

Communication on Progress 2021

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I STATEMENT FROM THE CEO

December 16th, 2022

To our stakeholders:

With the publication of our fifth 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 relevant 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

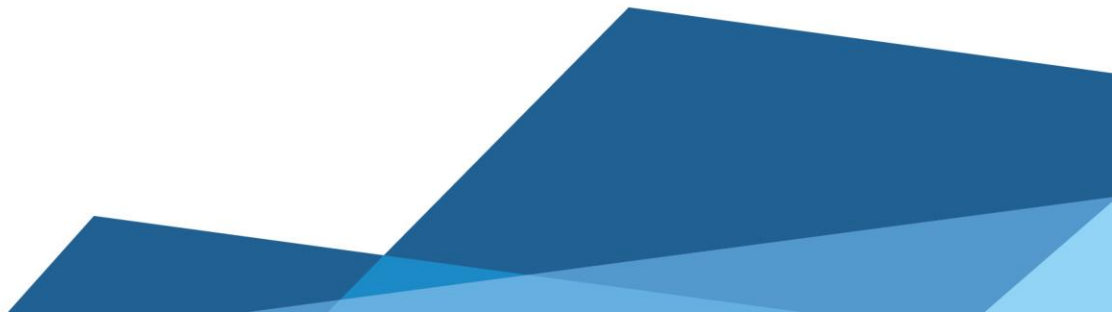


II WHO WE ARE

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 the remarketing of IT equipment which companies and public institutions no longer need. The hardware undergoes a certified data deletion before it is refurbished and remarketed. Equipment which is not sold is recycled in certified WEEE dismantling plants in Europe. By reusing and 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 in 2021 600 people at 19 locations spread over Austria, Germany, France, Switzerland and Slovakia, of whom 49% have a disability. Therefore, AfB operates under the claim "social & green IT". **Mobiles Lernen** (*translation: mobile learning*) is an 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

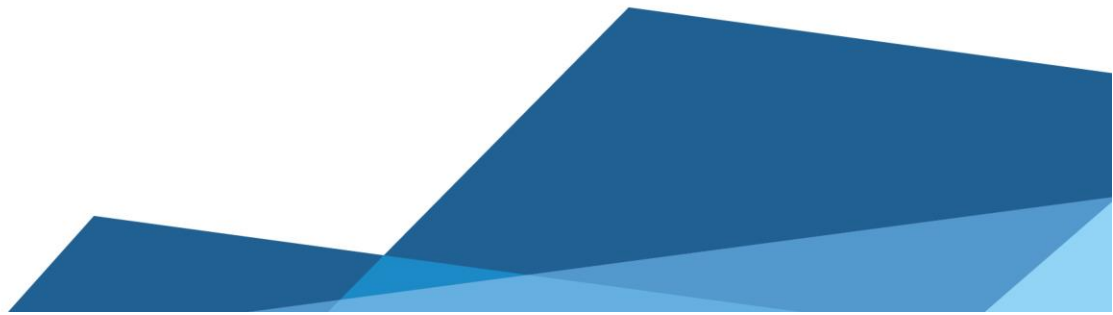
There is no sustainable IT hardware in production today. Raw material extraction and production are currently associated with significant social and environmental impacts. Extending the product life cycle of IT and mobile devices is the best option from a sustainability perspective.

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, 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

As every year, we carried out an impact measurement for 2021 in order to track and communicate our socio-ecological contribution to our society and environment.

AfB Group: Our Impact 2021



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 2021 more than 450.000 business-devices were handled, of which the majority, exactly 59%, was resold to 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.

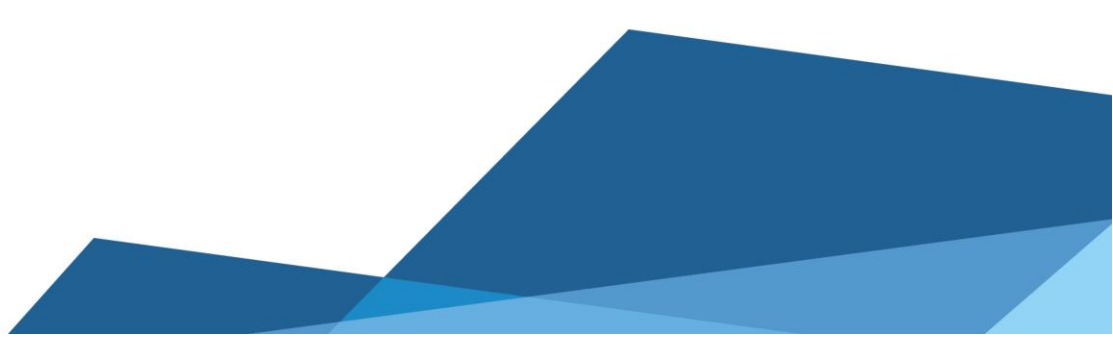
Implementation

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 labour 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.
- The entire management of the i500 Group and all employees are encouraged to support, promote and demand compliance with our Code of 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 case.



VI LABOUR 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 labour 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 are screened in accordance with ecological and legal standards. The screening includes in particular human and labour rights.

On the other hand, i500 is aware of its responsibility to save and recover the resources used in the production of IT-devices. The devices contain components made of rare earths and conflict minerals. The latter are mined under inhumane conditions and used to finance ongoing conflicts. 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 multi-certified partner in Belgium that operates facilities with high 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. Employees can also give confidential feedback anonymously on the intranet.

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 case.
- The percentage of employees with disabilities is 49% in 2021.

