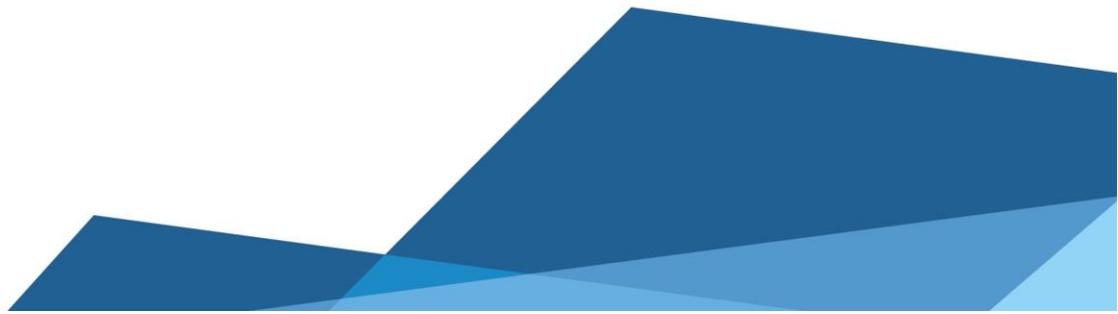


Communication on Progress 2019

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I STATEMENT FROM THE CEO

December 16th, 2020

To our stakeholders:

With the publication of our third Communication on Progress, I joyfully reaffirm our support for the UN Global Compact in the areas of human rights, labour standards, environment and anti-corruption and our commitment to uphold the Ten Principles in everything we do. In this annual progress report, we lay out our activities to continuously improve the integration of the Global Compact and its principles into our business strategy, corporate culture and daily operations. As this is a stand-alone report, we also give you a recent overview of concerned topics within our group.

With our unique business model, we are committed to enabling sustainable development together with our stakeholders. In this regard, we also share the following information with our internal and external stakeholders through our primary communication channels.

We are convinced that our endeavour to advocate environmental responsibility and inclusion goes hand in hand with compliance and advocacy of the Ten Principles.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. Cvilak'.

Paul Cvilak
Chief Executive Officer



II WHO WE ARE

The **Initiative 500 gAG** (i500) is a group of companies which is specialized in creating employment opportunities for people with disabilities. Our subsidiaries operate in different fields of the IT-sector and share the vision of creating 500 workplaces for people with disabilities. For this reason, the majority of our processes are designed to be barrier-free. All companies in the group are working to raise awareness of the issues of inclusion, circular economy and environmental responsibility in practice. i500 is headquartered in Ettlingen, Germany, and has centralized the group's back office departments. Concerned departments are human resources, finance, accounting and procurement. The merged departments now make up the **Initiative 500 Service GmbH**. The Initiative 500 Service GmbH is also located at the i500 headquarter in Ettlingen, Germany.

AfB is the group's powerhouse and has specialised in collecting IT equipment which companies and public institutions no longer need and refurbishing and reselling the equipment after certified deletion of data. Equipment which is not sold is recycled in certified WEEE dismantling plants in Europe. By reusing or extending the life of IT devices as well as recycling we are protecting the climate, environment and resources. As a recognised inclusion company we create jobs for people with disabilities on the primary labour market. Headquartered in Düren and Ettlingen, Germany, AfB employed 440 people in 2019 at 19 locations spread over Austria, Germany, France, Switzerland and Slovakia, of whom 45% have a disability. Therefore AfB operates under the claim "social & green IT".

Today, the previously independent subsidiary **Mobiles Lernen** Lernen is a own division which supports teachers and school authorities in providing pupils with digital learning spaces. Cooperating schools enable their teachers to apply contemporary learning concepts and serve as role models for digitalization at school. A specialized team provides consultation and coordinates the insurance coverage and servicing of notebooks and tablets. While devices are majorly funded by parents, the company also provides financial aid through a fund for economically less privileged families.

Social Lease is a specialized partner for any aspect of a leasing process: From meeting necessary compliance and regulatory requirements, to servicing and maintaining, up to the restitution of business-IT-devices. Social Lease aims to bring full transparency and a charitable element to its leasing business. Each individual leasing contract creates new opportunities for people with disabilities. Taking this into consideration, Social Lease is strictly focusing on long-term partnerships with socially conscious clients. Social Lease is headquartered in Ettlingen, Germany and is also operating in France.

