



Wacker Neuson
Group



Moving Sustainability

Non-financial Group report 2019

SUSTAINABILITY AT A GLANCE

EUR **63** m

invested into research and development in 2019
incl. capitalized expenses (2018: EUR 54 million)

32

new patents and utility
models filed in 2019 (2018: 22)

-8%

CO₂-emissions intensity¹
compared with the previous year

¹ Emissions as tons of CO₂/
revenue in EUR million

13

zero emission products for
the construction sector in the
Wacker Neuson portfolio

84.9%

of employees are proud
to work for Wacker Neuson.

-8%

Energy intensity²
compared with the previous year

² Energy consumption as MWh/
revenue in EUR million

233

apprentices in 2019³

³ in Germany, Austria, Switzerland
and the Netherlands

ABOUT THIS REPORT

This report was drawn up on the basis of Germany's CSR Directive Implementation Act (CSR-RUG) to ensure compliance with legal requirements. It includes information necessary for understanding the development and results of the business, the situation of the Wacker Neuson Group and the impacts of its business operations on the environmental, employment, social, human rights and anti-corruption mandatory topics. Unless otherwise stated, the information given here refers to the Group (Wacker Neuson Group). A framework of standards such as the Global Reporting Initiative (GRI) has not been applied as the Wacker Neuson Group has adopted a different approach to materiality analysis. The material topics are determined through an internal process that involves the relevant departments and functions and the entire Executive Board. The sustainability department reports to the CEO.

This non-financial Group report focuses on topics that are extremely important to the Group's business operations at the interface between business interests and the impacts of Group activities on the mandatory reporting

topics. Looking at that interplay, Wacker Neuson has identified a duty to report on the following subjects:

- Customer centricity
- Sustainable product development – sustainable products
- Responsible employer
- Training and talent development
- Resource consumption
- Anti-corruption
- Respect for human rights within the organization and throughout the supply chain

All figures in this report refer to the year 2019. In most cases, comparative values from 2018 have also been provided. The reporting period corresponds to the calendar year (January 1 through December 31). Where key indicators refer to individual entities rather than the Group as a whole, this is indicated in the report.

CONTENTS

| | |
|--|-----------|
| THE WACKER NEUSON GROUP | 3 |
| SUSTAINABILITY AT WACKER NEUSON | 4 |
| Customer centricity | 7 |
| Sustainable product development – sustainable products | 11 |
| Responsible employer | 15 |
| Training and talent development | 18 |
| Resource consumption | 21 |
| Anti-corruption | 23 |
| Respect for human rights within the organization and throughout the supply chain | 26 |
| THE RISK ASSESSMENT PROCESS | 28 |
| INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT | 29 |

1. THE WACKER NEUSON GROUP

The Wacker Neuson Group is an international group of companies with over 50 affiliates and around 150 sales and service stations. As a leading manufacturer of light and compact equipment, the Group offers customers worldwide a broad portfolio of products and services. The company is a European stock corporation (Societas Europaea) with its headquarters in Munich, Germany. It operates as a management holding company with a central management structure and is responsible for strategic Group governance functions. It directly or indirectly holds shares in 54 affiliates. The Group is headed by the Executive Board team, comprising three members who work closely with the Supervisory Board, which is made up of six members. The company's aim is to secure the long-term success of the Wacker Neuson Group and create a lasting increase in company value. In 2019, the Group generated revenue in the amount of EUR 1.9 billion, which corresponds to a rise of 11 percent relative to the previous year, and employed over 6,000 people worldwide.

For further information on the Wacker Neuson Group and its business model, refer to the 2019 Combined Management Report for Wacker Neuson SE and its Group. [Refer to "The Wacker Neuson Group" section in the 2019 Annual Report](#)

Around

150

sales and service stations worldwide
(2018: around 140)



The Wacker Neuson Group is an international family of companies

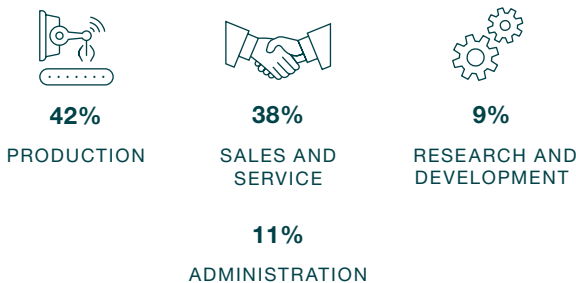
EUR **1.9**bn

in revenue 2019
(2018: EUR 1.7 bn)

6,056

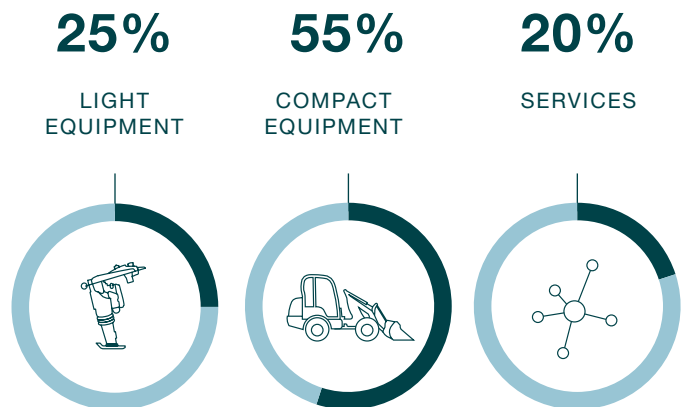
employees worldwide 2019
(2018: 6,190)

EMPLOYEES BY SECTOR 2019



2018: production 43%, sales and service 38%, research and development 8%, administration 11%

REVENUE BY BUSINESS SEGMENT 2019



2018: light equipment 27%; compact equipment 53%; services 20%

2. SUSTAINABILITY AT WACKER NEUSON

Sustainability at the Wacker Neuson Group extends to everything that helps secure the future performance of its business model. The most important focus areas here include strong customer centricity, sustainable products and responsibility towards employees. The Group's progress in these areas not only helps to secure its long-term financial success, it also plays into the company's sense of corporate responsibility towards its people, society in general and the environment. As such, sustainability is an integral part of the Group's corporate strategy.

DISRUPTIVE CHANGES IN THE ECONOMY AND SOCIETY

Urbanization, digitalization and neo-ecology are key megatrends that call on the Wacker Neuson Group to continually evolve its business model. These developments create structural changes in markets and the competitive landscape while also reshaping social norms.



Rising urbanization is creating a growing number of inner-city construction sites. This is fueling demand for compact construction equipment in Europe and, increasingly, the rest of the world. This means that Wacker Neuson has to accelerate its efforts to expand its international footprint.



At the same time, there is growing pressure to reduce CO₂ emissions in cities. With its zero emission product line, Wacker Neuson is one of the first manufacturers in the world to offer a broad portfolio of electrically powered compact and light construction equipment. The Group plans to further expand its offering here in the future. [Refer to the “Sustainable product development – sustainable products” section](#)