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 first study conducted by the Technical University of Berlin examined positive environmental impacts related to remarketing used IT-hardware. This study has been updated by myclimate to provide up-to-date environmental indicators for a larger number of IT devices. In addition, AfB can now output further environmental indicators beyond CO₂ or resource consumption (e.g. water consumption). The result: Using a refurbished notebook instead of a new one can save 113.69 kilograms of CO₂-equivalents. We are aware of our potential impact and align our services, especially those of AfB, accordingly. Meaning: We act as advocates for circular economy by raising awareness of IT remarketing and recycling. We foster connections with universities and research institutes and work to promote awareness among companies in Europe. In order to work together towards a resource-efficient company, i500 cultivates a culture of sustainability awareness and feedback, in which every single employee has the opportunity to make suitable change recommendations.

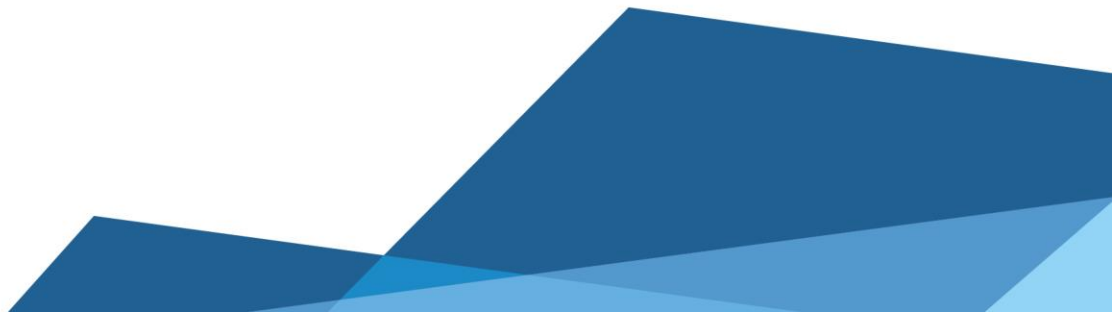
Implementation

AfB, the largest subsidiary of i500, has set up a process optimization department that works towards less time- and resource-intensive processes to make the company more flexible and greener.

AfB is certified to the ISO 14001 environmental management standard and is regularly audited. This certification is an integral part of the company's sustainability strategy. In addition, among others, the environmental department and the CSR department support the company in the development of climate-positive IT services. For example, AfB is participating in a research project on sustainable smartphones led by the Fraunhofer Institute. Since a large amount of the climate emissions from IT devices are in the supply chains, AfB has been involved in the research project called "scope3transparent" since 2021, also in cooperation with the Fraunhofer Institute, KIT and others. In 2022 AfB plans to update its sustainability strategy. For this purpose, AfB carried out a materiality analysis.

One of our long-term goals is to make AfB climate neutral. In 2021, AfB recorded all of its emissions, including Scope 1, 2 and 3, and implemented the first reduction measures. AfB works continuously to avoid and reduce CO₂ emissions. The remarketing of IT-devices saves natural resources, reduces emissions and saves energy in the long run. AfB's remarketing efforts led to saving 33.900 CO₂-equivalents and 130.300 Megawatts of energy in the year 2021. In addition, 20.600 tons of metal-equivalents were saved.

Our business services offer large companies the opportunity to deal with 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. AfB promotes sustainable remarketing by, among other things, providing IT equipment at special rates to schools and nonprofits.



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 Hummel, Biene und Co.”-partnership (translation: “Cell phones for bumblebee, bee and co.”) stands out by donating to the NABU insect protection fund. Collected devices are processed by AfB. In addition to our core business, this project 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 by cooperating with business partners who participate in the project.

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 "Handys für Hummel, Biene und Co." (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 Hummel, Biene und Co.”
2021	450,000	163,000
2020	472,000	110,000
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 Hummel, Biene und Co.”

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)
2021	33,900	20,600	130,300
2020	43,200	24,700	170,400
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: The environmental data for the years 2016 to 2019 are based on a study by the Technical University of Berlin, 2013. The data for 2020 is based on a study carried out by myclimate from 2021. More environmental data is provided for more device types than in the previous study.

VIII ANTI-CORRUPTION (PRINCIPLE 10)

Guidelines and goals

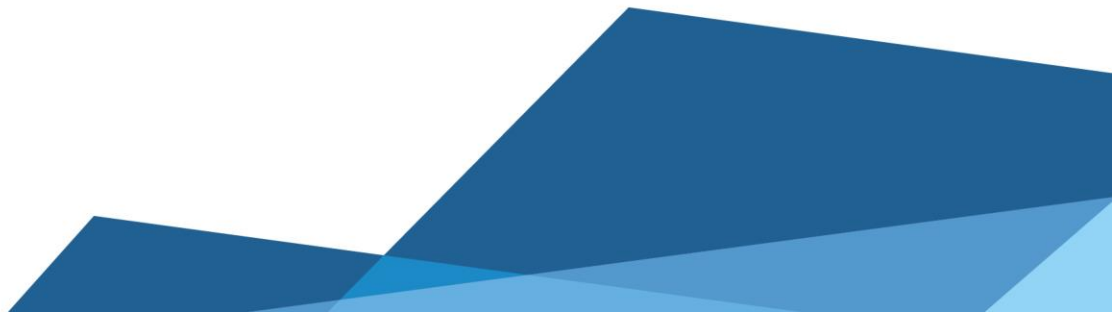
The Code of Conduct of AfB, being the groups largest subsidiary by far, explicitly encourages lawful actions and thus prohibits engaging in bribery and corruption in any form. We have a responsibility to our employees, our stakeholders and the local communities in which we do business, to act ethically and lawfully 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 case.



IX CONTACT

Departments involved in this report:

- Management
- Corporate Communications
- Environmental Management
- Corporate Responsibility

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www: <https://www.afb-group.de/en/home/>

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.

