

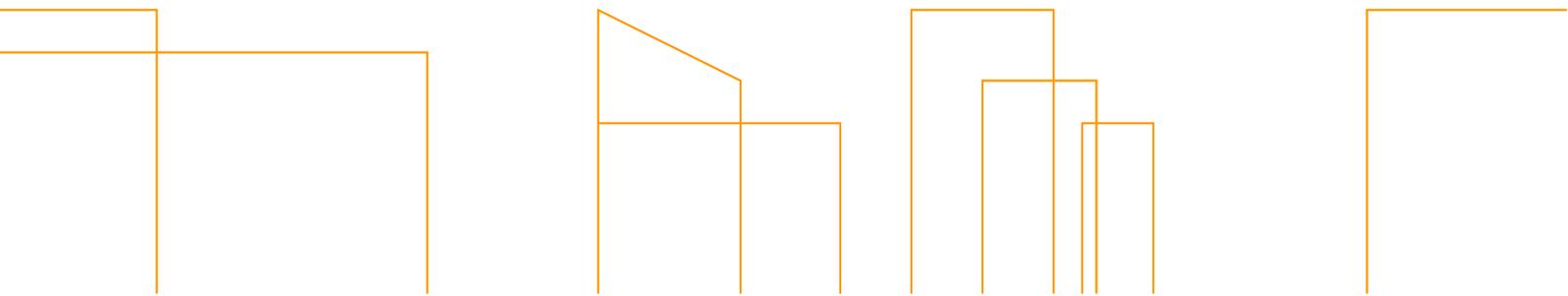


# Communication on Progress

The United Nations Global Compact

4flow AG

Reporting Period: 2010 – 2011





## Editorial

In January 1999 the then secretary general of the United Nations, Kofi Annan, asked internationally operating companies to commit to a social and ecological world economy. From this plea the Global Compact initiative was developed, a framework and exchange platform for businesses that are committed to their responsibility for a social and ecological world economy, peace and prosperity. The Global Compact is based on ten principles that are derived from the Universal Declaration of Human Rights whose obedience and propagation is demanded.

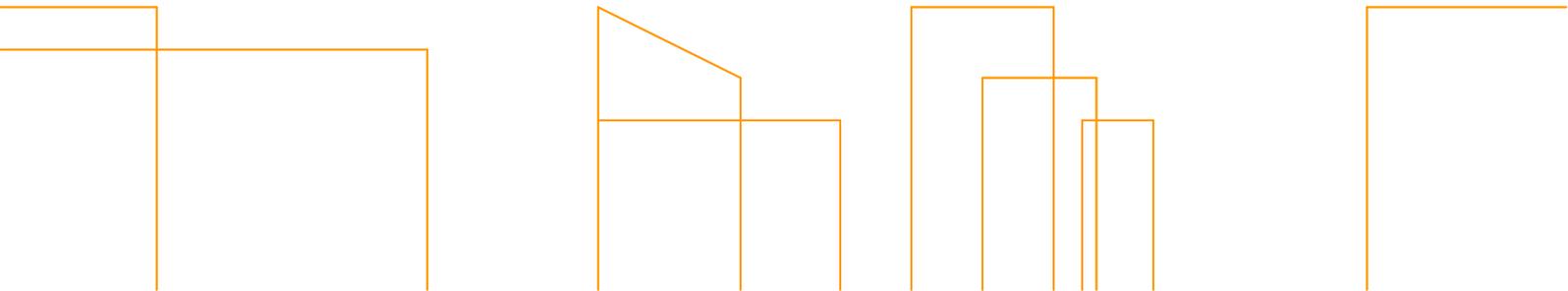


4flow AG with its subsidiaries 4flow management GmbH, 4flow management BVBA and forflow Ltd., in the following jointly called 4flow, offers consulting, software and services for logistics and supply chain management and shares Kofi Annan's vision. The principles the Global Compact is based upon are integrated in our company culture and policy. 4flow joined the UN Global Compact in 2006. For a medium-sized, from Germany internationally operating company as 4flow, the means to fight violations of human rights, compulsory labor and discrimination are different from those of multinational companies. Hence our focus lies on the ecological design of logistics networks and the respectful and equal treatment of our employees.

I am sincerely happy to present you in this report the details and results of the endeavor, which we made in the past years.

A handwritten signature in black ink, appearing to read 'Stefan Wolff', written in a cursive style.

Dr. Stefan Wolff  
Chief Executive Officer





# Principles of the Global Compact

## Human rights, labor standards, environment and anti-corruption

The Global Compact asks companies to recognize, support and implement a number of principles within their sphere of influence. These principles are related to human rights, labor standards, environment and anti-corruption.

### Human Rights

- Principle 1 | Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 | make sure that they are not complicit in human rights abuses.

### Labor Standards

- Principle 3 | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 | the elimination of all forms of forced and compulsory labor;
- Principle 5 | the effective abolition of child labor; and
- Principle 6 | the elimination of discrimination in respect of employment and occupation.

