NON-FINANCIAL STATEMENT

EXTRACT FROM THE ANNUAL REPORT 2018
1. NON-FINANCIAL STATEMENT

Our non-financial engagement is, in our opinion, the keystone of our future position versus our competition. It encompasses the effect of our business operations and the activities of the Consolidated Group on the ecological environment and, particularly, our relationship with our partners in the capital market, our employees and our customers. All of the issues in the area of Corporate Social Responsibility (CSR) play an integral part of GRENKE’s risk management, which is detailed on page 45 of this report. In preparing the separate non-financial report for the Consolidated Group, we not only look at the significant risks to our business activities, but also consider risks having a significant negative impact on the interests defined in the context of non-financial reporting (Section 315c in conjunction with Section 289c (3) nos. 3 and 4 HGB).

Concerning our sustainability activities, we would like to draw particular attention to our involvement in integrating funding programmes into our financial services. These include business start-up financing as well as our new promotional voucher programmes for lease purchases (please see the management report, page 20). Our business model is described in detail in the section entitled “Consolidated Group Principles” (page 20).

As a financing partner for SMEs, our role begins after the leasing object has been manufactured. We make sure that we only purchase items from suppliers and manufacturers that are brand new and comply with the applicable market standards. GRENKE is also committed to utilising and finding further economic value for used leased objects. Further information on our relationship with our business partners can be found in "Corporate Code of Conduct" on page 36.

This report presents the non-financial statement of the GRENKE Consolidated Group in accordance with the CSR Directive Implementation Act, which came into force on January 1, 2017. Unless otherwise stated, the following information refers exclusively to the GRENKE Consolidated Group.

1.1 IMPORTANT ISSUES AND STAKEHOLDER ENGAGEMENT

In 2017, in the context of a materiality analysis, we identified facts that are highly relevant from a corporate perspective and for the Company’s sustainable success. As part of this analysis, GRENKE also reviewed the interests and expectations of its various stakeholders. Our most important communication partners include our employees, business partners such as customers and resellers, our shareholders, the capital market, government bodies and society. We regularly approach these stakeholders with communications specific to the respective target group. These communications include conventional forms of communication such as letters, phone calls and e-mails, as well as the following additional communication channels:

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Communication channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Consolidated Group-wide management forum, periodic information for employees, employee surveys, occupational safety and health awareness campaigns</td>
</tr>
<tr>
<td>Business partners</td>
<td>Customer visits and workshops, welcome calls, participation in trade fairs, publication of &quot;Mittelpunkt&quot; employee magazine, customer satisfaction surveys</td>
</tr>
<tr>
<td>Shareholders/Capital market</td>
<td>Financial reports, Annual General Meetings, analyst and investor conferences, roadshows and capital market conference, rating reports (S&amp;P, GBB)</td>
</tr>
<tr>
<td>Government Bodies</td>
<td>Supervisory discussions, notifications and reporting, financial reporting</td>
</tr>
<tr>
<td>Society</td>
<td>Social media presence on XING, LinkedIn, Facebook and kununu, corporate reporting, exchanges with the media representatives, &quot;Mittelpunkt&quot; employee magazine, interaction in charitable projects</td>
</tr>
</tbody>
</table>

The suggestions, wishes and complaints of our employees, suppliers, lessees and other business partners have been systematically recorded and evaluated since 1996.

A so-called "internal satisfaction survey" related to superiors and other departments is included in the Balanced Scorecard (BSC) evaluation, which in turn is part of the variable remuneration.

We also evaluate suggestions and criticisms from our borrowers and specialist reseller partners on an ongoing basis using a so-called “external satisfaction survey”. This ensures that the feedback we receive is part of a structured process so that we can take this information into account when, for example, we expand our range of products or services.
In the course of a materiality analysis, all relevant topics and aspects were identified and discussed in internal working groups with department representatives and validated, defined and formulated as key performance indicators (labelled **). This was performed while keeping in mind our stakeholders’ expectations. We record the results in a materiality matrix that lists the main topics according to their internal and external relevance. **See Diagram "Materiality Matrix"

The next step was to categorise these key topics under four higher-level action areas. A special emphasis was also placed on the overlapping topics of "quality management" and "stakeholder engagement" – which are summarised separately.

