

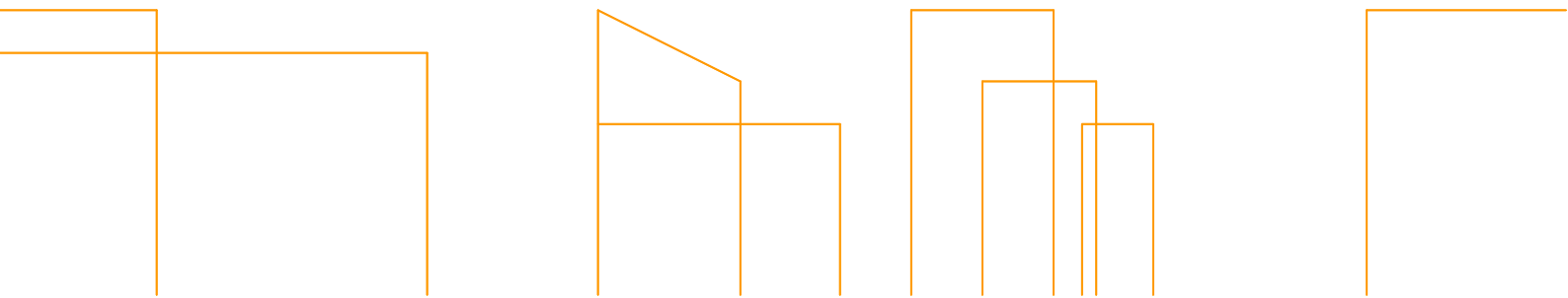


Communication on Progress

The United Nations Global Compact

4flow AG

Reporting Period: 2011–2012





Editorial

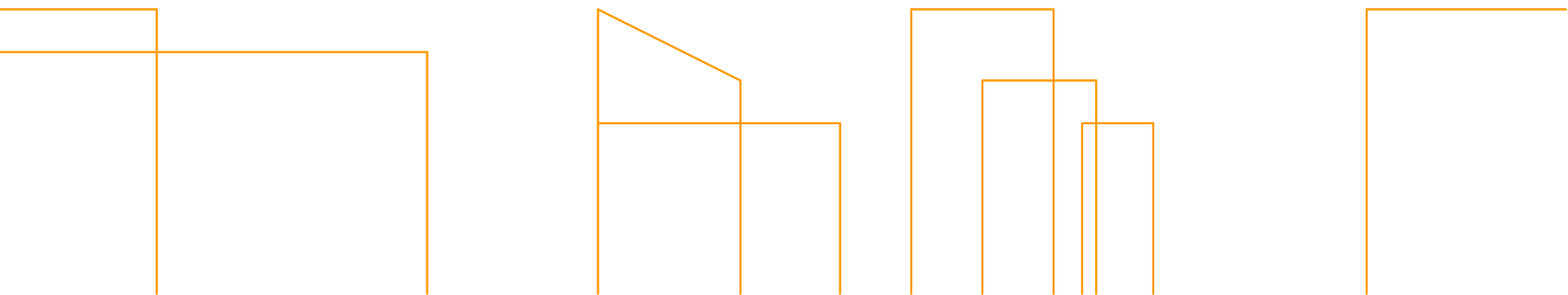
In January 1999, the then secretary general of the United Nations, Kofi Annan, asked internationally operating companies to commit to a social and ecological world economy. From this plea the Global Compact initiative was developed, a framework and exchange platform for businesses that are committed 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., 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 mid-sized company as 4flow, operating internationally from Germany, 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 the details and results of the endeavor, which we made in the past years.

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, the 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.

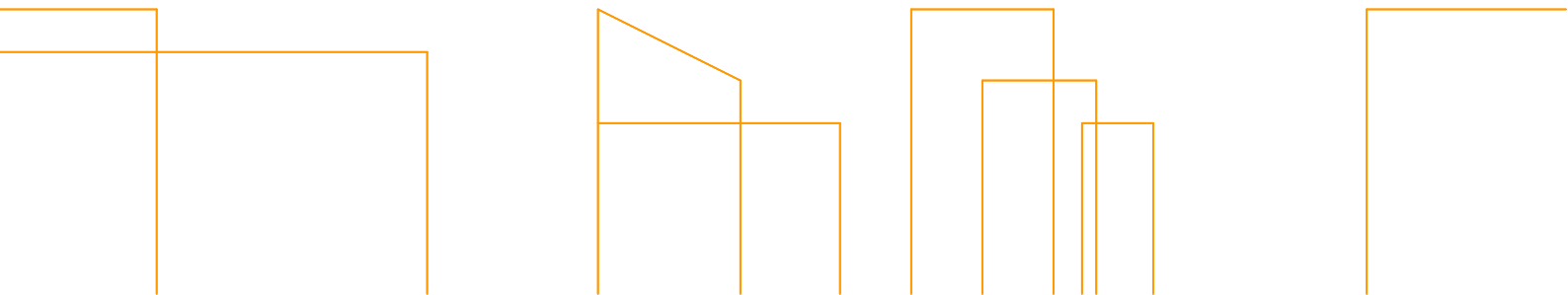
Environment

- 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.

