

Group non-financial report

Ströer SE & Co. KGaA, Cologne 31 December 2019

Table of contents

BACKGROUND OF THE STRÖER GROUP	2
BACKGROUND TO THE GROUP NON-FINANCIAL REPORT OF THE STRÖER GROUP	3
METHOD AND APPROACH	4
RELEVANT ASPECTS PURSUANT TO THE CSR-RUG.....	5
RISK ANALYSIS.....	5
EMPLOYEE MATTERS.....	6
ANTI-CORRUPTION AND BRIBERY	13
DATA PROTECTION.....	16
CONTACTS AND IMPRINT	17

STRÖER

Background of the Ströer Group

Ströer SE & Co. KGaA, Cologne (the Ströer Group), is a leading German out-of-home media company and offers advertising customers individualized, fully integrated, end-to-end solutions along the entire marketing and sales value chain. The Ströer Group commercializes and operates several thousand websites in German-speaking countries in particular and operates approximately 300,000 advertising media in the out-of-home segment.

With regard to detailed information on the business model and organizational structure, see the relevant passages entitled "Business model" and "Segments and organizational structure" in the Background and Strategy of the Ströer Group section of the combined management report of the Company and the Group of Ströer SE & Co. KGaA. The report was published under the Investor Relations section of our homepage on 30 March 2020.¹

¹ Available at: <http://ir.stroer.com/websites/stroer/English/5100/financial-reports.html>.

Background to the group non-financial report of the Ströer Group

With this separate combined non-financial report (“non-financial report”), Ströer SE & Co. KGaA fulfils the reporting requirements under the CSR Directive Implementation Act [“CSR-Richtlinie-Umsetzungsgesetz“: CSR-RUG] (Sec. 289b-e and Sec. 315b-c HGB [“Handelsgesetzbuch“: German Commercial Code]). CSR stands for corporate social responsibility.

The disclosures made apply equally to Ströer SE & Co. KGaA and the Group. In addition to the description of the business model and overarching information, the report contains disclosures on certain non-financial aspects to the extent that they are necessary for an understanding of the assets, liabilities, financial position and financial performance of the Group as well as for an understanding of the impacts of our business activities on the non-financial aspects.

The disclosures relate to the reporting period from 1 January to 31 December 2019. The report covers all subsidiaries that are fully consolidated in the consolidated financial statements. We have documented where this is not the case.

The audit committee and supervisory board examined this group non-financial report, which was prepared by the board of management for the Ströer Group as of 31 December 2019. The documents were discussed in detail at the meetings and the board of management answered additional questions raised by members of the supervisory board. The supervisory board raised no objections following its review.

Method and approach

The materiality analysis of the aspects to be reported on under the CSR-RUG was carried out on the basis of a systematic evaluation process within the Ströer Group.

First of all, a concept for determining the range of potential reportable topics and for preparing the non-financial statement in line with the requirements of the CSR-RUG was drawn up on the basis of cross-segment internal workshops, workshops with external service providers, the analysis of own research activities as well as a review of the regulatory framework.

Based on a catalog of potentially relevant topics – in line with the topics and aspects set forth in the Global Reporting Initiative – a questionnaire was drawn up and sent to all segments of the Ströer Group. The impacts of the topics on the segments' assets, liabilities, financial position and financial performance were evaluated internally in particular on the basis of the survey.

The survey results were then evaluated again in follow-up workshops with the internal functional departments/service functions (e.g., HR department, legal department, etc.). At these workshops the relevant aspects were also evaluated in terms of the impacts of the business activities of the Ströer Group on the aspect itself.

Thanks to our systematic multi-stage analysis process, it was ensured on the one hand that all material topics from our perspective were identified and, on the one hand, that the potential range of topics was limited to material topics. Using a two-part evaluation approach – surveying the operating segments and follow-up workshops with the service functions – the legislative intent was achieved determining those aspects that are both of relevance for the assets, liabilities, financial position and financial performance of the Company as well as of relevance for the reportable aspect itself.

