

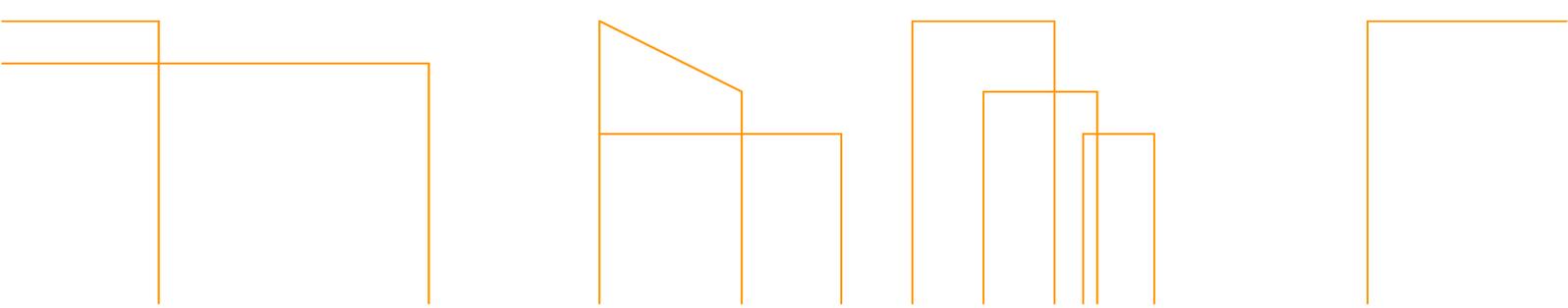


Communication on Progress

The United Nations Global Compact

4flow

Reporting Period: 2012–2013





Foreword

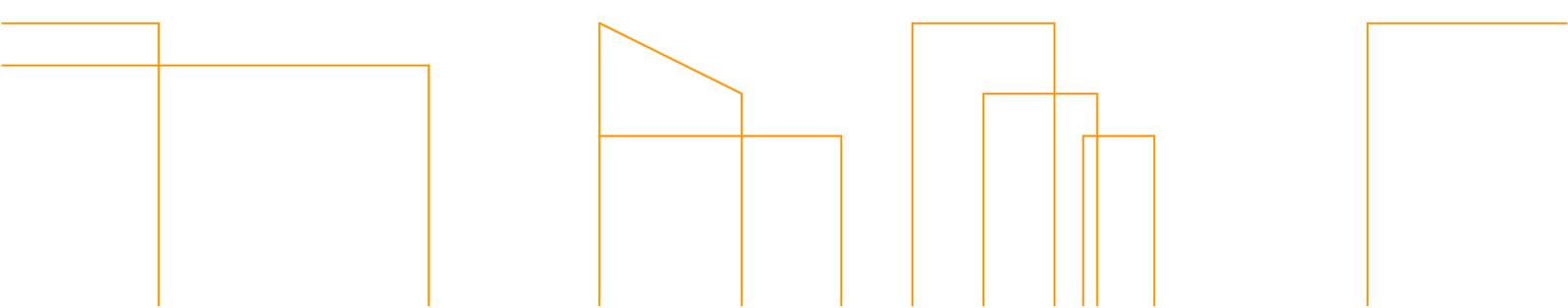
In January 1999, the then secretary general of the United Nations, Kofi Annan, asked international companies to commit to a social and ecological world economy. From this plea the Global Compact initiative was developed, a framework and exchange platform for businesses that are committed to their responsibility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



4flow AG, along 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 an integral part of our company culture and policy. 4flow joined the UN Global Compact in 2006. For a medium-sized company like 4flow, operating internationally from Germany, the means to fight violations of human rights, forced labor and discrimination are different from those of multinational corporations. Hence, our focus lies on the ecological design of supply networks and the respectful and equal treatment of our team members.

I am sincerely happy to present the details and results of our endeavors in the past years.

Dr. Stefan Wolff
Chief Executive Officer
September 2013
Berlin, Germany





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.

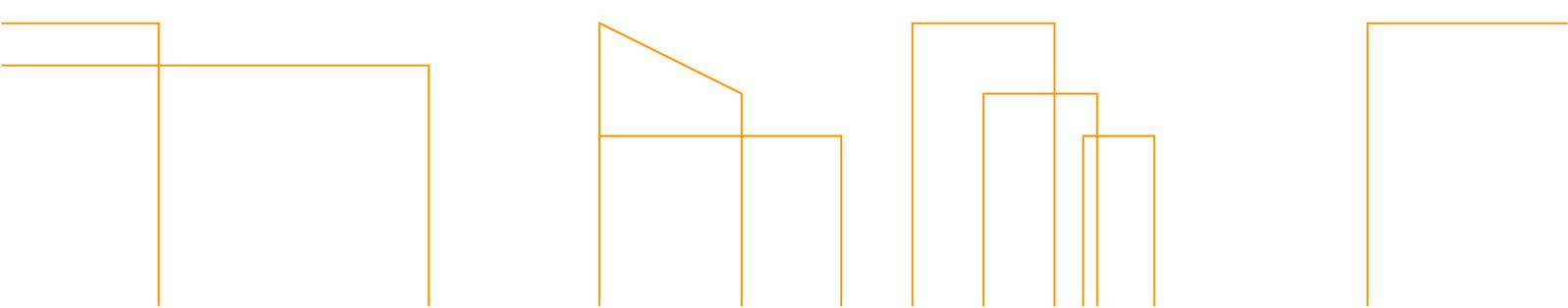
Environment

- 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 Asia, Belgium, France, and the Czech Republic. As a medium-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 supply chain software.