Now primarily operating in Europe, 4flow is continuing its internationalization with new subsidiaries and offices in Belgium, France, Hong Kong, Italy and the Czech Republic. As a mid-sized company, however, 4flow's involvement in violations of human rights (principles 1 and 2), compulsory labor, and child labor is much smaller than that of larger 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.

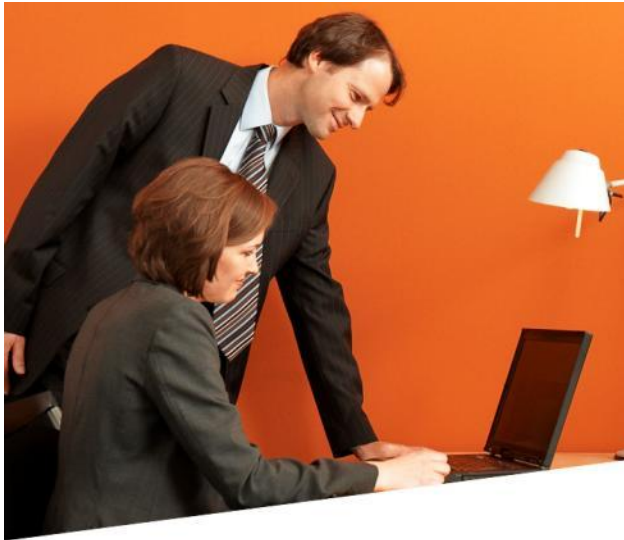




On respectful terms to success

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.



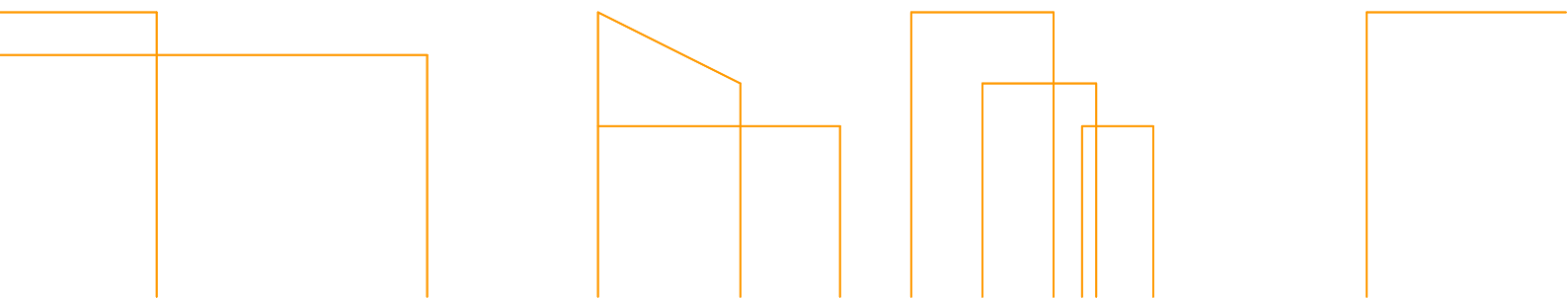
Binding values for all 4flow team members

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. All of 4flow managers composed the 4flow leadership guide jointly. 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:

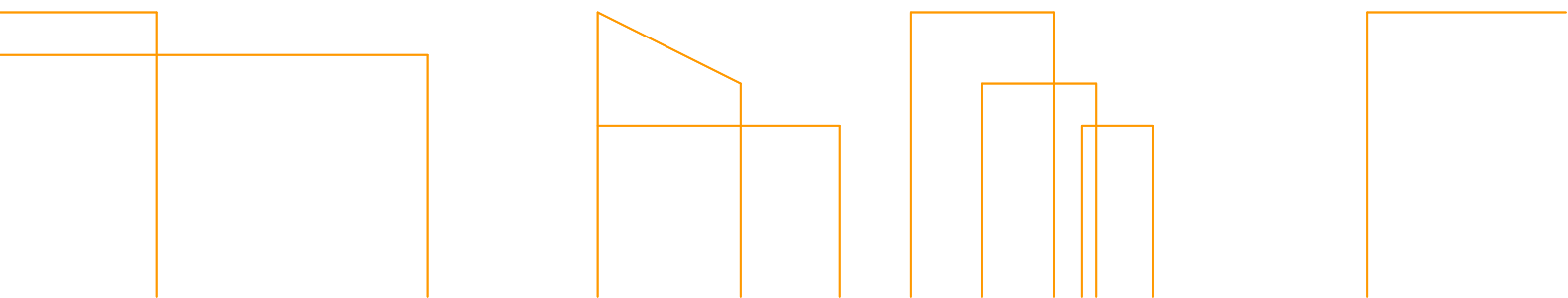




"The employees are being treated fair, irrespective of their age and sexual orientation as well as independent of their nationality or ethnical background and physical or psychological handicaps.