Relevant aspects pursuant to the CSR-RUG

Based on our evaluation, there are again only a few aspects in fiscal year 2019 that potentially have to be reported on in a non-financial statement in our opinion. The Ströer Group has other activities in the area of social responsibility, however, which are not mentioned in this report as they are not material for the purposes of the CSR-RUG.

The following aspects are covered in this group non-financial statement:

1. Employee matters
2. Anti-corruption and bribery
3. Data protection

The other legal aspects (environmental protection, social responsibility, respect for human rights) are also part of our corporate responsibility. However, based on the systematic materiality analysis described above, these aspects are not material for the Ströer Group and its business model under the criteria of the CSR-RUG and thus are not part of this non-financial report. As such, the aspects we have classified as relevant following our extensive review and within the meaning of the law have not changed in relation to the prior-year report.

In view of the fact that we have only identified a few non-financial aspects of relevance for our business and, vice versa, on which our business has an increased impact, we have not used an established national or international framework.

Risk analysis

In the workshops with those responsible for the functional departments, we also analyzed potential non-financial risks that could arise from our business activities, business relationships, products and services for the relevant non-financial topics. Based on this analysis we did not identify any material risks with a high probability of occurrence and serious negative impacts on the aspects.

Employee matters

General

Committed, reliable and competent employees are key to the Ströer Group's success and ability to innovate and increase the value of the business. In the Ströer Group, our employees can realize their potential as individuals and make an important contribution to our Company's success with their passion, dedication, responsibility and respect.

Ströer wants to be an attractive employer with whom employees can identify and for whom they enjoy working at all its locations. We therefore underscore our attractiveness as an employer by pursuing a sustainable HR policy and offering flexible working time models, for example, as well as by offering additional benefits such as our company kindergarten and the company canteen at Ströer's headquarters.

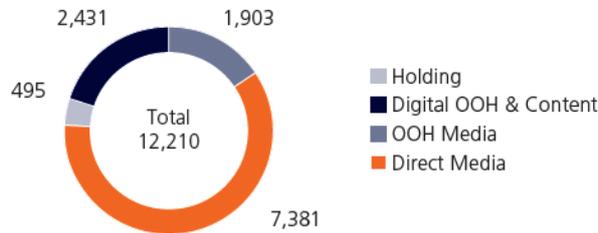
The importance of employee matters is also reflected in the pivotal position of HR in the Ströer Group's organizational structure. The HR department reports directly to the board of management on a regular basis. Furthermore, the head of HR is a member of the executive committee, the highest leadership team in the Ströer Group which comprises the divisional heads, the head of the legal department and the head of HR in addition to the board of management.

Employee situation

As of year-end, the Ströer Group had 12,210 (prior year: 12,514) full and part-time employees. The 304 drop in headcount relates to almost all segments and reflects small-scale disposals (e.g. Foodist, Ströer Mobile Performance) and customary fluctuation. We expect our headcount to rise in the out-of-home media business due to the further expansion of our regional sales structure.

Employees by segment

As of 31 Dec 2019



As of year-end, a total of 1,464 staff were employed by the foreign group entities, which is a 12% share of headcount. With a view to efficiency as well as differing legal frameworks, the following concepts and measures have only been rolled out at the German group entities to date.

Concept and measures

For us, the main topics concerning the aspect of employee matters from the materiality analysis pursuant to the CSR-RUG are:

- Employee retention through employee satisfaction
- Training and development
- Equal opportunities

We believe these topics are closely related. Employee retention and satisfaction are cornerstones of our corporate philosophy where employee matters are concerned. The other topics of training and development as well as equal opportunities have a material impact on this topic in our opinion.

Given the Ströer Group's strong growth and the diversification of our business activities, we consider extensive employee communication to be another essential building block in terms of strengthening employee satisfaction.

