



Wacker Neuson
Group



Moving Sustainability

Non-financial Group report 2020

SUSTAINABILITY AT A GLANCE

EUR **64** m

invested in research and development in 2020
incl. capitalized expenses (2019: EUR 63 million)

34

new patents and utility
models filed in 2020
(2019: 32)

13+2

all-electric products for the
construction and agricultural
industries respectively

-5%

CO₂ emissions intensity¹
compared with the previous year

¹ Emissions as tons of CO₂/revenue
in EUR million

81.0%

of employees rated
Wacker Neuson as a flexible
or very flexible employer
throughout the coronavirus
pandemic

-5%

energy intensity²
compared with the previous year

² Energy consumption as MWh/revenue
in EUR million

217

apprentices in 2020³

³ in Germany, Austria, Switzerland and the UK

CONTENTS

THE WACKER NEUSON GROUP	3
SUSTAINABILITY AT WACKER NEUSON	4
Customer centricity	7
Sustainable product development – sustainable products	12
Responsible employer	17
Training and talent development	21
Resource consumption	23
Compliance	25
Respect for human rights within the organization and throughout the supply chain	28
THE RISK ASSESSMENT PROCESS	30
INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT	31

ABOUT THIS REPORT

This non-financial report issued by the Wacker Neuson Group was drawn up on the basis of Germany's CSR Directive Implementation Act (CSR-RUG). It includes information necessary for understanding the development and results of the business as well as the status and impacts of business operations on the following mandatory topics:



Environmental matters



Employee matters



Social matters



Respect for human rights



Combatting corruption and bribery

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. Responsibility for sustainability matters lies with the CEO.

Wacker Neuson has identified the following material topics for fiscal 2020:

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

Unless otherwise stated, the information given here refers to the Group. A framework of standards such as the Global Reporting Initiative (GRI) has not been

All figures in this report refer to the year 2020. In most cases, comparable values from 2019 have also been provided. The reporting period corresponds to the calendar year (January 1 through December 31). Any references to content beyond this non-financial report are intended as additional information only and are not deemed part of this non-financial report.

1. THE WACKER NEUSON GROUP

The Wacker Neuson Group is an international network of companies, employing around 5,500¹ people worldwide. As a leading manufacturer of light and compact equipment, the Group offers customers around the globe a broad portfolio of products and a wide range of services. The Wacker Neuson Group is the partner of choice among professional users particularly in construction, gardening, landscaping and agriculture, as well as among municipal bodies and companies in industries such as recycling and rail transport. The product brands Wacker Neuson, Kramer and Weidemann belong to the Group. In 2020, the Group generated revenue in the amount of EUR 1.6 billion. Wacker Neuson SE 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 48 affiliates. The Group is headed by the Executive Board of Wacker Neuson SE, which works closely with the Supervisory Board. Management's aim is to secure the long-term success of the Wacker Neuson Group and create a lasting increase in company value.

For further information on the Wacker Neuson Group and its business model, refer to the 2020 Combined Management Report for Wacker Neuson SE and its Group. [refer to "The Wacker Neuson Group"](#) section in the 2020 Annual Report

3 BRANDS

2 INDUSTRIES

1 GOAL

– This formula sums up what the Wacker Neuson Group stands for and where its strengths lie. With its three brands, it focuses on two industries and pursues one overarching aim: Creating added value for customers.

EUR 1.6 bn
in revenue 2020
(2019: EUR 1.9 bn)

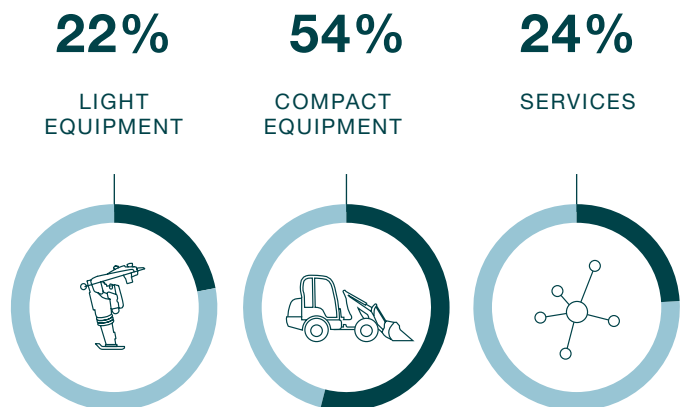
5,554
employees worldwide 2020
(2019: 6,056)

EMPLOYEES BY SECTOR 2020²



2019: Production 54%; sales and service 27%; research and development 9%; administration 10%

REVENUE BY BUSINESS SEGMENT 2020



2019: Light equipment 25%; compact equipment 55%; services 20%

¹ Based on number of positions (FTE = full-time equivalents; the number of people working for the company, temporary staff included, was converted into full-time equivalents) as at December 31.

² Temporary staff were included in the figures for fiscal 2020. Figures for the previous year were adjusted accordingly. Furthermore, service technicians were reclassified from sales and service to production in fiscal 2020. Figures for the previous year were adjusted accordingly.

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 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 its sense of corporate responsibility towards its people, society in general and the environment.

THE ECONOMY AND SOCIETY DURING THE COVID-19 PANDEMIC

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. At the start of 2020, the spread of COVID-19 severely impacted our private, social and professional lives. The effects of this crisis will continue to shape our day-to-day lives for the foreseeable future and influence the trends mentioned above.

According to the German think-tank Zukunftsinstitut, the coronavirus pandemic has accentuated the shift in attitudes towards our planet and the importance of lasting sustainability. As a result, neo-ecology is becoming a defining megatrend. Pressure to reduce emissions is mounting, driven by international climate protection agreements and the associated tightening of regulatory measures. With its zero emission product range, Wacker Neuson is one of the first manufacturers to offer a broad portfolio of electrically powered compact and light equipment enabling emissions-free construction sites. Although sales of all-electric products still account for a comparatively small share of total Group revenue, Wacker Neuson has defined further expansion of its zero emission product line as a key strategic goal. [refer to the "Sustainable product development – sustainable products" section](#) Wacker Neuson expects demand for compact equipment to rise, driven in part by the growing neo-ecology movement and the various initiatives this is spawning, such as plans to expand the electric charging infrastructure, which will require construction work on public roads. As part of its economic package to stimulate future growth, the German government has earmarked EUR 2.5 billion to promote electric mobility and plans to install one million charging points by 2030.¹



Urbanization has increased the number of people living in cities across the world. Infrastructure maintenance is set to augment the number of modernization projects underway. It is expected that this will fuel demand for compact equipment on urban construction sites.