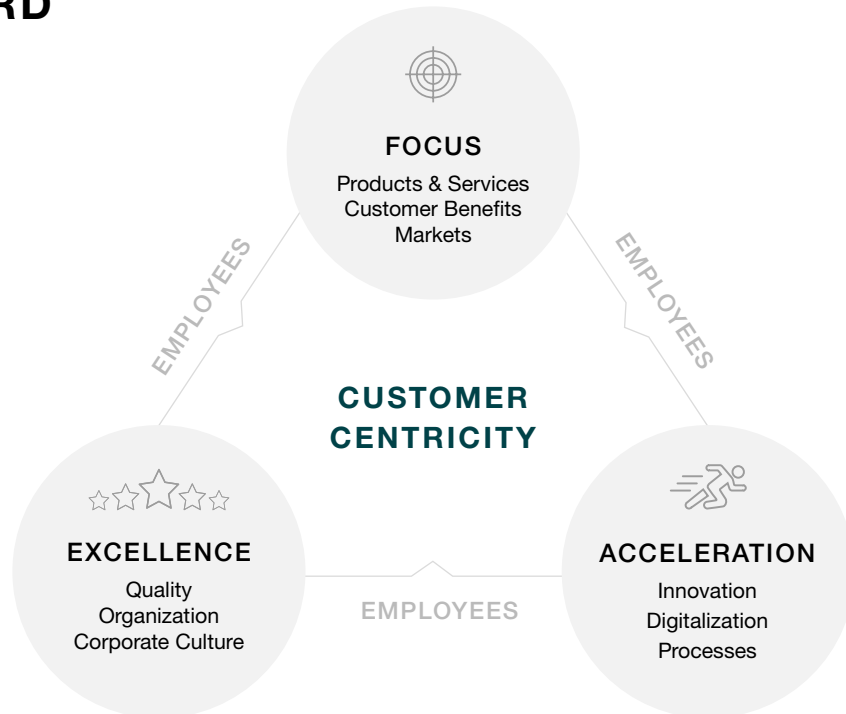


Customer needs are changing as a result of the digitalization megatrend. The Group is responding to this by developing new solutions across new sales channels. In the Wacker Neuson eStore, for example, customers can configure and order products online. The Group introduced these options in response to changes in consumer purchase patterns. The Group also offers digital services that provide customers with access to machine and fleet data. This allows customers to deploy their resources more productively, minimize downtime and optimize machine utilization. [Refer to the “Customer centricity” section](#)

A STRONG FOUNDATION WITH STRATEGY 2022

The Wacker Neuson Group is committed to achieving sustainable positive results and creating long-term value for customers, investors, employees and other stakeholders. Ensuring that its business model remains competitive and fit for the future is an important strategic focus area here. Strategy 2022, which was introduced in March 2018, provides a solid foundation for the company's steady growth path moving forward, also powering the Group's efforts to strengthen its position as a leading international manufacturer of light and compact equipment. Guided by the three Strategy 2022 pillars of focus, acceleration and excellence, the Group aims to further expand its market positions while at the same time increasing revenue and profitability. Customer relationships are at the heart of Wacker Neuson's business activities and are the key to securing the company's long-term business development. [Refer to the “Customer centricity” section](#)

STRATEGY – WHAT DRIVES US FORWARD



For the Wacker Neuson Group, **focus** means optimizing its competitive portfolio of construction and agricultural equipment, with particular emphasis on core products for established markets. According to data from management consultancy Off-Highway Research, compact equipment such as mini excavators will account for a growing share of the overall market in coming years, especially in North America and China. This will open up significant growth opportunities for the Group and its core products. The aim here is to win shares in international markets. To strengthen its focus here, the Group outsourced or sold the production of complementary products such as pumps, portable generators and trowels in 2019. The Group also concentrated its production operations at the defined core regions. The production plant in Itatiba, Brazil, ceased operations. At the same time, the Group ramped up production at its plant in Pinghu, China. The facility in this future core market for the Group was opened in 2018. The range of products manufactured here has been expanded to include more compact excavators for the Asian market.

Acceleration is key to ensuring faster innovation cycles and meeting rising customer expectations. Digital services are becoming increasingly important; machines are working (partially) autonomously or with assistance systems and digital technologies are connecting construction sites. Wacker Neuson views these changes as an opportunity to help shape the future and meet the needs of customers even more effectively. Differentiation through products alone is becoming increasingly difficult. The Group therefore recognizes the need to use innovative business models to complement traditional products and make them fit for the future. The company is transitioning from an equipment manufacturer to a full-service and solution provider. As part of this transition, in 2019, it strengthened and broadened the software expertise required to create interfaces and integrate machine data. The Group launched and developed digital solutions such as the “WeCare” service offering, the telematics-based proactive fleet management system “EquipCare” [refer to the “Customer centricity” section](#) and the mobile container solution “OnSite Box”.

BLUE COMPETENCE

Blue Competence: Organized under the umbrella of the German Engineering Federation (VDMA), Blue Competence aims to promote sustainability in the mechanical and plant engineering industries. By signing up as a Blue Competence partner, we commit to upholding its twelve sustainability guidelines.



STRATEGICAL

- 01 Sustainability is a crucial part of our company strategy.
- 02 We create solid business schemes with sustainable values and secure entrepreneurial success.
- 03 Our technologies and solutions promote worldwide sustainable developments.



OPERATIVE

- 04 Sustainable thinking and action are represented in our processes and products.
- 05 We act with consideration of resources and stand up for climate protection.
- 06 Our staff is our most valuable asset. We promote engagement and participation.
- 07 We stand up for keeping the human rights.



CULTURAL

- 08 Our company is a habitat.
- 09 We take responsibility in our region.
- 10 We do, what we promise!



COMMUNICATIVE

- 11 We actively cultivate the network with all participants.
- 12 We transparently communicate our sustainable action.

The changing market environment means that competitors no longer come exclusively from the same industry; they can also emerge from other sectors. Wacker Neuson continuously screens the market landscape to identify new market players and interesting startups. The aim of its market intelligence and M&A activities is to ensure that the Group is also actively positioned for success amongst changing market conditions.

The Wacker Neuson Group attaches great importance to thorough, proactive dialog around trending topics and to networking with all relevant stakeholders. The aim is not just to provide innovative momentum but to actually build a joint digital ecosystem with suppliers and customers over time. To support this goal, the Group is an active member of multiple associations. As part of the German Engineering Federation (VDMA), Wacker Neuson is involved in the Blue Competence sustainability initiative. Through its work here, the Group aims to promote sustainability across mechanical and plant engineering and raise awareness of sustainable solutions in this sector.

To further increase its operational **excellence**, Wacker Neuson has committed to systematically advancing the high quality of its products, processes and workflows across all areas of the company. This goal is enshrined in the Group's Strategy 2022. Key success factors identified by the Wacker Neuson Group include streamlining its internal structures to accelerate and improve workflows, offering ongoing talent development opportunities, and fostering commitment, agility and teamwork. [Refer to the "Training and talent development" and "Responsible employer" sections](#) In 2019, the Wacker Neuson Group continued to roll out its spare parts and service organization internationally in order to increase customer value in the aftermarket sector and to gradually expand this promising line of business further. [Refer to the "Customer centricity" section](#)

2.1 CUSTOMER CENTRICITY

PUTTING THE CUSTOMER FIRST

Wacker Neuson's focus on customer needs is at the heart of its Strategy 2022. The Group will only be able to differentiate itself from the competition in the long term if it succeeds in creating added value for its customers. In 2019, the Group continued to develop and drive customer centricity as the central element of its strategy. The customer base of Wacker Neuson includes not only dealers and end customers, but also rental chains and international construction companies.

Within the framework of Strategy 2022, Wacker Neuson aims to grow twice as fast as the market. To achieve this goal, the Group will have to exceed customer expectations, offering them more than the competition. The individual measures required to achieve this strategic goal can be divided into the following topic areas: Identifying customer needs at an early stage, building customer satisfaction and loyalty, and ensuring transparent communication with customers. The Wacker Neuson Group implemented various measures in all of these areas in 2019 in order to focus on customer needs.

CONTROL ELEMENTS

Topics and activities related to customer centricity are coordinated with the managing directors of the different regional companies and the members of the Executive Board. In the area of corporate marketing and digital business, individuals responsible for customer centricity topics include the Head of Brand, Marketing and Communication and the Head of the Group Training Center. Furthermore, the results of customer surveys, for example, are directly discussed with the Executive Board of the Wacker Neuson Group, the managing directors of the different regional companies and the regional presidents.

USING VOICE OF CUSTOMER EVENTS TO IDENTIFY CUSTOMER REQUIREMENTS AT AN EARLY STAGE

The Wacker Neuson Group communicates closely with its customers when developing new products. Construction companies, dealers, rental companies and end users provide the Group's engineers with direct feedback in Voice of Customer (VoC) events. In this way, the knowledge and practical experience of customers can be directly channeled into the development process. Across the full product development lifecycle from the initial idea to market maturity, the Group thus endeavors to regularly engage with its future users. A prime example of such engagement, the innovative Dual View dumper concept was developed in numerous workshops with customers. By allowing the operating and seat console to rotate,

Dual View Dumper

180°

rotation

of the entire operating and seat console



Greater visibility

for greater safety
on the construction site

No maneuvering

or turning brings time
and efficiency gains



Wacker Neuson has resolved safety issues caused by restricted visibility. The new product also increases operator efficiency levels by eliminating the need for unnecessary maneuvering usually required when working in confined spaces.

