



Communication on Progress

The United Nations Global Compact

4flow

Reporting Period: 2017–2018





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 2018
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.

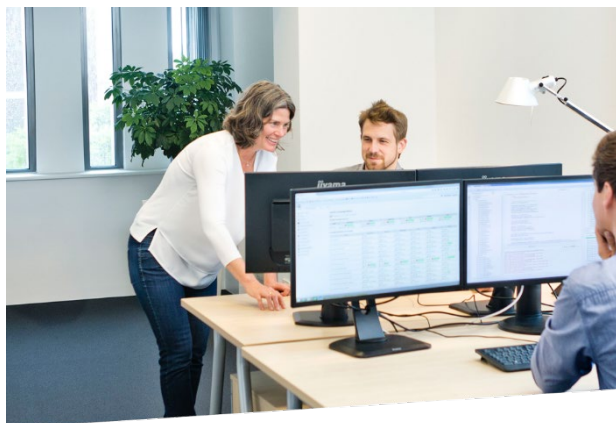
With its headquarters in Germany, 4flow is continuing its internationalization with subsidiaries in Europe, Asia, and North and South America. As a medium-sized company, however, 4flow's opportunities to fight violations of human rights (principles 1 and 2), compulsory labor, and child labor are more 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 commitment to these cornerstone principles. All of 4flow's managers jointly authored the 4flow leadership guide. In addition, 4flow's corporate values and corporate vision are presented on the office walls at all subsidiaries and openly visible to all team members and guests. In addition to customer orientation, excellence, and sustainability, respect is also firmly established as a 4flow corporate 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 in both English and German. Even if the principles of 4flow's company culture have not changed, this new edition 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. To date, 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. In 2018, the 4flow management business line implemented a fully redesigned promotion process which focuses on further improving transparency. Team members now have an even clearer view of what they must do to receive a promotion, making the process easier to plan for and fairer overall.

An initial performance review takes place four months after a new employee is hired, and evaluations are carried out twice a year thereafter. 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. We therefore strive for a higher number of women at our company and in leadership positions.

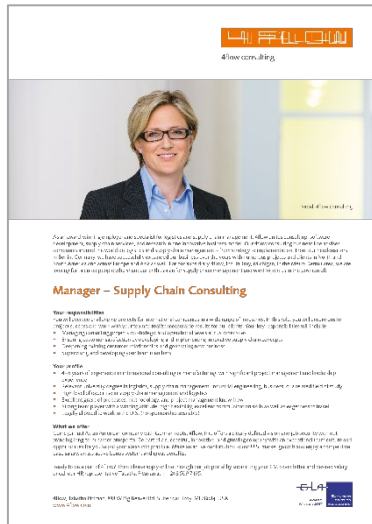


A multi-stage recruiting process...

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 as of their very first contact with 4flow. Employee retention at 4flow begins with recruiting – we work to select the right candidates 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 in-depth 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 increase the number of women at the company, 4flow employs targeted measures in the recruiting process. The textual and visual design of our 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 vocational fields equally suited to both genders.

Combining a career, family, and personal development

4flow is particularly mindful of its employees' needs – we support individually tailored work schedules in order to promote a healthy balance of career, family, and personal development. New parents are welcome to introduce their new family member to colleagues, and they enjoy a seamless reintegration to working life after their leave. To facilitate this transition, 4flow created a specially designed, child-friendly office at its Berlin headquarters.



Helping youths



Because it's never too early to help youths become qualified professionals, 4flow is involved in various youth programs.

4flow offers paid internships to support future professionals in choosing their careers. 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 clearly defined and ap-



appropriate tasks, a dedicated point of contact, and fair compensation, among other benefits. 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.

Quality management

4flow would not be able to succeed without its team members – they are the most valuable aspect of the company, which is why 4flow strives for a high level of staff retention. The cultivation of an open and respectful culture of communication and the continuous improvement of hard and soft skills of all team members is an important component of the ISO 9001:2015 quality management system that 4flow introduced in 2016. In doing so, 4flow hopes to further optimize its overall corporate performance by continually measuring its organizational, professional and technical processes against certified standards of quality.