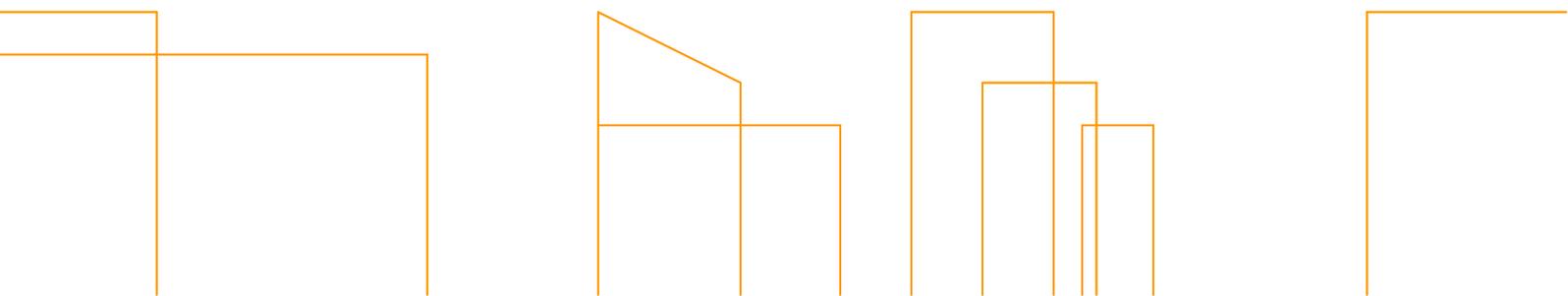
### Environment

- Principle 7 | Businesses should support a precautionary approach to environmental challenges;
- Principle 8 | undertake initiatives to promote greater environmental responsibility; and
- Principle 9 | encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery.

At the moment primarily operating in Europe, 4flow is continuing its internationalization with new subsidiaries and offices in Belgium, France, Hong Kong, Italy and Czech Republic. Nevertheless, as a medium-sized company 4flow's involvement in violations of human rights (principles 1 and 2), compulsory labor, and child labor is much smaller than the one of multi-national companies. Our focus lies on the ecological design of logistics networks (principles 7 and 8) and the respectful treatment of our employees (principle 6). Due to the business model of 4flow, the development and dissemination of environmentally friendly technologies is limited to software for logistics.

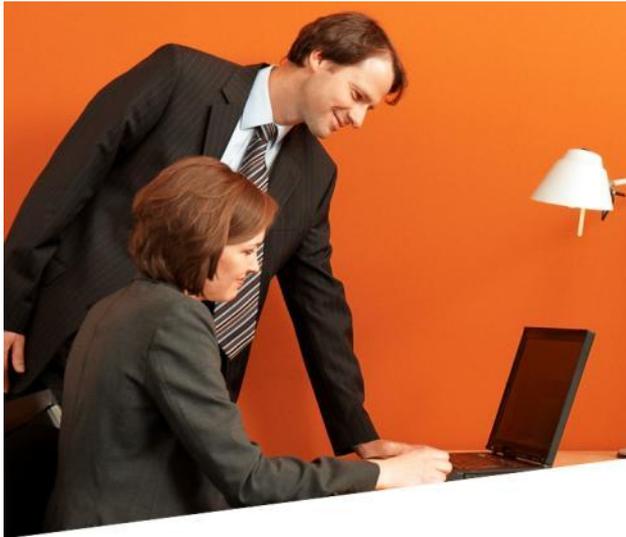




# On respectful terms to success

## Principle 6: eliminate discrimination in respect of employment and occupation

One of our fields of action is the respectful treatment of our employees. In order to attain this aim we have introduced several measures in the reporting period.



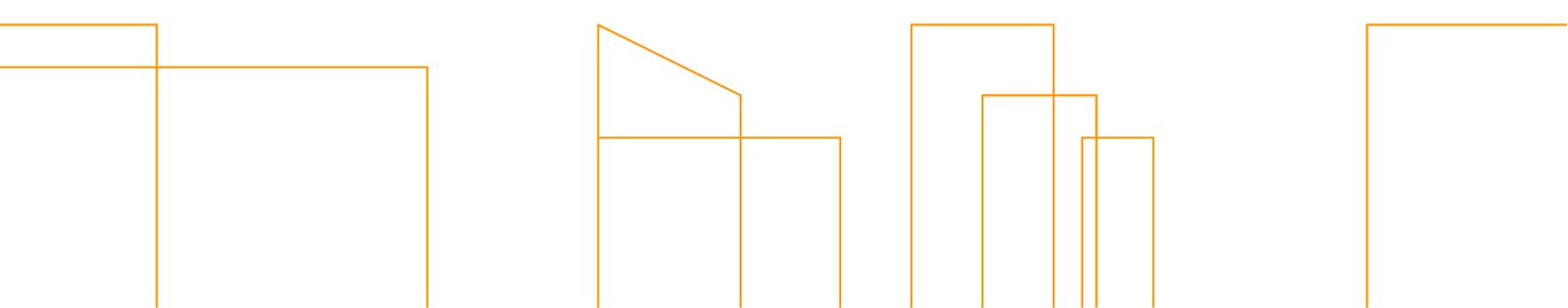
### **Binding values for all 4flow team members**

In November 2009, the 4flow leadership guide has been handed over to all supervisors and employees of 4flow. It describes and explains the corporate vision, values, culture, leadership goals and principles as well as basics of personnel management at 4flow. In times of company growth and a turbulent economic environment, these values are to convey stability by explicitly expressing 4flow's understanding of cornerstone principles. The 4flow leadership guide has been compiled jointly by all 4flow managers. In addition, visibly for all employees and guests the corporate values and the corporate vision are presented at the office walls in all subsidiaries.