In 2019, VoC events were held at most of the Group's development and production sites. In addition to this, a Voice of Service event was held for the first time at the Hörsching production site in October 2019. Building on the success of VoC meetings, the aim was to capture more targeted feedback from service experts and to channel these insights into development before the start of series production. The Group wants to ensure that its products are tailored as closely as possible to service requirements, allowing for efficient diagnostics, maintenance and repair work further down the line.

Voice of Customer and Voice of Service events are important tools for the Wacker Neuson Group that enable it to proactively engage with customers and align the Group even more effectively with market needs. These events will continue to be an important part of Strategy 2022 execution moving forward.

BUILDING CUSTOMER SATISFACTION AND LOYALTY

The Wacker Neuson Group actively seeks proximity to its customers in order to gain a precise understanding of their needs. Continuous feedback is the path to the early identification and understanding of customer needs, as well as the proactive implementation of feedback based on those requirements. To this end, the Wacker Neuson Group regularly carries out surveys.

The Group's **customer satisfaction analysis** is based on an online survey carried out with the support of an external service provider. It explores customer satisfaction levels in relation, for example, to the support provided by the Group's sales teams, deliveries, product quality and spare parts. It also gauges how satisfied dealers are with sales and service support as well as with training opportunities. On completion of the survey, reports and appropriate measures are developed for each region and/or country with the aim of further increasing customer satisfaction levels.

The Wacker Neuson Group aims to make everyday life on construction sites easier for its customers through digital solutions. Customers can use the **Wacker Neuson eStore** online platform 24/7 to find out more about products,



Voice of Customer events enable the Group to directly channel the knowledge and practical experience of customers into the development of new products.

The OnSite Box enables customers to rent light and compact equipment on demand – 24/7.



DIGITAL RENTAL SOLUTION

spare parts, accessories and services, check their availability, configure compact equipment and place orders for machines and spare parts. The Group continued to roll out this platform in 2019.

End customers and dealers can all benefit from the Group's continued development of its **digital service** offering. The EquipCare telematics solution brings a new level of transparency to fleet management. Machines featuring EquipCare send real-time messages to the customer's device (desktop, tablet, smartphone) to alert the user to maintenance needs, malfunctions or unexpected relocations. The tool gives customers a comprehensive overview of their machines, their locations, operating hours, downtime and upcoming service appointments. EquipCare lets the technical support teams at customer and dealer sites collaborate seamlessly and extremely efficiently with Wacker Neuson service engineers. This streamlines workflows for customers, while minimizing downtime, saving time and increasing worksite efficiencies.

In November 2019, Wacker Neuson's new digital containerized solution OnSite Box was put through its paces for the first time in a three-month trial close to the Stuttgart21 construction sites in Germany. The containers can be equipped with different machines based on each construction site's needs. Customers can thus rent machines and equipment on demand – at any time. The pay-per-use model means that customers only pay for the actual duration of use.

Being close to customers is vital for the Wacker Neuson Group. Reflecting the Group's position as a **one-stop service provider**, qualified, motivated employees support customers every step of the way – from initial consultation through purchasing to aftersales service, provided by sales partners and by Wacker Neuson's own direct sales and service stations. **Regional proximity** to customers is important for the Group. Around 150 Wacker Neuson sales and service stations worldwide provide long-term collaborative relationships built on trust.

3,887

participants in courses and training sessions at the Wacker Neuson Academies in Reichertshofen and Menomonee Falls in 2019

At Group level, the **Corporate Aftermarket** department is responsible for ensuring that customers can look forward to on-time deliveries, professional service and high quality, and thus ultimately an optimal spare parts availability. The improvements to order and shipping management that were initiated in 2018 came into effect in 2019. The aim of restructuring is to increase the speed and efficiency of customer responsiveness. Spare parts orders, for example, are thus categorized for processing, and customer requests are taken into consideration when orders are placed. The four order types are *stock*, *economy*, *emergency* and *machine down* – each type representing a different service level in relation to delivery speed and priority. This improvement allows dealers to plan their spare parts inventories more accurately and offer better on-site availability for end customers. Throughout the year of 2019, the spare parts availability within the Wacker Neuson Group was increased by 8 percentage points – from 87 percent in January to 95 percent in December. An average spare parts availability of 93 percent was achieved.

The Wacker Neuson Group offers its customers across the world a range of **training courses** covering service-, product- and sales-related topics. Course offerings are aimed at its own sales and service employees as well as dealers, rental companies and end customers in different industries. Reflecting the increased importance of digital training, the Group continued to expand its digital and online learning offering in 2019; 187 participants took part in live online courses with trainers in 2019. With their strong focus on interpersonal dialog and practical experience, on-site, instructor-led training courses remain a central element and core competency in the Group's offering.

3,887 people took part in service training courses and product, sales and soft skills training sessions at the Wacker Neuson Academies in Reichertshofen and Menomonee Falls in 2019.¹ In addition to this, customers were able to experience Wacker Neuson products first hand – for instance at demo shows, factory tours and information events. Regular training sessions, primarily aimed at dealers, are also held at Weidemann's site in Korbach and Kramer's site in Pfullendorf.

WACKER NEUSON
TRAINING CENTER,
MENOMONEE FALLS



93%

average spare parts availability² 2019

¹ Includes the Group's own sales employees and sales partners.

² Measured as order to shipment (OTS): Average percentage of orders placed within the order window that were transferred for shipping on the same day.

TRANSPARENT COMMUNICATION WITH CUSTOMERS

Staying close to customers also means embracing transparent communication with customers. The Wacker Neuson Group uses various communication channels to provide different target groups with information of interest, enabling them to stay up to date on the Group's products and services. These channels include the three brand websites, the Group website, the Wacker Neuson Assistant app, social media channels such as Facebook, Instagram and LinkedIn, newsletters, conventional print brochures and articles in the trade press. Complementing the Group's 150 or so sales and service stations worldwide, trade shows and other events provide additional customer touchpoints. The world's largest construction equipment trade show, bauma, was held in Munich in 2019, attracting around 620,000 visitors. The Kramer and Wacker Neuson brands appeared together at the show across an area covering 6,000 square meters.

2.2 SUSTAINABLE PRODUCT DEVELOPMENT – SUSTAINABLE PRODUCTS

FOCUS ON ENERGY EFFICIENCY AND PRODUCT SAFETY

Wacker Neuson is aware of its responsibility to develop an environmentally sound and safe portfolio of products. The Group aims to create value for customers and the environment with sustainable, innovative and safe products. In the advancement of its products, Wacker Neuson often goes above and beyond legal regulations on environmental and user protection, and has thus become a pioneer in product safety, energy efficiency and emissions-free work processes through its innovative solutions.

R&D is a key success factor for the Wacker Neuson Group. As such, it is vital that it actively protect its innovative products and processes against unauthorized imitations. Energy consumption, emissions, operator safety and ergonomics are fundamental areas of focus here.

32

new patents and utility models filed in 2019 (2018: 22)

26

patents and utility models granted in 2019 (2018: 51)

EUR 63 m

invested in research and development in 2019, incl. capitalized expenses (2018: EUR 54m)

3.3%

R&D ratio (R&D share of revenue including capitalized expenditure) (2018: 3.2%)

9%

of employees working in R&D (2018: 8%)

COORDINATION THROUGH CROSS-FACTORY INNOVATION TEAM

The Group's research and development activities are coordinated by the central function Corporate Technology, Standardization & Design. Focus areas for development are defined and steered in collaboration with the managing directors at the factories and the Executive Board. Expert committees at the various sites work with the coordinating central function to define and implement uniform, cross-factory processes and overarching Group standards.