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 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 are reflected; 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.

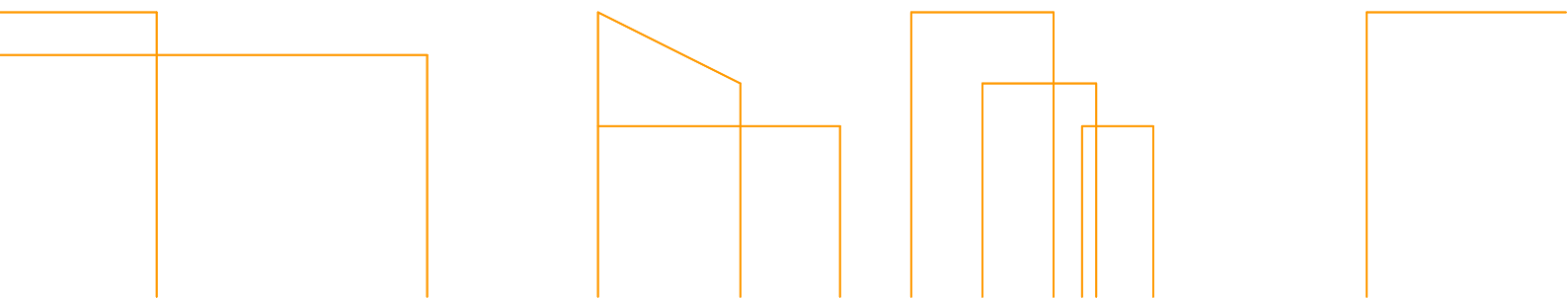


A multi-stage recruiting process...

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 led 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 does the candidate receive a job offer.

...with involvement of both genders

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.



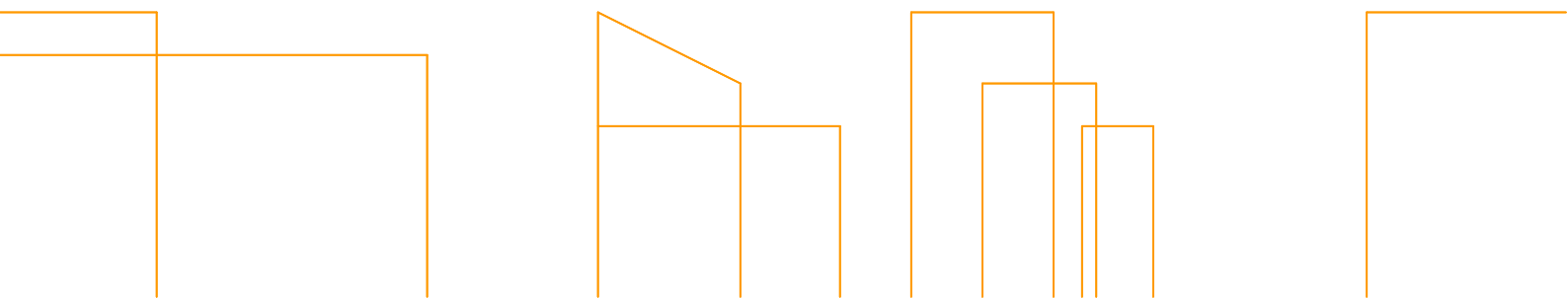


Men accept responsibility

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. Introducing the new family member to colleagues is enjoyed just as much as a smooth reintegration at 4flow.

Promoting young people

Since helping young people become qualified specialists cannot begin early enough, 4flow is involved in various youth programs. 4flow has been committed to advising young students who run their own companies for a number of years already. As a certified workplace training institution, 4flow also employs trainees. University students also have the opportunity to take part in finding solutions and internal processes; they actively participate in projects while they write their master's research papers and some work as student employees. Many of our student team members begin working at 4flow as regular employees after they finish their university education.





Success of human resources policy

Principle 6: Eliminate discrimination in respect of employment and occupation

High percentage of women

At 4flow, 21 percent of all consultants are females. This high figure has been maintained at 4flow over the last few years. Back in 2004, this number was at 9.4 percent. The overall percentage of women at 4flow is currently 32 percent. On the middle management level, 26 percent of the supervisors are female. The overall percentage of women in management positions in Germany in 2012 at companies with 101 to 499 employees is 10 percent.¹



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 the following statements anonymously:

