



Communication on Progress

The United Nations Global Compact

4flow

Reporting Period: 2016–2017





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 and office locations on four continents, is a leading provider of 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, the respectful and equal treatment of our team members, and a commitment to anti-corruption practices.

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

Dr. Stefan Wolff
Chief Executive Officer
December 2017
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.

With its headquarters in Germany, 4flow is continuing its internationalization with subsidiaries in Europe, Asia, and North and South America. As a medium-sized company, however, 4flow's opportunities to fight violations of human rights (principles 1 and 2), compulsory labor, and child labor are more limited than those 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 team members (principle 6). Due to the business model of 4flow, the development and dissemination of environmentally friendly technologies is limited to supply chain software. Moreover, 4flow deals with partners and customers decidedly against corruption (Principle 10).



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

The 4flow leadership guide, titled "Leadership at 4flow", was first presented to all supervisors and team members of 4flow in 2009. 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." Thanks to 4flow's fast growth in recent years, revisions to the Leadership at 4flow guide were necessary, and a second edition was published in 2014, and are available in both the English and German language. Even if the principles of 4flow's company culture have not changed, this new edition available in both German and English serves to integrate all of our international locations as well.



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 does (not) matter

Principle 6: Eliminate discrimination in respect of employment and occupation

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.

Combining a career, family, and personal development



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. The new parents enjoy introducing their new family member to colleagues and the smooth reintegration at 4flow. To facilitate this, 4flow created a specially designed, child-friendly office in 2015.

Helping youths



Since helping youth become qualified professionals cannot begin early enough, 4flow is involved in various youth programs.

In order to provide orientation in choosing a career, 4flow offers paid internships. As part of the company's participation in the Fair Company initiative, 4flow ensures the implementation of rigorous quality standards when it comes to employing interns. In accordance with the Fair Company rules, 4flow offers interns – among other things – clearly



defined and appropriate tasks, a dedicated point of contact and fair compensation. Voluntary internships at 4flow last no longer than six months and do not serve to replace full-time positions. University graduates who have applied for permanent employment are not offered internships as a substitute.

In 2016, 4flow created the 4flow challenge, an annual case study competition meant to give university students a realistic impression of what to expect from a career in supply chain consulting. With the individual support and industry know-how of an experienced 4flow consultant, each participant utilizes a case study to develop and present a logistics concept.



University students also have the opportunity to be a significant part of our 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.

As a certified workplace training institution, 4flow also employs trainees and supports their development.



The success of our human resources policy

Principle 6: Eliminate discrimination in respect of employment and occupation

High percentage of women



The overall percentage of women at 4flow is 38 percent. 22 percent of supervisors on a middle management level are female. In 2016, the national average of women in management positions in German companies with 101 to 500 employees was 12.5 percent.¹

Satisfied team members



4flow receives consistently positive feedback on kununu², a platform where employees and former employees can submit anonymous reviews of their employers. Here's what 4flow team members had to say about the company:

"Despite recent company growth, the familiar atmosphere and feeling of openness are as strong as ever. An expectation of professional excellence is actually written into the company values, and 4flow cultivates an environment in which employees can truly develop themselves at their own pace."

"Work-related tasks and expectations are clearly defined from the outset. The company leadership takes the time to listen to team members' ideas."



"There's one important thing in particular that sets 4flow apart from a lot of other companies: coming back to work after parental leave! The company works with you to set up a flexible working schedule that makes enough room for your professional and family life alike. An extremely rare and much-appreciated aspect of working here."

Developing team members

4flow offers its team members a comprehensive professional development program with roughly 40 training sessions per year, in which team members receive additional training for their area of work; of course, there are also education programs to develop employees' individual needs. Employees participate in regular feedback sessions with managers and project leaders to identify potential areas for growth, as well as to outline the next steps in their professional and personal development.



The company also offers a special training program – offered in both German and English – for all leaders at every 4flow location; the program is aimed at supporting those employees in the context of their staff responsibilities and providing them with an opportunity to develop further. In addition to local trainers, there are always experienced leaders present to help guide program participants. In this way, 4flow is able to ensure the continuity of both its company culture and its management culture. The program also highlights cultural differences in leadership practices in order to optimize each international location's efforts in managerial development.

Sabbatical

Should an employee need to leave the working world for an extended period of time, 4flow is open to granting leaves of absence. Team members and their supervisors work together to develop and implement individualized plans to address when the sabbatical will begin, how long it will last, and how the employee will rejoin the company afterward.



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. On kununu², 4flow's application process got the following reviews:

"My interview partners went out of their way to be fair and friendly at all times."

"It was a fair and welcoming interview process full of challenging tasks and engaging conversations."

