personally carry responsibility for communicating, respecting and continuously improving compliance management in their particular portfolios. As part of regular reporting, the Supervisory Board is informed about the status of this lived system..

Our internal Group audit examines the business units from a risk perspective. In doing so, those processes and areas exhibiting greater risk of corruption or infringements of statutory rules such as anti-trust law or tax law are subjected to more frequent audit.

5.4.2. POLICIES

For us, policies are the vital "guiding rails" directing the action of our employees. In the spirit of our management culture, we endeavor to delegate room for maneuver in the scope for action and in decision-making competence. That only works if all levels in our enterprise are clear about the limiting factors to this room for maneuver and are able to orient themselves to them. For that reason, policies are established in all key areas setting out the respective framing conditions clearly and transparently.

List of key policies (in relation to CSR criteria):

- Accounting Manual
- Sales Manual
- IFRS Policy
- Anti-trust Policy
- Internal Control System Policy
- Risk Management System Policy
- Binding Policy for Preparing Offers for Promotional Business
- Binding Procedure for Purchases of Goods in Foreign Currencies
- Compliance Policy
- Staff Posting Policy
- Currency Hedging Policy
- Receivables Management (Euler Hermes protection)
- BSCI Policy
- Policy on Use of Electronic Media and Data Protection
- Technical Project Management Guideline
 - At product type level
 - At regional level
 - Technical Quality Assurance
 - Implementation Guideline for European Safety Standards

Insofar as our policies do not have a direct basis in law and are therefore fundamentally binding in character, we regard our policies as "living" elements in our collective value-added. They are only valid for as long as they fulfill their purpose, i.e. the legally-compliant, effective and efficient management of our business processes. In order to keep up to date in that regard, there is a need for regular, open and constructive discussion regarding potential for improvements, including in this area. As part of the annual budget discussions, this question is also addressed in a structured manner at international level.

5.4.3. RISK ASSESSMENT PURSUANT TO SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT

| Risk reporting | | | | | | Q4/2017 Einhell Group Legal & Compliance | | Impact: | | Likelihood: | | ad-hoc risk | | | | |
|---------------------|-----|---|--------|--|---|--|---|--|---|--|------------|---|----------|---|------------------------|---|
| english | | | | | | 1: insignificant 0-50 k€ 2: small 50-100 k€ 3: moderate 100-200 k€ | | 4: significant 100-400 k€ 5: critical 400-700 k€ 6: catastrophic >700 k€ | | 1: unimaginable, 0-3% 2: unlikely, 4-15% 3: rare, 16-40% | | 4: sometimes, 50-60% 5: likely, 70-80% 6: frequent, 85-100% | | | | |
| Risk Identification | | | | | | Risk Assessment | | | | | | Risk Management | | | | |
| Risk-Category | Org | Risk-Owner | No. | Risk-Name | Risk-Description | Impact (low)=1 | Impact (high)=6 | Impact | Likelihood (low)=1 | Likelihood (high)=6 | Likelihood | Risk exposure | Strategy | action/explanation | Risk exposure previous | Progress |
| Compliance | EAG | all Companies of the Einhell Group local General Manager | CSR C1 | Corruption | Risk that corruption committed by employees leads to criminal proceedings, penalties and reputational damage. | lean anti-corruption law with low level of penalties | strong anti-corruption law with high level of penalties | 3 | Corruption index of relevant country > 75, risk addressed by internal control system | Corruption index of relevant country < 30, risk not addressed by internal control system | 2 | 6 | Avoid | Group Policy against Corruption; Roll out QMS system with simple guidelines and training of employees. An extra pair of eyes is needed to double check relevant documents | 6 | In progress |
| Compliance | EAG | all Companies of the Einhell Group local General Manager | CSR C2 | Misappropriation and theft | Risk that staff or external service provider is stealing significant assets. | no significant assets available | significant assets available | 2 | scenario very unlikely, no cases of misappropriation in history, strong control environment | scenario very likely, several cases of misappropriation in history, no control environment | 2 | 4 | Transfer | Insurance for relevant material assets; An extra pair of eyes is needed to double check relevant documents | 4 | Vericherung für wesentliche Vermögenswerte; Risikoreduktion durch Mehraugesprinzip |
| Compliance | EAG | all Companies of the Einhell Group local General Manager | CSR C3 | Legal disputes | Risk that ongoing legal disputes cause compensation payments or reputational damage. | no ongoing legal cases, or ongoing legal cases with insignificant amounts in dispute | ongoing legal cases with significant amounts in dispute | 1 | low probability to loose in ongoing legal cases | high probability to loose in ongoing legal cases | 3 | 3 | Accept | The risk of litigation is latent; Reduction through pre-activation of the legal department and involvement of external service providers | 3 | Das Risiko von Rechtsstreitigkeiten ist latent vorhanden; Reduktion durch Vorbeisshaltung Rechtsabteilung und Hinzuziehung externer Dienstleister |
| Compliance | EAG | all Companies of the Einhell Group local General Manager | CSR C4 | Legal risks resulting from product liability | Risk that complex product regulations leads violations of laws, legal disputes and reputational damages. | no or low penalties in case of product law violations | high penalties and sales restrictions in case of product law violations | 2 | non-complex or weak product law | complex or strong product law | 2 | 4 | Transfer | Combination of passing on the risk of product liability insurance and avoidance by QA and technical department | 4 | Kombination aus Überwälzung des Risikos auf Prod#Verseicherung und Vermeidung durch QS und Technik |
| Compliance | EAG | all Companies of the Einhell Group local General Manager | CSR C5 | Breach of essential guidelines in the Group | Risk that, despite appropriate provisions, the internal regulations are not complied with, resulting in financial or reputational damage. | impact insignificant | impact catastrophic | 4 | | | 1 | 4 | Reduce | ongoing training regarding the guidelines. Four-eye principle for relevant documents to avoid the effects of errors | 4 | |

UNDER A CAREFUL INCLUSION AND EVALUATION OF ALL DATA AVAILABLE TO US, WE ARE NOT CURRENTLY AWARE OF ANY ESSENTIAL NET RISKS IN RELATION TO THE CSR ASPECT OF BRIBERY AND CORRUPTION, IN ACCORDANCE WITH THE DEFINITION SET OUT IN SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT.

For ease of reading, this risk assessment matrix is available as a separate file in the CSR and Sustainability Report tab on the website.

5.5. ECOLOGY



5.5.1. OBJECTIVE

We similarly consider ourselves committed to protecting the environment and to conserving natural resources, not least through the fact that we have committed ourselves publicly to supporting our customers in shaping their individual environment with our products. Our aim is to set accents in the context of our value-added chain, but also – through our products – with customers in terms of conserving natural resources and active protection of the environment.

5.5.2. CHOICE OF MATERIALS, CAPACITY FOR RECYCLING



Being economical and sustainable in use of natural resources is not only sensible from the ecological perspective, but also acknowledged that the raw materials needed for industry have become scarcer during globalization and thus also more expensive. For that reason, Einhell pays attention to reducing the use of raw materials and to recycling materials, if possible, right from the design phase and through to development and manufacturing. Even in the design phase for new products in development and procurement, ecological issues are integral to our automated project flow to give them the necessary attention at all times. Particularly for plastic parts, we ensure that these demonstrate all the requirements for recycling capacity. Naturally, in doing so we also satisfy all requirements for taking back electrical waste (ElektroG – the German Electrical Equipment Act) and packaging (VerpackV – the German Packaging Ordinance), but also whole devices. The aim in this is to achieve the highest possible rate of recycling, through collaboration with certified recycling and disposal enterprises.

