

### **Business model**

The TAKKT Group is a portfolio of B2B direct marketing specialists for business equipment. TAKKT AG as a management holding company steers the companies according to the same value and growth drivers. A key aim of TAKKT AG is to secure and further expand a stable, profitable and growth-oriented portfolio of direct marketing specialists in different and complementary target markets, product areas and regions for the long term. Besides the obligation to fulfill legal and regulatory requirements as well as offering services throughout the Group, TAKKT AG is also responsible for activities that contribute to increasing the value of the portfolio.

The portfolio companies and brands of the TAKKT Group operate in Europe and North America in the area of B2B direct marketing. They mainly concentrate on the sale of long-lasting equipment to business customers at stable prices. Sales are carried out in roughly 50 sales companies in 25 countries as part of an integrated multi-channel approach through the sales and marketing channels of print (catalogs and brochures), online (web shops and e-procurement solutions), telesales (telephone customer service) and field activities (personal assistance from field sales).

Profitable growth and sustainability go hand-in-hand at TAKKT. The Group-wide sustainability organization SCORE – Sustainable Corporate Responsibility – laid the foundation in 2011 to coordinate measures for sustainable corporate management across all divisions and implement them in the day-to-day business. The sustainability organization is coordinated by high-level management contacts in each division and is managed directly by the Management Board. This enables TAKKT to ensure the implementation of the sustainability strategy measures throughout the Group.

### **Framework for reporting**

The basis for TAKKT's sustainability reporting and the TAKKT sustainability strategy is the recognized framework of the Global Reporting Initiative (GRI). The company-specific measures, key figures and goals that were defined on this basis, together with compliance management, correspond to the relevant disclosures in the five aspects of environmental issues, employee issues, social issues, respect for human rights and combating corruption and bribery, and are therefore part of this non-financial statement.

### **Environmental issues**

#### Supplier assessment

TAKKT does not face any substantial risk with respect to dependency on individual suppliers. The company relies on an extremely fragmented pool of around 4,000 suppliers. It can fall back on alternative suppliers for nearly every product and ensures that nothing will change in this situation, even in the long term. For TAKKT as a direct marketing specialist for business equipment, an important part of the value chain already lies in the procurement of goods. For this reason, TAKKT places a strong emphasis on sustainability in its supply chain. TAKKT does this by collaborating with the internationally recognized EcoVadis platform. The evaluation allows the relevant aspects of sustainable practices to be shown in a transparent manner in the business models of the suppliers while identifying where there is room for improvement. By repeating the audits at regular intervals, TAKKT aims to measure the progress and improvement of the suppliers. The four areas that EcoVadis analyzes are "environment," "social conditions," "ethics" and "supply chain." TAKKT product managers can view the results in the online portal, make suggestions for improvements to the suppliers and draft development plans. The evaluation program was successfully tested in 2013. Since then it has been gradually expanded.

In 2018, the share of sourcing volume from suppliers certified by EcoVadis amounted to 44.2%. The goal is to increase this figure to 50–60% by 2020. TAKKT also uses the EcoVadis platform to evaluate suppliers for direct

imports: In 2018, 39.3% of the sourcing volume of direct imports were certified. The target corridor of 30–40 % that had been defined for 2020 has therefore already been achieved.

The four areas of analysis – “environment”, “social conditions”, “ethics” and “supply chain” – also make supplier evaluation relevant for the aspects of employee issues, respect for human rights, and combating corruption and bribery.

### Green products

The excellent quality of the products ensures their long service life, which benefits the customer. Therefore, TAKKT assumes responsibility for the entire life cycle of the products sold – from sourcing to their use, including the disposal of materials and packaging. Together with its partners, the company is systematically expanding the range of sustainable (“green”) products in all sales companies. External product certifications are relied upon as much as possible. For example, an environmental performance report certified by the German Association for Technical Inspection (TÜV) was prepared for EUOKRAFT Active Green products; the carbon emissions generated during production are completely offset. The percentage of sustainable (“green”) products was 9.5% of total sales in 2018. By 2020, this should be at 12–15%.