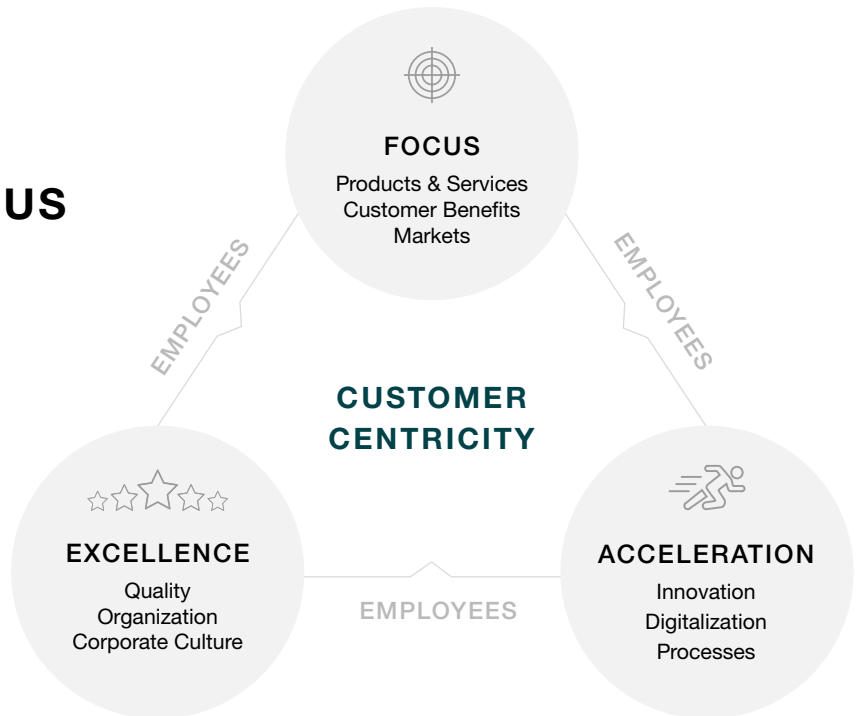


Customer needs are changing as a result of the digitalization megatrend. The Group is responding to this by developing new solutions across new sales channels. In the Wacker Neuson eStore, for example, customers can configure and order products online. The Group introduced these options in response to changes in consumer purchase patterns. The Group also offers digital services that provide customers with access to equipment and fleet data. This allows customers to deploy their resources more productively, minimize downtime and optimize machine utilization. [refer to the "Customer centricity" section](#) Increased digitalization is also having an impact on construction activity, for example through the expansion of fiber-glass broadband networks. Construction work to lay fiber-glass cables relies in particular on light and compact equipment.

¹ Sources: Article from the German Federal Ministry of Finance: "Eckpunkte des Konjunkturprogramms: Corona-Folgen bekämpfen, Wohlstand sichern, Zukunftsfähigkeit stärken" (Cornerstones of stimulus package: Absorbing coronavirus impacts, supporting citizens, investing in the future), published on June 3, 2020 in German, <https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/Konjunkturpaket/2020-06-03-eckpunktetpapier.html>

Article published by the German Government: "Umstieg auf Elektromobilität fördern ("Encouraging people to switch to electric vehicles"), <https://www.bundesregierung.de/breg-de/themen/klimaschutz/verkehr-1672896#>

STRATEGY – WHAT DRIVES US FORWARD



COVID-19 has accelerated the megatrends of neo-ecology and digitalization. This development could open up opportunities for the Wacker Neuson Group in the medium term. In fiscal 2020, however, the coronavirus pandemic presented the Group with a range of operational challenges. These included supply chain interruptions, downtime in production plants, changes in customer purchasing patterns and numerous restrictions to day-to-day interactions with customers, business partners and colleagues. [refer to the “Customer centricity” and “Responsible employer, Training and talent development” sections](#) Embedded in the Group’s Strategy 2022, the three pillars of “focus”, “acceleration” and “excellence”, acted as a compass for management and employees alike throughout 2020.

THE THREE PILLARS OF STRATEGY 2022 AS A VALUABLE COMPASS DURING THE CORONAVIRUS CRISIS

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, 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. Amidst the major uncertainties that shaped 2020, these pillars acted as a compass for the entire or-

ganization, giving the Executive Board, managers and employees an overarching framework for initiating and implementing various measures. Customer relationships were at the heart of the Group’s activities here, providing the foundation to secure the company’s long-term business development. [refer to the “Customer centricity” section](#)

For the Wacker Neuson Group, **focus** means optimizing its portfolio of competitive construction and agricultural equipment, with particular emphasis on core products (compact equipment, compaction technology and worksite technology as well as internal and external vibrators from the concrete technology offering) for established markets. According to data from management consultancy Off-Highway Research¹, 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 growth opportunities for the Group and its core products. The electrification of the product portfolio is also becoming increasingly important and the Group is a pioneer in this area. [refer to the “Sustainable product development – sustainable products” section](#) The overarching aim here is to win shares in international markets. To strengthen its focus here, the Group also aligned its sales organization in 2020, following on from the successful consolidation of its production footprint in recent years. This involved streamlining internal structures to align value-adding activities more closely with customer needs.

Acceleration is key to ensuring faster innovation cycles and meeting rising customer expectations. Digital services are becoming increasingly important; machines are

¹ Off-Highway Research, April 2019: Mini excavator market 2018 - 2023e

working (partially) autonomously or with assistance systems and digital technologies are connecting construction sites. Wacker Neuson sees these trends as an opportunity to help shape the future and increase its responsiveness to customer needs. 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. In fiscal 2020, the Group added new features to its telematics-based “EquipCare” proactive fleet management solution. It also started to develop a digital fleet sharing solution for the US market. [↗ refer to the “Customer centricity” section](#) In the field of automation, activities included the continued evolution of the company’s autonomous vibratory plates. [↗ refer to the “Sustainable product development – sustainable products” section](#)

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 promising startups. The aim of its market intelligence and M&A activities is to ensure that the Group can actively respond also to 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](#) To make the organization faster and more efficient, the Group launched the organizational project “Xto1” in fiscal 2020. The aim of this reorganization is to eliminate and/or standardize redundant structures and processes, streamline reporting lines, improve cross-functional collaboration and give stronger momentum to the Group’s innovative capabilities. In addition to this, new leadership principles were developed and rolled out in fall 2020 aimed at promoting an open corporate culture that values and respects individual effort and actively embraces social responsibility. [↗ refer to the “Responsible employer” section](#) In order to improve operational excellence, the Executive Board also launched a program to reduce costs and increase efficiency in January 2020. The aim of this initiative is to improve profitability and thus put the Group in a stronger position for the future.

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.



STRATEGIC

- 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.