### **Anti-discrimination clause in the labor contract**

Each 4flow labor contract contains an anti-discrimination clause obliging the employees to renounce any discrimination of clients or employees based on ethnical origin, gender, religion, disability, age or sexual identity. If an employee apprehends a case of discrimination within 4flow, he or she has to inform the board immediately, which will take proper and immediate action.

Besides, within the scope of an anonymous questionnaire conducted by an external party 100 percent of the 4flow employees agreed with the following statement:

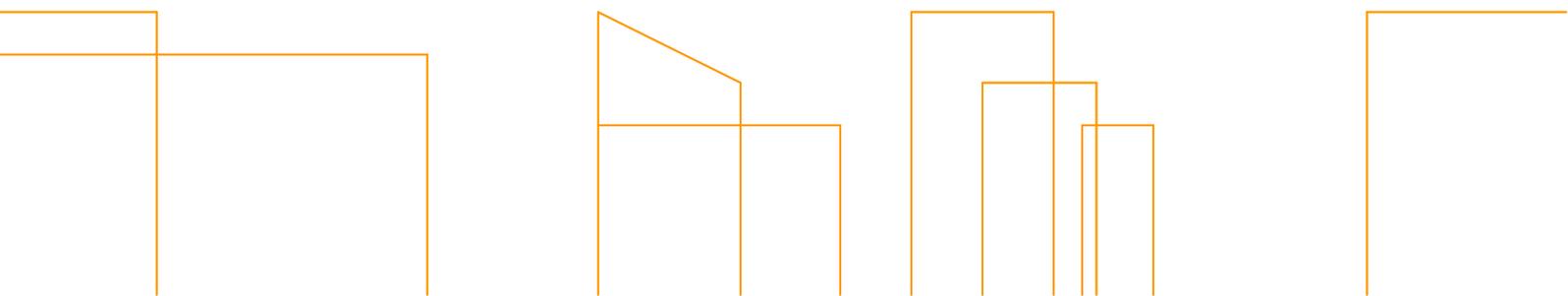




"The employees are being treated fair, irrespective of their age and sexual orientation as well as independent of their nationality or ethnical background and physical or psychological handicaps.

#### **Multi-dimensional evaluation system**

The evaluation and promotion process at 4flow is based on a repeated evaluation by different project leaders and executives which is being discussed and reflected upon by all managers yearly. Four months after recruitment the initial working period will be reviewed and evaluations are done on a periodical basis twice a year. Both the employee's as well as the manager's performance will be reflected and the bottom-up feedback system at 4flow provides an additional structure for constructive expression of opinion. The remuneration system of 4flow comprises clearly defined salary ranges for different expertise and hierarchy levels. This assures that employees receive a fair, competence-based remuneration without any differences due to gender, ethnic origin etc.





## Gender matters

### Principle 6: eliminate discrimination in respect of employment and occupation

Men and women at 4flow work together on equal and respectful terms. Traditionally, supply chain consulting, software development and supply chain services are vocational fields with a rather low women's proportion. Therefore, we consider it a challenge and aim to strive for a higher women's proportion in our company and in leading positions.

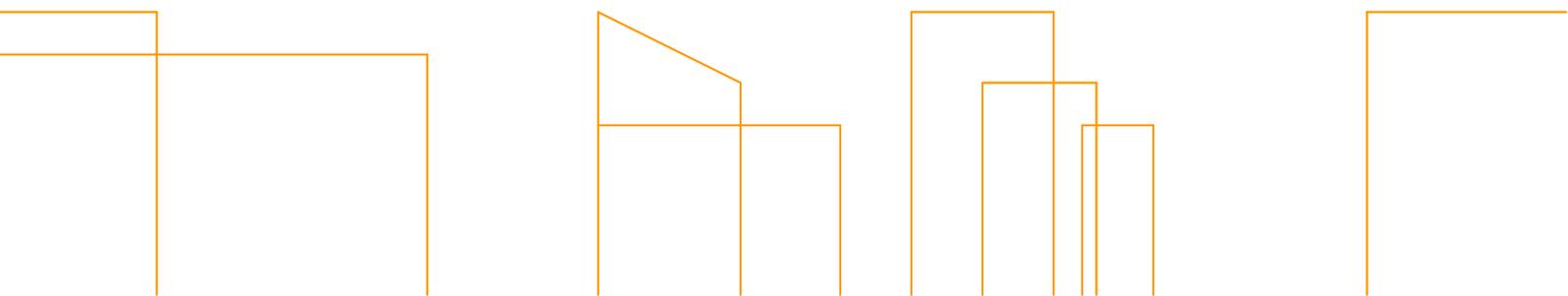


#### **A multi-stage recruiting process...**

The recruiting process at 4flow has two aims: one is to check the candidate's professional expertise and personal fit to the company and the other to let him or her experience the reality of the 4flow vision from the very first moment. Employee retention starts for 4flow with the recruiting process. We attain this aim by means of a multi-stage recruiting process lead by the human resources department. At least four employees and one member of the board are involved in this process. An intense exchange with executives from the corresponding division assures that the candidate's expertise and his or her cultural fit to the company are thoroughly evaluated. Only after an unanimous decision the candidate receives a job offer.