III PROLOGUE

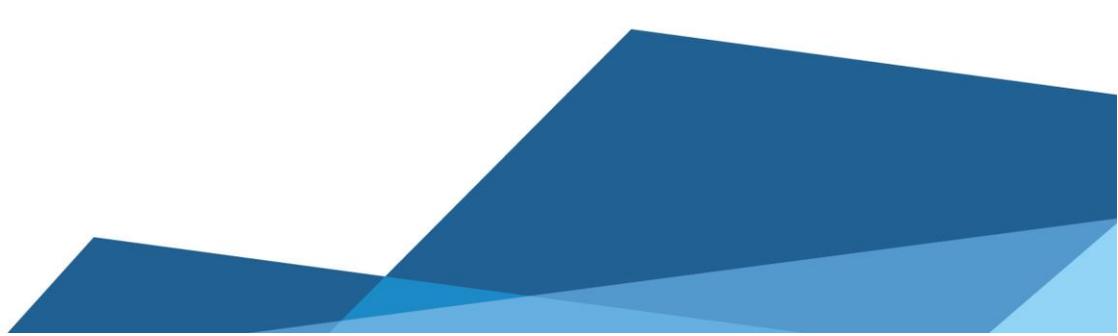
There is no sustainable IT hardware in production today. Raw material extraction and production are currently associated with significant social and environmental impacts. Extending the product life cycle of IT and mobile devices is the best option from a sustainability perspective.

i500 has a semi-circular value chain and, with that, a strong social impact. New devices such as notebooks and tablets are used for digital education in Mobiles Lernen (translation: mobile learning), further business-devices are provided through Social Lease. At Mobiles Lernen, the devices are paid by the parents of the students on a monthly basis. This ensures that all students in a classroom receive the same devices, even if parents' incomes may differ.

Within the i500 group, AfB, the group's powerhouse, takes devices back, applies certified data destruction measures and refurbishes the devices for secondary usage. Social Lease, on the other hand, provides corporates with exemplary leasing services within the Social Enterprise construct of the i500. All devices from Mobiles Lernen and Social Lease are given back to AfB after the first usage period.

The i500 initiative is part of a long and global value chain of IT-devices. Involved resources were globally sourced, devices were mostly assembled in Asia and finally shipped to Europe. Within the IT-sector, it is common to export used devices to non-European countries in Africa, Asia or South America. i500, however, has committed itself and thereby its companies to reduce the export of IT-devices and give citizens and corporates a specific degree of certainty about how their discarded devices are going to be used in the future. A sustainable economic cycle protects the environment – here at home and in the developing countries.

The i500 builds bridges between the social and non-profit sectors and increasing its impact every day. In addition, i500 underlines its commitment to the creation of 500 integrative jobs for people with disabilities.



IV OUR IMPACT

We evaluated our impact in 2019 and are pleased that we were able to increase our social-ecological contribution once again.



V HUMAN RIGHTS (PRINCIPLES 1-2)

Guidelines and goals

Our internal guidelines and Code of Conduct reaffirm our commitment to respect and support the rights of our employees, the employees of our business partners, our customers as well as other stakeholders in our business context. Especially AfB's business model consists of taking back, erasing data and remarketing or recycling discarded IT-hardware from companies and public institutions. In 2019 more than 475.000 business-devices were handled, of which the majority was resold to end consumers. Compliance with human rights is covered by ensuring the enforcement of internal i500-guidelines and AfB-internal Code of Conduct along the value chain, according to our scope of influence.

Implementation

Our employees, customers and business partners are properly screened and educated to enforce these standards and guidelines in daily practice. We promote good practices, foster their implementation in our daily activities and regularly communicate our commitments, expectations and, for cases of breaches, unnegotiable consequences. We hold it self-evident to address the topics of social standards, working time, health, safety and interpersonal dealings in our internal guidelines. Appropriate education concerning these guidelines is ensured for all employees by our leadership, for our business partners this is ensured by our partner managers.

We have a standing commitment to enable and contribute to human and labor rights conformity beyond our business model. With AfB we enforce this commitment through contributing to developments in ecodesign, supply chain management, waste management and other relevant fields and increase human rights conformity in the IT-sector in Europe and beyond.

Key Figures

- All new wholesale customers fill out an application form with questions about human rights, environmental issues and sustainability. The global division manager performs a document review of the customers and decides on cooperation in accordance with the guidelines developed for this purpose. We also check our largest customers on site.
- The entire management of the i500 Group and all employees are encouraged to support, promote and demand compliance with our Code of Ethics and Conduct.
- We have neither had reports of human rights violations, nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions. We will immediately investigate any reported suspected cases.