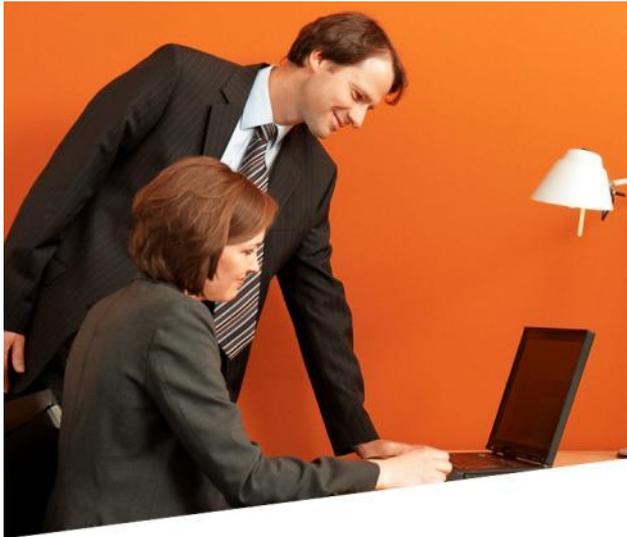




Respect as a key to success

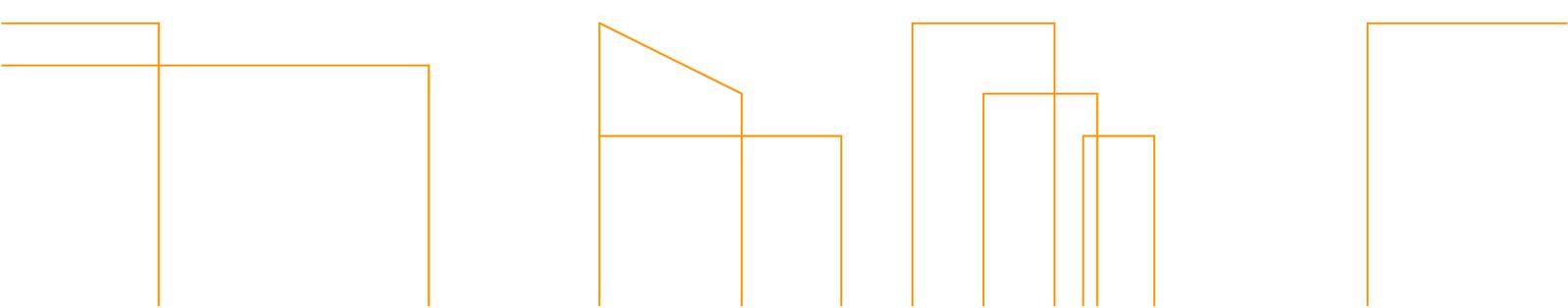
Principle 6: Eliminate discrimination in respect of employment and occupation

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



Committed to our values

In November 2009, the 4flow leadership guide has been handed over to all supervisors and team members 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 convey stability by explicitly expressing 4flow's approach to these cornerstone principles. All of 4flow's managers authored the 4flow leadership guide together. In addition, visible to all team members and guests, the corporate values and the corporate vision are presented on the office walls at all subsidiaries. In addition to customer orientation, excellence, and sustainability, respect is also firmly established at 4flow as a value. The following statement conveys how we treat clients, partners, and service providers: "Our conduct and attitude toward our colleagues are characterized by respect, tolerance, courtesy and recognition. A culture of trust and individuality are key factors contributing to our success as a company."