#### **...with involvement of both sexes**

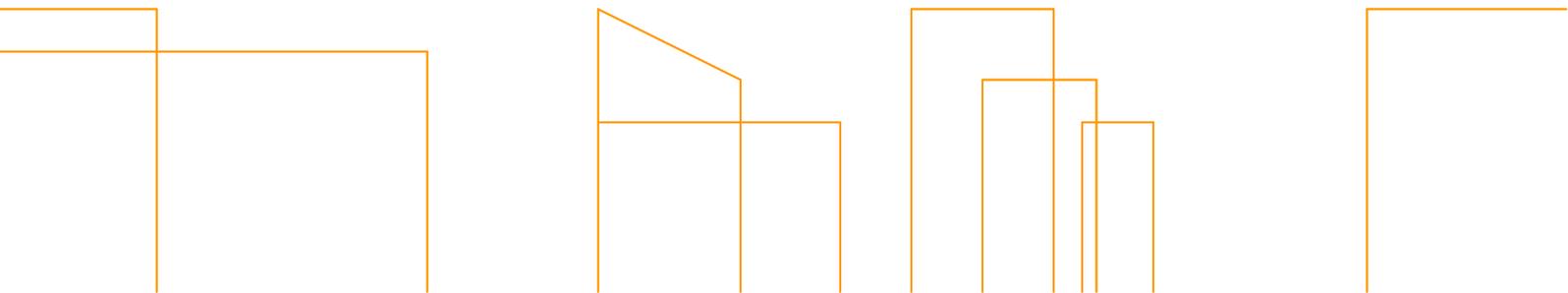
In order to raise the proportion of women in the company 4flow employs the following measures in the recruiting process: the textual and visual design of job advertisements is conceived to attract especially women. In the multi-stage recruiting process we assure that at least one female employee from the concerning division is involved to stress that supply chain consulting, software development and supply chain services are perfectly normal vocational fields not only for men but also for women.





### **Men accept responsibility**

4flow intensely minds its employees' needs and supports individually tailored working time versions in order to maintain and promote the compatibility of career, family and personal development. Thus, the opportunity of parental leave is often seized by men as well. To introduce the baby to all colleagues is taken for granted as well as a smooth reintegration at 4flow.





# Success of human resources policy

## Principle 6: eliminate discrimination in respect of employment and occupation

### Higher-than-average women's proportion

In the last year, 4flow increased the women's proportion in consulting slightly to 24 percent.<sup>1</sup> Back in 2006, this figure was 13 percent. This is clearly above the proportion of other leading consulting companies as McKinsey (15 percent) or Roland Berger (12 percent).<sup>2</sup> Currently, the overall women's proportion at 4flow is 34 percent. On the middle management level, the proportion remained nearly equal at 23 percent on the upper management level it increased to 18 percent. The overall women's proportion in Germany in medium-sized companies with 50 to 249 employees is 38 percent, 22 percent on the middle management level and 13 percent on the upper management level.<sup>3</sup>



### Satisfied employees

During our participation in the contest „Great Place to Work – Germany's best employers 2010“ an external institute asked all 4flow employees to assess anonymously the following statements:

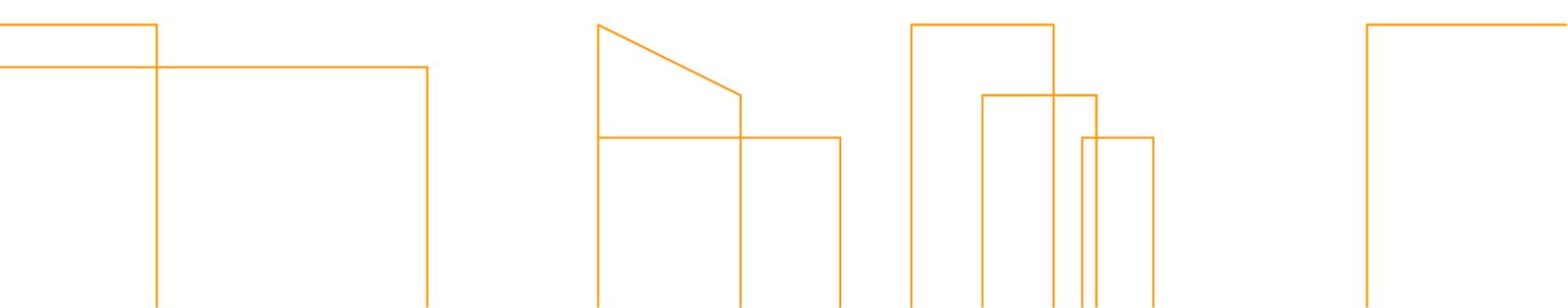
*„The business practices of managers are honest and ethical.“*

*„Irrespective of my position I am treated as an adequate member of the company.“*

100% of 4flow employees agreed with these statements.

### Loyal employees

On average the fluctuation has been 9 percent in the past years. As a comparison: the annual fluctuation at the consulting company McKinsey is of 20 percent and the overall average in Germany is of 7.3 percent.<sup>4</sup>





### Healthy employees

The sickness rate of the past five years is 1.3 percent on average. The overall average in Germany is 3.3 percent.<sup>3</sup>

#### References:

1 23 percent in 2010

2 FAZ Hochschulanzeiger.de, 10/4/2007

3 Statistics from the German Federal Ministry of Health 2009

4 Frankfurter Allgemeine Zeitung, 10/29/2007



# Healthy employees

## Principle 6: eliminate discrimination in respect of employment and occupation

### 4flow health

With explicit management support and its own budget, a campaign to increase employee's health was launched in the beginning of 2009. Active health management is a further part of employee development. It consists of information on relevant health topics, free fruits for employees, the equipment of the work desk and stimulation to do more sport.