2.1 CUSTOMER CENTRICITY

PUTTING THE CUSTOMER FIRST

The Wacker Neuson Group's customer-centric focus 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 fiscal 2020, the Group again continued to develop and drive customer centricity as a central element of its strategy. The Group's customer base includes not only dealers and end customers but also rental chains and international construction companies.

Within the framework of Strategy 2022, the Wacker Neuson Group 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, increasing customer satisfaction and loyalty, and maintaining dialog with customers. The Wacker Neuson Group continued to implement various measures in 2020 in order to sharpen its ability to specifically address individual customer needs.

2020: AWARD FOR EXCELLENT "CUSTOMER INSIGHTS MANAGEMENT"

In conjunction with this, the Wacker Neuson Group received an award for successful "Customer Insights Management" in 2020 as part of the "Industrial Consortium Benchmarking Study" carried out by the RWTH Aachen University. Wacker Neuson was one of five winners chosen from 120 participating companies in acknowledgment of its solutions and strategies aimed at putting customers even more firmly at the heart of everything it does.

CONTROL ELEMENTS

Topics and activities related to customer centricity are coordinated with the managing directors of the different sales affiliates, the production plants, the central function Marketing & Digital Business and the members of the Executive Board. In fiscal 2020, particular focus was placed on communication relating to COVID-19 developments. The Group assessed the impact on customer centricity measures and discussed potential solutions. These were then implemented at the different sites based on the recommended courses of action. At the start of fiscal 2021, the sales and marketing functions were restructured as part of the Group-wide "Xto1" organizational project. In future, topics and activities related to customer centricity will be steered by newly created, so-called corporate centers in collaboration with the managing directors of the sales affiliates, the production plants and the Executive Board.

INCREASING CUSTOMER SATISFACTION AND LOYALTY

The Wacker Neuson Group actively seeks to build close relationships with 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, and to the proactive implementation of solutions to meet those needs. To this end, the Wacker Neuson Group regularly carries out surveys.

The Wacker Neuson Group communicates closely with its customers when developing new products and solutions. Construction companies, dealers, rental companies and end users provide the Group's product management team with direct feedback through **Voice of Customer (VoC) and Voice of Service (VoS) events**. In this way, the knowledge and practical experience of customers can be directly channeled into the development process. The Group thus regularly engages with its future users every step of the way from the initial idea to market maturity of a product or service. Voice of Customer and Voice of Service events are important tools for the Wacker Neuson Group in fostering active dialog with customers and aligning the Group even more effectively with market needs. These events will continue to be an important part of Strategy 2022 execution moving forward. Due to COVID-19 restrictions, only a limited number of face-to-face events were held in 2020. These either took place before the start of the pandemic or were held in compliance with strict hygiene regulations. Instead there was an increased emphasis on gathering customer feedback via online surveys. Against the backdrop of COVID-19, the Group will continue to develop and optimize alternative formats to complement traditional face-to-face events.



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

The Wacker Neuson Group aims to make everyday working life easier for its customers through digital solutions. Wacker Neuson customers and dealers can use the online ordering and information platforms **ePartner** and **eStore** around the clock to find out more about products, spare parts and accessories, check their availability, configure compact equipment and place orders for equipment and spare parts. The Group continued to roll out these platforms for all three brands in 2020.

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 very efficiently with Wacker Neuson service engineers. This aims to streamline workflows for customers, minimize downtime, save time and increase worksite efficiencies. New features for EquipCare were released in 2020 and the Group continued to roll out the solution across all brands and regions. This included the access control solution "Dual ID", which enables customers to unlock and start machines using a PIN code. In addition to this, Compamatic, which connects Compatec compaction control with the EquipCare solution, was also rolled out for heavy-duty vibratory plates. With Compamatic, customers can also track the compaction progress remotely. The seamless documentation of quality control further contributes to worksite efficiency. The Group also started to develop EquipZip, a digital fleet sharing solution for the US market. This app allows customers to book rental equipment online and pick it up from the dealer using a contactless access control system, providing access to rental equipment 24/7.

Being close to its 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 plays an important role here, with the Group's sales and service stations and additional support from expert dealer partners providing long-term collaborative relationships built on trust.



**Compaction control from your desk:
The Compamatic function increases
construction workflow efficiency even
more thanks to the seamless docu-
mentation of quality control.**

At Group level, the **Corporate Aftermarket** unit is responsible for ensuring that customers can look forward to on-time deliveries, professional service and quality, and thus the optimum availability of spare parts. Spare parts orders are thus categorized for processing, and customer requests are taken into consideration as soon as orders are placed. In fiscal 2020, spare parts for light equipment were relocated from the previous warehouse in Karlsfeld to the central logistics center in Nuremberg. From July onwards, all Wacker Neuson Group dealers and sales affiliates aligned with the European logistics center now receive their spare parts from a single source. Despite several challenges related to the coronavirus pandemic, average spare parts availability for fiscal 2020 amounted to 94 percent (2019: 93 percent)¹, which is an increase of one percentage point relative to the previous year.

The Wacker Neuson Group offers its customers across the world a range of **training courses** covering service, product and sales 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, especially in light of COVID-19, the Group continued to expand its digital and online learning offering in fiscal 2020. The Wacker Neuson brand, for example, reported 4,078 participants in live, online instructor-led trainings, which is a sharp increase on the previous year (2019: 187). Training for important new product releases was carried out exclusively through online instructor-led trainings and was accompanied by numerous eLearning sessions (self-learning units). With their strong focus on interpersonal dialog and practical experience, on-site, instructor-led trainings will remain a central element and core competency in the Group's offering as soon as live training can be safely carried out again.

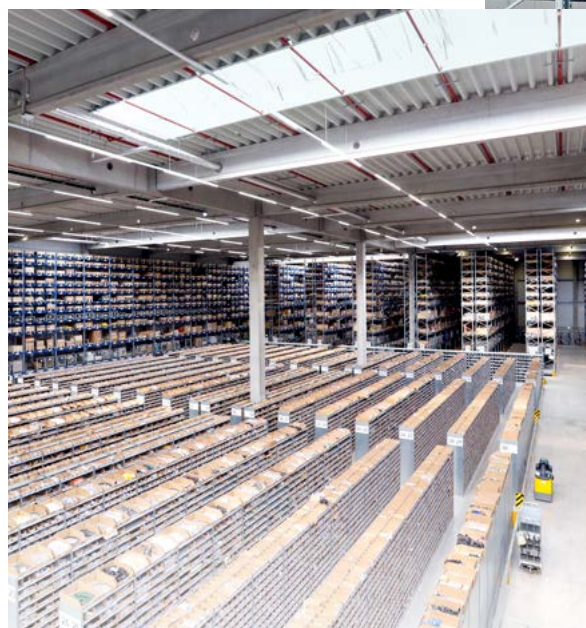
¹ Measured as order to shipment (OTS): Average percentage of orders placed within the order window that were transferred for shipping on the same day.