Taking back packaging materials and, above all, cardboard boxes is not only a legal obligation, but at Einhell in Landau fulfills a further step in the value-added chain. In order for our devices to survive transport by road or rail undamaged and in perfect condition, filler materials are vital. As far as possible, we avoid using plastic bubble-wrap for this, but instead favor specially-made packing bags made from the returned cardboard and paper waste generated by our operations.

5.5.3. PHOTOVOLTAICS

In this area, we have already sought ways at an early stage to reduce combustion of fossil fuels and to cover our energy requirements by using the roof surfaces of our warehouses to source environmentally-friendly solar energy from PV units.



Maximum coverage with PV modules at the Landau an der Isar plant

Ertragsdaten PV-Anlagen Einhell Landau

| Jahr | BV 2009 | | BV 2012 BA-1 | | BV2012 BA-2 | | Summe aller Anlagen | |
|-------|------------|----------------|--------------|----------------|-------------|----------------|---------------------|----------------|
| | Erzeugung | Co2 Einsparung | Erzeugung | Co2 Einsparung | Erzeugung | Co2 Einsparung | Erzeugung | Co2 Einsparung |
| 2010 | 869560 kWh | 608,69 t | | | | | 869560 kWh | 608,69 t |
| 2011 | 975022 kWh | 682,52 t | | | | | 975022 kWh | 682,52 t |
| 2012 | 844034 kWh | 590,82 t | 134291 kWh | 94,00 t | 189696 kWh | 132,79 t | 1168021 kWh | 817,61 t |
| 2013 | 881507 kWh | 617,05 t | 132436 kWh | 92,71 t | 188534 kWh | 131,97 t | 1202477 kWh | 841,73 t |
| 2014 | 950937 kWh | 665,66 t | 142060 kWh | 99,44 t | 200920 kWh | 140,64 t | 1293917 kWh | 905,74 t |
| 2015 | 933183 kWh | 653,23 t | 144334 kWh | 101,03 t | 203898 kWh | 142,73 t | 1281415 kWh | 896,99 t |
| 2016 | 879355 kWh | 615,55 t | 137420 kWh | 96,19 t | 194061 kWh | 135,84 t | 1210836 kWh | 847,59 t |
| 2017* | 893023 kWh | 625,12 t | 140625 kWh | 98,44 t | 196577 kWh | 137,60 t | 1230225 kWh | 861,16 t |
| | | | | | | | | 6462,03 t |

5.5.4. CONSERVING RESOURCES / PRODUCT LONGEVITY

With a product policy having as a fundamental pillar the new Power X-Change battery system, Einhell is setting a clear signal for responsible use of resources. The core element of the platform is a battery capable of being used in all devices in the range – currently over 65. So customers only require one battery and one charger for their various electrical tools and garden equipment. On the one hand, that represents a cost saving for the customer, but it also means that fewer resources are required for different batteries and chargers. Accordingly, it also means that less waste is generated once the lifetime of the battery or charger has been reached.

That lifetime is a further factor where Einhell is promoting sustainability, through the longevity of its products. Through continuous innovation and further development of quality, the batteries in the Power X-Change series have above-average lifetime. The special cell technology and control electronics on the Power X-Change batteries ensure optimum thermal management and charge behavior, as well as great safety during operation. This prevents damage both to the batteries and to the devices, thereby guaranteeing high performance with long lifetimes.

As a further aspect, Einhell is switching to wear-free motors on increasing numbers of devices. These brushless motors work without any friction from carbon brushes. Less friction means in this instance a lower operating temperature, practically no wear, and thus a significantly-extended lifetime for the whole device. In this way, Einhell is again supporting sustainability through longevity.

Because the company is so convinced about the longevity of its own devices, the two-year guarantee specified in law for RED devices has been voluntarily extended to three years.

* Einhell RED comprises the following brands: Einhell Red, Einhell Classic, Einhell Car Classic, Einhell Home, Einhell Expert, Einhell Expert Plus, Einhell Professional. You can find the details of the brand on the packaging, on the title page of the operating instructions and on the data badge directly on the product.

5.5.5. POWER X-CHANGE

"ONE FOR ALL" is not just a sales argument demonstrating the ability to use our Power X-Change batteries for the entire product range of power tools and gardening equipment, but is also a simple environmental benefit.

While it is true that the ability to recycle battery systems has improved in the past, but nevertheless batteries still represent a problem for disposal. A few high-performance batteries optimized for our Power X-Change range enable the use of a wide range of different devices. Only a small volume of batteries is in use, compared to conventional individual battery compatibility, and needing to be disposed of at end-of-life. Moreover, in developing innovative recycling concepts we are linked in with leading enterprises in this sector, so that here too we can use the best possible alternatives.



EINHELL POWER X-CHANGE | FOR MORE SUSTAINABILITY



FEWER RECHARGEABLE BATTERIES AND POWER SUPPLY UNITS

Reduced raw material and energy demands, less strain on the environment.



LONGER SERVICE LIFE

Replacements need to be purchased less often.



MORE ENVIRONMENTALLY FRIENDLY THAN PETROL

Zero emissions during application.



MORE EFFICIENT USE OF ENERGY

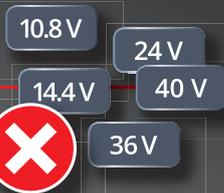
Smart battery management and Li-ion technology reduce energy consumption.

BRUSHLESS ENERGY



BRUSHLESS MOTORS

Longer running times, more service life, less wear – that's environmental awareness.



ONLY 1 SYSTEM FOR ALL DEVICES

- 1 battery for all devices.
- 1 battery for garden and workshop.
- 1 18 V battery system for all applications – combinable for demands up to 36 V.

5.5.6. RESPONSIBILITY IN GLOBAL LOGISTICS

In a company operating on a global footing like the Einhell Group, particular importance attached to the logistics processes, in terms of environmental responsibility.

Accordingly, acceptance of environmental responsibility is also a selection criterion for our partners in the supply chain. Currently, over 80 % of our global transports are already handled with partners who understand sustainable environmental concepts as part of their service and who are also implementing them.

Together with our globally-operating partners, we search for solutions that constantly improve distribution processes with regard to environmental sustainability, and we are constantly looking to increase the share assigned to 'green logistics'.

| | | |
|--|---|---|
| <p>Vier strategische Ziele bis 2025</p> <p>Auf dem Weg zu unserer Mission 2050 haben wir für das Jahr 2025 vier konkrete Teilziele definiert</p> <ol style="list-style-type: none"> 1. Global ●●●● Wir wollen unsere CO₂-Effizienz um 50 Prozent gegenüber 2007 verbessern. Damit unterstützen wir die globale Ambition des 2-Grad-Ziels. 2. Lokal ●●●● Wir wollen die Lebensqualität in Städten erhöhen, indem wir unsere Abholung und Zustellung zu 70 Prozent mit sauberen Abhol- und Zustellkonzepten durchführen. 3. Wirtschaftlich ●●●● Wir wollen den Anteil unseres Umsatzes, der grüne Lösungen beinhaltet, auf über 50 Prozent steigern. Damit tragen wir dazu bei, dass die Lieferketten unserer Kunden umweltfreundlicher werden. 4. Gesellschaftlich ●●●● Wir wollen 80 Prozent unserer Mitarbeiter durch Trainingsmaßnahmen zu GoGreen-Experten zertifizieren und an unseren Umweltschutzaktivitäten beteiligen. Dazu zählt, dass wir gemeinsam mit Partnern jährlich eine Million Bäume pflanzen. <p>Quelle: Deutsche Post DHL Group</p> <p>Deutsche Post DHL Group</p> <p>GoGreen – Mission 2050: Null Emissionen Bonn 08. März 2017 4</p> | <p>"Bis zum Jahr 2050 richten wir unser Geschäft auf eine Null-Emissionen-Logistik aus. Damit setzen wir den Zukunftsstandard für den Transportsektor und tragen unmittelbar zum Klimaschutzziel der Weltgemeinschaft bei, die Erderwärmung auf weniger als zwei Grad Celsius zu begrenzen."</p> <p>Frank Appel, Vorstandsvorsitzender Deutsche Post DHL Group</p> | <p>Environmental issues are an integral part of Kuehne + Nagel's QSHE management system. It is the company's concern to protect the environment and nature, ensuring sustainability for future generations. Kuehne + Nagel holds ISO 14001 environmental certification for more than 200 locations worldwide.</p> <p>Our company strategy in this respect includes: Efficient capacity use for all modes of transport The bundling of goods flows at logistics hubs Deployment of multi-modal traffic via rail and river barges</p> <p>CSR Report Kühne*Nagel 2016</p> |
|--|---|---|