**Areas of Action and Related Key Topics**

<table>
<thead>
<tr>
<th>Areas of action</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Human Resource Management</td>
<td>Training &amp; education</td>
</tr>
<tr>
<td></td>
<td>Employee development</td>
</tr>
<tr>
<td></td>
<td>Desirability as an employer</td>
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<tr>
<td></td>
<td>Diversity</td>
</tr>
<tr>
<td>Responsible Corporate Management</td>
<td>Compliance</td>
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<tr>
<td></td>
<td>Ethical and legal norms define our actions.</td>
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<tr>
<td></td>
<td>We comply with the applicable regulations</td>
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<tr>
<td></td>
<td>and laws, internal rules and identify the</td>
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<tr>
<td></td>
<td>principles of transparent corporate</td>
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<tr>
<td></td>
<td>governance.</td>
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<tr>
<td>Resource Management</td>
<td>Resource management</td>
</tr>
<tr>
<td></td>
<td>We pay attention to the responsible use of</td>
</tr>
<tr>
<td></td>
<td>all available resources.</td>
</tr>
<tr>
<td>Community Involvement</td>
<td>Collaborations</td>
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<tr>
<td></td>
<td>We fulfil our social responsibility to</td>
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<tr>
<td></td>
<td>society, We support projects and</td>
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<tr>
<td></td>
<td>organisations in the areas of social issues,</td>
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<td></td>
<td>youth, sports and culture.</td>
</tr>
<tr>
<td>Overlapping topics at GRENKE</td>
<td>&quot;Quality Management&quot; and &quot;Stakeholder</td>
</tr>
<tr>
<td></td>
<td>&quot;Stakeholder Engagement&quot; are overlapping</td>
</tr>
<tr>
<td></td>
<td>topics explained on pages 36 and 34.</td>
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</tbody>
</table>

The following pages detail our areas of action which are "Sustainable Human Resource Management", "Responsible Corporate Management", "Resource Management" and "Community Involvement". With these areas, along with the two overlapping areas, we cover the five aspects – environment, employees, social issues, respect for human rights, and combatting corruption and bribery – from the CSR Directive Implementation Act in accordance with Section 289c (2) HGB. Further-
more, we report on the status of our CSR strategy process over the past fiscal year and on the KPIs assigned to the key topics.

No framework was applied in the preparation of this non-financial statement or in the selection of the key figures presented. In the 2018 fiscal year, we continued to evaluate the option of implementing an international reporting standard, and this process was still ongoing at the end of the year. The standard, which is yet to be defined, will serve as a framework for explicit CSR reporting in the future, supplementing the reports that exist today in the individual areas.

1.2 CORPORATE CODE OF CONDUCT

At GRENKE, we see the Corporate Code of Conduct as an interdisciplinary concept that affects all of the areas of action described below. It defines how we choose to act, responsibly, not only in our economic environment but also towards our employees and society. That is why our Corporate Code of Conduct goes beyond the legal and regulatory requirements in our international markets and gives our actions an ethical framework. We do this because we want to ensure that the fundamental values that characterise our diverse international organisation are respected and practised. Therefore, our Corporate Code of Conduct is seen as the foundation for the ongoing development of our CSR strategy.

We are also committed and take the appropriate measures to ensure that the GRENKE Code of Conduct is adhered to – even in our mutual business relationships. This principle is all the more important as companies around the world are increasingly applying their own codes, including codes of conduct, corporate codes and compliance codes.

1.3 QUALITY MANAGEMENT

Based on the guidelines of the Corporate Code of Conduct, we have a quality management system that sets the guidelines for almost every action taken by the GRENKE Consolidated Group and therefore also shapes our CSR strategy. All of the Consolidated Group’s established business and work processes are scalable and customer-oriented as part of our quality management. This ensures that our domestic and international customers receive simple, flexible and cost-efficient financing solutions on-site. All employees have access to our quality management system. These measures enable us to respond appropriately at all times.

We see our 20-year certification of our quality management system, which was awarded to the GRENKE Consolidated Group for the first time in June 1998, as not only an incentive but also a commitment to continually improving our products and services.

After this year’s surveillance audit, TÜV SÜD Management Service GmbH once again confirmed that we have a well-functioning and effective quality management system that fully complies with the requirements of the ISO 9001:2015 standard. Our current certificate is valid until October 24, 2019. Our certified locations and businesses can be found on our website.

1.3.1 THE QUALITY MANAGEMENT CYCLE

Quality management is the central component of our corporate philosophy, risk management and due diligence process. In a so-called quality management cycle, which includes the modules "quality policies", "quality objectives", "programmes and projects", "quality audits" and "quality reviews", we systematically examine and optimise our organisational structure, processes and results within the Consolidated Group in order to contribute to the long-term success of the Company.