Ströer has addressed the core issues of employee matters through various measures, which it consistently enhances. To this end for example, together with our employees, we created and fully embraced our employer brand JUMP! – in terms of our outward presence and within the Ströer Group.

The JUMP! concept involves the following goals in relation to CSR-RUG-relevant topics:

- Boosting employee satisfaction and thereby employee retention
- Expanding training and development under the JUMP! umbrella concept

Another building block, which according to our internal survey of the segments is very relevant for employee matters and intertwined with the topics of employee retention and training and development, is the promotion of equal opportunities within the Ströer Group.

We have defined measures through which we intend to meet the goals we set out for ourselves in the catalog of values upon which the JUMP! brand is based. Those measures are described below.

Training and development

We believe training young people is part of our social responsibility and offer a variety of ways for young staff to develop. Ströer provided a total of 217 young talents throughout Germany with vocational training, thereby again raising this number considerably in 2019. In addition to traditional vocational training, Ströer expanded the scope of its cooperative study program; along with BA degrees, we began a MA program in 2018. We frequently also give applicants a chance whose careers to date deviate from the norm if they would be a good fit for Ströer. The aim is to continue to support trainees with extensive on-the-job training and keep trainee numbers stable at this high level. In 2019, Office 365 was rolled out with our BA students (on cooperative education programs) and trainees training staff in an approach based on reverse mentoring. The students and trainees function as ambassadors and coaches for staff and teams giving them the opportunity to acquire further skills in the course of their interaction.

Ströer offers successful students on cooperative education programs and trainees good chances of being kept on and we again hired many promising talents in a wide range of business areas in the past year.

Ströer offers its employees the prospect of being able to achieve their professional goals within the Ströer Group. The group-wide "JUMP'n'grow!" program was continued in 2019, with staff being identified and receiving targeted support in a 12-month talent

program. The program includes various training, workshops and collaboration on joint projects and is supported by individual mentoring by senior executives.

To support executive staff moving forward, the “JUMP up” program was continued in fiscal year 2019. The program comprises various modules in which HR staff draft the content tailored to employee needs and roll out the offering across all offices in Germany. Workshops on the subject of leadership, coaching and improving communication were held at various locations in 2019. The program was also not just offered to executives but also rolled out to other employees. Further modules have already been planned through to 2020. We have also expanded our training and development program to include the interactive learning platform “JUMP’n’tain!”. This new digital platform will bring together existing knowledge and career development offerings and can be used by our employees at any time. Through new technologies such as the virtual classroom, content can also be offered at any location. The go-live of the “JUMP’n’tain!” learning platform has also given employees that do not work at headquarters the opportunity to complete more training and participate in knowledge transfer.

Equal opportunities

We foster a balanced and diverse workforce. In keeping with the philosophy of “we hire for attitude,” we frequently find that enthusiasm and the desire to achieve count more than formal qualifications. People with different skills, different backgrounds and cultures and women and men across all age groups work at Ströer. Employees from more than 60 nations work very successfully together at Ströer in Germany. Diversity is the driving force behind ideas and the cornerstone for the sustainable growth of our Company.

The following measures are aimed at promoting equal opportunities at Ströer:

Flexible working time models

Ströer offers its employees individual ways to adapt their working time to their personal situation so that they can maintain a work-life balance. There is no group-wide guideline for these flexible working time models. Instead, binding rules can be made at individual group entities to promote a better balance between work and family life in line with employee needs or operating requirements.

In addition, our “Urlaub+” model grants staff the opportunity to increase their vacation allowance on an unpaid basis by a few days. The objective here is also to increase flexibility.