5.5.7. ENVIRONMENTAL ISSUES ALSO PART OF THE SUPPLIER ASSESSMENT UNDER BSCI

Compliance with the relevant international and/or regional legal provisions is a firm element in our actions in the Einhell Group. Moreover, since we also produce in BSCI risk countries, notably in the People's Republic of China (PRC) and the Socialist Republic of Vietnam (SRV), we place particular value here on BSCI certification. As part of monitoring processes, the environmental aspects mentioned are also examined and evaluated. That way, we ensure that the responsibility we uphold is also jointly met by our partners. In the structured and audited Code of Conduct under BSCI, compliance with international and national environmental standards is checked under Point 5.9 and used as a selection criterion.

5.5.8. RISK ASSESSMENT PURSUANT TO SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT

UNDER A CAREFUL INCLUSION AND EVALUATION OF ALL DATA AVAILABLE TO US, WE ARE NOT CURRENTLY AWARE OF ANY ESSENTIAL NET RISKS IN RELATION TO THE CSR ASPECT OF ECOLOGY, IN ACCORDANCE WITH THE DEFINITION SET OUT IN SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT.

For ease of reading, this risk assessment matrix is available as a separate file in the CSR and Sustainability Report tab on the website.

| Risk reporting | | Q4/2017 | | CSR | | Impact: | | Likelihood: | | ad-hoc risk | | Risk Management | | | Risk Communication | | |
|---------------------|-----|--|--------|--|---|-----------------------|----------------------|-------------|--------------------|---------------------|------------|-----------------|---------|--|--------------------|----------|--|
| Risk identification | | | | | | Risk Analysis | | | | | | Risk Management | | | Risk Communication | | |
| Risk Category | Org | Risk Owner | No. | Risk Name | Risk-Description | Impact (low)-1 | Impact (high)-4 | Impact | Likelihood (low)-1 | Likelihood (high)-4 | Likelihood | Risk | Strate- | action/explanation | Risk perc. period | Progress | Comments/Aims/Deadlines |
| CSR | EAG | Technical departments | CSR E1 | not adequately disposable components | Negative effects on the reputation of the company by using product components that are not adequately disposable. | Impact: insignificant | Impact: catastrophic | 3 | not at all | frequent | 1 | 3 | Avoid | continuously checking of the used components regarding the disposability as well as environmental soundness | 3 | ■ | |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR E2 | significant environmental damage due to improper disposal of waste | Negative reputation of the company due to significant environmental damage due to improper disposal of waste | Impact: insignificant | Impact: catastrophic | 2 | not at all | frequent | 1 | 2 | Avoid | Selective of certified disposal companies, if locally possible, otherwise dispose of the greatest possible amount in the common collecting of waste and scrap Part of the BCG Monitoring | 2 | ■ | |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR E3 | significant environmental damage due to non-fulfillment of obligations as the responsible distributor of equipment | Negative reputation of the company due to significant environmental damage due to improper disposal of waste | Impact: insignificant | Impact: catastrophic | 2 | not at all | frequent | 1 | 2 | Avoid | Selective of certified disposal companies, if locally possible, otherwise dispose of the greatest possible amount in the common collecting of waste and scrap Part of the BCG Monitoring | 2 | ■ | Adherence to the sales-accompanying regulations regarding packaging, storage labeling and disposal |
| CSR | EAG | all Companies of the Einhell Group local General Manager SCM | CSR E4 | collaboration with logistics companies known as polluters | significant negative impact on the company's reputation through collaboration with logistics companies known as polluters | Impact: insignificant | Impact: catastrophic | 3 | not at all | frequent | 1 | 3 | Reduce | Intensified cooperation with logistics providers who commit themselves to suitable environmental protection and also demonstrate their efforts to reduce emissions | 3 | ■ | |
| CSR | EAG | Technical departments | CSR E5 | Use of harmful raw materials and components | Necessary remedial actions as well as avoidable damage to the reputation of the company due to the use of harmful raw materials and components | Impact: insignificant | Impact: catastrophic | 4 | not at all | frequent | 2 | 5 | Reduce | Clear definitions in the development process for the use of only tested and harmless identified raw material and components. Definition of reaction schemes in the case of new scientific findings. Part of the BCG monitoring | 3 | ■ | |
| CSR | EAG | Technical departments | CSR E6 | Risk by co-operation in case of environmental pollution by subcontractors | Reputation is endangered in case of environmental pollution by subcontractors | Impact: insignificant | Impact: catastrophic | 3 | unimaginable | frequent | 2 | 6 | Reduce | Supplier selection taking into account compliance with local environmental legislation, non-compliance as a definite exclusion point. Part of the BCG Monitoring | 6 | ■ | |
| CSR | EAG | Technical departments | CSR E7 | Produktbeschaffenheit | Significant negative impact on the company's reputation due to non-compliance with local legal requirements in the country of use of the products | Impact: insignificant | Impact: catastrophic | 3 | unimaginable | frequent | 2 | 6 | Reduce | Constructive consideration of local legal regulations regarding chemical, physical and emission-related product characteristics and requirements for disposal (country of use) | 3 | ■ | |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR E8 | Dangerous Goods and Hazardous Substances Ordinance | Actual damage from recalled or mislabeled products would show Einhell as an incompetent market participant | Impact: insignificant | Impact: catastrophic | 3 | unimaginable | frequent | 1 | 3 | Reduce | Training of all involved, external courses and assortment monitoring | 3 | ■ | |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR E9 | not complying with local legal regulations of the commissioning of risk prevention officers or monitoring of environmental aspects | Actual damage from recalled or mislabeled products would show Einhell as an incompetent market participant | Impact: insignificant | Impact: catastrophic | 2 | unimaginable | frequent | 1 | 2 | Reduce | In case of any effects of a temporary business interruption, appropriate insurance | 3 | ■ | |

5.6. WORK ENVIRONMENT AND WORKING CONDITIONS



The objective: The aim is to orient the general HR policy and all HR processes within our Group in such a way that on the one hand the staff reflects the demographic diversity of the business environment and, on the other, all employees feel valued and are motivated to contribute their potential to the benefit of the organization.

Unconditional respect for the person we meet in the context of our business activity underpins all our deliberations in this regard. From this fundamental understanding, it follows that they are all stakeholders in our enterprise, regardless of position, place in life and degree of collaboration, and deserve the same respectful treatment.