As part of this quality management cycle and in addition to the recertification audits and TÜV monitoring mentioned, we carry out internal audits and continuously record quality-relevant documents, which are updated annually or every six months. This is how we ensure that our quality management reflects both current legislative changes and any recent product or process modifications. Equally important is that an internal audit, or certification, is a prerequisite for the acquisition of franchise companies and integrated into the takeover process. This allows us to identify any deviations in the process early enough to make any necessary adjustments. In the past fiscal year, 16 locations were audited by TÜV SÜD as part of the random sample certification (previous year: 16). In addition, 131 internal audits took place (previous year: 112).
1.4 SUSTAINABLE HUMAN RESOURCE MANAGEMENT

The success of the GRENKE Consolidated Group rests on the skills and dedication of its employees. Hiring, retaining and developing our employees accordingly is at the core of our HR strategy. As a family business, we are loyal to our employees and take our duty of care seriously.

Beyond the legal and regulatory requirements, employee concerns are of utmost importance to us in terms of our corporate identity. The way we work and interact internally is set out in our Corporate Code of Conduct (see page 36). This code clearly defines both the obligations of the employees towards the Company and those of the Consolidated Group towards the employees. We focus, in particular, on mutual appreciation, fairness and respect. We encourage personal responsibility and equal opportunity, promote our employees' individual strengths and consider their requests when it comes to improving the work environment.

Our human resource management focuses on training and education, employee qualification, development and recruitment and our desirability as an employer.

Our Human Resources department coordinates and monitors all personal issues. In keeping with due diligence, HR topics are documented by means of key performance indicators and regularly evaluated and discussed at the meetings of the Board of Directors.

1.4.1 TRAINING AND EDUCATION

A qualified, autonomous workforce is one of the GRENKE Consolidated Group’s greatest assets, especially when there is a shortage of skilled workers. Our goal in the area of training and education is to attract the highest number possible of suitable trainees and potential managers to GRENKE at an early stage. To do this, we rely on a host of supplementary activities, which are also described in this report. Other measures include training management, partnerships with schools as part of the “Business Provides Education” campaign, internships as well as a variety of camps we sponsor in the area of vocational training.

1.4.1.1 Training Management and Dual-Study Programmes

A central concern is to give our employees all of the skills they need for their professions. As part of our training, we give trainees individual attention based on their needs taking into account their strengths as well as the areas where they need more development. Along with introductory days at the beginning of the apprenticeship and a defined feedback process (see "Employee Qualification and Development" on page 36), training also includes a semi-annual shift schedule that incorporates the areas where the trainees desire additional training.

In each department contact persons (vocational trainers) and deputies who have already taken the Chamber of Industry and Commerce (IHK) training exams are assigned to the individual apprentices. These persons are responsible for supervising and accompanying the trainees and introduce them to specific vocational topics. By assuming assignments in various departments, the trainees are able to gain a comprehensive understanding of the Company's processes. In addition, we make sure that all trainees receive the same training information by providing them with standardised training plans. As their development progresses, trainees actively participate in projects and are able to incorporate their own ideas. This extensive training programme ensures that the trainees’ understanding of the Company goes far beyond their later job descriptions.

Our goal in training and developing talent from within the Company is to ensure that we have an abundant source of trained workers available to us at an early stage. In Germany, we offer training in the following fields in cooperation with the HK:

:: Office manager
:: Dialogue marketing specialist
:: IT specialist application development and system integration

We have also been sponsoring training for young trainees in various study courses in cooperation with the Baden-Wuerttemberg Cooperative State University (DHBW) since 2004. Our training offer encompasses the following degree courses:

:: International (tri-national) Business/International Business Management (B.A.)
:: Business Administration German/French Management (B.A.)
:: Business Administration/Financial Services (B.A.)
:: Accounting & Controlling (B.A.)
:: Business Informatics (B.Sc.)
:: Applied Computer Sciences (B.Sc.)

Due to the ever-evolving market situation, it is important that we review our training programme regularly. Through our ongoing market research, we have identified new vocations and courses of study and are striving to expand our training portfolio to better meet the needs of our junior staff.

In the 2018 fiscal year, 55 trainees (previous year: 47) participated in either vocational training or a dual-study programme in Germany. In addition, we hired every 6 out of 8 trainees, corresponding to a hiring ratio of 75 percent (previous year: 71 percent). The development internationally was as follows: our French subsidiary, GRENKE Location SAS, showed a decline from 16 to 14 trainees in 2018. In addition, 11 trainees completed their vocational training, and 2 were subsequently hired. In Italy, GRENKE is now supported by 1 junior staff, and 2 are supporting our operations in Switzerland. The training ratio at the GRENKE Consolidated Group entities’ offering training is 6.1 percent compared to 6.2 percent in the previous year.

In 2018, we received an award for our commitment to training management in the course of the study “Best German Training Company” conducted by "Capital" business magazine. This recognition encourages us.
to maintain the high standards of our training and continue to increase the quality of our training programme.