In fiscal 2020, groups for live, on-site training had to be reduced to just a few participants due to the global spread of COVID-19 and the resulting strict safety measures that had to be implemented. Lockdowns in many countries meant that only a few live training sessions were held, mostly on a country-specific basis. A total of 4,689¹ participations in service, product and sales training courses were reported at the Wacker Neuson Academy in Reichertshofen and the Wacker Neuson University in Menomonee Falls in 2020 (2019: 3,511)². In addition to this,

sales and service training sessions were held in the training center at the Group's production site in Pinghu, China. The Group's live program for customers, which includes demo shows, factory tours and information events, was severely limited in 2020 due to COVID-19 safety restrictions. Live trainings for dealers at Kramer's site in Pfullendorf and Weidemann's site in Korbach could also only be offered in a restricted format this year. In some cases, digital training formats were used instead.

94%

spare parts availability³ 2020
(2019: 93%)



¹ Includes online instructor-led trainings

² Includes the Group's own sales employees and sales partners; only service, product and sales training courses were reported in fiscal 2020, however, the figure for the previous year (3,887) also includes soft skills training.

³ Measured as order to shipment (OTS): Average percentage of orders placed within the order window that were transferred for shipping on the same day.



TARGETED DIALOG WITH CUSTOMERS

Staying close to customers also means maintaining ongoing communication with customers. The Wacker Neuson Group uses various communication channels to provide different target groups with up-to-date information on the Group's products and services. These channels include the three brand websites, the Group website, social media channels, newsletters, conventional print brochures and articles in the trade press. Complementing the Group's sales and service stations worldwide, trade shows and other events provide additional customer touchpoints. In 2020, only very few of these events were held in the real world, with increasing numbers switching to online formats as a result of the coronavirus pandemic. The Construction Equipment Forum also took place entirely online in fiscal 2020. Wacker Neuson is a founding member of this event.

Instructors play an important role in product, service and training sessions. Due to the structures established for online, instructor-led training in fiscal 2019, the Wacker Neuson Academies in Reichertshofen (Germany) and Menomonee Falls (USA) were able to expand their course offerings in 2020 despite the coronavirus pandemic.

4,689¹
participations in instructor-led courses (ILTs) and training sessions at the Wacker Neuson Academies in Reichertshofen (Germany) and Menomonee Falls (USA) in 2020 (2019: 3,511)²

¹ Includes online instructor-led trainings

² Includes the Group's own sales employees and sales partners; only service, product and sales training courses were reported in fiscal 2020, however, the figure for the previous year (3,887) also includes soft skills training.

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, safe and ergonomic portfolio of products. As a global supplier of light and compact equipment, the Group has to observe numerous national and international statutory guidelines governing environmental and user protection. Above all, these include provisions regulating exhaust gas emissions and ergonomics as well as noise and vibration-induced impact. The company's product portfolio is reviewed on an ongoing basis and, if necessary, adapted to ensure compliance with new requirements and harmonized standards and norms. The aim is always to integrate new regulations as promptly as possible in processes and products. Furthermore, the Wacker Neuson Group aims to create value for customers and the environment with sustainable, innovative and safe products. In many cases, the company's products extend above and beyond legal regulations governing environmental and user protection. As such, the Group has become a pioneer in product safety and ergonomics, energy efficiency and emissions-free work processes through its innovative product portfolio and forward-looking solutions.

Research and development is a key success factor for the Wacker Neuson Group and has remained a top priority throughout the coronavirus pandemic. This importance is reflected in the increased R&D ratio in fiscal 2020 (2020: 4.0 percent; 2019 3.3 percent, whereby figures for both years include



The zero emission portfolio includes 13 different products for the construction sector and two compact equipment products for the agricultural industry. It encompasses 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.



capitalized expenses). The Wacker Neuson Group actively protects its innovative products and processes against unauthorized imitations through patents and utility models. In fiscal 2020, the Group filed 34 new patents and utility models around the world (2019: 32), and 11 patents and utility models were granted (2019: 26). In total, the Wacker Neuson Group owns over 216 patents and utility models worldwide (2019: 255).

CONTROL ELEMENTS

Up to the end of fiscal 2020, research and development activities were coordinated by the central function Corporate Technology, Standardization & Design. At the start of fiscal 2021, the Research and Development (R&D) area was restructured as part of the Group-wide "Xto1" organizational project. Moving forward, the R&D organization is now geared towards product groups, within which a uniform, Group-wide structure should add focus and efficiency. In addition to this, the introduction of corporate centers vested with the authority to issue Group-wide guidelines and focused on Group-wide topics such as industrial design and value engineering has created clear roles and responsibilities. These corporate centers aim to harmonize processes and standards, bundle resources and expertise, and support the entire Group with these competencies.

The innovation process continues to follow a clear technology roadmap, which outlines development projects for the coming years. New development projects are jointly selected as part of the cross-factory technology and product roadmap consultation process involving R&D, sales and production, and the Executive Board. These roadmap committees also monitor the progress of current projects. Complementing this process, regular meetings occur to align standards at different levels of the Group. For topics that are of particular strategic importance for the Group's future direction, dedicated coordination teams are formed to ensure decisions are made quickly and effectively.

The Wacker Neuson Group is also engaged in a number of joint projects with universities and renowned research institutes. This gives it non-stop access to the latest scientific insights in its areas of research. These collaborative projects take place in a number of different formats, for example through the Group's own research projects, PhD projects and student theses. Wacker Neuson also takes part in innovative concepts aimed at promoting collaboration between research facilities and industry, for example through organizations like the Tabakfabrik Linz.

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. In fiscal 2020, for example, value engineering workshops for future overhauls of the Wacker Neuson Group's product portfolio were held over several days. The aim of the workshops was to define action areas for upcoming development activities and to ensure that the Group develops products that deliver real benefits to customers.

The structure and methods of the product development process are continually reviewed and revised. Employees undergo continuous training to refresh their knowledge, thus ensuring they maintain high levels of expertise.

DIGITALIZATION AND VIRTUAL PRODUCT DEVELOPMENT

The Wacker Neuson Group uses new technologies to develop its compact equipment. The opportunities presented by virtual and augmented reality are being harnessed in industrial design and product engineering, 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 through virtual tests and simulations – also of the product assembly process. 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. It also promotes interdisciplinary collaboration across multiple sites, helping teams conserve resources while working together efficiently. As part of an ongoing project, for example, a virtual driver's cabin was created at the Linz site in fiscal 2020 to gain early insights into how the new operating concept resonated among customers. This virtual mock-up was then used by engineers at the Pfullendorf site to test the ergonomics of the cabin layout at an early stage in the development process.