5.6.1. HEALTH MANAGEMENT

The health and safety of employees has high priority at Einhell. This relates both to work safety, which is primarily important in the commercial area, and health protection across all areas.

Consistent prevention of safety risk through initial training and CPD measures, effective work safety management in all areas of the enterprise, continuous improvement measures, analysis of accidents at work and, not least, the newly established Occupational Health Management at the Landau site are elements in the framing of safe and health-promoting working environments.

In a statement of principles agreed in 2014 for Einhell health management, relevant framing conditions were set out by the Executive Board.

Statement des Vorstandes
Gesundheitsmanagement mit System

Die Gesundheit und Leistungsfähigkeit unseres Unternehmens hängt stark von der individuellen Empfindung des Gesundheitszustandes jedes Einzelnen ab.

Das Wissen und die Erfahrung der Mitarbeiter/innen bei Einhell sind die Grundlage der gesamten Wertschöpfung. Die Möglichkeit zum Einbringen dieser individuellen Faktoren basiert vor allem auf der Gesundheit des Einzelnen! Daher ist die Gesundheit und damit die Zufriedenheit der Mitarbeiter/innen ein wesentlicher Bestandteil des zukünftigen Erfolgs unseres Unternehmens. Ihre Leistungsfähigkeit soll durch das Betriebliche Gesundheitsmanagement langfristig erhalten und gefördert werden.

Wir, der Vorstand der Einhell Germany AG, haben daher das betriebliche Gesundheitsmanagement als wesentliche Zielsetzung für das Unternehmen festgelegt.

Das betriebliche Gesundheitsmanagement soll eine wichtige Komponente unserer Unternehmenskultur sein, welche nur durch das offene Miteinander aller Beteiligten zum Erfolg führen kann.

Der Vorstand der Einhell Germany AG legt besonderen Wert auf die aktive Beteiligung der Mitarbeiterinnen und Mitarbeiter am betrieblichen Gesundheitsmanagement sowie die Eigenverantwortlichkeit jedes Einzelnen für seine Gesundheit.

Andreas Kroiss
Vorstandsvorsitzender

Jan Teichert
Finanzvorstand

Dr. Markus Thannhuber
Vorstand Technik

The sustainable objective of our Occupational Health Management is geared to the WHO definition: It relates to a holistic approach that not only places avoidance or treatment of illness as the focus, but also targets the responsibility of everyone involved, i.e. the employee himself, his colleagues and also the enterprise as institution, in shaping the well-being of the individual.

From our perspective, Occupational Health Management is therefore a primary part of every management task, regardless of the respective hierarchical level. Management is recognized as one of the key health resources and represents a relevant lever in achieving employee well-being. In conjunction with the necessary level of service provision to ensure the business objectives, the framework for active support and promotion of employees is accordingly established. An ongoing series of workshops gives managers at all levels the opportunity to engage with this issue in their role and to share ideas and experiences. Well-known experts in occupational psychology and in management and communications behaviors are available as speakers and contact persons, for sustainable development of management competence.

Regular presentations to employees on health issues by well-known experts, and further the possibility of personal screening of relevant health parameters as part of Health Days, keep this important theme in focus.

5.6.2. WORK SAFETY

The fundamental objective of national and international laws on work safety and the associated regulations is to keep the risk to employees as they go about their work as low as possible.

This dynamic approach, geared to the tasks and technical possibilities for prevention, is fully supported by us and lived out in terms of its content. We insist on the view that any accident at work is one too many!

Based on that, prevention has the highest priority in all actions in this context, and is understood as a key management task at all levels of management. Every accident is viewed as the basis for an improvement process, and automatically triggers corresponding measures.

For the enterprises within the Group, this perspective and procedure are a matter of course. As part of maintaining and expanding our supply chain, during the corresponding supplier audits we explicitly pay close attention to compliance with work safety standards.

WHO says:

Health is a state of complete physical, mental and social well-being!



HAZARD ASSESSMENT

Structured hazard assessments, with a clear definition of the hazard, the probability of occurrence and the measures to be derived from this, are the basis of our work safety. It goes without saying for us that hazards capable of jeopardizing the life of employees – even if these hazards have never arisen in our enterprise – must be planned out through engineering or organizationally-structurally.

Every new process is proactively evaluated with regard to possible hazards, in order to be able to adopt risk-minimizing measures ahead of introduction.

Internationally:

Internationally, compliance with ILO conventions and local ratifications of these sets of rules are an automatic part of the criteria in selecting and certifying our production partners and service providers. In risk countries, independent BSCI certifications are standard. (See 5.8 Human rights)

| | | Auswirkungen | | |
|---|-----------------------------------|----------------|------------------------------------|-----------------------------------|
| | | Personenschade | Verluste | Umweltschäden |
| A | Unfall mit Todesfolge | > 500.000 € | schwere externe Umweltschäden | risikomindernde Maßnahmen treffen |
| B | Unfall mit schweren Folgen | >250.000 € | Auswirkungen über die Werksgrenzen | risikomindernde Maßnahmen treffen |
| C | Unfall mit schweren Verletzungen | >50.000 € | große Auswirkungen im Werk | prüfen, ob Maßnahmen notwendig |
| D | Unfall mit mittleren Verletzungen | >10.000 € | Umweltschäden Gebäude/Betrieb | |
| E | Unfall mit leichten Verletzungen | >5.000 € | auf Anlage beschränkt | |
| F | Unfall ohne Ausfallzeit | > 250 € | auf die Schadenstelle beschränkt | |

| | | Ereignisursachenanalyse | | |
|---|--------------|-------------------------|-------------------------------|---------------|
| | | Personenschade | Verluste | Umweltschäden |
| 1 | ständig | täglich, auch mehrfach | bei uns öfter passiert | |
| 2 | häufig | >1x pro Woche | bei uns schon passiert | |
| 3 | oft | 1x pro Woche | in der Gruppe schon passiert | |
| 4 | gelegentlich | 1x im Monat | in der Branche schon passiert | |
| 5 | selten | 1x im Jahr | schon davon gehört | |
| 6 | sehr selten | 1x alle 10 Jahre | noch nie davon gehört | |

5.6.3. KNOWLEDGE MANAGEMENT

We are convinced that sustainable value-added is only possible through active knowledge management. That means that the necessary general or special Einhell know-how needed for our business and its future development is viewed as a genuine asset and treated accordingly.

Our objective in this is to "conserve" this knowledge, on the one hand, and to arrange for active knowledge transfer.

MAINTAINING KNOWLEDGE

Relevant knowledge not only needs to be accessible in the heads of individual employees, but needs to be made as widely available as possible to all parties involved. The challenge here, particularly in view of our SME structure, is to effectively manage the selection via relevance, in order to avoid creating incomprehensible and thus unusable 'data graveyards'.

In this, fruitful dialog between the generations is a key piece of the mosaic. Shaping this is a key management task to which we are actively committed, including as part of management CPD.

KNOWLEDGE TRANSFER

The basis of maintaining knowledge is structured and managed knowledge transfer. Here we see the possibilities of digitalization as offering key tools in the active framing of knowledge management. However, direct communication must not be sold short either. In striking this balance, we have introduced, expanded and improved a whole range of measures that help us get across relevant information to the right people.

Our fundamental focus is on the content at both relevant levels of transfer.

- 1.) Factual level
- 2.) Relationship level.

We are aware that all information is interpreted to a not inconsiderable degree by the sender and by the receiver. In other words, the information is never fully in place and redundancy-free. Goal-oriented communication is only possible through actively and positively framed relationship levels.