1.4.1.2 School Partnerships, Corporate Internships and Training Ambassadors

As part of the "Business Provides Education" campaign sponsored by the Chamber of Commerce and Industry (CCI), GRENKE has signed cooperation agreements with the Markgraf-Ludwig High School and the Richard-Wagner High School, both located in Baden-Baden, and with the Lothar von Kübel Secondary School in Sinzheim. The aim is to provide students with a better understanding of economics, facilitate career guidance and make the application process easier, in addition to strengthening the counselling skills of the teachers. In 2018, we were involved in workshops, sponsorships and trade fairs such as the Karlsruhe education fair "Career Start". We also regularly offer our students the opportunity to take part in job application training and participate in our Annual General Meeting. These offers were utilised again by the students in 2018.

In 2018, we offered two week-long student internships at our Consolidated Group’s headquarters in Baden-Baden. During that time, we bundle our individual internship offers and give students the opportunity to familiarise themselves with different professions. The participants learn about the various departments of the GRENKE Consolidated Group and complete job application training. They also find out about our training offers, exchange information with our current trainees, which can help them in their decision about what direction to pursue when they graduate. These internships gave 30 students the chance to gain insight into the GRENKE Consolidated Group and receive helpful tips for their professional future. We also sponsored seven additional internships in which trainees were permitted to visit the departments of their choice.

Our trainees have the opportunity to be trained by the IHK as "training ambassadors". In this role, they support the IHK in career orientation events, among other things, and present their job profile as well as our Company.

Due to the strong presence in the early vocational education sector, our aim is to support the students in their career orientation and have a lasting effect on their awareness of GRENKE as a committed, attractive training company and employer.

1.4.2 EMPLOYEE QUALIFICATION AND DEVELOPMENT

Business and work processes, as well as the legal framework, are changing. Knowledge, motivation and the continuous training of the workforce are becoming a strategic corporate resource, which is growing in its importance in a constantly changing market environment. As a result, we firmly believe that it is well-qualified employees that make the difference. Further education brings expertise into the Company, promotes innovative strength, performance and readiness, as well as the satisfaction of the workforce. Actively accompanying and shaping the processes of change today and tomorrow, together with our employees, is a goal that is firmly embedded in GRENKE’s personnel development concept.

1.4.2.1 Introduction and Orientation

We want to make an employee’s start in our Company as positive of an experience as possible. This is the reason we assign a permanent contact person to accompany potential new employees as early in the process as possible and provide them with information every step of the way. Potential employees also have the chance to get to know the team personally before they start during a trial workday.

New employees are accompanied through a special induction process right from the start. An important part of this process is "Join GRENKE", a programme that presents the individual departments in the form of webinars. These seminars are broadcast over the Internet and present the respective areas of responsibility as well as the interaction of the individual departments during the familiarisation phase. These introductory dates are offered at regular intervals by the Human Resources (HR) department and coordinated individually with the responsible manager. In addition to the orientation process, new employees also receive vocational training within their department’s team.

In their first year of employment, all new employees also attend a three-day introductory event at the Consolidated Group’s headquarters in Baden-Baden. The concept for the event is periodically reviewed and revised in close cooperation with the respective speakers.

In order to ensure that we efficiently manage these and other employee-related processes, we have decided to introduce new HR management software. This software will support the HR team as well as all of the managers in their HR-related duties and offer functionality that can be an advantage in recruiting, developing and creating loyalty among our employees.
1.4.2.2 The GRENKE Academy

The GRENKE Academy offers practical, instructive and methodically structured continuing education at all locations. Through the addition of modern e-learning programmes and an ongoing evaluation process, we ensure the quality of the education offers and the effective transfer of knowledge within the Company. We strive to ensure that each year as many employees as possible take advantage of at least one of the Academy’s further education offers. The number of participants is included in the training ratio (see page 42).

The Academy is subdivided into the two areas of personnel qualification and development, and training courses are developed and tailored for the different business areas and the promising pool of talent within the organisation. See diagram “Structure of the GRENKE Academy”

Through personnel qualification, our aim is to support employees in their everyday work by offering high-quality, practice-oriented continuing education and ensuring that they remain qualified for their areas of responsibility. When putting together the annual training programme, we pay particular attention to offering a mix of internal and external training as well as complementary individual training on special subjects.

Internal training is provided by GRENKE’s departmental experts and accompanied and supported by the HR department. For external training, we hire qualified trainers for the respective vocational topics. The HR department uses a proprietary evaluation model to select and evaluate external trainers and coaches.

A job evaluation meeting is held once annually between the employee and his or her manager. In this meeting, for example, there is a discussion about fulfilment of the job duties and an assessment of the employee’s performance and individual skills. If we conclude that additional training is necessary then we take this into account when designing our annual training programme.