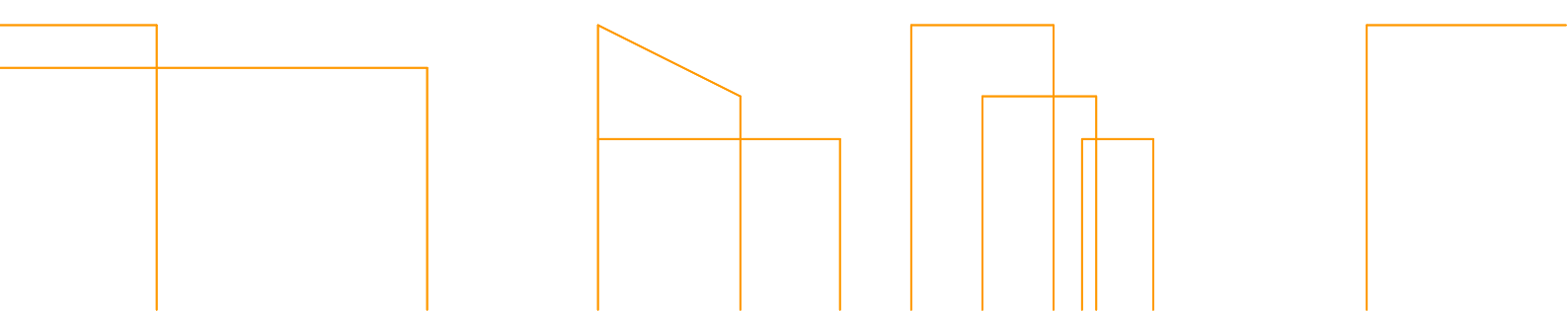
"The business practices of managers are honest and ethical."

"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 employee turnover has been 10 percent in recent years. As a comparison: the annual turnover at IT consulting companies is at 20 percent on average.² The overall average in Germany is 7.3 percent.³





Healthy employees

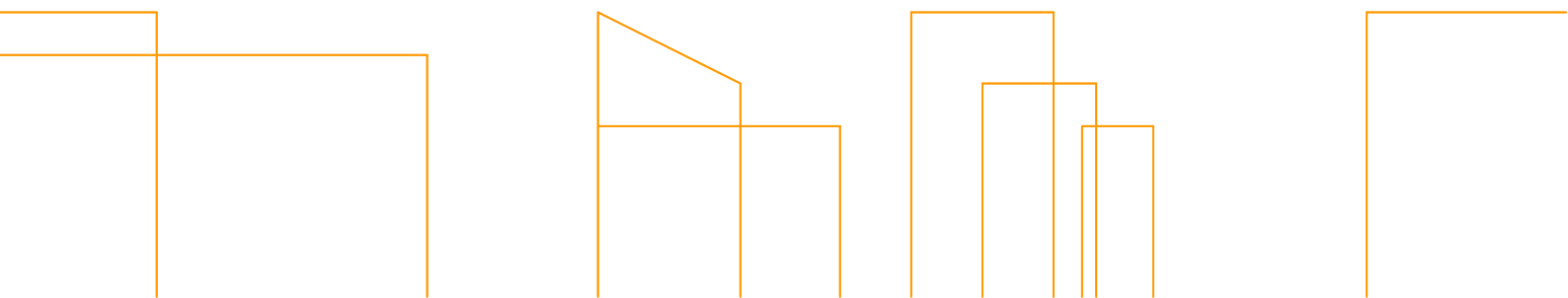
The sickness rate in the past five years was 1.5 percent, on average. The overall average in Germany is 3.5 percent.⁴

Developing employees

4flow offers its team members a professional development program where employees receive additional training for their area of work. In-house development programs are designed for and offered to those in various leadership positions; employees can also receive further education outside the company.

References:

- 1 Statista:Percentage of Women in Management Positions in Germany in 2012
- 2 BDU study: Benchmarks in Management Consulting 2011/2012
- 3 Frankfurter Allgemeine Zeitung, October 29, 2007
- 4 GKV statistics from the German Federal Ministry of Health 2012





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

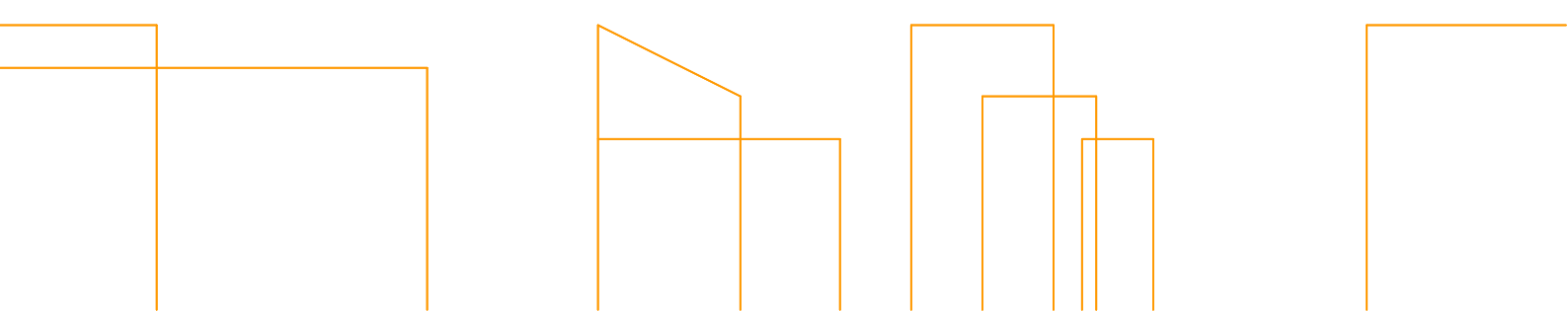
The company physician comes twice a year to the headquarters in Berlin to give information and guidelines about the ergonomic design of workspace. Moreover, the HR department informs the employees several times a year about different health-related topics. Presentations about relaxing techniques or healthy 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. A relaxation room with a daybed was created in Berlin to give employees the opportunity to take a break in case they do not feel well.