This principle is given lived expression particularly in the Einhell Academy, which alongside a whole range of specialist training, CPD and instruction is also organizationally the home to systematic management CPD.

COMMUNICATION

In addition to individual HR development tools, particular importance attaches above all to regular, open and near-time communication. Our view is that our employees can only orient their actions to the overarching objective if we provide them transparently and reliably with information regarding issues relating to business development, successes and problems, along with strategy and operational management decisions. To that end, we have introduced and are continuously improving a range of tools.

- Regular agreement rounds and information events with members of the Co-determination Committees
- Sales-oriented quarterly letters
- Regular HR announcements on key changes in personnel and other HR themes
- Regular preparation of the internal Einhell News
- Extensive internal company intranet

This communication is not intended as, and in our view should not be, a "one-way street". To that end, a range of platforms have been introduced where the exchange of views, ideas and values is not just possible, but expressly wanted.

- Regular employee surveys
- Regular middle management meetings
- Management meetings
- Regular meetings for "job-starters" (apprentices and Dual Students)
- Trainer meetings
- Summer festival and year-end celebration.

We are convinced that this platform sustainably supports cohesion in our enterprise and represents the basis for joint achievement of the strategic and operational goals.

5.6.4. RISK ASSESSMENT PURSUANT TO SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT

UNDER A CAREFUL INCLUSION AND EVALUATION OF ALL DATA AVAILABLE TO US, WE ARE NOT CURRENTLY AWARE OF ANY ESSENTIAL NET RISKS IN RELATION TO THE CSR ASPECT OF EMPLOYEE ISSUES, IN ACCORDANCE WITH THE DEFINITION SET OUT IN SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT.

For ease of reading, this risk assessment matrix is available as a separate file in the CSR and Sustainability Report tab on the website.

Risk reporting

Q4/2017

CSR

Labour

Impact:

1: insignificant 3- 4: significant 1,2- 325 M€ 2:4m€
 2: small 300-600 M€ 5: critical 2,4- 4,3m€
 3: moderate 3,5- 6: catastrophic 1,3m€ 04,3m€

Likelihood:

1: unimaginable 4: Sometimes, 50- 60%
 2: rarely, 3-10% 3: likely, 70-80%
 3: rare, 20-40% 5: frequent, 80- 90%

ad-hoc risk

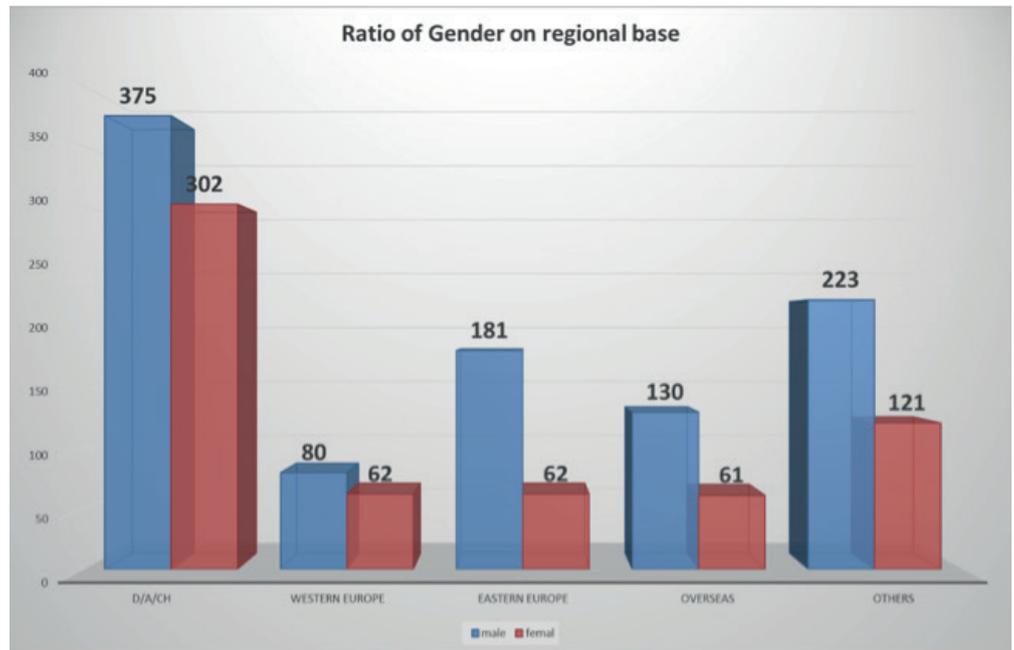
| Risk identification | | | | | | Risk Analysis | | | | | | | Risk Management | | | |
|---------------------|-----|--|--------|---|---|--------------------|------------------------|--------|--------------------|---------------------|------------|------|-----------------|---|-------------------|----------|
| Risk-Category | Org | Risk-Owner | No. | Risk-Name | Risk-Description | Impact [low]-1 | Impact [high]-6 | Impact | Likelihood [low]-1 | Likelihood [high]-6 | Likelihood | Risk | Strategy | action/explanation | Risk prev. period | Progress |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR L1 | relevant accidents at work | Considerable damage to the life and limb of employees within the value chain for failure to comply with safety regulations | loss insignificant | loss of life or health | 0 | not at all | frequent | 1 | 0 | Avoid | Clear instructions and monitoring that the relevant health and safety regulations must be adhered to. (within the group companies). Compliance with health and safety regulations is part of the supplier audits and violations are a major exclusion criterion. Also, monitoring with BCS has included work safety. | 0 | 0% |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR L2 | Child Labour | Significantly negative impact on the reputation of the company when child labor within the supply chain becomes known | loss insignificant | loss catastrophic | 2 | not at all | frequent | 2 | 4 | Avoid | Clear instructions and monitoring that the relevant regulations regarding the age of employees must be adhered to. (within the group companies). Compliance with ILO-conventions and the UN Convention on the Rights of the Child are part of the supplier audits and violations are a major exclusion criterion | 4 | 0% |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR L3 | Discrimination against minorities | Significantly negative impact on the reputation of the company when discrimination against minorities within the supply chain becomes known | loss insignificant | loss catastrophic | 2 | unimaginable | frequent | 1 | 2 | Avoid | Clear stipulations within the company's corporate lines that discrimination within the Group will not be tolerated. Inclusion of this feature in compliance management to create reporting opportunities and rapid response, appropriate training of employees and managers Part of the ESG monitoring | 2 | 0% |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR L4 | Suppression of the right Rights of Freedom of Association and Collective Bargaining | Significantly negative impact on the reputation of the company when violations of rights of Association and collective bargaining within the supply chain becomes known | loss insignificant | loss catastrophic | 1 | unimaginable | frequent | 2 | 2 | | Clear stipulations within the company's corporate lines that the right of association and collective bargaining is part of company culture and will never be suppressed within the Group will not be tolerated. Inclusion of this feature in compliance management to create reporting opportunities and rapid response, appropriate training of employees and managers Part of the ESG monitoring | | 0% |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR L5 | Tolerance of not decent working hours | Significantly negative impact on the reputation of the company when tolerances of not decent working hours within the supply chain becomes known | loss insignificant | loss catastrophic | 1 | unimaginable | frequent | 1 | 1 | | Clear stipulations within the company's corporate lines that the right of decent working hours regarding the local standards and regulations are part of our company culture and will never be suppressed within the Group will not be tolerated. Inclusion of this feature in compliance management to create reporting opportunities and rapid response, appropriate training of employees and managers Part of the ESG monitoring | | 0% |

5.7. DIVERSITY



Our guiding principle of diversity management is to understand appreciation of the diversity in our employees as a valuable part of our company, and also of our society. It supports the business success of the enterprise.