Personnel development is dedicated to the individual support and development of our employees in line with our corporate targets using the following two instruments:

:: Once a year, we conduct the “HR survey on personal development” at GRENKE AG. In this survey, employees can let us know what they would like to have in terms of personal development within the Company. The survey is conducted online through the employee portal. The aim of this survey is to give employees a confidential means in which to express to the Company their professional development wishes and personal goals. The survey gives GRENKE an opportunity to obtain information about its employees’ capabilities and their performance and personality potential, as well as their individual willingness to learn and change in a way that is non-discriminating and objective.

:: Our employees are given the opportunity to apply for specific training or a grant for training outside of the annual training programme. After the application is approved, an individual grant agreement is drawn up in cooperation with the HR department.

In 2018, for the first time, a programme for an international group of middle management executives was conducted throughout the Company under the name “Leadership Personality”. A second group began the programme in the fall of 2018. The programme consists of a total of 4 modules (8 attendance days), followed up by a refresher and sustainability day in the following year and deals with GRENKE-specific topics, including a focus on the theory and practice of managing employees. The programme promotes an open exchange and the practical experience and application of the learning content. We receive support in im-
plementing this programme from an external partner. In the 2019 fiscal year, management development will continue to be a priority at GRENKE and further expanded. In addition to the executive programme, we also intend to implement new career paths to employees.

Demand for GRENKE Academy’s continuing education programme remained strong in the reporting year. In 2018, 89 percent of GRENKE Consolidated Group employees participated in the Academy’s training courses (previous year: 86 percent).

1.4.3 A DESIRABLE EMPLOYER

Positioning ourselves as a desirable employer is of key importance to the GRENKE Consolidated Group. To do this, we offer our employees an attractive and secure work environment, flexible work schedules and fair salaries.

1.4.3.1 Health and Safety

Our health management plan is based on our Corporate Code of Conduct. Our goal is to sustainably promote the well-being of our workforce and provide a safe work environment. In order to do this, we have complied with the legal requirements for occupational safety and health protection and regularly offer our employees medical check-ups, for example, for preventative health care. In Germany, we identify possible health risks for each workplace and define suitable solutions. Above all, these solutions are focused on ergonomic design together with general information about potential dangers in the individual workplace.

During the past reporting year, we further strengthened our two new pillars supporting our occupational health management.

For one, we added to our GRENKEnachtfit health platform, launched in 2017. This platform was also used to effectively set up the requisite occupational health and safety screening G37 and organise health days. We also coordinated internal sports groups, which promote health maintenance and strengthen team spirit.

Nearly 40 percent of our employees in Germany have already taken advantage of the health platform’s offers and as a result were active for a total of 2,330 hours. We invested EUR 30k in the health of our workforce in this way.

We plan to transfer this success to other locations and have already tasked the local employees responsible with designing other suitable health platforms or research similar offers.

A pilot seminar programme focusing on “Healthy Leadership” was successfully launched in cooperation with an external provider and included in the GRENKE Academy training catalogue in 2018, prompting two more groups to attend the modular series of seminars. The programme provides valuable support for employees’ professional and private lives. Issues can also be explored more deeply and personally tailored, especially in the context of individual coaching sessions.

Given the very positive response to the subject matter of the “Healthy Leadership” seminars, we held two health days in October 2018 in Baden-Baden and in Karlsruhe with the same external provider to familiarise our workforce with the topic of stress prevention. Employees were able to learn about stressors and mental and regenerative stress capabilities in a lecture entitled “Managing stress in a healthy way”. The health days were visited by 25 percent of our resident employees. The personal feedback we received from several participants confirmed that this offer plays an important role in the Company’s health management programme.

To continue to strengthen GRENKE’s corporate health management system, additional services will be provided in cooperation with HR Talent Development.

In addition, employees have the option to take part in the following team-oriented sports:

<table>
<thead>
<tr>
<th>Sports</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2RUN Corporate Run</td>
<td>Since 2006, the Company football team has been meeting in Baden-Baden once a week for training and has also been taking part in recreational tournaments. As early as 2014, a group of GRENKE employees took part in the B2RUN corporate run. This year a total of 84 employees participated. A group of GRENKE employees also joined in the Baden marathon in Karlsruhe for the first time.</td>
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</tbody>
</table>

1.4.3.2 Work Scheduling and Remuneration

We want to provide our employees with a work environment that offers an optimal balance between work and family life. For example, GRENKE employees can take advantage of individual, lifecycle-oriented work schedules and workplace models. With our digital infrastructure, employees can also choose flexible work arrangements, such as home offices. Remuneration at GRENKE is performance-oriented and based on the GRENKE Balanced Scorecard (BSC).