Framework agreement with gym

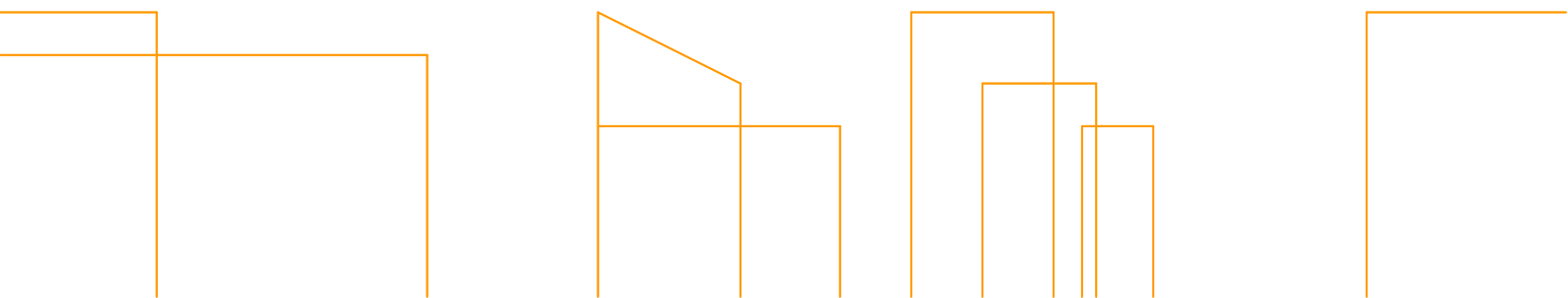
At the beginning of 2009, 4flow signed a framework agreement with a gym that has locations across Germany. Now all employees have access to reduced rates and can do sports not only close to the 4flow offices but also out on business and thus have a balance to everyday office life.

4flow sports

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

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

The built-in shower in Berlin allows employees to exercise during their lunch break or on their way to work.





Awarded for excellence

Principle 6: Eliminate discrimination in respect of employment and occupation

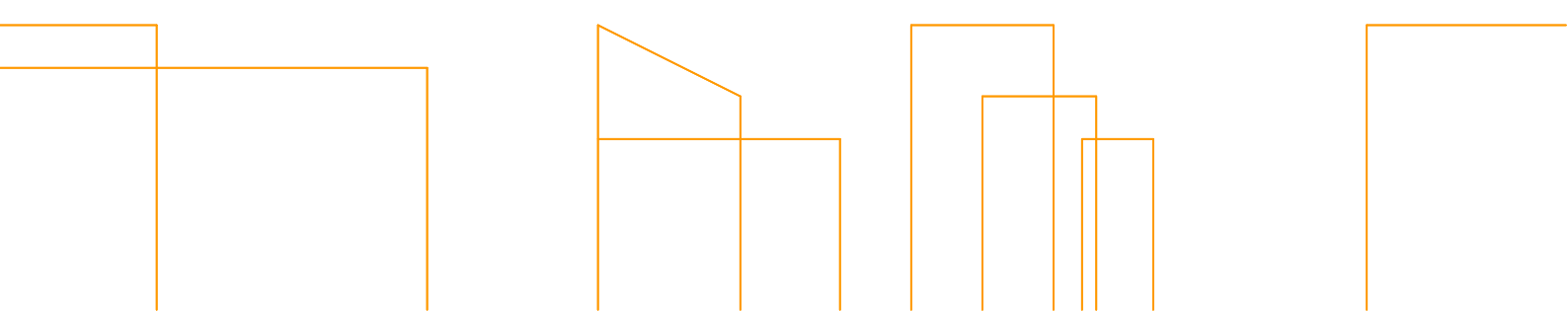
4flow was awarded the Fair Company certificate in 2006 for the fair treatment of interns and graduates in November 2006. This means that 4flow does not substitute full time job positions with interns and that graduates who had applied for a full-time position are not put off with an internship. Internships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



In 2008 and 2010, 4flow participated in the "Germany's best employer" competition, which is organized annually by the Great Place to Work® Institute. In the course of the competition an anonymous survey of all employees was conducted, and the human resources policy was evaluated based on credibility, pride, respect, fairness and team spirit. Having achieved second place in 2008 in the category of companies with less than 500 employees and 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 company was ranked among the Top 10.

This is an impressive confirmation 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 was presented with the Baumgarten-Wagon Award by the Technical University Berlin, which honors special merits in the field of industrial engineering.