This is not achieved by leveling down, but solely by actively and willingly embracing differences.



The objective is to give our employees an individual career home, regardless of gender, origin, ethnic background and other discrimination criteria.

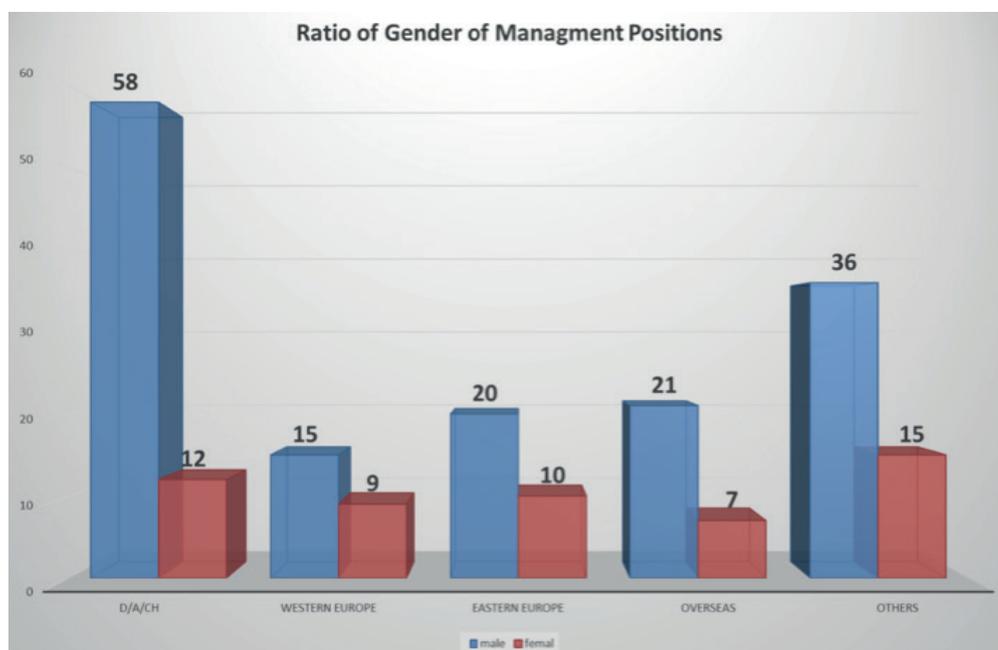
For this reason, we do not want to set quotas for minorities, since in most cases these lead to discrimination against individual persons in the majority group, or operate contrary to the development of the organization or of the persons involved.

This viewpoint also means that questions of remuneration and of individual promotion should not be impaired by taking the above discrimination criteria into consideration. Rather, we understand infringements against equal rights and the fundamental equality of opportunity as an infringement of our understanding of Compliance, and will act accordingly.

5.7.1. GENDER QUOTA STATEMENT

As part of our diversity management, we want to encourage and support every employee, male or female, in accordance with his/her abilities. A rigid quota is not compatible with the development of the individual and of the enterprise, because integration "forced" through quotas does not elicit acceptance.

Rather, we want to give all employees the opportunity for individual further development. Our internal CPD programs on the one hand, and the transparent corporate structures on the other, both contribute here to setting a course for identifying and expanding individual potential.



Accordingly, it is consistent with sustainability that we are setting our women's quota under the legislation (FührposGleichberG – German Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sector) for our three-person Supervisory Board at 0 %> This expressly does not indicate that we are closing the door to women in posts on the Supervisory Board, but that we give all possible candidates, regardless of gender, the same opportunities to qualify for and apply for this important function for our enterprise.

Resolution:

The target ratio to be achieved under the FührposGleichberG for the proportion of women on the Executive Board and at the level of Prokurist (Authorized Officer) for Einhell Germany AG is set at 0 %. By determining this target ratio, the determination of deadlines for achieving this target lapses.

5.7.2. RISK ASSESSMENT PURSUANT TO SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT

Risk reporting

Q4/2017

CSR

Diversity

Impact:

1: insignificant 0-300 k€
 2: small 300-600 k€
 3: moderate 0,6-1,2m€
 4: significant 1,2-2,4m€
 5: critical 2,4-4,2m€
 6: catastrophic >4,2m€

Likelihood:

1: unimaginable, 0-3%
 2: unlikely, 4-10%
 3: rare, 20-49%
 4: Sometimes, 50-69%
 5: likely, 70-84%
 6: frequent, 85-100%

ad-hoc risk

| Risk Identification | | | | | | Risk Analysis | | | | | | Risk Management | | | | |
|---------------------|-----|--|--------|---|---|--------------------|-------------------|--------|--------------------|---------------------|------------|-----------------|----------|---|-------------------|----------|
| Risk-Category | Org | Risk-Owner | No. | Risk-Name | Risk-Description | Impact (low)=1 | Impact (high)=6 | Impact | Likelihood (low)=1 | Likelihood (high)=6 | Likelihood | Risk | Strategy | action/explanation | Risk prev. period | Progress |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR D1 | Discrimination against minorities | Significantly negative impact on the reputation of the company when Discrimination against minorities becomes known within the supply chain | loss insignificant | loss catastrophic | 2 | unimaginable | frequent | 1 | 2 | Avoid | Clear stipulations within the company's corporate lines that discrimination within the Group will not be tolerated. Inclusion of this feature in compliance management to create reporting opportunities and rapid response. appropriate training of employees and managers | 2 | → |
| CSR | EAG | all Companies of the Einhell Group local General Manager | CSR D2 | Discrimination Violation of Gender equality | Significantly negative impact on the reputation of the company when Violation of Gender equality becomes known within the supply chain | loss insignificant | loss catastrophic | 2 | unimaginable | frequent | 2 | 4 | Avoid | Clear stipulations within the company's corporate lines that Violation of Gender equality within the Group will not be tolerated. Inclusion of this feature in compliance management to create reporting opportunities and rapid response. Appropriate training of employees and managers | 2 | ↑ |

UNDER A CAREFUL INCLUSION AND EVALUATION OF ALL DATA AVAILABLE TO US, WE ARE NOT CURRENTLY AWARE OF ANY ESSENTIAL NET RISKS IN RELATION TO THE CSR ASPECT OF DIVERSITY, IN ACCORDANCE WITH THE DEFINITION SET OUT IN SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT.

For ease of reading, this risk assessment matrix is available as a separate file in the CSR and Sustainability Report tab on the website.

5.8. HUMAN RIGHTS



Although there is an orientation on business, which naturally underpins our activity, we know that there are regions on the planet where the standards that we take for granted regarding work safety, minimum age, minimum pay and working time etc. have not automatically become established as the basis for business development. For that reason, we assess potential production partners and service providers not just on a technical basis, but also regarding compliance with ILO conventions.

THE OBJECTIVE:

Fundamentally, we consider ourselves bound by the United Nations Convention on Human Rights, and therefore look to compliance with these standards as far as we are able. The aim is to avoid violations both within our Group structures and in the upstream processes.

5.8.1. APPROACH

Fundamentally, all partners in our supply chain are bound to comply with ILO conventions and the UN conventions on children's rights.

Extract from the contractual text for service providers and production partners:

"Code of Conduct"

The Supplier guarantees, on its own behalf and on behalf of its sub-suppliers, compliance with the Code of Conduct based on the conventions of the International Labour Organisation (ILO), the UN Declaration of Human Rights, the UN conventions on the rights of children and the elimination of any form of discrimination against women, the UN Global Compact and the OECD Guidelines for Multinational Enterprises (the latest version of the code can be retrieved on the website <http://www.bsci-intl.org> and is declared to be part of the Agreement)."