"In hindsight, the extensive application process was a very positive experience for me: it gave me some really good insights into the company, the way they work, the challenges of the position and what was expected of me. In each of the interview sessions, there was a pronounced feeling that the interviewers were genuinely interested and constructive."

"Their image of treating applicants with great respect was confirmed throughout the entire hiring process."

"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."

References:

1 Statista: Percentage of women in management positions in Germany in 2016

2 Retrieved from www.kununu.com, 11/22/2017



Healthy team members

Principle 6: Eliminate discrimination in respect of employment and occupation

4flow health

4flow health is our campaign to foster healthy practices in the workplace: active health management has its own budget and is a further part of employee development. It consists of providing information on relevant health topics, free fruit, water and juice, as well as ergonomic workspace equipment. 4flow also arranges massage appointments for its employees to help mitigate the physical tension that can result from office work.

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. To strengthen their backs and shoulders, employees can also participate in a short, free training sessions that cover exercises which can easily be integrated into the workday.

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 stand-alone monitor as well as, if needed, a notebook riser. These arrangements prevent eyestrain, encourage a healthier sitting posture and, thus, allow for a comfortable working environment. Improvements to the acoustics of Berlin office spaces have created a peaceful work environment. A relaxation room with a daybed is available in Berlin giving team members the opportunity to take a break in case they do not feel well. In 2015, a sports and leisure room and a library were added. For team events and breaks a barbeque has been placed on the terrace accessible to all. The green space on the terrace is redesigned on an annual basis by a project team initiated by employees.

Sports activities

At 4flow's Berlin headquarters, employees can engage in sports or yoga in a room designed for exercise. In addition to mats and fitness equipment, the room also features table tennis and foosball.

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 company fun runs at various locations, but engage in regular training that contributes to a healthier lifestyle. In addition to t-shirts for the fun runs, 4flow also sponsors employees' entry fees and provides on-site catering.

Somewhat more casual are company beach volleyball and soccer games, where 4flow team members meet on a regular basis. The annual table tennis tournament, city bike tours and sailing trips all provide opportunities for active communication as well as a lot of fun outdoors. At company parties and team events, 4flow also provides opportunities for group sports such as high ropes courses or soccer.

The shower rooms in the Berlin office give team members the chance to exercise during their lunch break or on their way to work if they choose to. The company also offers bicycle parking for the benefit of employees who want to ride to work.



Awarded for excellence

Principle 6: Eliminate discrimination in respect of employment and occupation

4flow has repeatedly been awarded the Fair Company seal of approval for our fair treatment of interns and graduates. 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.



4flow was awarded with the "OPEN COMPANY" and "TOP COMPANY" awards by kununu for offering friendly and direct contact with applicants and employees, and for scoring well in the assessment set for the award. 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. 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 flourished. 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. The company holds special training sessions to inform employees about cultural differences and to improve intercultural communication. 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. Almost all of our Chinese colleagues 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. 4flow recognizes the value of a multicultural workplace and actively promotes diversity in all aspects of the company's operations.



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 while increasing utilization in shipments, reducing transportation and shifting to more environmentally friendly modes of transportation through our supply chain software 4flow vista®. In this way, 4flow assists its customers in contributing to a better CO₂ emissions balance.

The importance of Green Logistics increases constantly due to rising public concerns 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. For example, 4flow's Berlin headquarters is powered by green hydroelectric energy. The company also participates in the PRIMAKLIMA initiative and plants a tree in honor of every team member's birthday.



Supply chain consulting and environmental protection

Principle 8: Support a precautionary approach to environmental challenges

The focus of 4flow lies in the field of supply chain consulting and management. 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

In addition to network and transportation planning, 4flow vista® 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 Schadstoffanalyse mit 4flow vista®

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



A 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.

Innovative through Research



For its work in the field of research, 4flow was awarded the 2016 "Innovative through Research" seal by *Stifterverband*, one of the largest private science endowments in Germany. The organization bestows this honor upon companies that demonstrate accountability to the public and society in their research and development activities.

4flow named a Cool Vendor

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.

While many other companies traditionally send small or big gifts to their major clients at the end of each year, 4flow's clients are sent UNICEF Christmas cards. Instead of spending money for gifts, 4flow donates a significant sum to UNICEF.



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 renovations at the Berlin headquarters focused on creating an optimal work environment as well as com-

fortable areas for the growing number of team members. This is also an important aspect for 4flow at its other locations as well. The 4flow teams in Budapest, Hungary and Campinas, Brazil also moved to larger office spaces. Opened in 2017, 4flow's offices in Stuttgart, Germany and Changzhou, China were designed to be optimal workspaces as well.

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.

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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