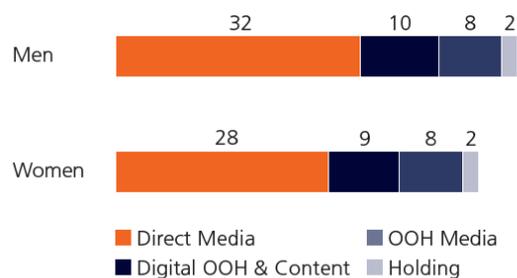
Implementing modern ways of working in an increasingly digital working environment is part of our corporate culture. Arrangements such as individual part-time working or Flex Work (working from a different location) are an integral part of our HR policy. Flex Work was successfully launched at several entities with employees choosing where and when they work on a trust basis. In 2019, a total of 3,657 employees across the Group – that is 32% – were employed on a part-time basis.

Women and men can build on and pursue their professional goals in a culture of mutual respect at Ströer.

Ströer had almost equal representation of male and female employees in 2019. As of year-end, 49% of the Ströer Group’s employees were female and 51% were male (prior year: 51% female and 49% male). The gender balance is due not least to our attractive working time models that help our staff reconcile work and family life, for example, and which make us a modern company.

Gender structure by segment

2019 in %



Women in management positions

As a founding member of the Cologne-based “Mit Frauen in Führung” association [Women in the Lead], Ströer campaigns for equal development opportunities for women and men. 15 major Cologne-based companies are members of this association that invests in the future of female executive staff through a cross-mentoring program in particular. Ströer is also involved in the Initiative Women into Leadership initiative (IWIL).

We are actively promoting the topic of women in leadership positions through our own “JUMP’n’grow!” program for tomorrow’s executives. In 2019, 46% of the program participants were women and 54% were men.

With regard to women in leadership positions, see also the annual corporate governance declaration pursuant to Sec. 289a HGB which the board of management of Ströer Management SE, Düsseldorf, which is the general partner of Ströer SE & Co. KGaA, and the supervisory board of Ströer SE & Co. KGaA submitted on 11 December 2019. The corporate governance declaration was made permanently available to shareholders on the Company’s website at www.stroeer.com/investor-relations in the Corporate Governance section.

Employee retention through employee satisfaction

Ströer attaches great importance to being an attractive employer and pursuing a sustainable HR policy. In addition to the aspects already discussed on training and development and equal opportunities, fair remuneration and modern working conditions are key to sustainable employee retention.

Our online-based employee referral program allows us to strengthen our employees’ sense of belonging, as they know their environment best and also express their own satisfaction through their recommendation.

Given the strong growth of the Ströer Group and the diversification of our business activities, extensive internal communication fosters employee satisfaction.

To communicate current developments and strategies of the Ströer Group to our employees, we have created several forums which strengthen their involvement.

At the town hall meetings that take place every quarter, the board of management reports to employees on the business development of the past quarter and current developments within the Ströer Group and answers any employee questions that arise. Employees that do not work at headquarters can use a web-based solution to participate in these town hall meetings.

Regular interviews with executives from different areas of the Company are published on the intranet in order to keep employees up to date on current events in those areas.

Due to the high growth in headcount and our numerous different locations in Germany, Ströer has created a central digital information point for each employee. An overview of all information, news and press releases relating to the Ströer Group or its industry can be accessed via an app or the website. This information might be press releases on current acquisitions, related newspaper reports or current reports from the intranet. This keeps all employees fully informed about the Company and current developments in real time.

These measures are aimed at increasing employee satisfaction and thus also employee retention.

Anti-corruption and bribery

With its various business units, the Ströer Group is exposed to numerous factors of influence which simultaneously form the basis for our sustainable and profitable growth but also pose heterogeneous risks. In a very sales-based organization such as the Ströer Group, there are also risks of corruption and bribery in general.

Corruption contravenes all national and international legal frameworks. The Ströer Group condemns all forms of corruption. Compliance is of great importance for the board of management of the general partner, Ströer Management SE, Düsseldorf, and the supervisory board of Ströer SE & Co. KGaA. Compliance means adhering to all legal requirements, obligations voluntarily entered into and internal company policies. This includes in particular combatting corruption and bribery.

To ensure compliance, we have introduced a group-wide code of conduct that obligates us and our employees to comply with legal standards and internal policies.