Compliance with the standards is regularly checked during initial certification for the Einhell Group and during the announced and unannounced factory audits.



As the basis of our arguments, we are a BSCI member and similarly bind our partners to respect these rules. Through the audits by independent BSCI specialists that form an integral part of our practice, compliance with the 11 key principles is ensured not only by internal bodies, but also by external specialists.

BSCI CODE OF CONDUCT

- 1.) Rights of freedom of association and collective bargaining
Our enterprise respects the right of employees, trade unions or other forms of employee associations
- 2.) Fair remuneration
Our enterprise respects the right of employees to fair remuneration.
- 3.) Occupational health and safety
Our enterprise guarantees a healthy and safe work environment by assessing risks and adopting all necessary measures to eliminate or mitigate these risks.
- 4.) Special protection for young workers
Our enterprise grants special protection to all employees who are not adults.
- 5.) No bonded labor
Our enterprise is not involved in any way with slavery, human trafficking or involuntary labor.
- 6.) Ethical business behavior
Our enterprise does not tolerate any form of corruption, extortion, embezzlement or bribery.
- 7.) No discrimination
Our enterprise offers equality of opportunity and does not discriminate against any employee.
- 8.) Decent working hours
Our enterprise respects the law regarding working hours.
- 9.) No child labor
Our enterprise does not appoint any employee below the statutory minimum age.
- 10.) No precarious employment
Our enterprise appoints employees on the basis of documented terms of employment that comply with the law.
- 11.) Protection of the environment
Our enterprise adopts the necessary measures to avoid harming the environment.

Since we also produce in BSCI risk countries, notably in the People's Republic of China (PRC) and the Socialist Republic of Vietnam (SRV), we place particular value here on BSCI certification, and we monitor the contractual assurance given above regarding compliance with ILO conventions and UN conventions on children's rights.

5.8.2. RISK ASSESSMENT PURSUANT TO SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT

UNDER A CAREFUL INCLUSION AND EVALUATION OF ALL DATA AVAILABLE TO US, WE ARE NOT CURRENTLY AWARE OF ANY ESSENTIAL NET RISKS IN RELATION TO THE CSR ASPECT OF RESPECT FOR HUMAN RIGHTS, IN ACCORDANCE WITH THE DEFINITION SET OUT IN SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT.

For ease of reading, this risk assessment matrix is available as a separate file in the CSR and Sustainability Report tab on the website.

| Risk Identification | | | | | | Risk Analysis | | | | | | Risk Management | | | Risk Communication | | |
|---------------------|-----|------------|--------|----------------------|---|--------------------|-------------------|--------|--------------------|---------------------|------------|-----------------|----------|---|--------------------|----------|-------------------------|
| Risk Category | Org | Risk-Owner | No. | Risk-Name | Risk-Description | Impact (low)-1 | Impact (high)-6 | Impact | Likelihood (low)-1 | Likelihood (high)-6 | likelihood | Risk | Strategy | action/explanations | Risk prev. period | Progress | Comments/Aims/Deadlines |
| CSR | EAG | N.N | CSR-H1 | Child Labour | Significantly negative impact on the reputation of the company when child labor becomes known within the supply chain | loss insignificant | loss catastrophic | 2 | not at all | frequent | 2 | 4 | Avoid | Clear instructions and monitoring that the relevant regulations regarding the age of employees must be adhered to. (within the group companies). Compliance with ILO-conventions as the UN Convention on the Rights of the Child are part of the supplier audits and violations are a major exclusion criterion. Part of the BSC monitoring | 4 | 0 | |
| CSR | EAG | N.N | CSR-H2 | forced labour | Significantly negative impact on the reputation of the company when forced labour becomes known within the supply chain | loss insignificant | loss catastrophic | 2 | unimaginable | frequent | 2 | 4 | Avoid | Clear instructions and monitoring that the relevant regulations regarding the age of employees must be adhered to. (within the group companies). Compliance with ILO-conventions as the UN Convention are part of the supplier audits and violations are a major exclusion criterion. Part of the BSC monitoring | 4 | 0 | |

5.9. SOCIAL ISSUES



Fundamentally, we see ourselves as a collection of people who are jointly committed to the task of economically and sustainably developing our enterprise. Given this perspective, it goes without saying that appropriate space is also given over to the social aspects. In the first instance, this relates to social issues within our enterprise, but also looks to the embedding of our individual companies and their staff in the respective local communities. In particular, the inclusion of our head office in Landau an der Isar in the structures of the town and the region is something we consider to be an obligation on us. In addition to donations to regional and trans-regional social institutions and organizations, members of our staff hold a number of voluntary positions and demonstrate commitment to these causes.

Beyond this commitment, we also consider the responsibility from our product promise as a vital criterion in relation to social issues. Initially, these appear to be two completely different aspects. However, we take a different view, since the safety and functionality of our products are key responsibilities that we accept as overarching and that we always need to keep in view, as a non-financial aspect. No-one is genuinely well-served if enterprises may position themselves to good effect in the press, but fail to pay attention to safety aspects that are vital to wider social issues.

We face up to these challenges every day and for that reason, to us, product responsibility is part of our social responsibility.

5.9.1. PRODUCT RESPONSIBILITY



In essence, we see product responsibility from two different perspectives.

- A.) Responsibility for the safety of our product when used by the end-customer
- B.) Responsibility for fulfilling the functional purpose of the product

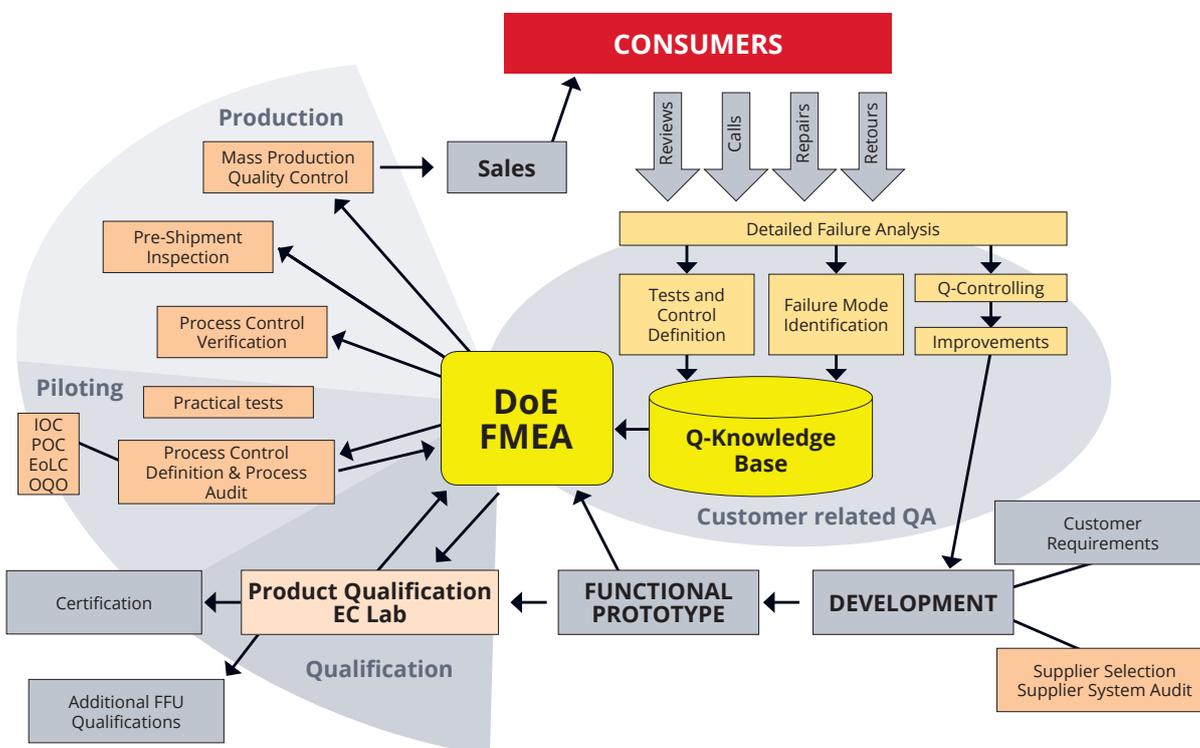
Both perspectives are highly important for the development of the enterprise, even if different objectives are in play here, with the safety aspect always having priority!