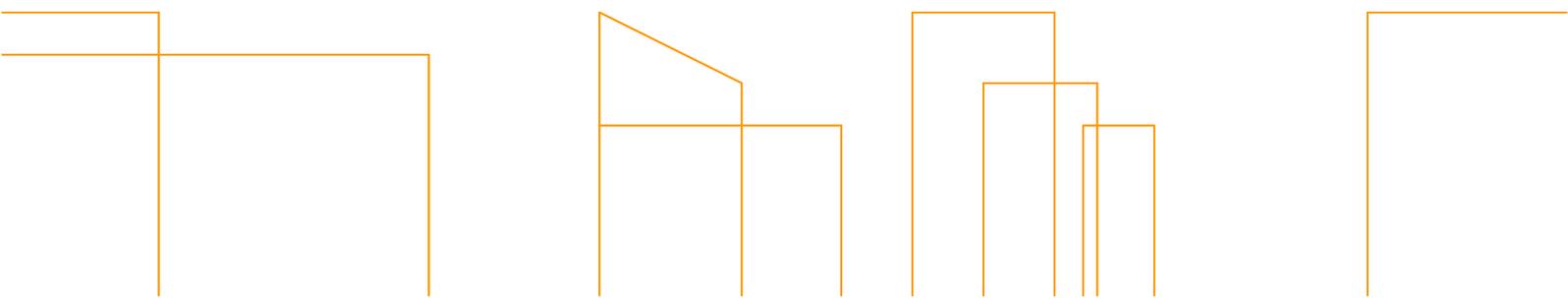
Anti-discrimination clause in the employment contract

Each 4flow employment contract contains an anti-discrimination clause obliging the employees to renounce any form of discrimination of clients or team members based on ethnic origin, gender, religion, disability, age or sexual identity. If an employee becomes aware of a case of discrimination at 4flow, he or she has to inform the board immediately, who would then take proper and immediate action. Such an incident has not occurred at 4flow.

As part of an anonymous questionnaire conducted by an external organization, 100 percent of all 4flow team members agreed with the following statement: "Employees are treated fairly, 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 multiple evaluations, made by different project leaders and executives, which are then discussed and reflected upon by all managers on an annual basis. Four months after a new employee is hired, the initial working period is reviewed and then evaluations are done twice a year. Both the employee's and the manager's performance are considered; the bottom-up feedback system at 4flow provides an additional structure for constructive expression of opinion. The salary model at 4flow comprises a clearly defined pay scale for different expertise and hierarchy levels. This assures that team members are paid fairly, based on competence, and without any differences due to gender, ethnic origin, and so forth.





Gender matters

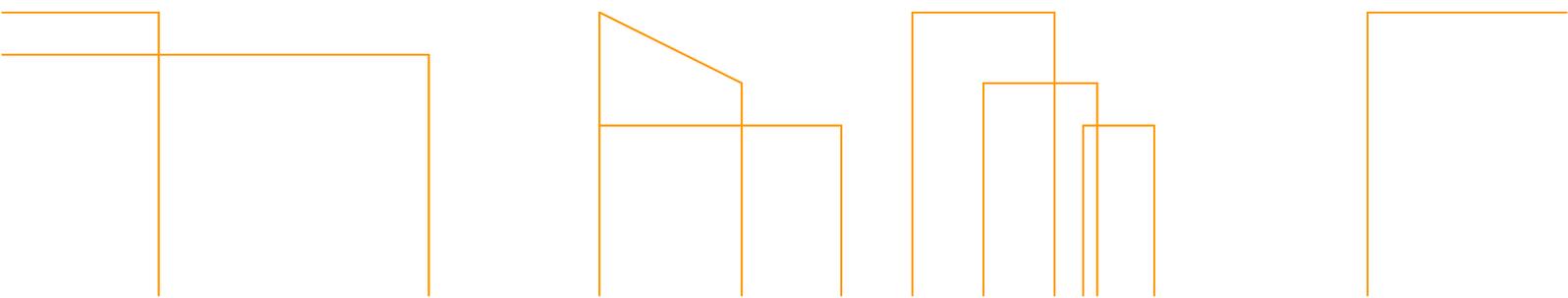
Principle 6: Eliminate discrimination in respect of employment and occupation

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



A multi-stage recruiting process...

The recruiting process at 4flow has two aims: one is to check the candidate's professional expertise and how well they fit to the company and the other is to let him or her experience the 4flow vision in action from their very first contact with 4flow. Employee retention at 4flow begins with the recruiting process. We achieve this aim through a multi-stage recruiting process led by the human resources department. At least four team members and one member of the board are involved in this process. An intense exchange with executives from the corresponding business unit assures that the candidate's expertise and his or her cultural fit to the company are thoroughly evaluated. Only after a unanimous decision does the candidate receive a job offer.