The innovation process is guided by a clear technology roadmap, which outlines development projects for the coming years. An international committee comprising the Executive Board and representatives from sales, technology and production meets once a quarter to approve new development projects from the global product portfolio and monitor the progress of current projects. Complementing this process, regular meetings occur to align standards at different levels of the Group.

The Wacker Neuson Group is also engaged in a number of joint projects with national and international universities and renowned research institutes. This gives it non-stop access to the latest scientific insights in its areas of research.

PRODUCT DEVELOPMENT IN TUNE WITH REGIONAL CUSTOMER DEMAND

Group strategy envisages even greater emphasis on developing and manufacturing products "in the region, for the region", following the largest sales markets. This reflects the Group's commitment to systematically developing new products in line with the needs and regulations of its target markets. The overarching goal here is to tailor development activities, delivery conditions and service offering as closely as possible to the concrete requirements of its customers around the globe. This regional approach to procurement and manufacturing enables Wacker Neuson to shorten transport routes and reduce freight volumes, which in turn reduces CO₂ emissions.

MARKET INSIGHTS THROUGH FRONT-LOADING

The Wacker Neuson Group attaches considerable importance to front-loading in its product development process. The aim of front-loading is to focus on detailed planning in the early stages of a project in order to reduce unnecessary resource and material consumption further down the line. Above all, this entails understanding customer requirements, technical functionality and the operational performance of a product. Maintaining close contact with customers is a very important part of this process, as is ongoing internal alignment and the use of digital models. This approach enables the Group to identify potential for improvement, strengthen its innovative drive and ensure that the products under development deliver more value to customers. Involving customers at an early stage in projects also prevents unnecessary development loops. This in turn saves time and materials, allowing resources to be redeployed more productively elsewhere. The Group also employs value engineering (optimizing value and benefits while using resources as efficiently as possible) as a further means of ensuring its products remain competitive in the long term.

DIGITALIZATION AND VIRTUAL PRODUCT DEVELOPMENT

The Wacker Neuson Group uses new technologies to develop its construction equipment. The opportunities presented by virtual and augmented reality are being harnessed in industrial and product design and will also be deployed for optimized planning of production workflows in the future. They enable engineers and also customers to experience machines in a virtual environment and test, for example, the ergonomic design of a cockpit before an initial prototype has even been built. These technologies can also support the development process by simulating tests and product assembly processes. Simulation eliminates the need for resource-intensive building and reworking of physical prototypes. All of which makes the overall research and development process faster, more efficient and more sustainable.



VIRTUAL REALITY DRIVING SIMULATOR

Virtual reality enables engineers and also customers to experience digital machine “twins” and test, for example, the ergonomic design of the cockpit before an initial prototype has even been built.

FOCUS ON REDUCING EMISSIONS, PIONEER IN THE FIELD OF ZERO EMISSION

The Group firmly believes that its products can make a contribution to climate protection. Moving beyond its obligation to continuously adapt its portfolio in line with increasingly stringent legal requirements, in particular with regard to emissions standards, and to modify products accordingly, Wacker Neuson has made a conscious decision to expand its range of environmentally sound products and services. Environmental criteria are an integral part of the specification process for new products, ensuring that these demands are incorporated early on in the development workflow.

Electromobility is framed by Strategy 2022 and is also hardwired into the Group’s technology roadmap for the coming years. Wacker Neuson is one of the first manufacturers worldwide to offer a broad portfolio of electrically powered construction equipment in the shape of its “zero emission” product line. These products offer enhanced protection for users and the environment, they require less maintenance and have much lower operating costs. Wacker Neuson aims to expand its zero emission portfolio in the medium term and offer an alternative emissions-free solution in every one of its core product groups. In 2019, the Group added an electric wheel dumper, a fully electric zero tail mini excavator, the AP2560e electric vibratory plate and the AS60e battery-powered rammer to its zero emission range. The Group also unveiled the first battery-powered high-frequency internal vibrator for concrete compaction with a battery integrated in a backpack. The product was launched in fall 2019. Wacker Neuson can now offer its customers a complete portfolio of electrically powered machines and equipment for emission-sensitive environments such as residential areas, tunnels, underground car parks and indoor areas.

Modularization plays an important role in the development of new products. The batteries for the Group’s existing electric vibratory plates, rammers and high-frequency internal vibrator, for example, are all interchangeable. This solution saves customers money and is also beneficial for the environment as it means that fewer batteries are required overall.

Z E R O P O I N T Z E R O

The zero emission portfolio includes 13 different products for the construction sector – including internal vibrators and battery-powered rammers, battery-powered vibratory plates, electric wheel loaders, hybrid mini excavators, electric mini excavators and electric wheel and track dumpers.



Sales of fully electric products are rising even though this line still accounts for a small share of revenue. Especially for rental companies, these low-maintenance solutions are an interesting addition to existing portfolios. The Wacker Neuson Group firmly believes that alternative drive concepts will play a key role in the future of the construction and agricultural equipment industries and is committed to investing further in this area.

Looking beyond the reduction of exhaust emissions, the Wacker Neuson Group's eco-efficiency / energy efficiency activities are key levers in the drive to develop an even more environmentally friendly and safer product portfolio in the future. This includes the development of new control systems for optimizing drive technologies in machines. Functions such as energy-saving mode reduce fuel consumption and improve energy efficiency. The Group's engineers also focus on developing new drive concepts and standardizing components used in different models, modules and product groups.

THE IMPORTANCE OF PRODUCT SAFETY AND USER PROTECTION

Customer safety is a top priority for Wacker Neuson. The company aims to deliver machines that are easy to use, do not pose any risk to the operator and comprehensively support construction site workflows. In 2019, Wacker Neuson improved user safety by making technical modifications to existing products and developing new, innovative products such as the Dual View wheel dumper. The operating and seat console of the Dual View dumper can be rotated 180 degrees; unlike conventional dumper models, this ensures that the operator can always drive straight ahead and has a clear view in the direction of travel.

Looking beyond functional design, development work also focuses heavily on operator ergonomics. At bauma in 2019, for example, Wacker Neuson unveiled its DPU110r vibratory plate, a remote-controlled concept model equipped with compaction control. The new plate is an operator-centric solution that boosts efficiency on construction sites. It also completely eliminates hand-arm vibrations as the operator is no longer in direct contact with the plate.



AUTONOMOUS VIBRATORY PLATE

The DPU110r vibratory plate is an example of a customer-oriented solution for increasing efficiency on the construction site.

2.3 RESPONSIBLE EMPLOYER

EMPLOYEE SATISFACTION IS THE FOUNDATION FOR THE COMPANY'S SUCCESS

Wacker Neuson employs over 6,000 people worldwide, all of whom are key to its success and long-term growth. To develop employees' technical/commercial and soft skills and to ensure its people retain their enthusiasm for their work, the Group strives to create optimum working conditions in an open corporate culture that promotes mutual appreciation.

Wacker Neuson firmly believes that happy, engaged employees are more productive and achieve better results. The company is committed to promoting wellbeing at the workplace. It supports employees in striking the right work-life balance and implements measures to protect employee health. These initiatives help the Group build long-term employee loyalty – also in times of skill shortages. To ensure employees at Wacker Neuson feel well equipped to deal with technological, procedural and organizational changes at work and are able to see change as an opportunity, the company strives to identify optimization potential in workplace ergonomics, occupational health and employee wellbeing at an early stage and to implement appropriate measures.

**The compaction work
is fully documented,
as the plate digitally
records all steps and
thus automatically
provides a performance
record for contractors.**

The Group trains its own young talent. It also offers lifelong learning opportunities and a wide range of further development programs to employees at all stages of their career paths. The aim here is to maintain employee motivation and skill levels over time.

The global HR strategy aligns closely with Strategy 2022. It provides Group-wide global guidelines, standards and processes to promote sustainable growth across the company. Global topics are jointly defined and developed by Group HR and local HR officers.