Quality Management

ISO 9001

www.dekra-seal.com



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. The number of female supervisors increased by four percentage points over the year 2017.

To improve knowledge exchange, 4flow's female supervisors established the Female Forum platform in 2018. All female team members from 4flow's European offices were invited to participate in group meetings.

Satisfied team members



4flow receives consistently positive feedback on kununu¹, 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 profes-

sional 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 supervisors 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.

Since 2017, virtual training sessions have allowed 4flow team members to expand their professional knowledge in an autonomous and continuous way within a network of colleagues and external experts. Access to the system is available to all team members, anywhere and anytime. In 2018, the Learning Experiments program created a forum for the exploration of trends and new topics that have not yet become a fixed part of the continuing education program at 4flow, but which could do so in the near future – this approach complements the increasing pace of technological development. The most notable aspect of the Learning Experiments is that 4flow team members can use their feedback to directly influence the content and focus of the program.



Additionally, 2018 saw the introduction of supplemental funding for needs-oriented training that extends beyond the traditional borders of 4flow's business lines. For example, qualifications that are generally intended for consultants are now available to non-consultant team members.

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

Our relationship with our team members begins with the application process, which is why we focus on treating applicants with openness, honesty, and respect. On kununu², 4flow's application process received 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 Retrieved from www.kununu.com, 11/19/2018



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 organic fruits and vegetables, water and juice, and 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 4flow's headquarters in Berlin twice a year to share information and guidelines on ergonomic workspace design. Moreover, the HR department informs the team members about different health-related topics several times a year, including presentations on topics like relaxation techniques and healthy running practices. To strengthen their backs and shoulders, employees can also participate in 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 basket of organic fruits and vegetables from the region. A representative from each project team provides fruit to their team members working at customer locations.

In order to give team members working onsite with customers a healthy alternative to coffee, 4flow provides portable tea sets containing various tea flavors, a kettle and mugs. Fruits and tea are financed using the 4flow health budget. 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, and – if needed – a notebook stand. These arrangements prevent eyestrain, encourage healthier posture, and consequently facilitate a more 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. Rooms for sports and leisure are also available. For team events and breaks, a barbeque has been placed on the terrace and is available to all team members. Additionally, 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 the exercise room. 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 also 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 onsite 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 plenty of outdoor fun. 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 so choose. 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 have applied for a full-time position are not merely offered an internship. Internships are intended primarily to offer professional orientation to interns 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 fewer than 500 employees and third place in the overall ranking, 4flow was able to repeat this success in 2010, once again ranking second among German companies with fewer than 500 employees. In the European competition, the company was ranked in the top 10. These distinctions are a confirmation of the excellent work environment that results from our human resources policies and company culture.

4flow supports the comprehensive education of its 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 implementation of the social collaboration tool 4flow spark has facilitated significant improvements in how information and expertise are shared at 4flow. The English-language platform – launched in 2018 to replace 4flow's existing intranet – provides a forum for inter-

disciplinary project groups and streamlined knowledge exchange among team members. The platform highlights 4flow's commitment to providing uniform information to all team members on an easily accessible communication and application platform. Walls with pictures of all 4flow team members in every global office and 4flow spark 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. Whenever possible, project teams are composed of people from multiple nationalities 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 that enables employees from other locations to work at other offices on a temporary basis. 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 reducing CO₂ emissions.

Green Logistics continues to increase in importance due to rising public concerns and the demand for sustainable, low-emissions solutions. 4flow and its clients are committed to pursuing that goal.

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. This year, in order to save even more resources, 4flow's Berlin headquarters also introduced water dispensers and reusable glass bottles made using sustainable manufacturing processes.

In addition to using low-energy light bulbs, special importance is given to purchasing and using energy-efficient laptops and monitors. 4flow also realizes significant energy savings through the use of virtual servers. 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

4flow's primary field of activity is supply chain consulting and management, with a focus on planning and optimizing 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 eco-efficiency. For example, transportation efficiency goes hand-in-hand with reductions in pollution.

If such relationships are unclear to customers, we include other value-creating factors in the analysis. Customer-perceived commitment to credible sustainability programs or environmentally oriented supply chain research offer opportunities to turn ecological engagement into profit.