...involving both genders

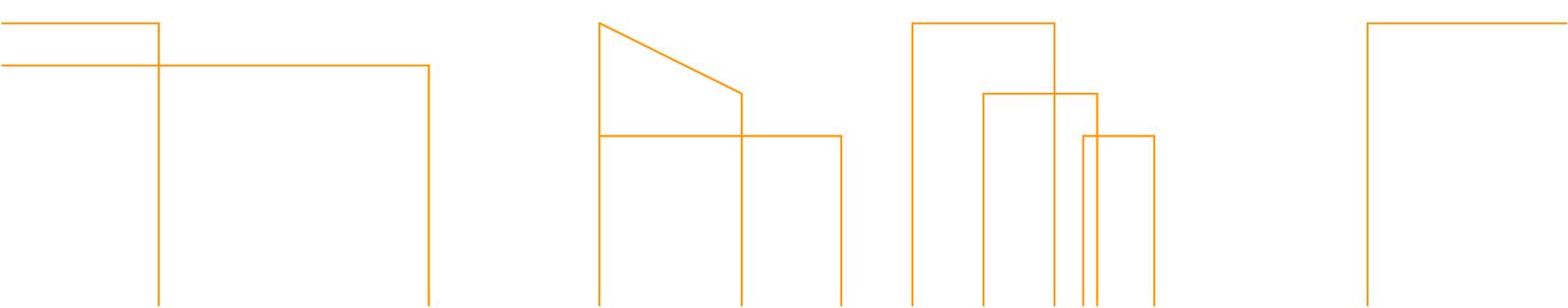
In order to raise the amount of women in the company, 4flow employs the following measures in the recruiting process: the textual and visual design of job advertisements is designed to appeal to women in particular. During the multi-stage recruiting process, we make sure that at least one female employee from the business unit that is hiring is involved. This helps show 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 work schedules in order to maintain and promote the compatibility of career, family, and personal development. As a result, the opportunity to take parental leave is often seized by men as well. Right now, five of 4flow's more than 200 team members are taking advantage of our parental leave policy. The new parents enjoy introducing their new family member to colleagues and the smooth reintegration at 4flow.

Helping youth

Since helping youth become qualified professionals cannot begin early enough, 4flow is involved in various youth programs. We have 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 with us while attending college. Many of our student team members begin working at 4flow as regular team members after they finish their university education.





The success of our human resources policy

Principle 6: Eliminate discrimination in respect of employment and occupation

High percentage of women

At 4flow, nearly 20 percent of our 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 35 percent. 25 percent of our female team members are supervisors on a middle management level. The overall percentage of women in management positions in Germany in 2012 at companies with 101 to 499 employees was 10 percent.¹



Satisfied team members

As part of the Great Place to Work – Germany's Best Employers 2010 competition an external institute asked all 4flow team members to assess the following statements anonymously:

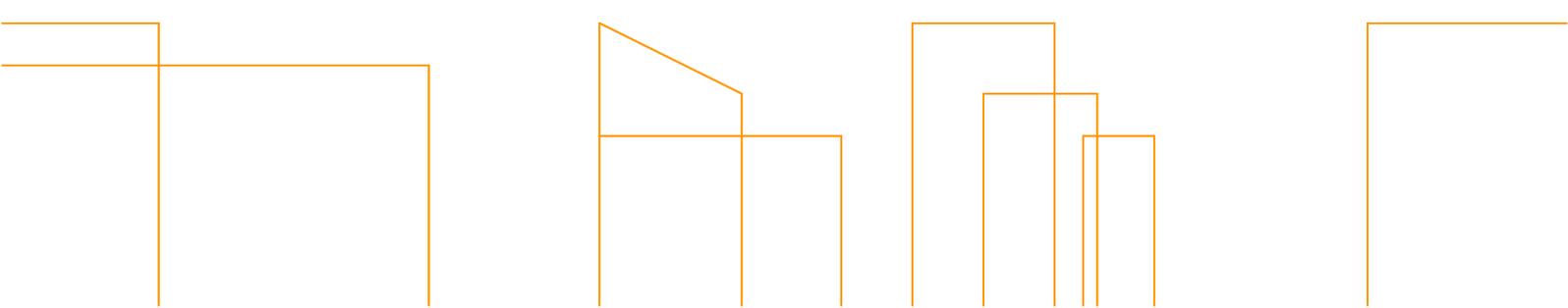
"The business practices of managers are honest and ethical."

"Irrespective of my position, I am treated as an adequate member of the company."

100% of all 4flow team members agreed with these statements.

Loyal team members

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 team members

The sickness rate in the past five years was 1.6 percent, on average. The overall average in Germany is 3.7 percent.⁴

Developing team members

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

Enthusiastic applicants

Since our appreciation of team members already begins during the application process, we focus on treating applicants with an open, honest, and respectful attitude. Kununu⁵, an online platform where applicants and team members can anonymously evaluate companies, the application process got the following reviews:

"The interview partners were well informed and competent and asked both business-related questions and personal questions. All in all, the interview day was very professional and enjoyable. It is clearly structured and you receive feedback after each round. I was treated with respect and politeness."

"A very demanding, yet professional, fair, and friendly application process."

"The entire application process was transparent and everyone I spoke to was really friendly and competent."

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 2013

5 www.kununu.com on September 2, 2013



Healthy team members

Principle 6: Eliminate discrimination in respect of employment and occupation

4flow health

With the full support of our management board and a special budget, a campaign to increase our team members' health was launched in the beginning of 2009. Active health management is a further part of employee development. It consists of providing information on relevant health topics, free fruit for team members, workspace equipment and encouraging more participation in sports activities.