VI LABOR RIGHTS (PRINCIPLES 3–6)

Guidelines and goals

Our goal of creating 500 inclusive jobs on the primary labour market promotes the social and economic integration and self-determination of people with disabilities. As a signatory to the Charter of Diversity, we want to overcome barriers and raise awareness of diversity and inclusion in society. At i500, empowering people with disabilities is seen as a great opportunity which benefits everyone involved, including our clients and customers. We want to provide all people among our staff equal opportunities. Our internal guidelines aim to eliminate discrimination based on ethnicity, gender, sex, age, religion, political views or impairment. Equality is consciously lived on a day to day basis, also concerning hiring, salary and education programs.

Implementation

The value chain of (remarketed) IT-devices is a central topic at i500, which especially concerns AfB. While we can hardly influence human and labor rights conformity among the production of our supplied devices, we can fully take responsibility of whom we supply. In this context, the brokerage business in particular was identified as a potential issue. Thus, AfB's Code of Conduct approaches this matter in particular. Both suppliers and industrial purchasers must be audited in accordance with ecological and legal standards. The audits include in particular a human and labor rights screening.

On the other hand, i500 is aware of its responsibility to save and recover the resources used in the production of IT-devices. Inside the devices are components made from rare earths and conflict minerals, the latter being minerals, which are mined under inhumane conditions and used to finance ongoing wars. Precautionary management of these resources is crucial, as further wastage of these minerals will provoke further exploitation of the people in the affected areas. Therefore, we are committed to extending the usage of as many devices and components as possible before transferring them to a recycling plant. AfB specifically trains its employees in the comprehensive testing and refurbishment of IT devices. For the recycling of mobile phones, we opted for a partner in Belgium with a multi-certified partner in Belgium that operates facilities with proven above-average recovery rates.

We see our employees, both with and without disabilities, as ambassadors for inclusion. In order to provide a pleasant and productive working environment, our leadership body has received appropriate training and ensures a healthy, continuous awareness for colleagues with disabilities among their teams. The majority of internal processes are designed to be barrier-free, enabling people with and without disabilities to work together. This also includes proper education on occupational safety and providing a safe workplace. Our employees can address their concerns at any time to our company social workers, who also regularly invite them to personal consultation hours. In addition, our internal guideline of i500 and the Code of Conduct are sent digitally to each new employee and are available at all locations. Each employee is held accountable by their respective manager.

Key Figures

- We have neither had reports of labour violations, nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions. We will immediately investigate any reported suspected cases.
- The percentage of employees with disabilities is 45% in 2019.

VII ENVIRONMENT (7–9)

Guidelines and goals

Most of our processes focus on extending the life of IT-hardware. This contributes enormously to the conservation of natural resources. A study conducted by the Technical University of Berlin examined positive environmental impacts related to remarketing IT-hardware. The result: Using a remarketed IT-device instead of a new one can save up to 73.5 kilograms of CO₂-equivalents, 146 kilograms of metal-equivalents and 830 megajoules of energy. We are aware of our potential impact and clearly position our services, especially those of AfB. Meaning: We act as advocates of remarketing and recycling IT by reaching out to end consumers. We foster connections with universities and research institutes and we work on activating businesses in Europe as well. To mutually work towards a resource-efficient company, we foster a culture of sustainability awareness and feedback in which every single employee has the opportunity to give applicable change recommendations.

Implementation

AfB, the largest subsidiary of i500, has set up a process optimisation department that works towards less time- and resource-intensive processes to make the company more flexible and greener. The focus was on implementing optimized processes in the new building at our headquarters in Ettlingen. AfB's new corporate headquarters falls 25% below the minimum value of the German Energy Saving Regulation. The relocation took place in late 2019 to early 2020. i500 has successfully implemented an environmental management system for AfB as its largest subsidiary. For this reason, AfB has employed an environmental manager whose main task is to introduce and maintaining an environmental management system in accordance with ISO 14001. This certification is an integral part of the company's sustainability strategy. In addition, the Environmental Manager and the Corporate Responsibility Manager contribute to the further development of climate-positive IT services, for example through research projects with institutes like Fraunhofer Institute.

The long-term goal is to make AfB even more climate-friendly. AfB is active in several countries, and we are already carbon neutral in one. Remarketing IT-devices saves natural resources, reduces emissions and saves energy in the long run. AfB's remarketing efforts led to saving 17,000 CO₂-equivalents and 52,300 Megawatts of energy in the year 2019. Compared to the previous year, we were able to increase CO₂e savings by more than 31,5 %. In 2019, 22,900 tons of metal-equivalents were saved through remarketing of IT-devices. Concerned metals include silver, palladium and cobalt, furthermore, also conflict minerals such as gold and tantalum.