FOCUS ON ENVIRONMENTALLY FRIENDLY PRODUCTS, REDUCING EMISSIONS IS A KEY PRIORITY

The Wacker Neuson Group is convinced that its products can make a contribution to climate protection. Reaching beyond its obligation to continuously adapt and evolve its portfolio in line with regulatory requirements, the Wacker Neuson Group has made a conscious decision to develop a broad offering of environmentally sound products and services. Environmental criteria are an integral part of the product specification process, helping to incorporate these demands early on into the development workflow.

Looking beyond the reduction of exhaust emissions, the Wacker Neuson Group's eco-efficiency and energy efficiency activities have a high priority 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.

34

new patents and utility models filed in 2020
(2019: 32)

11

patents and utility models granted in 2020
(2019: 26)

EUR 64 m

invested in research and development in 2020, incl. capitalized expenses
(2019: EUR 63 million)

4.0%

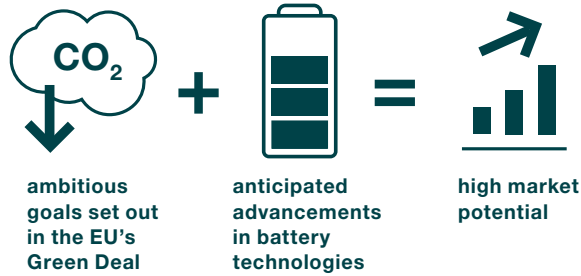
R&D ratio 2020 (R&D share of revenue including capitalized expenses) (2019: 3.3%)

9%

of employees working in R&D in 2020
(2019: 9%)¹

¹ Based on number of positions (FTE = full-time equivalents; the number of people working for the company, temporary staff included, was converted into full-time equivalents) as at December 31.

ZERO EMISSION PORTFOLIO



PRODUCT DEVELOPMENT IN TUNE WITH REGIONAL CUSTOMER DEMAND

Group strategy envisages even greater emphasis on developing and manufacturing products in the regions home to 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 the service offering as closely as possible to the concrete requirements of its customers around the globe. This regional approach to procurement and manufacturing aims to shorten transport routes and reduce freight volumes, which in turn will reduce CO₂ emissions.

WIDE RANGE OF ALL-ELECTRIC LIGHT AND COMPACT EQUIPMENT

Electromobility is framed by Strategy 2022 and 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 light and compact equipment with its "zero emission" product line. The product portfolio includes all-electric rammers and vibratory plates for soil compaction, internal vibrators for concrete compaction, track and wheel dumpers, a hybrid mini excavator and wheel loaders for the construction and agricultural industries. In fiscal 2020, the Group also added the first fully electric mini excavator to the range. This portfolio paves the way for emissions-free, low-noise construction work in emission-sensitive environments such as residential areas, tunnels, underground car parks and indoor areas. The products in the zero emission range offer enhanced protection for users and the environment, they require less maintenance and have lower operating costs than products powered by conventional drives.

Zero emission solutions are already an attractive addition to fleets for both end customers and rental companies. Sales of all-electric products are growing fast although they still account for a comparatively small share of the Group's total revenue. 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 remains committed to channeling above-average investments into this area. In light of the ambitious goals set out in the EU's Green Deal, the Group also expects the construction sector to be subject to more stringent regulations over the coming years. Enabled in part by the further advancements in battery technologies currently anticipated, all-electric light and compact equipment is expected to experience a strong increase in market uptake. As such, the Wacker Neuson Group intends to remain on its current strategic path and aims to further ramp up the development of new electrically powered machines.

Modularization plays an important role in new product development at the Wacker Neuson Group. The batteries for the Group's existing electric vibratory plates, rammers and high-frequency internal vibrator system, 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.

HIGH IMPORTANCE OF PRODUCT SAFETY, USER PROTECTION AND ERGONOMICS

Customer safety is a key priority for Wacker Neuson. The company aims to deliver machines that are easy to use, do not pose any risk to the operator and provide the best possible support for construction site workflows. Wacker Neuson continuously improves user safety of its products 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 this dumper can be rotated 180 degrees; unlike conventional dumper models, this enables the operator to drive straight ahead and enjoy a clear view in the direction of travel. The Dual View dumper was launched in fiscal 2019. The fiscal 2020 sales figures have again confirmed that this concept is a success as viewed from the Wacker Neuson Group's perspective. With its comfortable design and high safety levels, the Dual View dumper has opened up a new market segment as it can be used in many applications where contractors previously had to rely on construction site trucks.

Looking beyond functional design, development work also focuses heavily on operator ergonomics. At Bauma in fiscal 2019, for example, Wacker Neuson unveiled the concept model of an autonomous vibratory plate. The Group continued to work on the autonomous control capabilities in fiscal 2020 and plans to carry out the first larger-scale field tests at customer sites in fiscal 2021. The new plate is an operator-centric solution that boosts efficiency on construction sites. At the same time, the plate eliminates any adverse impacts from hand-arm vibrations by allowing operators to control it remotely using a tablet.

2.3 RESPONSIBLE EMPLOYER

EMPLOYEE SATISFACTION IS THE FOUNDATION FOR THE COMPANY'S SUCCESS

Wacker Neuson, Kramer and Weidemann employ around 5,500¹ people worldwide, all of whom are key to the Group's 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 values and respects individual effort.

Wacker Neuson firmly believes that satisfied, committed employees are more productive and achieve better results. The company is committed to promoting wellbeing at the workplace and aims to build long-term employee loyalty – also in times of skill shortages. This is reflected in long retention rates with an average length of service of 8.6 years (2019: 8.9 years)² and, as expected, a low fluctuation rate of 13.6 percent (2019: 11.5%)³, although this was higher than the previous year. Wacker Neuson supports employees in striking the right work-life balance and implements measures to protect employee health – something that has been a particular area of focus in a year shaped by the coronavirus pandemic. To ensure employees 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.

In fiscal 2020, the Group put its own understanding of leadership to the test and drew up five principles to provide all employees with guidelines around successful collaboration, encourage each employee to reflect on their own actions and create a joint understanding of Wacker Neuson Group values. From September to December 2020, the new leadership principles were presented in eLearning sessions targeted at a total of 2,586 employees in German-speaking countries. From October to mid-December 2020, a total of 17 live online training sessions were held for the almost 400 managers in German-speaking countries. The participants were able to engage

¹ Based on number of positions (FTE = full-time equivalents; the number of people working for the company, temporary staff included, was converted into full-time equivalents) as at December 31.

² Calculated based on headcount excl. temporary staff as at December 31.

³ Reasons for leaving the company include termination and severance agreements, as well as the retirement or death of employees; calculation is based on headcount excl. temporary staff, dividing the drop in numbers by the total headcount at December 31.