Growth and internationalization

Principle 6: Eliminate discrimination in respect of employment and occupation

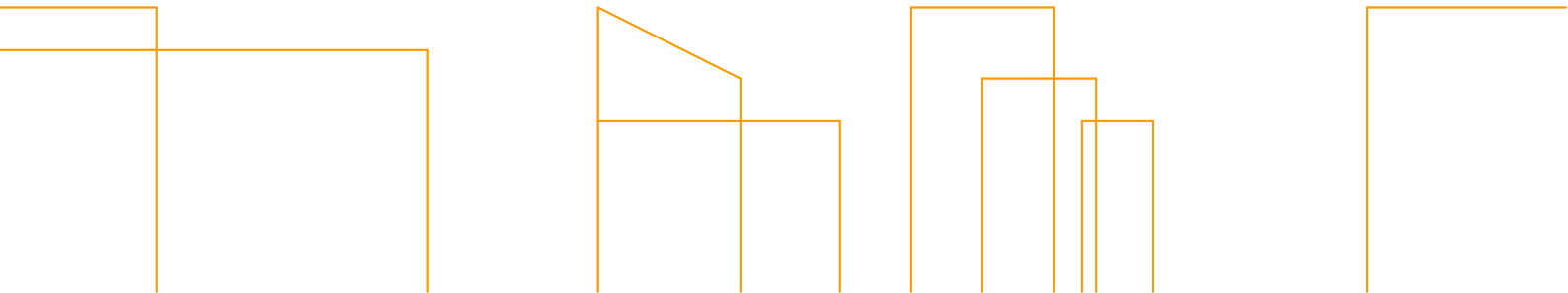


The rapid growth in recent years and the organization's increasing internationalization pose a challenge to internal processes and structures that must continue to yield the same excellent performance as in the past. The cross-company use of a corporate intranet in English underlines 4flow's intent to provide the same information to all employees and to create an accessible communication and application platform. Moreover, at 4flow it is only natural that colleagues at different offices around the world know each other's names. Walls with pictures of the employees in the various offices

and intranet profiles support this policy.

Multinational teams

With the opening of additional international offices, the cultural diversity at 4flow has also increased. People of more than 10 different nationalities now work at 4flow. The importance of a multinational culture is emphasized at 4flow. Project teams are composed of people from multiple nationalities, whenever possible, to facilitate cultural and professional exchange among employees.





Committed to the environment

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 clients' greenhouse emissions by 500,000 tons by December 31, 2012. The progress is annually documented in the 4flow newsletter as well as on the website.

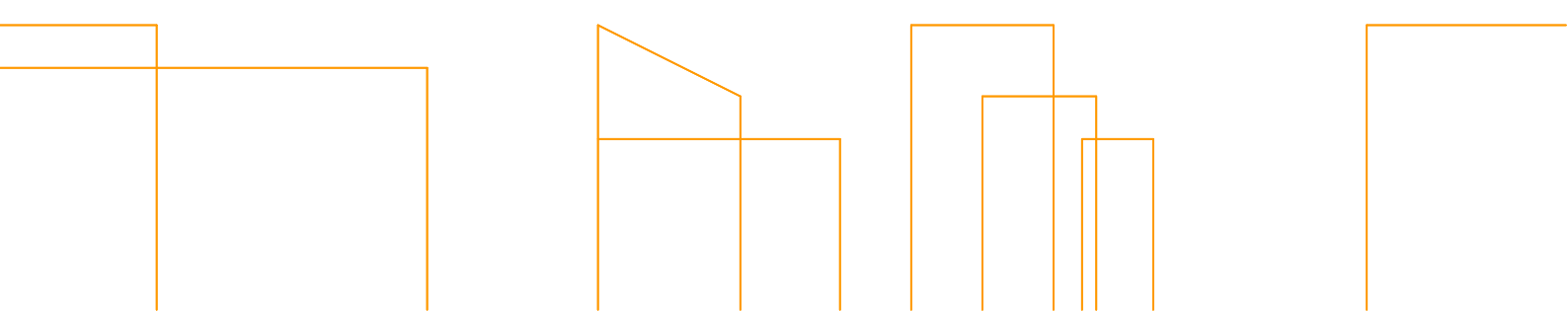


The voluntary commitment will be achieved through an increase of the utilization rate, reduction of overall transports and a shift towards more environmentally-friendly transportation modes.

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 transportation emissions.

By the end of 2011, more than 266,000 tons of carbon dioxide equivalents have been saved in supply chain projects with clients. The importance of Green Logistics increases constantly due to a rising public concern and the demand for a sustainable, low-emission solution. This affirms the commitment of 4flow and their clients to pursue the stated goal intensively.

Active protection of the environment is not only practiced in large-scale projects. In order to save transportation miles, 4flow purchases its beverage supply for each office from local vendors. In addition to using low-energy light bulbs, special importance is given to purchasing and using energy-efficient laptops and monitors. By using virtual servers, a large amount of energy costs were saved. 4flow eco is an initiative at 4flow addressing issues such as sorting waste, using ecologically-certified paper and environmentally-friendly printing. Grayscale printing is encouraged for internal use; paper waste is avoided by using two-sided printing. Furthermore, 4flow regularly donates a considerable sum for the preservation of the Amazon rain forest.