Code of conduct

The code of conduct we have imposed on ourselves is the basis and benchmark for the legally compliant, ethical and fair behavior of our organization and our employees.

We have a clear guiding principle as set forth in the Ströer code of conduct. We consider our Group to be a reliable partner for all persons, companies or institutions associated with our Company in the relevant regions where we operate. Responsible business practice is a core element of our business philosophy, which aims to ensure we operate in line with the law and ethical standards. Business success and personal success can only be achieved and maintained in an environment of compliance.

Due to the Ströer Group's expansion into new segments over the past few years (e.g., entry into the online advertising market in 2013 or the field of dialog marketing in 2017), the previous "code of business conduct & ethics" was revised and redrafted as the "code of conduct" in 2017 and systematically rolled out to the entire Ströer Group in 2018. A training plan was also implemented with the current code of conduct which addresses the challenges of a diversified business to the greatest possible extent.

Compliance organization

In order to protect the interests of our stakeholders, ensure legal compliance and anti-corruption and bribery, we have established the following elements of governance in the Ströer Group:

Compliance structure

The Ströer Group has appointed a chief compliance officer to whom the compliance officers appointed by him or her report. The chief compliance officer manages the implementation of the compliance system and is responsible for continually updating and adapting the system.

The chief compliance officer is responsible for administering the code of conduct as well as for investigating and legally assessing incidences of non-compliance. He or she reports directly to the CFO of Ströer as well as to the audit committee of the supervisory board at regular intervals.

The internal audit function supports the compliance function through the audits it performs at the request of the board of management or supervisory board. These audits cover the effectiveness of the internal control system and risk management system. The findings of the audits are documented and related action plans drawn up. The audit documentation is regularly presented to the chief compliance officer, the board of management of Ströer Management SE and the supervisory board of Ströer SE & Co. KGaA.

Compliance hotline

There is a compliance hotline in the form of an email address where our employees, and also external third parties, can confidentially report potential infringements of our code of conduct or other legal regulations. Incoming mail to this email address is managed and treated as confidential by the chief compliance officer. In this connection, the board of management swore the chief compliance officer to particular confidentiality, also toward the board of management itself. With the help of this compliance hotline, we want to encourage our employees to report relevant infringements without prejudice and create a culture of compliance within our organization.

In 2019, no incidences of corruption or bribery were identified within the Ströer Group (neither via the compliance hotline nor via other channels).

Compliance training concept

In 2019, customized compliance training sessions were conducted within the Ströer Group. The departmental heads communicated the relevant training required and target groups to the compliance organization.

In 2020, a comprehensive and structured, customized training plan for compliance-relevant topics is due to be implemented for the individual segments. In particular, mandatory training on general compliance as well as anti-corruption and conflicts of interest will be introduced for all employees.

Data protection

Every individual has the right to data privacy. This right protects individuals from intrusions on their privacy as a result of unnecessary, indiscriminate or disproportionate use of data. Respecting this right is one of the guiding principles of our business operations.

As a leading digital multi-channel media company, Ströer has a vital interest in aligning innovative technologies and novel business models with data protection laws. Against the backdrop of advancing digitalization, we consider it crucial that Ströer acknowledges its social and legal responsibility to handle personal data with care.

Following the entry into force of the all-important General Data Protection Regulation (GDPR), Ströer again in fiscal year 2019 made it a priority to protect personal data and effectively implement the data protection laws consistently across the Group. With the legal requirements being fleshed out on an ongoing basis, Ströer was able to enhance the existing measures, processes and systems in place to uphold data privacy and harmonize them in a data protection management system. The data protection management system aids Ströer in planning, implementing and regularly reviewing compliance with data protection laws. The group data protection officer and the growing team of data protection coordinators analyze and draw on the results of their tests to continually reduce data protection risks within the Ströer Group.

Going forward, we intend to continually improve on our data protection processes by closely monitoring how the legal requirements are fleshed out in practice.

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