2019 EMPLOYEE SURVEY

The global employee survey is carried out every two years. It allows the Group to gauge the overall mood among its workforce and identify areas offering scope for improvement and higher satisfaction levels. The Group launched its 2019 survey in July under the motto “Your opinion counts!”. This was done in collaboration with an external institute that also compared the results with those from other companies in the industry.

Acceptance of the survey rose again in comparison with previous years. In the period under review, 68 percent of all employees worldwide took part in the survey. This is an increase of more than six percentage points compared with the 2017 survey (61.7 percent). As such, the results provide a representative and objective overview of the mood among employees in twelve core areas, including “Working conditions and remuneration” and “Learning and development opportunities”. To ensure the latest results could be largely compared with previous years, the Group used the same questionnaire. The only change was the addition of a new category “Innovation” and an “Index agility” comprising multiple sub-questions. Both of these are key elements of Strategy 2022.

Temporary staff were also invited to take part in the survey for the first time. It is worth noting that the results from this group of employees were almost identical to those from other groups. This suggests that temporary workers also feel well integrated in the company and are happy with their work.

Overall, the Wacker Neuson Group is seen as a very attractive employer. In the employee survey, 85.2 percent of participants stated that they are very happy “All-in-All” with the Wacker Neuson Group as an employer. General satisfaction levels were therefore high among employees who took part in the survey – also in comparison with industry peers – and the mood on the whole had improved in comparison with 2017. According to the survey,

6,056

**employees¹ 2019
(2018: 6,190)**

¹ Based on number of positions (FTE = full-time equivalents; the number of people working for the company was converted into full-time equivalents).

11.5%

**fluctuation in 2019
(2018: 13.3%)**

8.9

**years average length of
employment in 2019
(2018: 9.2 years)**

84.9 percent of employees were proud to be employed by the Wacker Neuson Group. This puts the Group significantly ahead of other industrial companies of similar size, as confirmed by the Ludwig Maximilian University in Munich, which supported the survey from a scientific perspective. This is important as emotional attachment to an employer plays a crucial role in employee loyalty and has a direct impact on satisfaction levels.

Compared with 2017, the Wacker Neuson Group saw an improvement in results in ten of the twelve interview categories. Employees were particularly positive about Customer Orientation, their Immediate Supervisors, as well as Tasks and Activities. 86.4 percent agreed with the statement that they were able to fully utilize their experience and skills in their work. 84.5 percent positively rated the focus on customer needs in their area. 84.1 percent feel their immediate supervisors are appreciative and trusting of them.

Two areas remain a challenge.

- The first relates to “Health, strain and stress” in the workplace. Here there is a need to step up efforts to define and implement site-specific measures aimed at raising awareness and preventing these issues. Potential causes of stress can be reduced by improving internal processes and process interfaces. The Group also plans to expand occupational health management services at all sites.
- “Information & Communication” is the second challenging area. Here, there is a need to continually assess existing internal communication channels for their effectiveness and to evolve them accordingly. There is also a need to develop new concepts to support personal dialog, in particular between management and employees at our production sites as digital communication channels have thus far had limited reach in this area.

In October 2019, the results of the survey were made available and explained to all employees in multiple languages on the intranet and through webinars known as Info Circles. The reports on the results were and still are being used to define initiatives and potential for improvement for specific departments and sites. These are then recorded in a central online action planner and their progress monitored by Group HR. The overarching aim here is to successfully increase employee satisfaction levels and strengthen the Group’s status as an attractive employer in the long term. Employees are provided with regular progress updates.

The next employee survey will be carried out in summer 2021. The Group is aiming for a global participation rate in excess of 70 percent.

STRIKING THE RIGHT WORK-LIFE BALANCE

The Wacker Neuson Group is proud to have retained the character of a family-run company despite its rapid growth trajectory. As such, the company is very much aware of the importance of family. The Group places great importance on being a family-friendly employer that supports employees in achieving the right work-life balance through initiatives such as flexible working hours in many areas. According to the employee survey, 76.6 percent of all employees stated that their job enabled them to achieve a good balance between their working and private lives.

OCCUPATIONAL HEALTH AND SAFETY

The health of employees and their ability to perform are central success factors. As such, Wacker Neuson wants to create a healthy working environment with good working conditions and encourage employees to adopt a health-aware lifestyle.

At the different Wacker Neuson companies, local management and specially trained personnel are responsible for establishing operational processes around occupational safety. Group HR provides support and advice to the different departments, giving regular pointers on optimization potential. National and international standards and statutory regulations define the minimum benchmark here.

In addition to this, a number of companies implement a range of initiatives as part of their occupational health management service. These include sports classes and healthcare courses as well as workshops on issues such as quitting smoking or improving sleep patterns. In collaboration with the Techniker Krankenkasse health insurance company, for example, the Munich site offers employees an opportunity to take part in personal digital healthcare coaching sessions. The Group also encourages employees to participate in various running events by offering to pay the entry fees. At certain locations, company doctors are present to offer regular check-ups and flu vaccinations. Company canteens place great importance on offering a broad selection of healthy options. Many sites also provide fruit baskets and water dispensers.

84.9%

of employees are proud to be employed by the Wacker Neuson Group.

76.6%

of all employees state that their job enables them to achieve a good balance between their working and private lives.



2.4 TRAINING AND TALENT DEVELOPMENT

TRAINING AND INDIVIDUAL DEVELOPMENT

To ensure it remains competitive in the future, Wacker Neuson needs committed, skilled employees. The Group’s extensive portfolio of training and talent development courses provides a solid foundation here. Wacker Neuson wants its employees not only to unleash their full potential in their jobs, but also to continuously further develop their technical/commercial and soft skills.

This all starts with apprenticeship and study programs. In 2019, the Group provided training for 233 young people in Germany, Austria, Switzerland and the Netherlands (2018: 210) in industrial, technical and commercial positions. Opportunities were also provided within the framework of practical training programs flanked by studies at technical or vocational colleges. The take-up rate for trainees who completed their courses was 96.2 percent in 2019 (2018: 93.2 percent).

To keep employees up to speed on the latest technology and methodology advances in their specialist area and equip them with the skills to meet new demands, the Group offers targeted training either with in-house instructors or external education facilities. In this year’s employee survey, 71.7 percent of all employees stated that they had been given opportunities within the context of their work to learn new things and expand their expertise and abilities. 66.5 percent were very happy with the opportunities provided for developing their technical/commercial and soft skills.

The Group gives employees the opportunity to complete study programs or further training programs alongside their jobs. In some instances, this is flanked by financial and/or organizational support, for example through tailored, flexitime models. Staff in Germany, Austria and the US were able to avail of this dedicated offer during the period under review.

In addition to this, the Group operates its own Academies in Europe (Reichertshofen, Germany) and the US. These are equipped with state-of-the-art training facilities and product testing areas to blend both theoretical and practical learning experiences. [Refer to the “Customer centricity” section](#)



233

apprentices in Germany, Austria,
Switzerland and the Netherlands in 2019
(2018: 210)



The HR training portal on the global intranet offers a range of site-specific training opportunities for employees in German-speaking countries. In 2019, internal training and talent development focused on product and service skills.

96.2%

take-up rate in 2019
(2018: 93.2%)

66.5%

of employees were very happy with the opportunities provided for developing their technical/commercial and soft skills.

The HR training portal on the global intranet offers a range of site-specific training opportunities for employees in German-speaking countries. In 2019, internal training and talent development focused on product and service skills.

BROAD OFFERING OF CAREER DEVELOPMENT OPPORTUNITIES

In an ever-accelerating work environment shaped by trends such as digital transformation, new styles of leadership and collaboration are required. Instead of making long-term plans, companies have to act faster and be more agile. A new generation of employees wants increasing levels of autonomy and responsibility in the workplace. Wacker Neuson is already responding to these new demands with a targeted HR strategy and various talent development programs.

The PerspACTIVE development program for new and prospective managers has been running in German-speaking countries since 2012. 2019 saw the seventh group complete the program and two new groups start, comprising a total of 27 participants. Group-wide rollout of this program also began in 2019, with the first English-speaking group comprising twelve participants from European sales affiliates starting in November. PerspACTIVE is a multi-phase, modular program for developing leadership skills. By drawing participants from different disciplines and locations, the program not only helps to upskill trainees but also to build a common leadership culture.