Information on relevant health topics

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

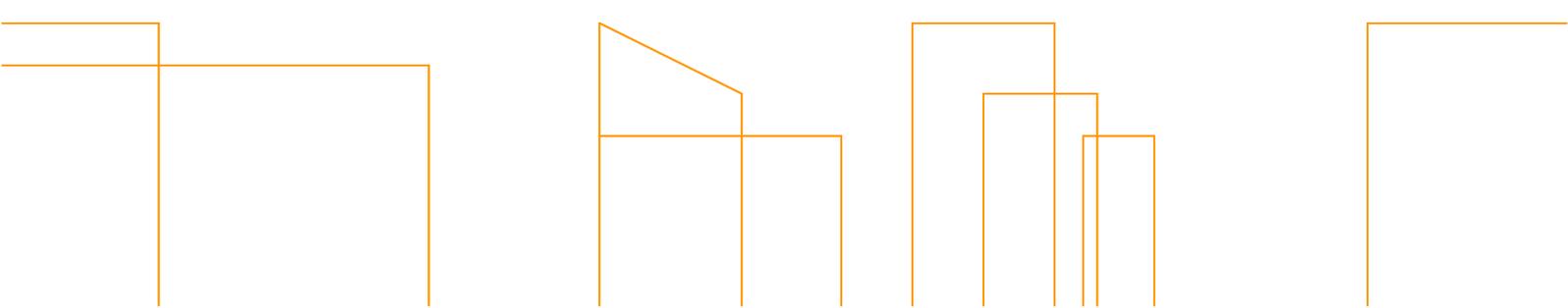
Fruits and tea in the office and to go

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 team members working at the client's office.

In order to give team members 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.



Emphasis is also placed on a balanced diet at our weekly company-wide breakfast.





Feeling comfortable at work

For ergonomic reasons 4flow health provides all team members working with a laptop 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 well-being one-way tooth brushes and toothpaste are available in bathrooms. A relaxation room with a daybed was created in Berlin to give team members the opportunity to take a break in case they do not feel well.

Health club membership

At the beginning of 2009, 4flow signed an agreement with a health club that has locations across Germany. Since then, team members have had access to reduced rates and can get exercise 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 one is 4flow running. Team members meet not only for competitions such as the Berlin Company Run, but engage in regular training that contributes to a healthier lifestyle.

Somewhat more casual is 4flow beach volleyball, for which about twelve team members meet each week. The annual 4flow table tennis tournament and city cycling tour both provide opportunities for active communication as well as a lot of fun.

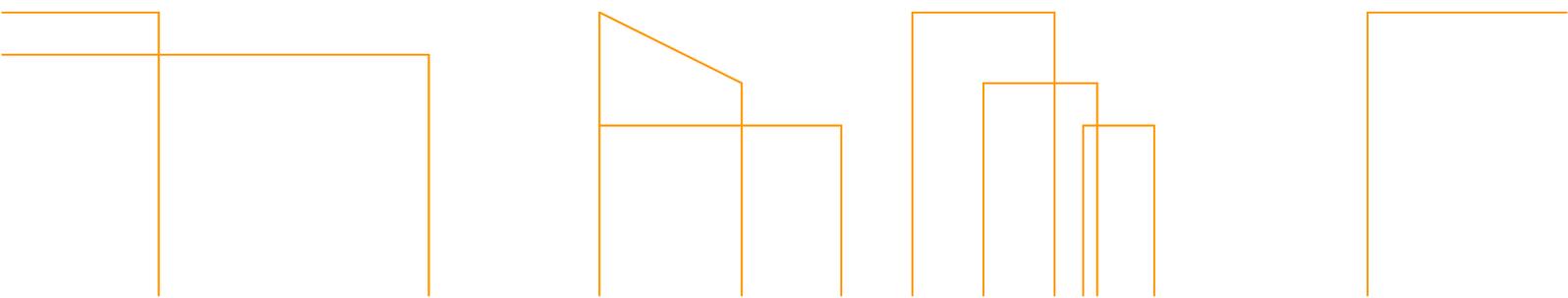
A shower room in Berlin serves to give team members the chance to exercise during their lunch break or on their way to work.

Company pension plan

4flow offers all team members the opportunity to take part in our company pension plan. During an annual information session, team members can ask questions and learn about their options.

Sabbaticals

Team members who would like to take time out from their daily consulting routine can take advantage of a sabbatical. The supervisor and the team member plan when the sabbatical will begin, how long it will last, and how the re-entry will be.