### Information on relevant health topics

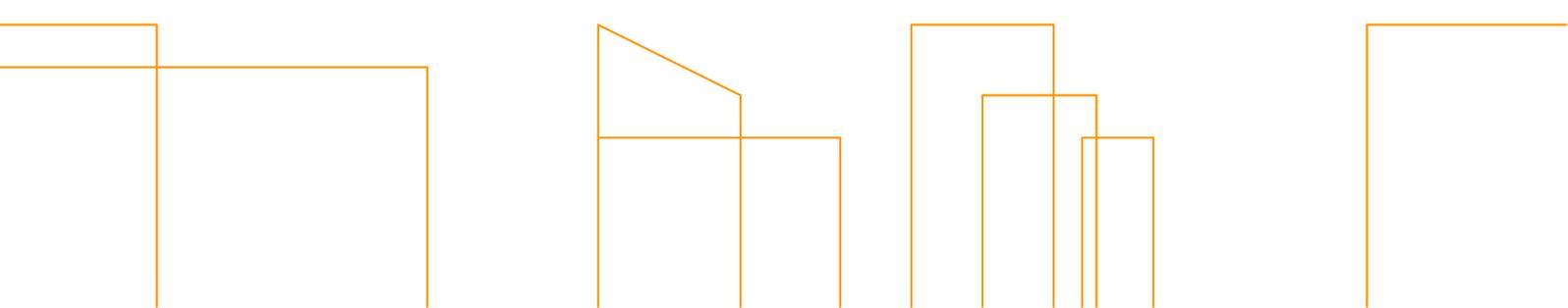
The company physician comes twice a year to the headquarters in Berlin to give information and guidelines about the ergonomic design of workspace. Moreover, the HR department informs the employees several times a year about different health-related topics. Presentations about relaxing techniques or healthy running are among the offers.

### Fruits and tea in the office and to go

Twice a week the staff is provided with a fruit basket containing organic fruit from the region. A responsible person from each project team provides fruit to the employees working at the client's office.



In order to give employees working at the client's site a healthy alternative to coffee, 4flow provides portable tea-sets containing various tea flavors, a kettle and mugs. Fruits and tea are financed from the budget of 4flow health.





### **Feeling comfortable at work**

For ergonomic reasons 4flow health provides all employees working with a notebook with an external keyboard, an additional monitor as well as, if needed, with a notebook riser. These arrangements prevent eyestrain, encourage a healthier sitting posture and, thus, allow for a comfortable working environment. For further wellbeing one-way tooth brushes and toothpaste are available in baths since 2010.

### **Framework agreement with gym**

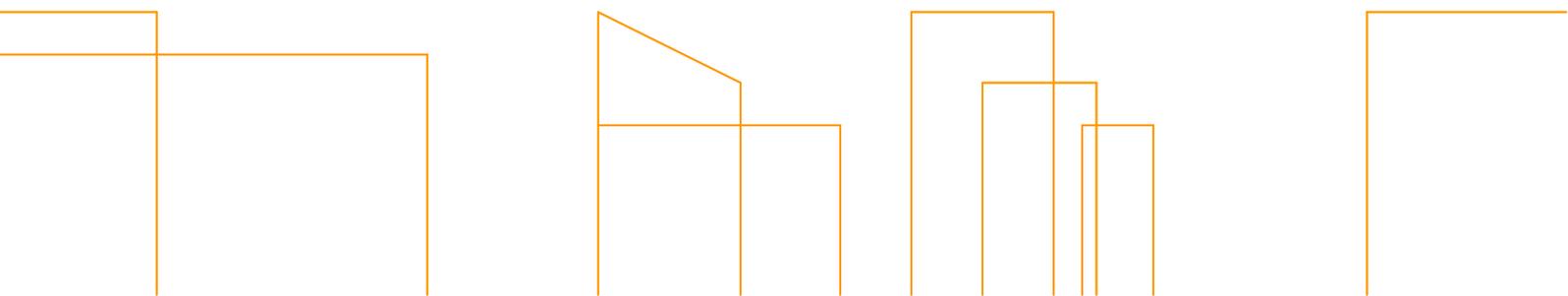
At the beginning of 2009, 4flow signed a framework agreement with a German-wide operating gym. Now all employees have reduced rates and can do sports not only in the 4flow subsidiaries but also out on business and have a balance to everyday office life.

### **4flow sports**

The staff of 4flow is encouraged to take part in different sport events. Most popular is 4flow running. Employees meet not only for competition such as the Berlin Company Run, but do regular training thus contributing to a healthier lifestyle.

Somewhat more playful is 4flow beach volleyball, uniting on average twelve employees each week. The yearly hold 4low table tennis tournament and city cycling tour provide for active communication as well as a lot of fun.

The recently built-in shower in Berlin facilitates for employees to do sports during the lunch break or on their way to work.