The Leadership Excellence Program (LEP) is aimed at experienced managers in strategic key positions such as managing directors and heads of Group functions from all regional companies. Participants in the LEP focus on five modules covering the strategic topics “Business Orientation”, “Strategic Thinking & Customer Orientation”, “Innovation & Business Development”, “Leading in an Agile Environment” and “Change & Organizational Development”. The fourth group comprising 25 participants started the five-step program in the period under review. The program runs for a period of 12 to 18 months and so no group completed it during the period under review.

The ReflACTION program has provided a development platform for middle managers in Germany and Austria since 2018. In 2019, three groups comprising a total of 17 candidates completed the program. A version for English-speaking regions was also successfully launched, with a total of twelve participants coming together in two groups in the US. ReflACTION gives managers the opportunity to identify their personal strengths and potential for further development. These insights are used to develop further qualification recommendations which are then tracked over time.

Our well-established INTRAMove exchange program further promotes communication, knowledge sharing and global networking across different geographies and disciplines within the Group. Since 2015, employees from a wide range of departments have had the opportunity to take part in this program and experience working at different locations such as Switzerland, the UK, the US and China.

In 2015, the Group-wide T.A.G. (Train and Grow) trainee program was introduced to support the Group's efforts to secure the next generation of talent. The program is aimed at Master's graduates from technical and business administration disciplines and takes a maximum of 24 months to complete. The duration of the participants' placements in individual departments varies between two and four months. At least one placement must be completed in a foreign affiliate. The opportunity to experience so many different departments means that program participants can familiarize themselves with the Group in a short period of time and from different perspectives. Like the INTRAMove, PerspACTIVE, ReflACTION and LEP employee programs, T.A.G. facilitates networking across different Group companies.

2.5 RESOURCE CONSUMPTION

ENERGY AND ENVIRONMENTAL MANAGEMENT SYSTEM

Consuming natural resources has an impact on the environment. The Wacker Neuson Group also bears responsibility for these environmental impacts, resulting, for example, through the import and processing of raw materials and the products manufactured using these goods. Wacker Neuson uses its energy and environmental management system to assess the effects of its value-adding processes on the environment (within the limits of its own systems) and to develop improvement measures. The Group's activities here focus primarily on its sites in Germany, Austria and the US; due to their size and production capacities, these are the locations that consume the majority of resources in the Group.

All of the Wacker Neuson Group's production, logistics and sales sites in Germany and Austria as well as its headquarters in Munich are certified in line with ISO 14001 and 50001 (referred to in the following as "certified companies"). Management evaluations are held at these sites every year. During these evaluations, the managing directors discuss topics such as potential for improvement, monitor improvement measures and drive implementation. At the same time, the central energy and environmental manager from the Group function Corporate Real Estate periodically meet with local energy and environmental officers to discuss current projects and energy efficiency potential. All of these measures help foster regular dialog about issues related to energy and the environment.

MEASURES IMPLEMENTED IN 2019

The register of legal requirements related to energy and the environment was comprehensively revised at the certified companies in 2019. This process included multiple workshops and training sessions that enabled individuals from the different sites to share their expertise and define a uniform roadmap.

The existing energy and environmental policy was comprehensively amended to reflect changes to the standards. To utilize synergies from quality management, the Group's quality-specific guidelines were combined with energy and environmental standards for the first time on a Group-wide basis to create a single company policy known as the quality,

energy and environmental policy. This document builds on the requirements set out in the ISO 9001, 14001 and 50001 standards and creates a framework for continuous improvement at the Wacker Neuson Group in the areas of quality, energy efficiency and environmental performance.

The Group increased its communication activities at its certified sites to raise awareness of energy and environmental issues among employees and to keep them up to speed on the latest developments. The Group regularly held information sessions on issues related to energy and environmental management as part of the "Info Circle" events launched by the Group HR department. These sessions covered the latest trends and developments and also explained what the energy and environmental management system means for employees and their work. They also explained how each individual can contribute to the Group's energy and environmental goals. At the Hörsching site, brief presentations focused on energy and the environment are also shown on screens in the production area. These primarily highlight ways to save energy and water, reduce waste and improve waste separation.

Investments in building technology and production machines will help further improve energy efficiency. The Group also started to gradually improve and retrofit consumption meters at its sites in 2018 with a view to improving insights into energy consumption. The extended metering points are being used to analyze gas, water and energy consumption in more detail. Collecting more detailed consumption data enables the Group to see how much energy a specific production step or line needs. This system has been in place at the Korbach site since the start of the year and is now being used to carry out detailed analyses of energy consumed.

The Group's sales sites are gradually switching to LED lighting where this is possible and makes sense. This type of lighting is now used as standard in all new buildings.

NON-FINANCIAL INDICATORS

The Group records energy consumption and the resulting CO₂ emissions at its German and Austrian production sites and sales affiliates, at the logistics center in Germany and the production, administration and sales sites in the US.

In 2019, production volumes and the associated logistics services increased once again. This caused absolute energy consumption and associated emissions to rise accordingly.

Energy consumption for 2019 amounted to 105,783 MWh, which is a change of 2.4 percent relative to the previous year (2018: 103,260 MWh). Energy consumption for 2018 was adjusted upward by an amount of around 1.6 percent due to the fact that the fleet service provider was unable to issue comprehensive consumption figures for Germany and Austria at the time the report was drawn up. Values for emissions and key indicators have also been adjusted accordingly.

The resulting CO₂ emissions were calculated using emissions factors and energy consumption figures. In 2019, the sites under review emitted a total of 37,745 tons of CO₂ (2018: 37,037 tons of CO₂). This corresponds to a change of 1.9 percent relative to the previous year.

Indirect emissions amounted to 21,154 tons of CO₂ (2018: 20,810 tons of CO₂), while **direct emissions** totaled 16,590 tons of CO₂ (2018: 16,227 tons of CO₂).

Given that energy consumption and the resulting greenhouse gas emissions are largely linked to production volumes at its factories, the Group believes it makes sense for a company on a rapid growth path to focus on energy intensity (energy consumption in relation to revenue) and greenhouse gas intensity (CO₂ emissions in relation to revenue) rather than absolute energy consumption.¹

Energy intensity for 2019 amounted to 55.64 MWh/revenue in EUR million (2018: 60.39 MWh/revenue in EUR million). This is a drop of around 8 percent compared with the previous year.

Greenhouse gas intensity amounted to 19.85 tons of CO₂/revenue in EUR million (2018: 21.66 tons of CO₂/revenue in EUR million). This is a fall of around 8 percent compared with the previous year.

GOALS

In 2019, the Group started to define Group-wide minimum standards for energy and environmental management (EnEM) for all sites that are not certified in line with ISO 14001 and 50001. These include the following:

- Uniform processes and reporting structures
- Central, uniform data management
- Standardized hazardous goods and hazardous material management

The long-term goal is to ensure a Group-wide energy and environmental management system comprising uniform standards. The minimum standards for environmental and

energy management are documented in a compact manual, which also outlines all relevant processes and standards that must be met. Binding, quantitative goals for driving continuous improvement in the fields of environmental and energy efficiency were also redefined as part of this process. The goal for certified sites is to improve energy and environmental KPIs (e.g. energy and emissions intensity) by 5 percent by 2022 relative to the baseline year of 2018.