Awarded for excellence

Principle 6: Eliminate discrimination in respect of employment and occupation

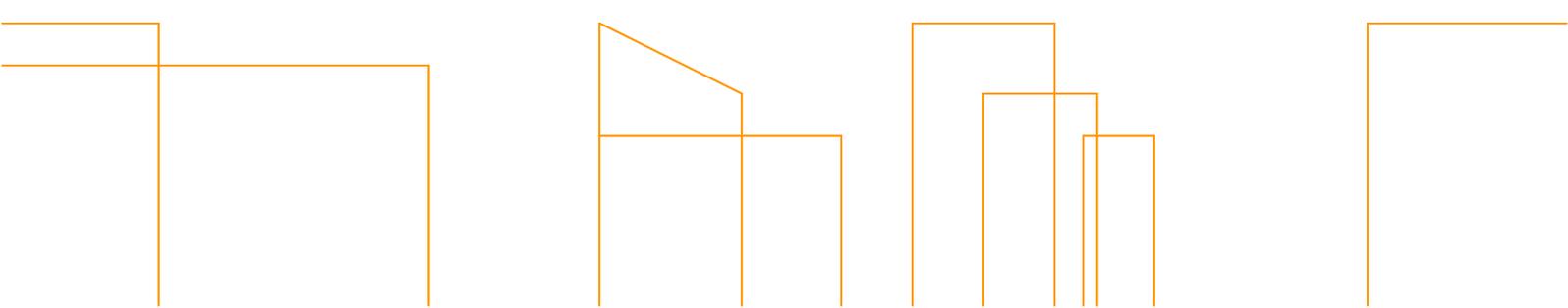
4flow was awarded the Fair Company seal of approval in 2006 for our fair treatment of interns and graduates in November 2006. This means that 4flow does not fill full time job positions with interns and that graduates who had applied for a full-time position are not merely offered an internship. Internships serve mainly for the intern's own professional orientation during their education. Interns are compensated during their time at 4flow.



In 2008 and 2010, 4flow participated in the "Germany's Best Employer" competition, organized annually by the Great Place to Work® Institute. As a part 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. In the European contest the company was ranked among the Top 10.

This is an impressive confirmation of the excellent work environment, owing 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 of Berlin, which honors special merits in the field of industrial engineering.





Growth and internationalization

Principle 6: Eliminate discrimination in respect of employment and occupation

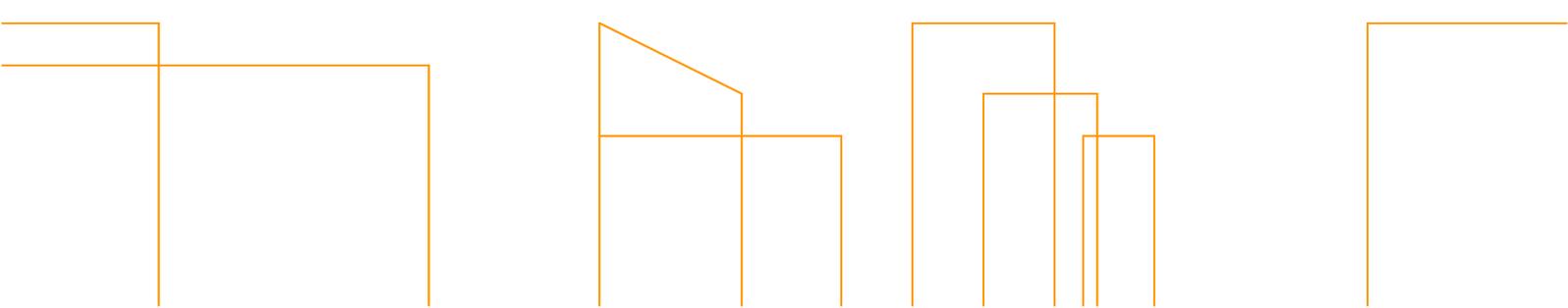


Our rapid growth in recent years and our increasing internationalization pose challenges to internal processes and structures that must continue to yield the same excellent performance as in the past. The company-wide use of a corporate intranet in English demonstrates 4flow's intention of providing all employees with the same information and to create an easily accessible communication and application platform. We hold regular knowledge sharing sessions that can be attended by colleagues from all locations thanks to modern technologies. Moreover, at 4flow it is only natural

that colleagues at different offices around the world know each by name. 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, 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. In order to facilitate the integration of employees from other locations, 4flow has instituted a host program when employees from other locations work at other offices for a period of time. Colleagues from our offices in Asia have already spent time at our headquarters in Berlin as part of this program. A "host" from 4flow volunteers to assist the visiting team member and show him or her around the city.