### Resource efficiency

Printed advertising materials such as catalogs are a key medium for customer communication in direct marketing. At the same time, they are responsible for a large portion of TAKKT’s carbon emissions. This is why TAKKT works exclusively with efficient and modern printing houses. Almost all of the paper used to produce the print advertising materials is from certified resources (FSC/PEFC). TAKKT is continuously improving its customer approach by developing the business model into a multi-channel company that combines traditional catalog mailings with an online shop and – where appropriate – telephone sales and field representatives in an integrated manner. By systematically expanding the e-commerce business, the company is increasing the efficiency of customer-oriented marketing while also conserving resources because less paper is used. In 2018, TAKKT used 4.2 kg of paper per order and was able to achieve the goal for 2020 of 6.0–6.5 kg.

The company also works towards continuously improving the use of resources in business operations. Modern environmental management systems and the corresponding certifications provide the foundation for this. In 2018, six major TAKKT companies had an ISO 14001-certified environmental management system. By 2020, this will be expanded to a total of 10–13 major companies.

### Carbon emissions

TAKKT’s single-tier direct sales business model offers clear advantages over trading systems with local stores. Shipping routes are optimized and emissions minimized due to the elimination of additional transportation steps. The customer also benefits from increased product availability, short delivery times and adherence to delivery dates. Nevertheless, TAKKT is continuously working to further reduce the use of resources at all stages of value creation and to be as environmentally friendly as possible.

TAKKT actively supports the careful handling of natural resources and climate protection. Since 2010, TAKKT has gained important starting points for targeted improvement measures – such as the use of environmentally friendly materials and production processes – from the collection of carbon emissions data. In 2018, ISO 14064-certified carbon footprints had already been created for 13 major companies. By 2020, this will be expanded to 15–18 companies.

The introduction of certified carbon footprints enables us to ensure the greatest possible transparency regarding the carbon emissions generated along our value chain. We have implemented projects and measures based on these results in order to sustainably reduce the carbon emissions that result from this. However, carbon emissions can only be reduced to a certain extent. Particularly in our focus areas of marketing and logistics, which are the largest drivers of carbon emissions, we intend to offset the resulting carbon emissions step-by-step by supporting carefully selected and certified climate protection projects.

In the area of marketing TAKKT aims to introduce carbon-neutral web shops for at least 15 major companies by 2020. Twelve web shops were already made carbon neutral in 2018. In addition, the proportion of carbon-neutral printed advertising materials should be 100% by the end of 2020. At present, 19.9% of the printed advertising materials are carbon neutral. At the same time, TAKKT also aims to make its product shipping as environmentally friendly as possible and is working with numerous logistics partners to make its shipping carbon neutral. In 2018, 93.5% of parcel shipments and 48.9% of general cargo shipments in Europe and the US were offset. By 2020, 100% of parcel shipping and 90–100% of general cargo from the central warehouses in Europe and the warehouses in the US will be made carbon neutral with the help of certified climate protection programs.

Since 2008, TAKKT has participated in the annual ranking of the Carbon Disclosure Project (CDP) international initiative. It aims to make companies' climate strategies more comparable and to sustainably reduce their emissions. The CDP revised the scoring methodology in 2018 and added sectorspecific questions. In the year under review, TAKKT was able to improve its scoring and achieve a climate score of "B" despite stricter scoring methodology. This is the first time that TAKKT has reached the "Management" application level, the second highest of a total of four application levels.

### Energy consumption

To further reduce energy consumption and limit harmful emissions, TAKKT is focusing on the areas that show the greatest potential for savings and development. These are also identified through the introduction of certified energy management systems. An important part of these certifications is to establish a continuous improvement process. The introduction of certified energy management systems in accordance with ISO 50001, which was already carried out in four major companies in 2018, will be pursued further until 2020 and implemented in 5–8 major companies. In doing so, TAKKT also aims to reduce energy consumption at German and US locations by 2020 to 50–55 MJ per order, such as by continuing to switch to LED lighting in the central warehouses. In 2018, this was at 66.7 MJ per order.

### **Employee issues**

#### Human resources strategy

As part of our digital agenda, we aim to double our e-commerce business by 2020 and change our organization sustainably by making digitalization a priority and focusing on the constantly changing needs of our customers. To do this, we will invest up to EUR 50 million in our current and new employees and in new technologies by 2020. The aim is to find "digital talents" and retain them in the company for the long term. The emphasis here is on those who are hired as part of the digital agenda. Of these talents, at least half should still be with the company in 2020. In 2018, 89.9% of the new employees hired as part of the digital agenda were still with the company. To achieve this goal, the company is adapting its organization and working methods and supporting the digital expertise of its employees through targeted training. Investments in creating modern workspaces help to develop the corporate culture in a way that lets us achieve our goals.