# Awarded Excellence

## Principle 6: eliminate discrimination in respect of employment and occupation

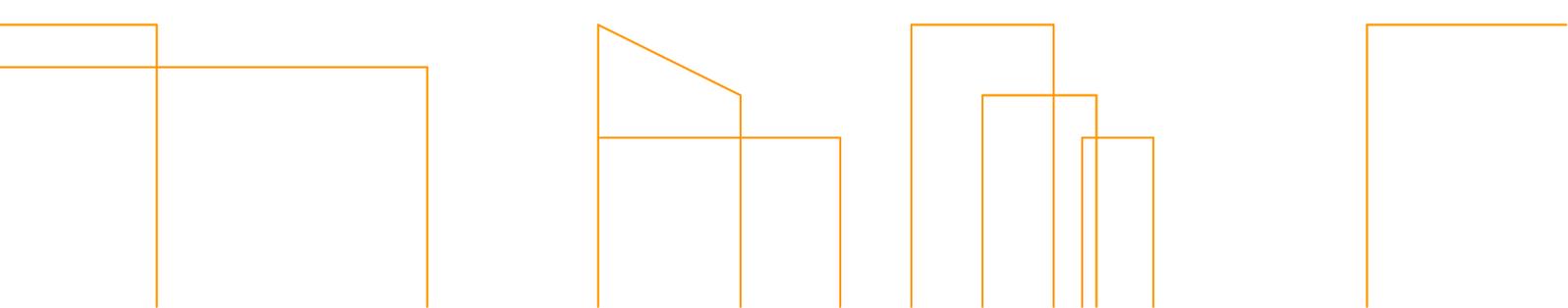
4flow was awarded the certificate Fair Company in 2006 for the fair treatment of interns and graduates in November 2006. This means that 4flow does not substitute full time job positions through interns and that graduates who had applied for a full time position are not put off with an internship. Internships serve mainly for the intern's professional orientation in the education phase. They are remunerated appropriately.



In 2008 and 2010, 4flow participated in the competition "Germany's best employer", which is organized annually by the Great Place to Work® Institute. In the course of the competition an anonymous survey was conducted among all employees and the formulated human resources policy was evaluated to assess the criteria credibility, pride, respect, fairness and team spirit. Having reached the second place in 2008 in the category for less than 500 employees and the third place in the overall ranking, 4flow was able to repeat this success in 2010. Among the German companies with less than 500 employees 4flow again reached second place and in the European contest the Top 10.

This is an impressive documentation of the excellent working atmosphere, the success of human resources policies and the company culture.

4flow strives for a comprehensive education of potential employees. In 2010, 4flow has been awarded the Baumgarten-Wagon-Award of the Technical University Berlin, which honors special merits in the field of industrial engineering.





# Voluntary commitment

## Principle 7: support a precautionary approach to environmental challenges

In the course of the engagement in the UN Global Compact, 4flow published a voluntary commitment to reduce client's greenhouse emissions by 500,000 tons until December 31<sup>th</sup> 2012. The progress is annually documented in the 4flow newsletter as well as on the website.



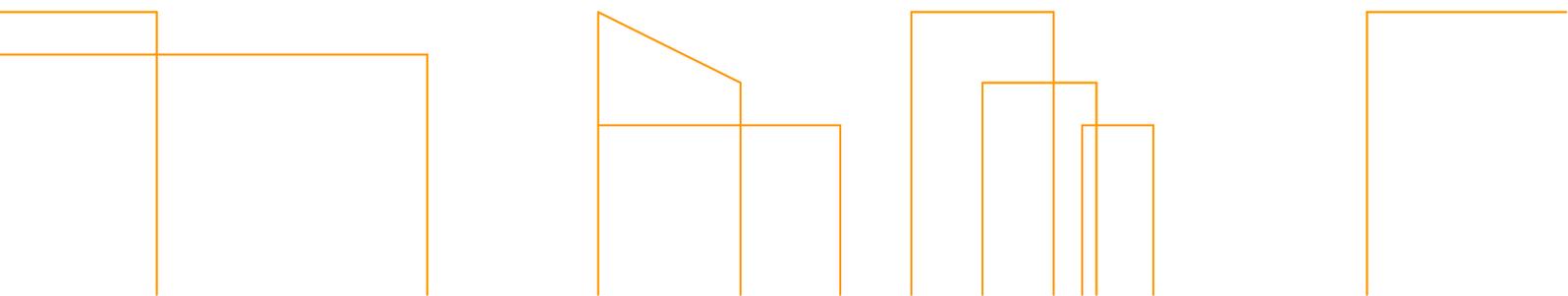
The voluntary commitment will be achieved through an increase of the utilization rate, reduction of overall transports and a shift towards more environmentally friendly transportation modes.

The reduction is calculated with the help of the supply chain design software 4flow vista, which has been enhanced by features for the detailed evaluation of transport emissions.

Since 2006 more than 189,000 tons of carbon dioxide equivalents have been saved in logistics projects with clients. The importance of Green Logistics increases constantly due to a rising public concern and the demand for sustainable, low-emission solution. This affirms the commitment of 4flow and their clients to pursue the given goal intensively.

Active environment protection is not only practiced within large-scale projects. In order to save transport miles 4flow obtains its drinking water shipments from regional suppliers.

Furthermore, 4flow regularly donates a considerable sum for the preservation of Amazonas rain forest.