THE OBJECTIVE:

In relation to product safety, our aim is to exclude any hazard to the user when using our products correctly. This challenge impacts right across the value-added chain.

Fulfilling the purpose of the product and this fulfilling the expectations of the end-customer is a basic requirement for the long-term customer trust we aspire to. Accordingly, the expectations of end-customers from all sales areas are identified and reflected in the development process via product management.

The path to the Einhell quality product



To ensure both objectives, a quality assurance concept has been established across the value-added chain. This is constantly reviewed for potential for improvement and adapted to the state-of-the-art as required.

5.9.2. PRODUCT SAFETY

Technical product safety is naturally the highest priority in our development and production process. Being fully up-to-date in terms of the legislation is equally a highest priority. The established processes are continuously adapted to the harmonized standards respectively issued by the European Commission, meaning that the greatest possible safety is guaranteed. Alongside these fundamental certification audits, local and regional standards are naturally also considered and taken into account, in the event that the requirements are different. In our quality assurance facilities, particularly in our very well-equipped test laboratory at Einhell China, as in the development departments at our site in Landau, tests are constantly being conducted on experimental models, prototypes and, above all, on products from on-going series manufacturing in order to maintain the high quality standard over the entire product lifecycle. These internal checks are naturally also flanked by checks by independent testing establishments.

Any finding of possible risks to safety is fed back directly to the process and triggers corresponding avoidance or corrective measures, depending on the positioning in the project lifecycle.

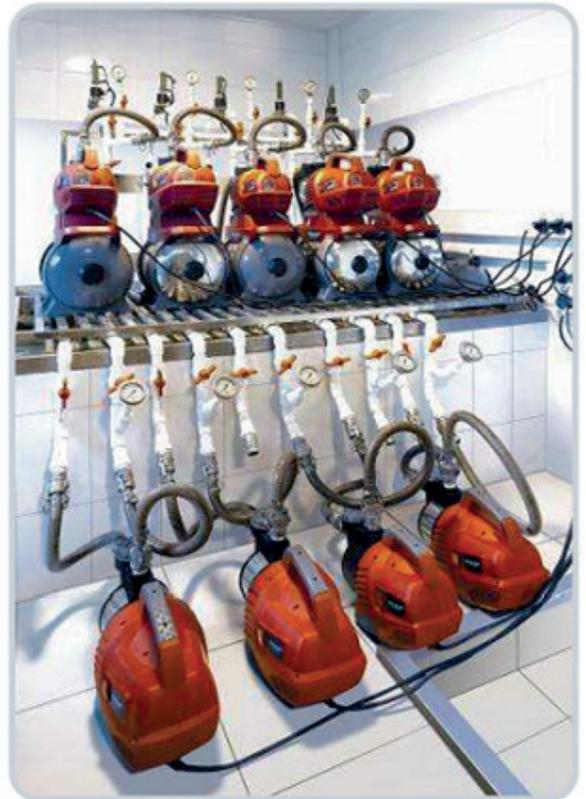
In addition, we have firmly-established processes for crisis intervention, in order to be able to act rapidly and competently in the event that product faults are identified. In that way, risks for the end-user of our products and thus possible financial or reputational damage can be minimized.



Engine brake - endurance testing



Central management of test cycles using computer



Garden pumps / Domestic waterworks - endurance testing

5.9.3. RISK ASSESSMENT PURSUANT TO SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT

UNDER A CAREFUL INCLUSION AND EVALUATION OF ALL DATA AVAILABLE TO US, WE ARE NOT CURRENTLY AWARE OF ANY ESSENTIAL NET RISKS IN RELATION TO THE CSR ASPECT OF SOCIAL ISSUES, IN ACCORDANCE WITH THE DEFINITION SET OUT IN SECTION 289C HGB AND THE CSR REPORT IMPLEMENTATION ACT.

For ease of reading, this risk assessment matrix is available as a separate file in the CSR and Sustainability Report tab on the website.

Risk reporting

Q4/2017 CSR

Social

Impact:

1: negligible 0-399k€
 2: small 400-999k€
 3: moderate 1,0-1,9m€
 4: significant 2,0-2,9m€
 5: critical 3,0-4,9m€
 6: catastrophic >4,9m€

Likelihood:

1: negligible 0-20%
 2: unlikely 21-30%
 3: possible 31-40%
 4: sometimes 41-50%
 5: likely 51-60%
 6: frequent 61-80%
 7: very frequent 81-100%

ad-hoc risk

| Risk Identification | | | | | | Risk Analysis | | | | | | | Risk Management | | | | Risk Communication |
|---------------------|-----|------------|---------|--|--|--------------------|-------------------|--------|--------------------|---------------------|------------|------|-----------------|--|-------------------|----------|-------------------------|
| Risk Category | Org | Risk Owner | No. | Risk Name | Risk Description | Impact [low]-1 | Impact [high]-6 | Impact | Likelihood [low]-1 | Likelihood [high]-6 | Likelihood | Risk | Strategy | action/explanation | Risk prev. period | Progress | Comments/Aims/Deadlines |
| CSR | EAG | N.N | CSR 5.3 | relevant accidents of customers regarding technical issue of our products Reputation | Significantly negative impact on the reputation of the company after relevant accidents of customers when using our products | loss insignificant | loss catastrophic | 6 | unimaginable | frequent | 2 | 12 | Avoid | see Risk Assessment and Crisis Management | 12 | 0 | |
| CSR | EAG | N.N | CSR 5.4 | relevant accidents of customers regarding technical issue of our products "legal" | Prosecutions or significant fines for technical problems or process insecurity related to our products | loss insignificant | loss catastrophic | 6 | unimaginable | frequent | 1 | 6 | Avoid | see Risk Assessment and Crisis Management | 6 | 0 | |
| CSR | EAG | N.N | CSR 5.5 | non-compliance with local regulations regarding product safety and labeling | Significantly negative impact on the reputation of the company when cases of non-compliance becomes known | loss insignificant | loss catastrophic | 2 | unimaginable | frequent | 1 | 2 | | Intensive Prüfung über den Lebenszyklus aller Produkte, selbst und durch unabhängige externe und akkreditierte Daten, Märkte und Rang immer mit nach entprechender Detailprüfung | | 0 | |
| CSR | EAG | N.N | CSR 5.6 | unadvisable reaction to a situation | Significantly negative impact on the reputation of the company | loss insignificant | loss catastrophic | 4 | unimaginable | frequent | 2 | 8 | | Regular tracking of all online channels, social media, website, complaints (immediate reaction to criticism at the factual level) | | 0 | |

CSR REPORT

Einhell Germany AG
2017

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