Energy Consumption in MWh

| | 2019 | 2018 | Change |
|--------------------------|----------------|----------------|-------------|
| Electricity | 35,752 | 35,341 | 1.2% |
| District heating | 2,517 | 2,074 | 21.4% |
| Natural gas | 48,661 | 46,809 | 4.0% |
| Fuel oil | 927 | 620 | 49.5% |
| Diesel | 13,279 | 13,832 | -4.0% |
| Gasoline | 4,647 | 4,584 | 1.4% |
| Total consumption | 105,783 | 103,260 | 2.4% |

Energy intensity in MWh/revenue in EUR million

| | 2019 | 2018 | Change |
|------------------|-------|-------|--------|
| Energy intensity | 55.64 | 60.39 | -7.9% |

CO₂-Emissions in tons²

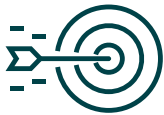
| | 2019 | 2018 | Change |
|------------------------|---------------|---------------|-------------|
| Electricity | 20,545 | 20,308 | 1.2% |
| District heating | 609 | 502 | 21.3% |
| Natural gas | 11,091 | 10,669 | 4.0% |
| Fuel oil | 247 | 165 | 49.7% |
| Diesel | 3,850 | 4,010 | -4.0% |
| Gasoline | 1,403 | 1,383 | 1.4% |
| Total emissions | 37,745 | 37,037 | 1.9% |

Greenhouse Gas Emissions Intensity in tons of CO₂/revenue in EUR million

| | 2019 | 2018 | Change |
|---------------------|-------|-------|--------|
| Emissions intensity | 19.85 | 21.66 | -8.4% |

¹ Intensities were calculated on the basis of total Group revenue.

² Emissions factors based on the "Handyfigures" document from Gemis/www.gemis.de

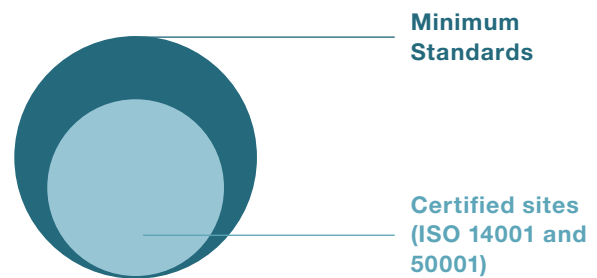


Goals

MINIMUM STANDARDS

- Uniform processes and reporting structures
- Central, uniform data management
- Standardized hazardous goods and hazardous material management

Figure: Global energy and environmental management system as of 2020



2.6 ANTI-CORRUPTION

The continued growth and international focus of the Group make an effective compliance management system indispensable. This system encompasses the organizational and procedural structures and thus also the processes in place to prevent and combat bribery and corruption in the company. The corporate culture embraced by company management and employees alike plays a key role here and is designed to prevent irregularities and violations of the law at Wacker Neuson.

COMPLIANCE MANAGEMENT SYSTEM WITH GLOBAL REACH

Compliance is organized as a central function. Where appropriate, the Group headquarters draws up uniform guidelines which apply to the entire Group and thus worldwide. The regional presidents (first hierarchical level below the Executive Board and responsible for the respective region) assume local responsibility in their capacity as regional compliance managers. The same applies to managing directors of the production sites who are vested with the power of commercial representation. These regional and functional compliance managers oversee various compliance measures and organize training for employees, for example. In their capacity as compliance managers, they report relevant information to the Corporate Compliance Office, which is part of the Corporate Legal & Compliance department. The Chief Compliance Officer is also head of the Corporate Legal & Compliance department and reports directly to the CEO.

The regional presidents and the managing directors of the production sites submit compliance reports to the Corporate Compliance Office every six months. These reports are supplemented by a compliance self-assessment carried out by all affiliates in the form of a self-disclosure report, which is submitted by the managing directors to the Corporate Compliance Office.

A Group Compliance Committee made up of the heads of Internal Auditing, Corporate Legal and Compliance and Human Resources is the central point of contact responsible for all compliance cases that are reported. The committee steers activities here on the basis of its rules of procedure and in collaboration with the Executive Board. The Chief Compliance Officer submits reports on a regular basis and, if the situation arises, on an ad-hoc basis to the Executive Board. They also report to the Supervisory Board on request, usually once a year.

An Anti-Fraud Committee has also been set up at the company, comprising managers from Internal Auditing, Legal & Compliance, IT Security and Treasury. The Anti-Fraud Committee usually meets every six months or more frequently if the need arises. It is responsible for averting and dealing with possible fraud attempts or external attacks – for example in payment transactions – and for issuing warnings and information to employees. The anti-fraud tools used include automated processes, IT security measures, guidelines and proactive communication with employees. Employees are required to report information on fraud attempts to the Anti-Fraud Committee.

PROACTIVE ANTI-CORRUPTION MEASURES IN THE ORGANIZATION

The Group's stated aim is to avoid corruption of all types. This includes putting preventive measures in place that enable the Group to identify corruption risks at an early stage and thus prevent illegal activities.

The Group has expanded its anti-corruption training initiatives. For example, multiple instructor-led courses and webinars covering the code of conduct, compliance and anti-corruption issues were held for indirect and direct sales teams. Employee training courses were also held in Mexico, North America, South America and China.

The Group intends to further expand employee training and information events around the world, focusing on compliance, anti-corruption, the avoidance of conflicts of interest, anti-trust violations and money laundering to ensure employees have greater awareness of these issues. Due to its international reach, the Group will build on eLearning solutions in the future. It has procured appropriate multilingual training content from a renowned provider, which will now be gradually incorporated into the Group's online learning management system. In addition to basic training for all employees and managers, detailed audience-specific compliance training will be introduced in the medium term to encourage employees to take the initiative and to embed compliant behavior throughout the organization. The Group aims to use eLearning tools to continually increase the percentage of total employees who have completed compliance training and to expand the international reach of the training program. The process for prioritizing employees and managers for compliance training is based on risk potential; in the first instance, employees from sales, marketing, purchasing and administrative staff are earmarked.



Tell-it

**CAN BE ACCESSED 24 HOURS
A DAY FROM ANYWHERE IN
THE WORLD AND USERS ARE
ASSURED OF CONFIDENTIALITY.**

**Reports can also be made
anonymously if preferred.
“Tell-it” was set up in 2014 as
an online communication
channel for reporting possible
violations of policy or the law.**

5,079

visitors accessed the Tell-it whistle-blower system for information between the live date in 2014 and December 31, 2019 (4,563 up to December 31, 2018)



**The Group will be expanding
compliance and anti-corruption
training and information events
for employees around the world.
Reflecting its international reach,
the Group will build on eLearning
solutions in the future.**

The Wacker Neuson code of conduct for employees was updated and translated into sixteen languages in 2019. As well as setting out the principles of company ethics and the daily conduct expected in the workplace, it also provides guidelines on preventing corruption. Numerous affiliates held information events about the updated code. The code of conduct is given to every new hire; it is also accessible to all employees on the Group intranet and to the general public on the Group website. All employees are bound by the code of conduct; a clause to this effect has been included in all employment contracts since 2016.

Management is expected to lead by example when it comes to compliance, recognizing their particular responsibility as leaders and actively upholding the values of the code of conduct. The Group plans to hold an eLearning management training course on this topic for Group leaders in fiscal 2020.

MEASURES AIMED AT EMBEDDING A COMPLIANCE CULTURE BEYOND COMPANY BOUNDARIES

Preventing corruption in the supply chain is another priority. The Group therefore expects its suppliers to abide by its compliance principles. These are set out in Wacker Neuson's code of conduct for suppliers. Compliance with these principles is a prerequisite for creating lasting business relationships built on a solid foundation of trust. The code of conduct is available on the Group website. Local audits evaluating suppliers' adherence to compliance principles are also carried out in the form of supplier potential assessments. [Refer to the section "Respect for human rights within the organization and throughout the supply chain"](#)

The Group's whistleblower system "Tell-it" is an online communication channel for reporting possible violations of policy or the law affecting companies of the Wacker Neuson Group. This whistleblower system can be used by employees, business partners, customers and other third parties. "Tell-it" can be accessed 24 hours a day from anywhere in the world via the company website and users are assured of confidentiality. Reports can also be made anonymously if preferred. The system is monitored by the Corporate Compliance Office.