Committed to the environment

Principle 7: Support a precautionary approach to environmental challenges

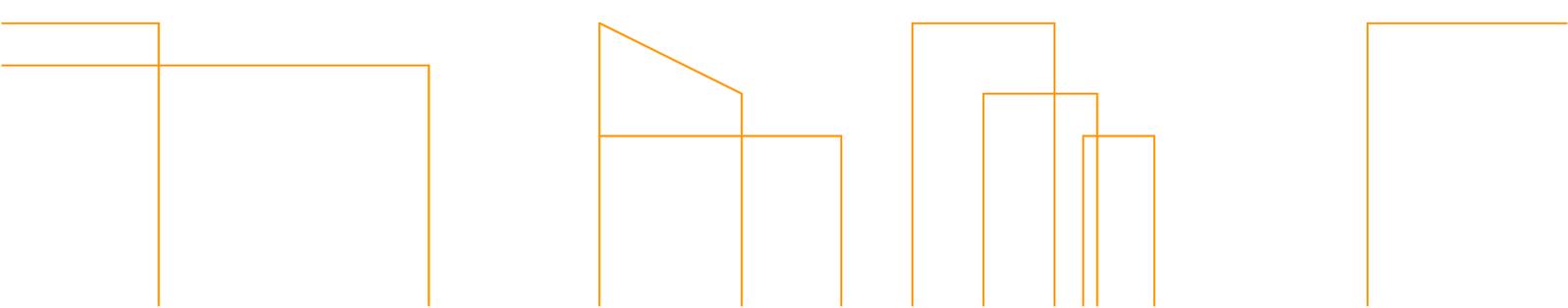
Together with our clients, we make a positive impact on the environment by optimizing logistics and transportation networks using our supply chain software 4flow vista[®]. Not only can transportation costs be optimized, but emissions can also be calculated and analyzed. By optimizing supply chains and transportation networks together with our clients, we have been able to save more than 342,000 tons of CO₂ equivalents.



Additional positive effects include increasing vehicle utilization, reducing the number of loads transported, and shifting to environmentally friendly modes of transportation

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 at 4flow. 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. A substantial share of the electricity used at 4flow locations comes from renewable energy sources. 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.





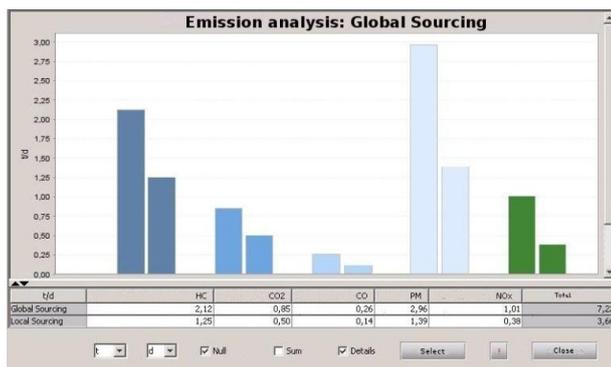
Supply chain consulting and environmental protection

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 supply chain research may offer opportunities to turn ecological engagement into profit.



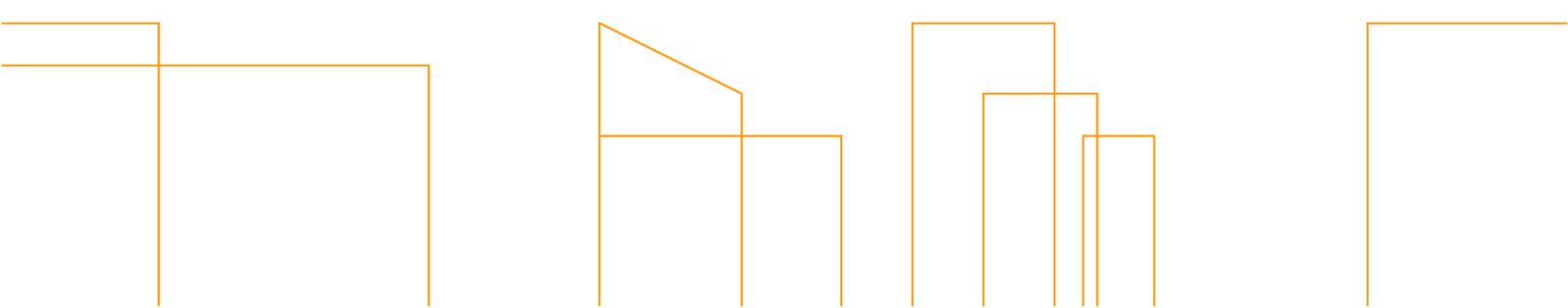
Emission analysis with 4flow vista®

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 gives decision makers in manufacturing and retail the capability of including the environmental effects into their evaluations of different strategic options. Hence, visualization is a basic requirement for 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



This year, a new supply chain study from 4flow on the topic of Green Logistics was published. In the study, 4flow investigated 11 different actions based on their effectiveness in reducing greenhouse gas emissions. The focus is on whether supply chain management can contribute to a sustainable economy and how cost efficiency and sustainability actually perform in practice.