1.4.4 EMPLOYEE RECRUITMENT

At GRENKE, recruiting and retaining new employees is very important to us. Our aim when it comes to recruiting employees is to ensure a sufficient workforce while keeping the turnover rate as low as possible (see page 34).

To achieve this goal, we are steadily working to make GRENKE known as an employer brand both regionally and nationally. GRENKE uses selected social media to effectively address new audiences and increase the reach of job advertisements and recruiting initiatives. One example of this is our uniform presence on XING, kununu, LinkedIn and Facebook since 2017. Potential applicants can gain tremendous insight into the Company and exchange with our employees. We plan to gradually increase our use of communication channels filled with the right content in 2019 to prepare for our new brand presence.
In 2018, we again attended numerous recruiting trade fairs and introduced ourselves, among others, at the CareerContacts and the KIT career fair in Karlsruhe and also attended at the multi-sponsored event entitled "catch-the-job".

In addition to the cooperation with the Baden-Wuerttemberg Cooperative State University (see page 38), the GRENKE Consolidated Group also organises other activities in cooperation with selected universities and campaigns which can also contribute to strengthening our employer brand and, consequently, recruiting staff. In the past year, for example, this included our sponsorship of the "Tradity" education initiative, which, under the motto "Gamifying Education" aims to make the exchange of knowledge more digital and individual in the future. As part of the German scholarship, we are also funding five scholarship holders at the Karlsruhe University of Applied Sciences in the fields of Computer Science, International Management and Business Informatics.

1.4.4.1 Diversity
To promote the equal participation of men and women in management positions, we achieved our 25 percent target for women in each of the second and third management levels in the past fiscal year. We also intend to maintain a gender-specific ratio of at least 25 percent in each of the two management levels below the Board of Directors until December 31, 2021.

When selecting new employees, we will continue to adhere to the principle of equal treatment. If recruitment agencies are involved, they are encouraged to include all genders equally in their selection in order to find the most qualified candidate for the advertised position.

Through qualified training we would like to prepare our employees to meet the demands placed on them. In the future, we will focus even more heavily on supporting and qualifying our female workforce.

1.4.4.2 Workforce Development
The Consolidated Group’s workforce increased again in the reporting year due to further hiring and acquisitions. On average, GRENKE employed around 1,456 people in the past year (previous year: 1,229). An average of around 569 employees were employed at our German locations (previous year: 502), while our international locations employed 887 people (previous year: 728).

1.4.4.3 Employee Turnover
The Consolidated Group’s employee turnover rate averaged 9.5 percent (previous year: 7.8 percent). In Germany, the rate was 10.4 percent versus 7.4 percent in the prior year, whereby the turnover rate for managers and executive employees was again significantly lower than the average for the Consolidated Group.

1.5 RESPONSIBLE CORPORATE GOVERNANCE
GRENKE AG broadly complies with the German Corporate Governance Code (GCGC) and is committed to the topic of compliance. Legal compliance in addition to respecting human rights and complying with ethical standards is seen by GRENKE, as a financial services institution, as a mandatory fundamental requirement for our business activities and, therefore, a top priority. We comply with legal requirements and take the appropriate actions to counteract any potential risks for GRENKE. To achieve this, we train our employees in compliance-related topics and conduct audits.

The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively with respect to compliance issues. The Supervisory Board also addresses compliance issues in its Audit Committee.

1.5.1 COMPLIANCE MANAGEMENT
Compliance at GRENKE covers all business activities and processes. We believe acting in accordance with relevant laws and supervisory and internal regulations is a matter of course. Based on our Corporate Code of Conduct, the respectful treatment of customers, employees and other stakeholders is just as important to us as equality, anti-discrimination and respect for human rights. All corporate bodies and employees are kept informed by e-mail and in training courses via the company’s intranet of mandatory laws, internal regulations, as well as any reforms or changes.

In our international business operations, the different legal systems and laws in the 32 countries where the GRENKE Group operates represent a key challenge. To meet this challenge, we have created a Group-wide Compliance Management System (CMS) that seeks to comply with the diverse requirements and mitigate operational risks and uncertainties. Our CMS is based on international compliance standards, relevant legal requirements and the outcomes from discussions with specialised departments. GRENKE increases the effectiveness and efficiency of CMS by continuously reviewing and adapting to risks, laws and the industry’s development.

Compliance and money laundering risks are analysed yearly by GRENKE’s local foreign subsidiaries, and the results of these analyses form the foundation for the Consolidated Group’s risk management system. Risks associated with company acquisitions should be minimised by carrying out a due diligence process prior to the acquisition. Local compliance officers in the respective countries ensure that our standards are adhered to both domestically and internationally. At the Group level, subsidiaries are monitored regularly by the designated Compliance Office group in the course of compliance and money laundering audits.

