

Group non-financial report

Ströer SE & Co. KGaA, Cologne 31 December 2017

Table of contents

BACKGROUND OF THE STRÖER GROUP.....	2
BACKGROUND TO THE GROUP NON-FINANCIAL STATEMENT OF THE STRÖER GROUP	2
METHOD AND APPROACH	3
RELEVANT ASPECTS PURSUANT TO THE CSR-RUG	4
RISK ANALYSIS	4
EMPLOYEE MATTERS	5
ANTI-CORRUPTION AND BRIBERY	12
DATA PROTECTION	15
CONTACTS AND IMPRINT.....	16

STRÖER

Background of the Ströer Group

Ströer SE & Co. KGaA, Cologne (the Ströer Group), is a leading digital multi-channel media company and offers advertising customers individualized and fully integrated, end-to-end solutions along the entire marketing and sales value chain. The Company's objective is to be the most customer-centric media company with a vertically integrated portfolio of branding, performance and dialog products.

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 27 March 2018.¹

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

Based on the criteria set forth in the CSR Directive Implementation Act ["CSR-Richtlinie-Umsetzungsgesetz:" CSR-RUG], Ströer SE & Co. KGaA is obliged to include a group non-financial statement in its combined management report of the Company and the Group. The statement must contain information 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.

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

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 (GRI G4) – a questionnaire was drawn up and rolled out to all segments of the Ströer Group. The impacts of the topics on the segments' assets, liabilities, financial position and financial performance was 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 of determining the 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 only a few aspects 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 our 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 statement.

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 risks with a high probability of occurrence and serious 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.

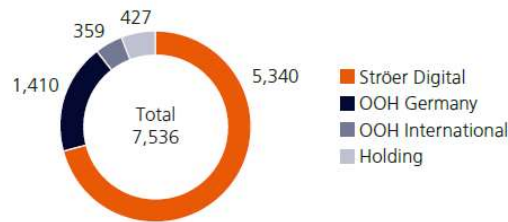
The importance of employee matters is also reflected in the pivotal position of HR in the Ströer Group's organizational structure. The HR department reports directly to the board of management on a regular basis. Furthermore, the head of HR is a member of the executive committee, the highest leadership 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 7,536 (prior year: 4,577) full and part-time employees. The increase of 2,959 employees is spread across almost all segments, but relates in particular to the digital business, where the acquisitions of the dialog marketing specialists the Adveo group and the Ranger group in 2017 brought strong growth in headcount with them. In the out-of-home business, headcount is on the rise due to the ongoing expansion of the regional sales structure.

Employees by segment

As of 31 Dec 2017



As of year-end, a total of 681 staff were employed by the foreign group entities, which is a 9% 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 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 of employee satisfaction.

For many years now, Ströer has addressed the core issues of employee matters through various measures. In the 2017 reporting period, we developed and implemented an overarching concept that, in addition to topics such as attracting new employees, also deals in particular with CSR-RUG-relevant topics such as employee retention, and training and development in the Group. To this end and together with our employees, we created and 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 is providing vocational training to more than 130 young talents across Germany. 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.

Ströer offers successful students on cooperative education programs and trainees good chances of being kept on and we again hired many young 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 "Jump 'n Grow" program was launched in 2017 to identify and proactively foster young talent. It ranges from training and involvement in joint projects to support by mentors from upper management.

To support executive staff moving forward, the "Jump up" program was also initiated in 2017. 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 and coaching were held at various locations in 2017.

We intend to extend the training and development program further in 2018. Our interactive learning platform “Jump ‘n’ Train” which was developed in the reporting period is due to go live in the first half of 2018. The platform is designed to store available knowledge content in a central location which is accessible to all employees and where it can be retrieved at any time and passed on as required. Through new technologies such as the virtual classroom, content can also be offered at any location.

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, women and men, young and old work at Ströer. Employees from more than 50 nations work very successfully together at Ströer in Germany. Diversity is the driving force behind ideas and the sustainable growth of our Company.