Our business services provide large corporations with the opportunity to handle decommissioned hardware in an environmentally responsible manner. Environmental risks, illegal disposal and exports to non-European countries in Africa, Asia or South America are extremely reduced. Through i500's expertise and specific offering, companies are helping to promote refurbished equipment as a sustainable alternative. For this reason, AfB offers its business partners the opportunity to jointly carry out sales and information days at their locations. These can be effectively used to promote corporate responsibility and raise employee awareness of reusable IT. In terms of private clients, we majorly sell to silver surfers and economical (young) adults who care about their environment.

Since 2015, AfB has been cooperating with Telefónica Germany and the environmental association NABU e.V. (translation: „Nature and Biodiversity Conservation Union Germany“) in order to enable the general public to dispose used phones and tablets in a green and responsible manner. The “Handys für die Havel”-partnership (translation: “mobile phones for the Havel-river”) stands out by donating to the renaturation of the Havel-river’s lower basin, which currently marks Europe’s largest river-related renaturation project. Collected devices are processed by AfB. In addition to our core business, this project thus also contributes to the creation of permanent inclusive jobs at AfB. Together with Telefónica und NABU, AfB plans to increase the number of mobile phone collections through cooperations partners.

Key Figures

- Extension by a dismantling plant at the Borchten site, Germany. The operation of its own dismantling plant is intended to increase flexibility and thus efficiency in the entire process of handling defective equipment and recycling materials. Certification as a waste management company in 2019.
- Number of treated devices including "mobile phones for the Havel" (see table)
- Conserved resources through AfB’s business operations (see table)

Number of treated devices

Year	Number of treated devices in total*	Collected mobile phones of “Handys für die Havel”
2019	475.000	84.300
2018	418,000	58,000
2017	376,000	58,000
2016	317,000	37,000

*includes AfB's core business as well as the program “Handys für die Havel”

Source: <https://www.nabu.de/umwelt-und-ressourcen/aktionen-und-projekte/handysammlung/index.html> by NABU e.V.

Saved resources and emissions through AfB’s business operations

Year	GHG Emissions (tons)	Metals (tons)	Power (MW)
2019	17,000	22,900	52,300
2018	11,600	16,440	36,560
2017	9,800	14,300	31,500
2016	8,300	12,100	26,700

Source: Internal figures, based on a study conducted by the Technical University of Berlin, 2013.

VIII ANTI-CORRUPTION (PRINCIPLE 10)

Guidelines and goals

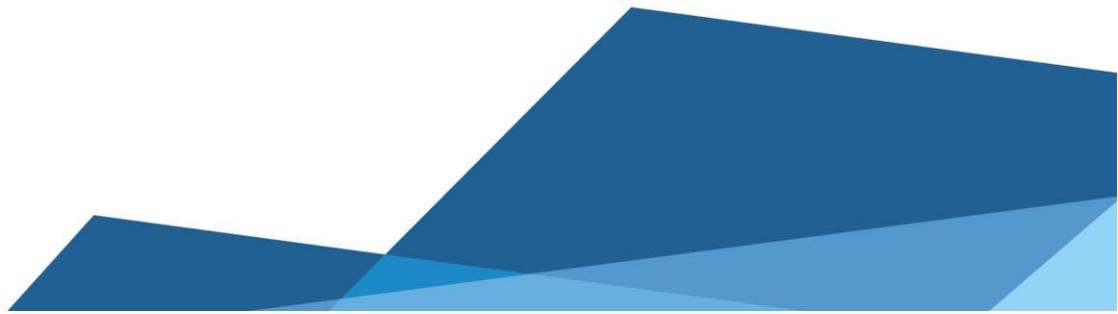
The Code of Conduct of AfB, being the group's largest subsidiary by far, explicitly encourages lawful actions and thus prohibits engaging in bribery and corruption in any form. We have a responsibility to our employees, our stakeholders and the local communities in which we do business to be ethical and lawful in our work.

Implementation

Our leadership body is held accountable to be a role model for their employees and promote lawful practices. Our self-image follows a zero-tolerance policy which also includes the immediate inhibition of a business partner. Our sales agents receive specific training on the matter of bribery and corruption.

Key Figures

- We have neither had reports of corruption-related violations, nor discovered any problems, nor been fined, nor been threatened with legal action or sanctions. We will immediately investigate any reported suspected cases.



IX CONTACT

Persons involved in this report:

- Daniel Büchle (Managing Director)
- Marion Lichti (Corporate Communication)
- Christoph Teusch (Corporate Responsibility)

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The Principles of the UN Global Compact are an excellent basis for advancing the Sustainable Development Goals (SDGs). Together with our partners from industry and the public sector, we make a valuable contribution to seven SDGs.