Local compliance officers report directly to the compliance officer of the GRENKE Group, who then informs the relevant members of the Board of Directors of any material findings. GRENKE Group’s compliance of-
The European General Data Protection Regulation (GDPR), which went into effect on May 25, 2018, establishes harmonisation within the European Union. Due to GRENKE’s international business activities, the different legal systems with their varying national legal requirements will continue to represent a data protection challenge for GRENKE in the future.

To meet this challenge, both GRENKE AG, as the parent company, and its Consolidated Group companies have each appointed their own data protection officers. These data protection officers teach the workforce about data protection and are available to customers, business partners and employees as contact persons. We have also launched a project for the uniform implementation of data protection requirements that takes into account that the GDPR has provided for a number of so-called opening clauses. These clauses allow national legislators to supplement or extend their rules, which means that different data protection regulations may continue to apply in individual member states alongside the GDPR provisions. As soon as a member state uses an opening clause with national data protection regulations to supplement or expand the requirements, GRENKE’s project team takes these into account and adapts the existing processes accordingly. To maintain this high level of data protection, GRENKE has also decided to implement the provisions of the GDPR across the Consolidated Group, provided the individual countries do not apply stricter regulations.

1.5.3 COMPLIANCE TRAINING AND AUDITS

Our employees’ solid understanding of compliance is the key to achieving our goal of counteracting violations. To facilitate this, we make it a point to ensure that all new employees throughout the Consolidated Group receive a comprehensive introduction to the topics of compliance, money laundering, corruption and bribery with a special emphasis on the correct handling of gifts and invitations.

In 2018, as part of the three-day introductory event, 237 of the 501 newly hired employees, including franchisee employees and apprentices, received training on the above topics at our headquarters in Baden-Baden. This number is equivalent to a training ratio of 47.3 percent (previous year: 52.4 percent). By expanding our training programme, we were able to train a higher absolute number of employees, however, due to the higher number of new employees, the percentage share of employees trained declined. In the years ahead, we intend to continue increasing the proportion of compliance training seminars taking place at our corporate headquarters. By providing additional online training, as well as training from our national compliance and anti-money laundering officers, we ensure that compliance-related information is continuously communicated throughout GRENKE.

During the past fiscal year, we also carried out 12 scheduled compliance and money laundering prevention audits on-site at our subsidiaries (previous year: 11 audits). These audits, performed every three years, examine the existence, adequacy and effectiveness of our CMS and anti-money laundering activities.

1.6 RESOURCE MANAGEMENT

In line with our Corporate Code of Conduct, the GRENKE Consolidated Group is committed to the responsible handling of all available resources. That is why the area of resource management combines all of the measures that increase our environmental performance. At the core of this effort is the concept of a “paperless office”, more energy-efficient locations, certified energy audits and our policy on travel costs.

1.6.1 THE "PAPERLESS OFFICE" CONCEPT

As an internationally established provider of lease finance, our business traditionally involves a very high volume of documentation. For this reason, our goal is a continuous reduction in our paper consumption. Three digitisation initiatives supporting this are summarised in our "paperless office" concept:

:: By having digital personnel files, we enable our employees to handle and process important formalities such as vacation requests and payroll statements without paper
:: Using the customer portal, our customers are able to manage their contracts, invoices and data online at any time. By the end of the 2018 fiscal year, this portal was available to customers in 21 countries, with plans to launch in other countries in the future. In addition, there is another form of electronic invoicing in the
public sector. As a result of an EU Directive (2014/55/EU), all EU countries are required to gradually introduce e-invoicing – at least in the business-to-government sector – which means the electronic exchange of invoice data in a machine-readable format (e.g. XML) between the biller and recipient. In 2018, we introduced e-invoicing at our subsidiaries in France and Hungary.

As a result of other changes, we were able to further reduce the amount of documents sent by post. In our core markets, only 5 percent (previous year: 6 percent) of the invoices generated in Germany were sent by post. In France, this quota was 23 percent (previous year: 42 percent) and in Italy 15 percent (previous year: 29 percent). [See diagram “Portion of printed invoices in core markets”]

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**SHARE OF PRINTED INVOICES IN CORE MARKETS**

![Chart showing the share of printed invoices in core markets for France, Italy, and Germany from Q1/2017 to Q4/2018.]

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We also introduced our electronic signature solution "eSignature" in 2015, which has since recorded a growing number of users. This free service for specialist reseller partners and customers makes it easier to conclude financing contracts by sending the electronic documents with a legally valid signature. This can save paper needed for printouts and posting letters. eSignature was initially introduced in Germany and France in 2015. As of December 31, 2018, it has been implemented in 19 markets and will continue to be rolled out further. GRENKE Quality Management’s aim is to continue increasing the proportion of leases concluded using eSignature (see page 68, “Quality Management”). In the reporting year, this amounted to 22 percent (previous year: 18 percent). [See diagram “Lease contracts concluded using electronic signature”]

Electronic signatures are also becoming increasingly important within the Consolidated Group, for example, when signing protocols or concluding contracts between Consolidated Group companies.