In the past, a risk classification of Group companies by country was carried out in accordance with Transparency International's Corruption Perceptions Index. The ranking showed that compliance risks posed in countries like Russia and Mexico are generally high. Against this backdrop, training sessions and information events covering the updated code of conduct were held in both affiliates in 2019. The procedural and organizational risks in Mexico were also analyzed separately in an audit. During the period under review, the Compliance Office developed a more clearly differentiated risk analysis system concept for these kinds of compliance risks. At the end of 2019, a survey based on this concept was sent to all affiliates for the first time by the Risk Management department. The results will be used in the coming years to implement individual risk mitigation initiatives, with particular focus on eLearning courses.

Even though no cases of corruption were reported during the year under review, the fact that the "Tell-it" reporting website had been visited (by users looking for information) 5,079 times (4,563 by December 31, 2018) from the date it went live up until December 31, 2019 proves that a large number of people are aware of this online platform.

NON-FINANCIAL INDICATORS:

– Number of confirmed cases of corruption from the organization

In 2019, no confirmed cases of corruption were reported to the Compliance Committee by individuals in the organization.

– Number of confirmed cases of corruption in the supply chain

In 2019, no confirmed cases of corruption in the supply chain were reported to the Compliance Committee.

2.7 RESPECT FOR HUMAN RIGHTS WITHIN THE ORGANIZATION AND THROUGHOUT THE SUPPLY CHAIN

PREVENTION REMAINS AN IMPORTANT VEHICLE IN THE PROTECTION OF HUMAN RIGHTS

Human rights is becoming an increasingly important topic for the Group as it continues to expand its international footprint. To remain competitive in the long term, the Group is working with a much more international group of suppliers than it did a few years ago. Human rights must be protected at all times in this increasingly diverse landscape – both within the organization and also across the supply chain.

As part of its efforts to prevent human rights violations within the organization, the Wacker Neuson Group introduced a code of conduct for employees. [Refer to the “Anti-corruption” section](#) The Group has summarized its human rights principles in its statement “Preventing human rights violations in the Wacker Neuson Group and its supply chain”. This was published in 2017 and is available on the company website.

In addition to this, the Group has to be in a position to expose violations of human rights. The Group has set up an online whistleblower system known as “Tell-it” for employees and third parties such as customers and suppliers. [Refer to the “Anti-corruption” section](#) The system can also be used to report suspected human rights violations.

To remain competitive in the long term, the Group is expanding its base of suppliers and increasingly choosing international partners. Human rights must be respected and protected at all times in the supply chain. The Group has zero tolerance for child, youth or forced labor – either at its own sites or in business relationships with external partners. It expects suppliers in particular to engage actively with this topic. Only suppliers that meet its internal criteria will be included in the global supply network. In this way, the Group hopes to reduce the risk of human rights violations occurring in its supply chain.

As enshrined in Strategy 2022 and the Group’s excellence goal, the Group is committed to ensuring that it only selects suitable suppliers. As a result, the Group’s supplier audits focus in particular on potential new suppliers. The Supplier Development department, which is part of Quality Management, is responsible for this task. The department works independently in the different production sites and uses globally defined methods and tools to carry out audits in high-risk countries. Supplier Auditing supports and develops suppliers – from initial selection based on supplier audits through the nomination process to the start of series production.

Supplier audits, known as supplier potential assessments (previously called rapid plant assessments), are carried out on the basis of Group-wide uniform evaluation standards. The only exception here is the North American production company, which did not include human rights in its supplier audits in 2019. An internal guideline containing standard assessment criteria forms the basis for the qualification of potential suppliers. This allows supplier performance at operational level to be captured, compared and measured. The guideline focuses on factors such as freedom of assembly and exclusion of child labor. If any shortcomings are identified in a supplier’s organization, action plans are drawn up to eliminate these weaknesses in the long term. The Supplier Nomination Committee decides whether to accept or reject a supplier. Depending on the order volume, the Executive Board and the technical managing directors of the sites are also members of this committee.

In September 2019, two of the Group’s sites received an identical anonymous message, which contained a number of complaints including claims of human rights violations related to working conditions at a Tunisian supplier with whom the Group already works. On the same day, the management of this supplier sent an unsolicited counter-statement to Wacker Neuson. The Group immediately requested that the supplier provide further information on

the current situation at the site and outline the local measures it would be implementing to clarify the allegations. The supplier listed several measures in its statement. The most important of these from the Group's perspective is an external social audit that has been scheduled. The supplier will automatically inform the Group of the results of the audit and the certification. In addition to this, Wacker Neuson will carry out its own supplier audit at the site to form a better picture of the allegations.

The Wacker Neuson Group introduced a code of conduct for suppliers to prevent human rights violations in the supply chain. This document requires compliance with multiple standards, including the protection of human rights and the exclusion of child and forced labor. It can also be viewed on the Group website. The code of conduct for suppliers is discussed during contractual negotiations with suppliers and is a mandatory part of the final agreement.

The Group plans to introduce supplier relationship management software in 2020. As well as managing contracts and individual agreements with partners, the software will have a feature whereby suppliers will have to confirm their compliance with the code of conduct for suppliers as part of the onboarding process (statement of conformity).

NON-FINANCIAL INDICATORS:

– **Number of complaints about violations of human rights within the organization**

In 2019, the Corporate Compliance Office received no complaints about violations of human rights in the organization; nor were there any suspected violations.

– **Number of supplier audits**

In 2019, 49 potential suppliers in Europe and China were audited with regard to their human rights performance for the first time as part of the supplier audit process (2018: 54). An additional check was carried out on 42 existing suppliers in Europe and China in 2019 with respect to their human rights performance (2018: 24). Both audits revealed that there were no violations of human rights by suppliers in 2019 (2018: none).

– **Number of complaints about violations of human rights in the supply chain**

In 2019, the Group received an anonymous message with a complaint regarding violations of human rights at a supplier with existing business relationships (2018: none).

In 2019,

49

potential suppliers in Europe and China were audited with regard to their human rights performance for the first time as part of the supplier audit process.



In 2014, as part of its efforts to prevent human rights violations within the organization, the Wacker Neuson Group introduced a code of conduct for employees.

3. THE RISK ASSESSMENT PROCESS

Within the framework of this non-financial report, the objective of risk management is to identify and assess risks arising from the company's business activities that are relevant to the environmental, employment, social, human rights and anti-corruption mandatory topics. The main priority here is to find out what risks business operations, business relationships, products and services pose in relation to the mandatory topics. Wacker Neuson thus explicitly asked all Group members to provide a non-financial assessment of the risks posed by its business operations in relation to the environmental, employment, human rights, anti-corruption and social mandatory topics. The risks facing the Group were evaluated on the basis of risk probability and risk exposure and expressed collectively as a gross risk. The net risk was determined based on the reported gross risk and the scope of the counteractive measures reported. From 2020 onwards, an automated reminder process will be used to regularly check that all reported risks are still up to date.

In summary, the Group did not identify any risks to be disclosed.

Munich, March 9, 2020

Wacker Neuson SE, Munich, Germany

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial group report 2019 of Wacker Neuson SE. The following text is a translation of the original German Independent Assurance Report.

To Wacker Neuson SE, Munich

We have performed a limited assurance engagement on the non-financial group report of Wacker Neuson SE according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial group report of the group according to § 315b HGB, for the reporting period from 1 January 2019 to 31 December 2019 (hereafter non-financial group report).

A. MANAGEMENT'S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the non-financial group report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial group report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial group report that is free from material misstatement, whether due to fraud or error.

B. AUDITOR'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY CONTROL

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the non-financial group report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance

about whether the non-financial group report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between November 2019 and March 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of documents regarding the selection of topics for the non-financial group report, the risk assessment and the concepts of the parent company and the group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial group report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial group report,
- Identification of likely risks of material misstatement in the non-financial group report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating relevant data in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Analytical procedures at the level of the business segments Consumer and tesa regarding the quality of the reported data,
- Evaluation of the presentation of disclosures in the non-financial group report.

D. ASSURANCE CONCLUSION

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Wacker Neuson SE for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

E. INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with Wacker Neuson SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. ENGAGEMENT TERMS AND LIABILITY

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 9 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Rhea Kraft
ppa.