The following measures are aimed at promoting equal opportunities within the Company:

Flexible working time models

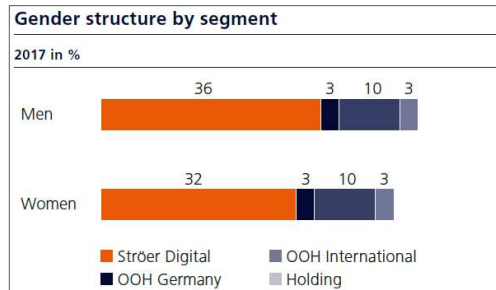
Ströer offers its employees individual ways to adapt their working time to their personal situation so that they can maintain a work life balance. There is no group-wide guideline for these flexible working time models, however some group companies have made contractual arrangements with their employees to improve their work life balance.

Implementing modern ways of working in an increasingly digital working environment is part of our corporate culture. Arrangements such as individual part-time hours or home office are an integral part of our HR policy. In 2017, a total of 1,348 employees across the Group – that is 18% – 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.

The proportion of female employees remained unchanged during the course of the year. As of year-end, 52% of the Ströer Group’s employees were male and 48% were female

(prior year: 52% male and 48% female). The gender balance is due not least to the flexible working time models described above which make us the modern company that we are.



Women in management positions

As a founding member of the Cologne-based “Mit Frauen in Führung” association [Women in the Lead], we campaign for equal development opportunities for women and men. 12 major Cologne-based companies are members of the association that invests in the future of female executive staff through a cross-mentoring program in particular.

We are actively addressing the topic of women in management positions through our current “Jump ‘n Grow” program for tomorrow’s executives. In 2017, 54% of the program participants were women and 46% were men.

With regard to women in leadership positions, see the annual declaration of corporate governance pursuant to Sec. 289a HGB [“Handelsgesetzbuch”: German Commercial Code] 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 14 December 2017. The declaration of corporate governance 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. The aspects of training and development described in the sections above as well as equal opportunities play a key role and, along with the central issues of fair pay and modern working time models, contribute to employee retention.

Given the Ströer Group's strong growth and the diversification of our business activities, we consider extensive employee communication to be another building block of 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 the employees on the previous quarter and current developments within the Ströer Group and answers any employee questions that arise.

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 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 its 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 business conduct & ethics that obligates us and our employees to comply with these standards and internal policies.

Code of business conduct & ethics

The code of business conduct & ethics we have imposed on ourselves is the basis and benchmark for 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 in the recent past (such as digital business in 2014 or dialog marketing in 2017), the previous code of business conduct & ethics was updated in 2017 and systematically rolled out to the entire Ströer Group in the first quarter of 2018. A training plan was also implemented with the current code of conduct in the first quarter of 2018 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 program and is responsible for continually updating and adapting the compliance system.

The chief compliance officer is responsible for administering the code of business conduct & ethics and the other policies within the Ströer Group 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 where our employees 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 2017, 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 2017, tailored compliance training was held within the Ströer Group. The departmental heads proposed the training required and the people needing it to the legal department. The following training topics were dealt with in 2017:

- Product safety and product liability, especially for the e-commerce entities
- Press law
- Competition law (advertising and labelling rules)

In 2018, a mandatory, tailor-made training plan for compliance topics is due to be implemented for the individual segments with the topic of anti-corruption being a major pillar.

Data protection

The protection of personal data and informational self-determination, i.e., the right of an individual to determine if and how their information is used is one of the guiding principles of our business operations. Due to consistent growth, rising headcount and the ongoing digitalization of our product range, the topic of data protection has continued to gain in significance over the past few years.

In the 2017 reporting period, therefore, necessary steps were taken to implement a sustainable and group-wide data protection concept within the Ströer Group. Activities centered around the EU General Data Protection Regulation which comes into effect from May 2018.

The individual group companies were responsible for making data protection arrangements in the reporting period. As in the past, our objective was compliance with the law. In 2017, however, no group-wide data protection concept was in place. The data protection officer for the Ströer Group and our legal department nonetheless performed individual data protection consultations in 2017. The topic of data protection is a fixed responsibility of the head of the legal department, who is a member of the executive committee.

Our objective as the Ströer Group is to meet all legal requirements and rules when the EU General Data Protection Regulation comes into effect in May 2018. With the help of external experts we identified areas in need of action within our organization in fiscal year 2017 and incorporated them in the implementation of a uniform group-wide data protection concept.

As new laws always require a certain amount of interpretation as to how they should be put into practice after their entry into force, we are aiming in the next few years to continually enhance our data protection process to make it best practice within our industry.

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