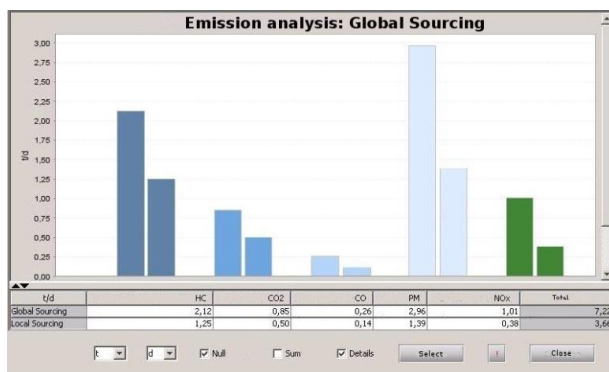
Logistics consulting and environmental protection

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 what does a commitment to environmental protection look like in this line of work?

As a matter of fact supply chain design can increase logistics efficiency as well as ecoefficiency. 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, transportation 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.



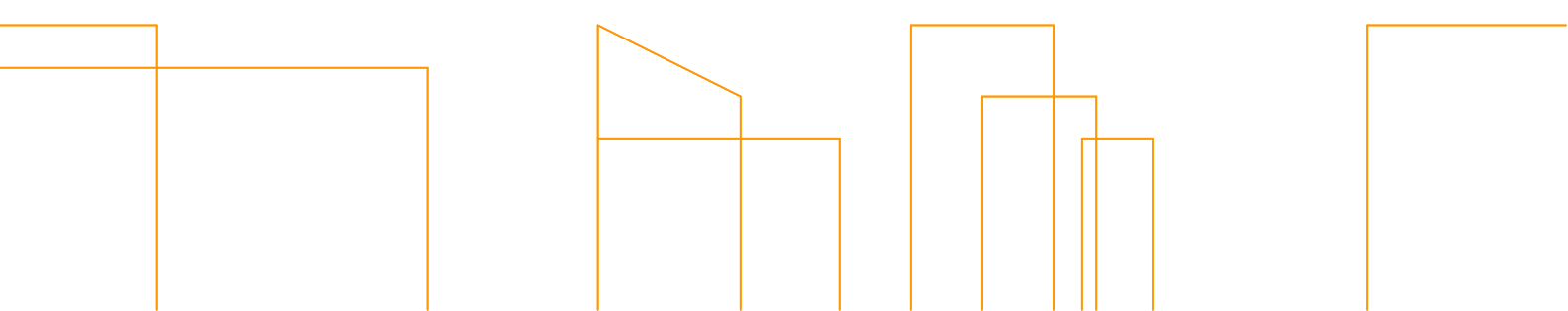
Emission analysis with 4flow vista

Raising awareness through visualization

4flow vista is the standard software for supply chain design and optimization. In addition to network and transportation planning, the software can compute and visualize the pollution emissions emitted 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 transportation management

4flow has collaborated in the "Sustainable production logistics" task force of BVL International – The Global Supply Chain Network, developing approaches for resource-conserving, energy-efficient and thus sustainable intralogistics and inbound logistics. In October 2010 the task force published a book for the 27th International Supply Chain Conference in Germany.





4flow supply chain studies



At the end of this year, a new supply chain study from 4flow on the topic of Green Logistics will be published. The study will address several different measures that serve to open a critical debate on issues such as environmental awareness and the influence industry has on the environment. The measures will be evaluated both from an ecological perspective as well as an economic perspective and then compared in a greater context.

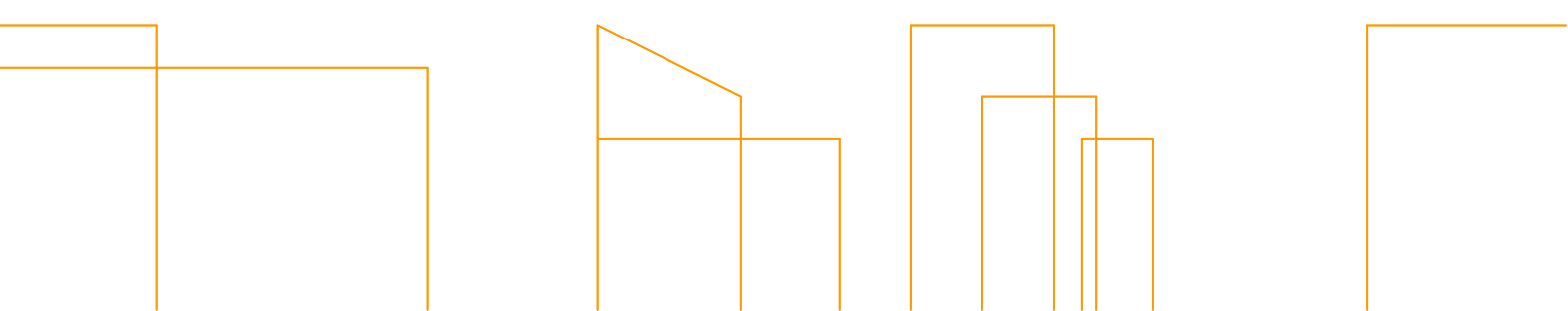
Protecting the environment was also the focus of 4flow's previous supply chain study in which the influence oil prices have on the structure of supply networks was examined. In order to quantify this effect, practical models were developed and the potential to cut CO₂ emissions through network optimization was investigated. The finding that the optimal distribution structure is only marginally affected by oil prices prevents a premature and purely economic decision about a network restructuring.