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**LEASE CONTRACTS CONCLUDED USING ELECTRONIC SIGNATURE**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of lease contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>59,989</td>
</tr>
<tr>
<td>2017</td>
<td>40,699</td>
</tr>
<tr>
<td>2016</td>
<td>16,493</td>
</tr>
<tr>
<td>2015</td>
<td>1,541</td>
</tr>
</tbody>
</table>
1.6.2 LOCATION MODERNISATION AND ENERGY AUDITS

We want to steadily reduce the energy use at all of our locations and require that all office buildings rented by the GRENKE Consolidated Group have energy certificates documenting their energy status. We also continually modernise the technical facilities in our buildings in order to reduce our electricity consumption. In November 2017, we insulated a section of the ceiling in our underground car park with mineral wool to gain additional warmth and energy.

We believe energy audits are a very important tool for evaluating the Company’s energy efficiency and, based on the results, initiating measures for improvement. Audits in accordance with DIN EN 16247 are conducted every four years at our headquarters in Baden-Baden and selected branches. TÜV SÜD has been commissioned to conduct periodic recertifications, with our next recertification scheduled for January 2020.

1.6.3 TRAVEL EXPENSE POLICY

The GRENKE Consolidated Group strives to keep the number of business trips as low as possible and favours the use of more cost-effective forms of communication, such as video and telephone conferences. For necessary business trips, we have an internal travel expense policy that recommends using public transportation, particularly trains. Since June 2017, we have also been testing the use of e-mobility in Germany in a pilot project, and in October 2018, we added a second e-vehicle.

1.7 COMMUNITY INVOLVEMENT

Getting involved in the community is an integral part of the GRENKE Consolidated Group’s corporate culture and engagement with stakeholders. Our funding priorities are influenced by the Company’s roots in the central Baden region and on the cultural and social issues defined by our Board of Directors.

1.7.1 SPORTS, CULTURE AND EDUCATION

Since founding the Company, we have placed a special focus on encouraging employees to play the game of chess as a mental exercise. We see the skills necessary, such as analytical thinking, strategic action and decision-making, as cornerstones of responsible corporate management and core skills in times of digital transformation.

Since 1997, the GRENKE Consolidated Group has been a sponsor of the chess centre and Oosser Chess Society (OSG) in Baden-Baden. During this sponsorship, the teams have won numerous national and international tournaments. The OSG teams hold the German championship record for both men and women teams. As a result of the funding received, a number of successes were also achieved in the child and youth segments. In 2013, for the first time, we became the principal sponsor of the GRENKE Chess Classic in Baden-Baden, which regularly features high-ranking players such as the Norwegian world chess champion Magnus Carlsen. In addition, we sponsor the GRENKE Chess Open, which is the world’s largest open chess tournament. This tournament has taken place in Karlsruhe since 2016 and, last year, had around 1,500 participants from all over the world.

In the fields of music and education, we support the school project called “Columbus: Discovering the Classics!” Through a grant, we offer students discounted access to the events of the festival theatre in Baden-Baden. In the accompanying lessons, students discuss the content of the performance and are allowed to take part in orchestra rehearsals. More than 45,000 students have taken advantage of this educational offer since 2001. Further information on GRENKE’s school project can be found at www.festspielhaus.de/bildung/schulprojekt-kolumbus.

GRENKE AG has also been supporting the university SRH Hochschule Berlin since 2016, as part of an endowed professorship for entrepreneurship that includes two part-time PhD positions until 2022 and the establishment of the research institute GRENKE Centre for Entrepreneurial Studies, which opened in January 2018. This institute analyses business start-ups and determines the factors employed that lead to success. As the founder and former CEO of GRENKE AG, Mr Wolfgang Grenke also contributes his network and expertise to this project.

Under the patronage of GRENKE AG, the GRENKE Cup, an indoor football tournament supporting youth, was held for the second time in 2018 together with the SV Sinzheim sponsorship association. The common aim is to combine sport with school, vocational training and university studies.

1.7.2 CHARITABLE PROJECTS

In addition to sponsoring the above institutions, we also support regional and national charitable organisations. Examples of this are the Stiftung Ordnungspolitik foundation and the SOS-Kinderdörfer charity. During the past year, we also donated funds to the Caritas food bank in Baden-Baden, which went towards the purchase of a new transportation van.
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