OUR UNDERSTANDING OF LEADERSHIP



WE ASSUME RESPONSIBILITY



WE BELIEVE IN MUTUAL RESPECT



WE ACT AS COACHES

WE CONTINUE TO DEVELOP



WE CELEBRATE SUCCESS

with the topic through presentations and workshops. International rollout will be coordinated with the managing directors of the international affiliates for a future point in time.

The global human resource strategy aligns closely with Strategy 2022. It provides Group-wide 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.

At the close of fiscal 2020, the Group employed 5,554 people (2019: 6,056)¹. This is a drop of around 8 percent relative to the prior-year figure. Particularly in production, fewer employees were employed due to significant cut-backs in production programs. The biggest decline in employee numbers was reported at the US production site, which was closed for several months as a result of the effects of the coronavirus crisis. The number of employees in sales and administration also fell, although the drop was less pronounced than that reported on the production side.

IMPLEMENTATION OF MEASURES IN RESPONSE TO THE RESULTS OF THE 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. [↗ refer to the Non-financial Group Report 2019 to see the results](#) In 2020, the Group implemented department- and site-specific measures derived from the survey outcome reports. The different projects were recorded in an online central initiative planner and their progress was monitored by the Group HR department. Employees are regularly kept up to date with the progress of projects via the global intranet.

The majority of measures are focused on two areas that were identified as challenging in the employee survey: “Health, strain and stress in the workplace” and “Information and communication”.

5,554
employees in 2020
(2019: 6,056)¹

8.6

years average length
of service in 2020
(2019: 8.9 years)²

13.6%

fluctuation in 2020
(2019: 11.5%)³

¹ Based on number of positions (FTE = full-time equivalents; the number of people working for the company, temporary staff included, was converted into full-time equivalents) as at December 31.

² Calculated based on headcount excl. temporary staff as at December 31.

³ Reasons for leaving the company include termination and severance agreements, as well as the retirement or death of employees; calculation is based on headcount excl. temporary staff, dividing the drop in numbers by the total headcount at December 31.

77.8%

are satisfied or very satisfied with how the company has responded to the coronavirus pandemic



A total of
1,372

employees (out of 3,868 invited employees) took part in the pulse survey about the coronavirus pandemic

81.0%

of employees think that Wacker Neuson has been flexible or very flexible throughout the coronavirus pandemic

With regard to “Information and communication”, the Wacker Neuson Group aims to further improve communication between the company, management and employees at the different sites by establishing regular information events. These improvements have proven particularly valuable in fiscal 2020 as the Group regularly informed employees of changes in corporate regulations throughout the coronavirus pandemic. The Executive Board’s weekly updates via the global intranet are an example of this, outlining current developments and the various COVID-related measures implemented at the different locations throughout the Group.

With regard to “Health, strain and stress in the workplace”, the Group initiated measures to help employees gain a better overview of their tasks and prioritize accordingly. In the German sales affiliate, for example, a new position of Workshop Manager was created to ease the administrative pressure on the affiliate’s management team, streamline workflows and optimize workshop capacity utilization to the greatest extent possible.

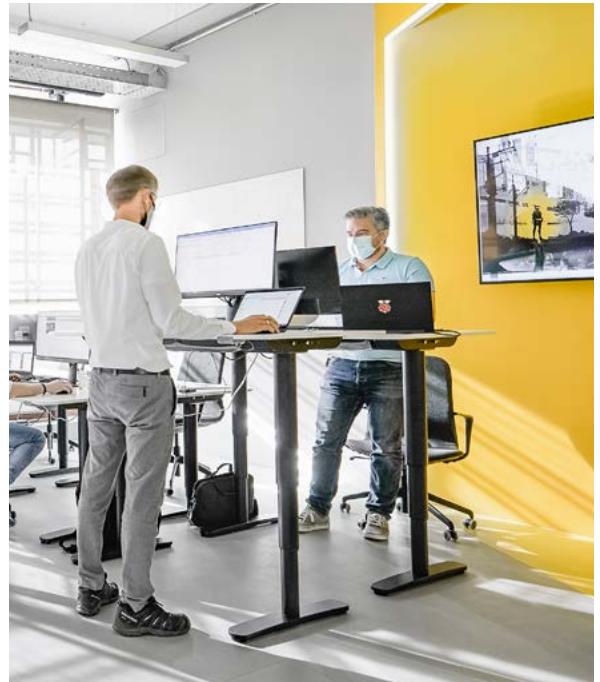
In September 2020, the Group carried out a pulse survey to find out more about the situation during the coronavirus pandemic. 1,372 employees from 23 affiliates in the EMEA region took part. The aim of the survey was to gauge the mood among employees in relation to acceptance of COVID-specific measures. According to the survey, a total of 77.8 percent of employees were satisfied or very satisfied with their employer during the coronavirus pandemic. 81.0 percent rated the Wacker Neuson Group as flexible or

very flexible. The majority of employees selected good or very good for the Group's response to the coronavirus pandemic in the areas of home-office solutions, IT, communication and modifications to working conditions as well as for its occupational safety measures. At the same time, a total of 18.5 percent of respondents were worried about keeping their jobs while 50.4 percent reported a rise in stress levels at work since the start of the coronavirus pandemic.

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

STRIKING THE RIGHT WORK-LIFE BALANCE

The Wacker Neuson Group attaches great importance to being a family-friendly employer and to supporting employees in achieving the right work-life balance through initiatives such as flexible working hours in many areas. Striking the right work-life balance has taken on a new importance since the start of the coronavirus pandemic. From March 2020 onwards, any employee capable of carrying out their contractually agreed tasks from a mobile or home office was asked to work from home to protect their health. This should also make it easier for individuals to look after children or family members in need of care and to supervise home schooling. At the Munich site (288 employees)¹, mobile / home office hours were extended from 6 am to midnight to allow employees to work flexible shifts around family commitments. The topic of "Health at the workplace" also took on a particular importance during the coronavirus pandemic. Action plans in the different Group companies were drawn up to protect all employees from infection and minimize the spread of the virus while at the same time maintaining operational business.



The topic of "Health at the workplace" took on a particular importance during the coronavirus pandemic. Action plans in the different Group companies were drawn up to protect all employees from infection and minimize the spread of the virus while at the same time maintaining operational business.

¹ Headcount of active employees as at December 31.



2.4 TRAINING AND TALENT DEVELOPMENT

VOCATIONAL TRAINING AND INDIVIDUAL DEVELOPMENT

To ensure it remains competitive in the future, the Wacker Neuson Group needs committed, skilled employees. The Group's extensive portfolio of training and talent development courses provides opportunities for lifelong learning. Wacker Neuson wants its employees not only to unleash their full potential in their assignments, but also to continuously further develop their technical/commercial and soft skills. The aim here is to secure and expand employees' motivation levels and skill sets over time.