### Diversity

TAKKT is convinced of the added value of having mixed management teams and considers it a company-wide duty to ensure the same career development opportunities for women and men across countries and divisions. The aim of the activities is to increase equal opportunities through various measures. This includes making it more of an objective of the recruiting process to find at least one female candidate for high-level management positions as well. Targets were set for the share of female participants in internal talent development programs. In addition, women are also explicitly taken into consideration in succession planning. In addition, better compatibility of family and work based on individual needs, such as by expanding childcare options and the option to work from home, should create an appropriate gender ratio. In 2018, 12.3% of top management positions were held by women. The target value of at least 10% by 2020 has thus already been achieved.

### Supplier assessment

See information under “Environmental issues”

## **Social issues**

### Social commitment

For TAKKT, social commitment is an important part of responsible action. The company sees itself as part of society and therefore as a driver of local projects. Besides organizations and institutes that work on environmental and social issues, the company especially supports the volunteer commitment of its employees. Paid leave gives these employees the opportunity to lend their support on site with their involvement. 70.2% of employees were able to utilize this opportunity in 2018. In fact, 18.0% participated in local volunteer projects. The goal of offering 55–60% of employees the opportunity to take paid leave as well as having 8–12% of employees become actively involved by 2020 has therefore already been achieved.

## **Respect for human rights**

### Guidelines and commitments

TAKKT views compliance with legal and contractual obligations as well as with ethical principles as being of the highest priority. In order to ensure this and support employees in their day-to-day work, the company adopted a revised TAKKT Code of Conduct in 2014. It is derived from the company values and the principles of the United Nations Global Compact as well as other international standards. As an active supporter of the Global Compact Initiative since early 2012, TAKKT is committed to complying with the ten universal principles in the areas of human rights, labor, environmental protection and anti-corruption, and to ensure their propagation. TAKKT is one of a few German companies to have achieved the “Advanced Level” of the Global Compact with its comprehensive and results-oriented sustainability reporting. It aims to maintain this high level.

### Supplier assessment

See information under “Environmental issues”

### **Combating corruption and bribery**

#### Compliance management

TAKKT's corporate values provide an orientation and form the basis for internal collaboration as well as cooperation with business partners. Responsible corporate management (Corporate Governance) is one of TAKKT's fundamental principles. For this reason, we explicitly support the objectives of the German Corporate Governance Code. A responsible approach to business-related risks is a requisite for good Corporate Governance.

The Management Board and management have extensive Group-wide and company-specific reporting and control systems available that make it possible to record, assess and manage these risks. TAKKT AG attaches the highest priority to its compliance with all statutory and contractual obligations associated with responsible Corporate Governance. TAKKT is subject to a variety of compliance requirements, including the areas of antitrust law, capital markets and data protection. Non-compliance with Group-wide compliance principles (such as in antitrust law or capital market compliance) could have considerable legal consequences (e.g., lawsuits, exclusion from government contracts) and therefore financial effects (e.g., fines, lost sales from damage to the company's reputation), which would also have a negative impact on earnings.

To address this risk, the company pursues a central compliance management system that is checked by the specialist departments and the compliance officer. These measures allow possible breaches to be identified quickly. In addition to the existing TAKKT Values, the TAKKT Code of Conduct and the TAKKT compliance management guidelines (e.g., for anti-corruption and anti-discrimination matters), TAKKT also has a whistleblower hotline set up with an external service provider where employees can, to the extent permitted by law, report compliance violations anonymously. In addition, TAKKT has expanded the existing system where employees are trained in compliance-related issues by means of an electronic platform and receive a certificate upon successful completion of the tests. In the year under review, this was expanded to additional languages to increase the level of acceptance and understanding throughout the entire Group. Additional training on core issues in compliance is offered as needed.

#### Supplier assessment

See information under "Environmental issues"

Stuttgart, March 22, 2019  
TAKKT AG  
Management Board

Dr. Felix A. Zimmermann  
Chairman of the Management Board, CEO

Dr. Heiko Hegwein  
Member of the Management Board

Dirk Lessing  
Member of the Management Board

Dr. Claude Tomaszewski  
Member of the Management Board, CFO