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.

4flow named a Cool Vendor

On March 26, 2012, 4flow was named a Cool Vendor in Supply Chain Management by the U.S. analyst firm Gartner Inc. After nominating and analyzing small and mid-sized businesses, the specialists at Gartner select those companies that exhibit innovativeness and a commitment to sustainability.





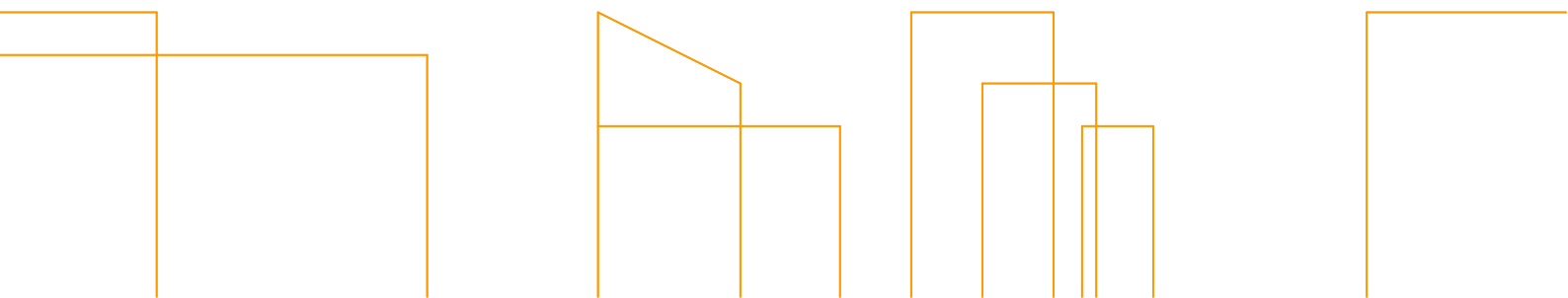
No gifts

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

4flow aims to establish 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. 4flow's clients do not receive such gestures, but are sent a UNICEF Christmas card. Instead of spending money for gifts, 4flow donates a significant sum to UNICEF. 4flow fundamentally opposes any kind of corruption. This policy is one of our contributions against corruption. In addition to that, as part of 4flow's company Christmas celebration, the entire team makes donations to programs that help disadvantaged children or the homeless such as the *Berliner Stadtmission*.





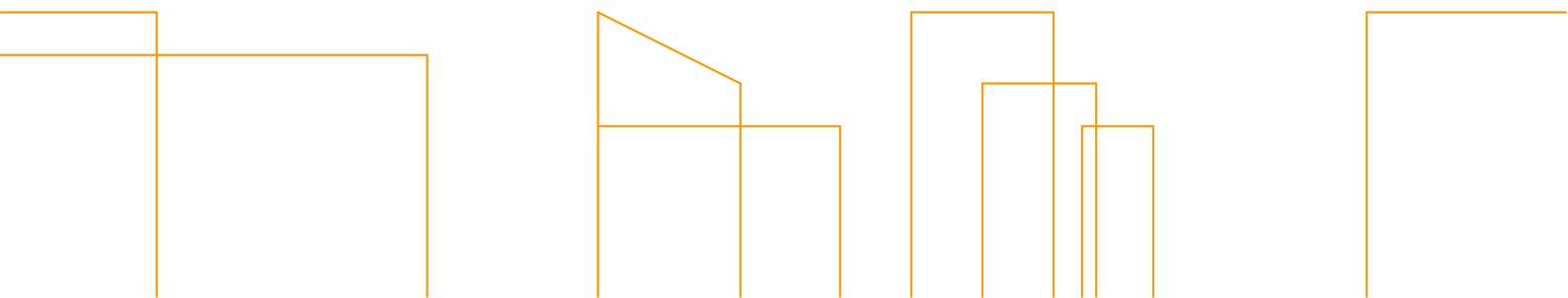
Further steps

Despite the success achieved up until now, 4flow strives to go even farther. Many more measures can be undertaken to improve the company's positive impact on employees and the environment. Two issues are at the center of our efforts: the application of Green Logistics in projects with our clients and the further development of the company's human resources policy during the company's growth and internationalization.



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.

Many significant steps in the right direction have been made in recent years. Nevertheless, due to the opening of further international locations, the critical assessment of the existing communication structures will remain at the top of the agenda.





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