This all starts with apprenticeship and study programs. In fiscal 2020, the Wacker Neuson Group provided training for 217 young people in Germany, Austria, Switzerland and the United Kingdom (2019: 236) 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 98.4 percent in 2020 (2019: 96.2 percent).

The Group gives employees the opportunity to complete study or further training programs alongside their jobs. In some instances, the Group provides 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.

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 changes in demands, the Group offers targeted training either with in-house instructors or external education facilities.

In addition to this, the Group operates its own Academies in Europe (Reichertshofen, Germany) and the US (Menomonee Falls). 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](#)

The HR training portal on the global intranet offers a range of site-specific and cross-regional training opportunities for employees in German-speaking countries. In fiscal 2020, internal training and talent development focused on product and service skills. In the wake of the coronavirus pandemic, numerous training courses had to be delayed or offered as online sessions.

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 is looking for increasing levels of autonomy and responsibility in the workplace. Wacker Neuson is already responding to these new demands with a tailored HR strategy and various talent development programs.

The "PerspACTIVE" development program for prospective managers has been running in German-speaking countries since 2012. The eighth group successfully completed the program in October 2020. Two further groups were due to start in summer 2020. Due to the current situation, however, the program was moved to November and participants are working online in a virtual classroom. 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 "RefiACTION" program has provided a development platform for middle managers in Germany and Austria since 2018. RefiACTION gives managers the opportunity to identify their strengths and potential for further development. These insights are used to develop further qualification recommendations which

98.4%

take-up rate in 2020
(2019: 96.2%)



The HR training portal on the global intranet offers a range of site-specific training opportunities for employees in German-speaking countries. In 2020, internal training and talent development focused on product and service skills.



217

apprentices in Germany, Austria,
Switzerland and the United Kingdom
in 2020 (2019: 236)

are then tracked over time. Self-reflection is a key focus area here. Participants are encouraged to find out more about themselves and their values and use these insights to draw conclusions about their actions as leaders. Various methods are used for this in the ReflACTION program, including peer-to-peer problem solving and advice and exploration of differences in how participants see themselves and how they are perceived by others.

The “Leadership Excellence Program” (LEP) was originally aimed at top-level managers. In fiscal 2020, the program was expanded to include department heads. Two new groups started the program in a virtual learning environment. 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 program runs for a period of 12 to 18 months.

The well-established “INTRAMove” exchange program further promotes communication, internal 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 management 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 over 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 ENVIRONMENT MANAGEMENT SYSTEM

Consuming natural resources has an impact on the environment. Also the Wacker Neuson Group 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 production, logistics and sales sites in these countries as well as the headquarters in Munich are certified in line with ISO 14001 and 50001 (referred to in the following as "certified companies").

GOALS

The goal for certified companies is to improve energy and environmental KPIs (e.g. energy and emissions intensity) on a site-specific basis by 5 percent by 2022 relative to the baseline year of 2018.

In 2019, the Group started to define Group-wide minimum standards for energy and environmental management 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 with uniform standards. Binding, quantitative goals for driving continuous improvement in the fields of environmental and energy efficiency were redefined as part of this process.

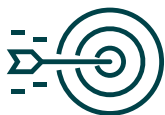
MEASURES

Management evaluations are held at the certified companies 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 meets with local energy and environmental officers to discuss current projects and energy efficiency potential. These measures should help to foster regular dialog about issues related to energy and the environment.

In the year under review, the coronavirus pandemic had a significant impact on internal processes and resource consumption. Subsequently, certain energy and environmental measures could not be implemented as planned due to significant budget restrictions, the introduction of short-time work models, the expansion of mobile working and the temporary closure of production plants. The Group was unable to further advance the introduction of minimum standards. Nevertheless, a number of resource conservation projects were successfully implemented in 2020.

Measures at the Reichertshofen plant

To further reduce waste volumes and disposal costs, an external expert was tasked with carrying out an in-depth investigation of all waste categories and the overall waste management process during the year under review.

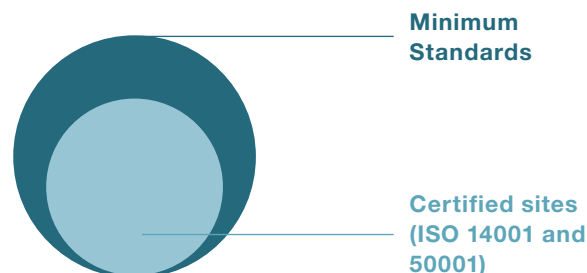


Goals

MINIMUM STANDARDS

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

Figure: Targeted global energy and environmental management system as of 2021



By working closely with this expert, the company gained a host of valuable insights and initial improvement measures have been introduced. The frequency of waste collections was reduced, for example, and it is expected that this will cut the number of journeys and associated fuel consumption.

Measures at the headquarters in Munich

At the headquarters in Munich, employee pay slips were previously printed out and sent by post to employees. In October 2020, the company started using digital salary statements that every employee can download. This has eliminated the need to send around 1,400 letters every month and also saved the cost of printing pay slips.

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 2020, revenue, production output and the volume of associated operational processes such as logistics services decreased. This resulted in a clear drop in absolute energy consumption and associated emissions.

Energy consumption for 2020 amounted to 85,026 MWh, which is a change of -19.6 percent relative to the previous year (2019: 105,783 MWh).

The resulting CO₂ emissions were calculated using emissions factors and energy consumption figures. In 2020, the sites under review emitted a total of 30,390 tons of CO₂ (2019: 37,745 tons of CO₂). This corresponds to a change of -19.5 percent relative to the previous year.

Indirect emissions amounted to 17,284 tons of CO₂ (2019: 21,154 tons of CO₂), while direct emissions totaled 13,106 tons of CO₂ (2019: 16,590 tons of CO₂).

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

Energy intensity for 2020 amounted to 52.63 MWh/revenue in EUR million (2019: 55.64 MWh/revenue in EUR million). This is a reduction of around 5 percent compared with the previous year.

Greenhouse gas emissions intensity in 2020 amounted to 18.81 tons of CO₂/revenue in EUR million (2019: 19.85 tons of CO₂/revenue in EUR million), a reduction of around 5 percent compared with the previous year.