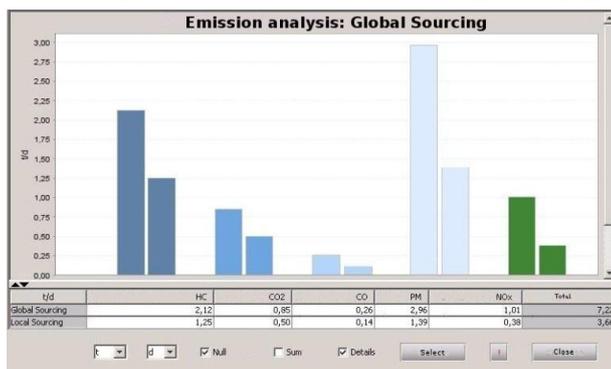
# Logistics consulting and environmental protection

## Principle 7: support a precautionary approach to environmental challenges

The focus of 4flow lies in the field of supply chain consulting. A major field of activity is the planning and optimization of logistics networks. But how can one commit to environmental protection in this work?

As a matter of fact supply chain design can increase logistics efficiency as well as eco efficiency. Yet the question arises to which degree those two aims can be pursued at the same time. Many aims that may seem to contradict each other at first glance can often be pursued and attained simultaneously. For example, transport efficiency goes mostly hand in hand with the reduction of pollution.

If such relationships are not clear, other value-creating aspects should be included in the analysis. Customer-perceived commitment to credible sustainability programs or environmentally oriented logistics research may offer opportunities to turn ecological engagement into profit.



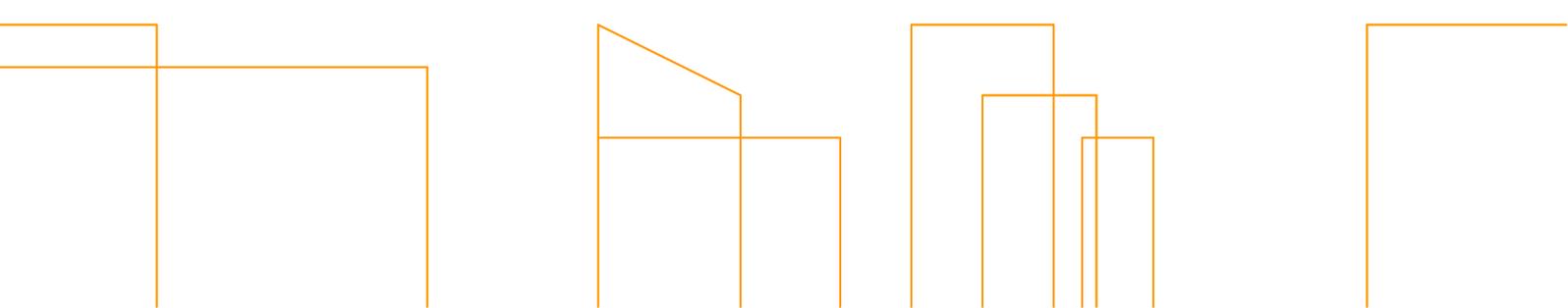
Emission analysis with 4flow vista

### Raising awareness through visualization

4flow vista is the standard software for supply chain design and optimization. Besides network and transportation planning it can serve to compute and visualize the pollution emission caused by a logistics network. This enables decision makers in manufacturing and retail to include the environmental effects of strategic options into their reasoning. Hence, the visualization is a basic requirement for a sustainable behavior and environmental protection because you can only assess alternatives, if you know their effects.

### Developing concepts for sustainability in transport management

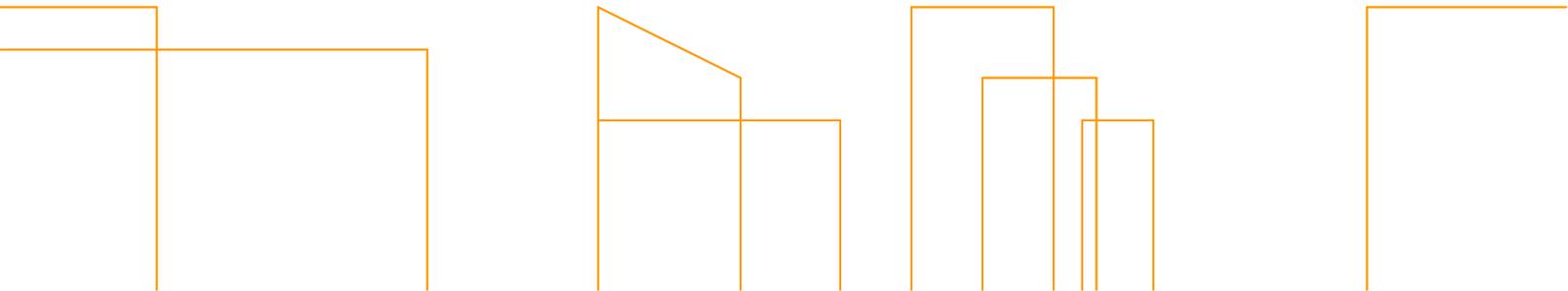
4flow has collaborated in the taskforce "Sustainable production logistics" of the German Logistics Association (BVL), developing approaches for resource-conserving, energy-efficient and thus sustainable intra- and inbound-logistics. In October 2010 this will be published in a book on the occasion of the 27<sup>th</sup> German Logistics Congress.