Pollutant analysis with 4flow vista®

Raising awareness through visualization

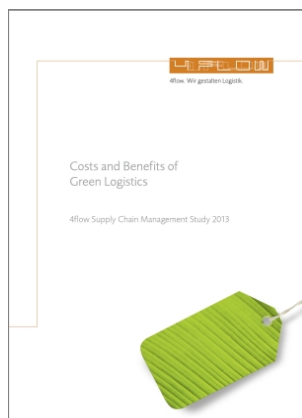
In addition to network and transportation planning, 4flow vista® can compute and visualize the pollution emissions of a given logistics network. This gives decision makers in manufacturing and retail the ability to include environmental effects in their evaluations of different strategic options. In our view, visualization is a basic requirement for sustainable behavior and environmental protection due to the fact that one can only assess alternatives if their effects are known.

Developing concepts for sustainability in transportation management

4flow has collaborated as part of the "Sustainable production logistics" task force of BVL International – The Global Supply Chain Network. The task force develops approaches for resource-conserving, energy-efficient, and 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



4flow published a supply chain study on the topic of Green Logistics which analyzed 11 different measures based on their effectiveness in reducing greenhouse gas emissions. The study focuses 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, which examined the influence of oil prices on the structure of supply networks. In order to quantify this effect, practical models were developed and the potential to cut CO₂ emissions through network optimization was investigated. The study's findings – that the optimal distribution structure is only marginally affected by oil prices – can prevent premature

and purely economic decisions about restructuring a network.

Digitization also helps to conserve resources. The challenges that must be overcome in the field of intralogistics in that regard are detailed in 4flow's 2018 study entitled "Wearables, Sensors & Co. – Making digital intralogistics a reality". The study offers insights on the topic through interviews with 20 leading supply chain experts from the automotive and retail industries.

Green Supply Chain Award for 4flow

In 2018, 4flow was once again named winner of the Green Supply Chain Award. The award is presented to companies that emphasize sustainable strategies and successfully implement related initiatives. 4flow has a focus on supporting its customers realize sustainable supply chain optimization and assists in making ecological objectives a component of improved economic performance.

Innovative through Research



For its work in the field of research, 4flow was first awarded the "Innovative through Research" seal in 2016 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 received the honor again in 2018.

Science Award for SCM sponsorship

4flow also directly promotes outstanding work in the field of supply chain research. In 2018, 4flow sponsored the Science Award for Supply Chain Management, awarded annually by BVL International to exceptional young research scientists. At this year's International Supply Chain Conference in Berlin, Germany,



4flow COO Kai Althoff presented the award to Dr. Eva Klenk for her dissertation on tugger train system design.

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. Of course, this goal cannot be achieved through corrupt practices, but rather only through excellence.

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





Further steps



Even in light of 4flow's history of success, the company strives to go even further. Many more measures can be undertaken to improve the company's positive impact on employees and the environment. Two issues stand 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. Recent renovations at 4flow's Berlin headquarters focused on creating an optimal work environment and

comfortable areas for our growing number of team members – additional workspace for a further 70 team members was recently made available. This focus on workspace optimization is an important aspect for 4flow at its other locations, as well. The 4flow teams in Budapest, Hungary; Campinas, Brazil; Munich and Hamburg, Germany; Detroit, USA; and Antwerp, Belgium also moved to larger office spaces recently, with the office in Pilsen, Czech Republic to follow soon. Opened in 2017, 4flow's offices in Stuttgart, Germany and Changzhou, China were designed to be optimal workspaces as well – as was the new 4flow office that opened in 2018 in Vienna, Austria.

The principles of Green Logistics will continue to be emphasized through our work with clients and in our research. The underlying intention is to contribute to awareness of the topic in society and to increase industry's commitment to assuming responsibility for the environment. In our next supply chain survey, we intend to focus on analyzing current, innovative, and established sustainable supply chain concepts.

In recent years, 4flow has taken many significant steps in the right direction. Nevertheless, especially in light of our increasing number of new international locations, the critical evaluation of our existing communication structures and an enduring commitment to social and environmental responsibility will remain at the top of our agenda.



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