Energy consumption in MWh

	2020	2019	Change
Electricity	29,006	35,752	-18.9%
District heating	2,544	2,517	1.1%
Natural gas	38,907	48,661	-20.0%
Fuel oil	851	927	-8.3%
Diesel	10,846	13,279	-18.3%
Gasoline	2,871	4,647	-38.2%
Total consumption	85,026	105,783	-19.6%

Energy intensity in MWh/revenue in EUR million

	2020	2019	Change
Energy intensity	52.63	55.64	-5.4%

CO₂ Emissions in tons²

	2020	2019	Change
Electricity	16,668	20,545	-18.9%
District heating	616	609	1.1%
Natural gas	8,868	11,091	-20.0%
Fuel oil	227	247	-8.3%
Diesel	3,144	3,850	-18.3%
Gasoline	867	1,403	-38.2%
Total emissions	30,390	37,745	-19.5%

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

	2020	2019	Change
Emissions intensity	18.81	19.85	-5.3%

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

² Emissions factors based on the GEMIS database, Version 4.95 www.gemis.de, 2010 baseline



2.6 COMPLIANCE

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 aiming at preventing and combating 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 leadership 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, for example, training for employees where necessary. 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. He also reports 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 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. Reflecting its international reach, the Group will build on eLearning solutions in the future. The Group has procured appropriate multilingual training content from a renowned provider and integrated the first training sessions into its online learning management system. It aims to gradually roll these out across the Group. 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 administration are earmarked.

The Wacker Neuson code of conduct for employees sets out the principles of company ethics and the daily conduct expected in the workplace and also provides guidelines on preventing corruption. It is available in sixteen languages. A copy of the code is given to every new hire. It is also accessible to all employees on the Group-wide 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.

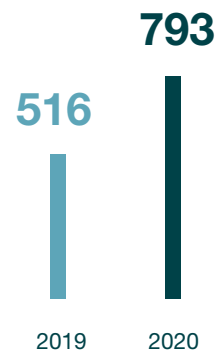
Management is expected to lead by example when it comes to compliance, recognizing their particular responsibility as leaders and actively upholding the values of the code of conduct. In fiscal 2020, the Group developed an eLearning course for managers covering this topic. The course is due to be rolled out in the first half of 2021.



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.**

For several years now, the Group has had the online communication channel “Tell-it” for reporting possible violations of policy or the law in place.



visits to the Tell-it whistleblower system to request information

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 "Respect for human rights within the organization and throughout the supply chain" section

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. In 2019, however, the Compliance Office developed a more clearly differentiated risk analysis system concept for these kinds of compliance risks. Once again during the period under review, the questions based on this concept were regularly sent to all affiliates under the direction of 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 portal had been visited (by users looking for information) 793 times (2019: 516) confirms – as viewed by the Wacker Neuson Group – that a large number of people are aware of this online platform.

In fiscal 2020, no cases of confirmed corruption were reported to the Compliance Committee by individuals in the organization. Similarly, no confirmed cases of corruption in the supply chain were reported.

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



PREVENTION IS AN IMPORTANT VEHICLE IN THE PROTECTION OF HUMAN RIGHTS

Human rights is a very important topic for the Wacker Neuson Group, especially given 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 “Compliance” 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 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 “Compliance” section](#) The system can also be used to report suspected human rights violations.

Respecting and protecting human rights is also a top priority 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.

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 for direct production materials 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. As a result of the coronavirus pandemic and the resulting national and international travel restrictions in 2020, together with the short-time work models implemented at individual production sites, the number of audits carried out in 2020 was lower than in the previous years.

Supplier audits for direct production materials, known as “Supplier Potential Assessments”, are carried out on the basis of Group-wide uniform evaluation standards. The only exception here is the North American production company, which includes human rights in its own supplier quality process audit. An internal guideline containing standard assessment criteria forms the basis for the qualification of potential suppliers. 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 permanently eliminate these weaknesses. Only suppliers that meet the 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. The Supplier Nomination Committee decides whether to accept or reject a supplier. Depending on order volume, this committee includes – in addition to technical and production managing directors – representatives from the quality management areas including supplier development, technology, logistics as well as operational and strategic procurement at the different sites.

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.

In fiscal 2020, the Group introduced supplier relationship management software (SRM). When a new supplier is created, the partner has to confirm their compliance with the code of conduct for suppliers in the SRM system as part of the onboarding process (statement of conformity). The heads of procurement at the different sites check and approve new suppliers created in the system.

In September 2019, two of the Group's sites received an identical anonymous message, which included reports of human rights violations related to working conditions at a Tunisian supplier with whom the Group already works. 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. In October and November 2019, the supplier commissioned an external social audit, which found no indications of violations. In addition to this, Wacker Neuson carried out its own supplier audit at the site in February 2020 to form a better picture of the allegations. No irregularities were found in this audit either.

In fiscal 2020, the Corporate Compliance Office received no complaints about violations of human rights in the organization; nor were there any suspected violations (2019: no complaints or suspected violations).

No complaints about violations of human rights in the organization or supply chain were reported in fiscal 2020.



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

In fiscal 2020, 32 audits were carried out on potential suppliers in Europe and China with regard to their human rights performance for the first time as part of the supplier audit process (2019: 49). 10 additional audits were carried out on existing suppliers in Europe and China in fiscal 2020 with respect to their human rights performance (2019: 42). Both audits revealed that there were no violations of human rights by suppliers in fiscal 2020 (2019: none). Furthermore, the Group received no complaints about violations of human rights in the supply chain in fiscal 2020; nor were there any suspected violations (2019: one report).

3. THE RISK ASSESSMENT PROCESS

With regard to non-financial indicators, the objective of risk management is to identify and assess risks arising from the company's business activities that are relevant to environmental, employment, social, human rights and anti-corruption topics. The main priority here is to find out what risks business operations, business relationships, products and services pose in relation to these topics. To this end, the central Risk Management function of the Wacker Neuson Group explicitly asked all Group companies to provide a non-financial assessment of the risks posed by their business operations. 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 counter-active measures reported. Since fiscal 2020, the Group has been using an automated reminder process 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 18, 2021

Wacker Neuson SE, Munich, Germany

The Executive Board

Kurt Helletzgruber

Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Felix Bietenbeck

Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Alexander Greschner

Chief Sales Officer (CSO)

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 2020 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 § 315b HGB ("Handelsgesetzbuch": German Commercial Code) for the reporting period from 1 January 2020 to 31 December 2020 (hereafter non-financial group report). Our engagement did not include other references to information outside the non-financial group report as well as disclosures for prior years.

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.

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)].

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 2020 and March 2021, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial group report, the risk assessment and the concepts of Wacker Neuson SE 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 data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial group report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial group report.

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 group report of Wacker Neuson SE for the period from 1 January 2020 to 31 December 2020 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

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.

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, 18 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

Annette Johne
Wirtschaftsprüferin
(German Public Auditor)



Wacker Neuson
Group

Wacker Neuson SE
Preussenstrasse 41
80809 Munich
Germany

www.wackerneusongroup.com