### **Green Supply Chain Award for 4flow**

The Green Supply Chain Award 2011 was awarded by the leading US logistics magazine "Supply & Demand Chain Executive" where companies emphasizing sustainable strategies as well as the successful implementation are honored. At its customers 4flow focuses on sustainable supply chain optimization and assists in order to make ecological objectives essential in the economic performance.





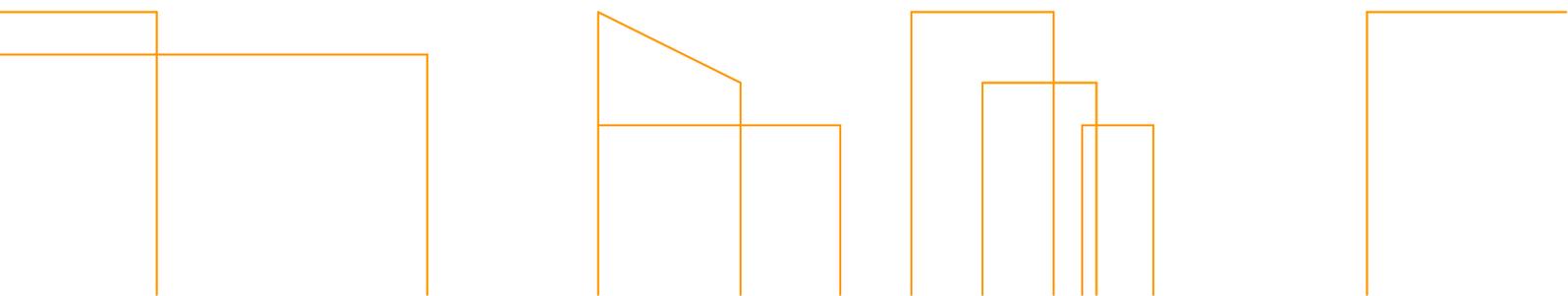
## No value

Principle 10: Businesses should work against corruption in all its forms.

4flow aims at establishing a long-term relationship with its clients. This cannot be reached by corruption, but only through excellence.



Many other companies traditionally send small or big gifts to their major clients at the end of each year. The clients of 4flow do not receive this kind of communication but only a UNICEF Christmas card. Instead of spending money for gifts, 4flow donates a larger sum to UNICEF. 4flow fundamentally opposes any kind of corruption. This policy is one of our contributions against corruption.





## Further steps

### Principle 8: undertake initiatives to promote greater environmental responsibility

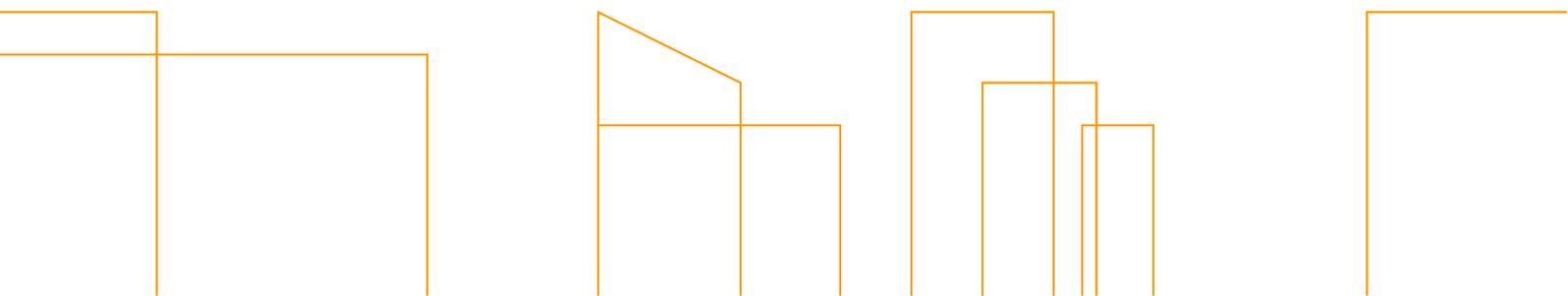
Despite the success achieved hitherto, 4flow strives to go even farther. Many more measures can be undertaken to improve the company's impact on employees and environment. Again we focus on two fields of action: the propagation of Green Logistics in projects with our clients and the further development of the company's human resources policy.



The notion of Green Logistics shall be stressed in the relations with our clients and in our research. The underlying intention is to contribute to society's learning process and to increase the commitment to take over responsibility for the environment in industry. In the next logistics survey the analyses of lately discussed, innovative as well as established sustainable logistics concepts will be focused on. Thereby 4flow makes an important academic contribution in the field of environment protection.

The second bundle focuses on internal organizational structures: the rapid growth of the last years and the advancing internationalization challenge the internal processes and structures to yield the same excellent performance as in the past. The cross-company use of a corporate intranet in English underlines 4flow's intend to make the same information available for all employees and to create an accessible communication and application platform. Moreover, at 4flow it is only natural being able to know colleagues' names at all subsidiaries. Walls with pictures of the employees in the subsidiaries and intranet profiles support this policy. Due to further international openings a critical reasoning of the capability of existing communication structures is still one of the tasks with top priority.

All these measures are not only useful to the employees but contribute also to foster 4flow's position among Germany's and Europe's best employers. So 4flow remains attractive for both employees and candidates.





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