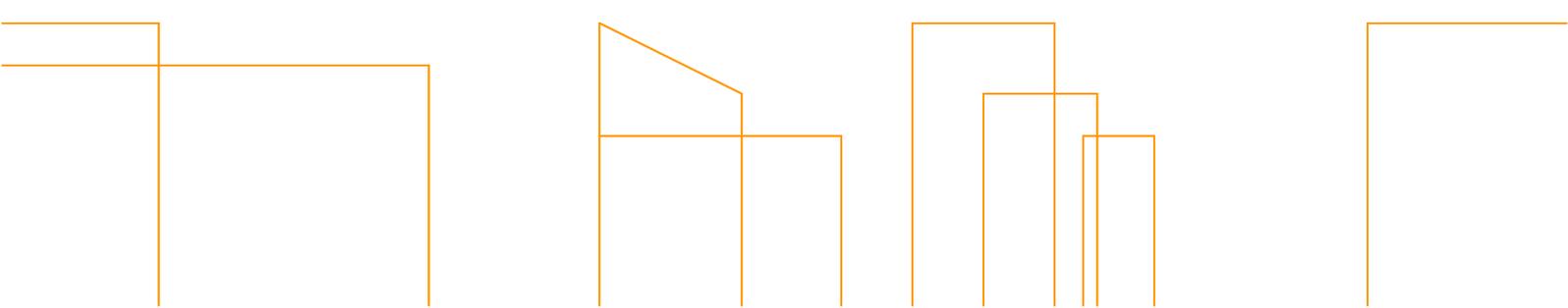
Protecting the environment was also the focus of 4flow's previous supply chain study in which the influence of oil prices on the structure of supply networks was examined. In order to quantify this effect, practical models were developed and the potential to cut CO₂ emissions through network optimization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

Green Supply Chain Award for 4flow

The Green Supply Chain Award 2011 was awarded by the leading US supply chain 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.





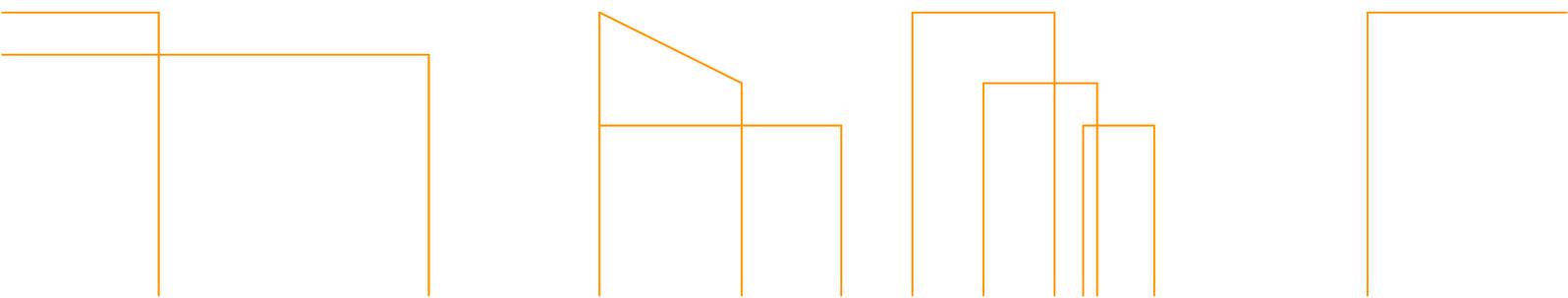
No gifts

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

4flow aims to establish a long-term relationship with its clients. This, of course, cannot be reached through 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*.





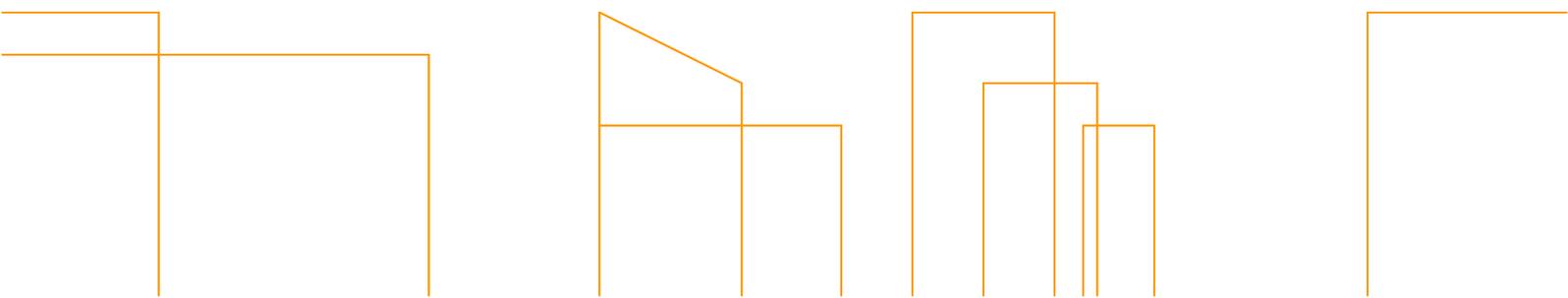
Further steps

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. Since team member development is of large importance at 4flow, the HR team has grown substantially over the last few years.



The notion of Green Logistics shall continue to be emphasized through our work with clients and in our research. The underlying intention is to contribute to awareness for the topic in society and to increase the commitment to take over responsibility for the environment in industry. In the next supply chain survey, the analysis of current, innovative, and established sustainable supply chain concepts will be focused on. With our latest study, 4flow is making an important academic contribution in the field of environmental protection.

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





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