GERMAN MAILGENEERING

# Successful transformation requires sustainability –

## transformation means responsibility.

*Welcome*
to the third sustainability report

# of Francotyp-Postalia Holding AG,

dated 31 December 2019

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# 1. Introduction

Dear Reader,

While I was formulating the preface to our new sustainability report, now in its third year, the world was stumbling in a way that we have never witnessed before: for us as people, as a society and as a company, the coronavirus represents a new threat to our existence, and an experience that we will never forget.

One thing is clear: the tremendous importance of what we generally call "responsibility" in terms of our ability to cope, not just with this virus. Responsibility is also a favourite term used by many among us who like to shift responsibility to others.

Responsibility is the other side of the coin known as freedom. The freedom to think and to act and the freedom to determine what freedom is. **FP** protects this freedom – without security there is no freedom. Hacker attacks and data misuse, for example, jeopardise production processes and power supplies, sowing confusion and irritation not just in the US election campaigns. Security, digital security and digital *high* security, is therefore a society value. This value is what gives our work meaning.

The Board of Management at Francotyp-Postalia has always understood responsibility in *every sense of the word*, and has, as a result, been subjected to major criticism from some quarters recently. *But*: we delivered good figures in 2019, thanks also to the global commitment of our employees.

Allow me therefore to say a few words about our long-term understanding of responsibility. **FP** is a company undergoing transformation. Transformation requires sustainability. Transformation means responsibility.

Responsibility in many forms,

- responsibility for our employees, for the people who work directly and indirectly for and with **FP**. We bear responsibility for these people and their families, as well as for our customers and our stakeholders as a whole. And, in these "corona-times" especially, their health is our number one priority. This concern is part of how we see ourselves – for the company's unique expertise,
- for all the knowledge that has been accumulated here over almost 100 years and which forms the basis for the next new thing,
- for the history of the champion, and for the continuation of our "traditional company", as manager magazine named us,
- for the value of our share, in the medium and long term,
- and for cost management that is committed to successful prospects: We are investing in the company, investing in what it needs to develop. After all, success comes from the right expenditure in the right place – right where the future is growing.

So, we are not just pursuing short-term revenue. Instead, we are assuming comprehensive responsibility for and adopting a clear standpoint on **FP**'s sustainable future. This is what determines the values behind what we do. Stay healthy.

Yours,
Rüdiger Andreas Günther (GRI 102-14)

## 1.1 Sustainability and transformation – hand in hand

**FP:** We have been building the future for 97 years. In three years, we will be celebrating our 100th birthday.

After all, Our future lies where nobody else has ever been. So we cannot pretend to know what will happen – but we can say what we want to achieve. This is what we stand for, especially with our ideas, our mission and, most importantly, our vision. We know how we want to find and occupy our place on the world's markets, especially in a sustainable way.

Our vision is an achievable goal. It motivates us – and successful motivation gives us the strength we need to grow sustainably and, in particular, to act sustainably.

### Sustainability anchored in our vision

**We make life easier for our customers with our innovative and efficient products and services, giving them time for – and delight in – their everyday business. By 2023, we will be the first brand worldwide that customers will think of and rely on when it comes to secure mail business and secure digital communications processes.**

**We are FP.**

Based on the challenges that **FP** is facing and the goals we are pursuing through our ACT strategy, we repositioned ourselves in 2018 in terms of our vision, our values and our globally binding and standardised brand claim. In cooperation with over 1,000 employees in ten countries and six languages, we used our Strengths Compass and the analysis of 134 market research studies to collect information that allowed us to distil the experiences and knowledge into our new claim and our promise of benefits.

### "German Mailgeneering"

This is how we see ourselves, and it is our promise to all of our stakeholders. Our claim incorporates the rapid developments we have experienced in the last few years, and which we will continue to experience in future:

"GENEERING" means the genetic development and modification of DNA, including that of a company, in order to give it a new character. ENGINEERING is our specialist field.

GERMAN MAILGENEERING implies the recognition of this German engineering skill: *reliability, sustainability, confidence* and *security*. This is quality with the "made in Germany" tag that the whole world values. The "mail" in the term "mailgeneering" is a reference to our many years of experience in our core industry, the secure mail business. This therefore provides the foundations of our special and unique technical expertise and our particular digital prowess in secure communications. In other words: "Future through heritage" or "Turning old into new"!

To live up to this pledge, we are constantly reinventing ourselves and becoming a key service provider in the digital world of communication. Our values provide us with a direction for our everyday business and for our goal of sustainable growth:

### A secure mail business and secure digital communication processes

And we are experts in these fields. With our high quality we create trust among our customers and build the basis for more intensive cooperation. We are also building on this as part of our ACT growth strategy:

We are winning market share in our core business – in 2019 too, **FP**'s global market share improved since the start of 2016, increasing from just under 10 % to more than 12 %. We support our customers as they transition from the analogue to the digital world. And we are transforming ourselves into a dynamic growth company.

### No change without values: values that guide us in our everyday business

For the change we want to effect and for our vision, we need values that support us along the way.

We are steadfast, since we stand for our ideas, our goals and for ACT. Our attitude shapes how we think and act. With ACT, we have given **FP** a highly regarded strategy that makes our company fit – fit for a future that holds many opportunities. It is clear that the road ahead will not be an easy one. Our spirit welds us together and strengthens our will. We are reorientating our organisation, becoming faster, more efficient and more effective.

Knowledge – the foundation of our success. Our vision and our creativity spur us on – we have clear goals for our

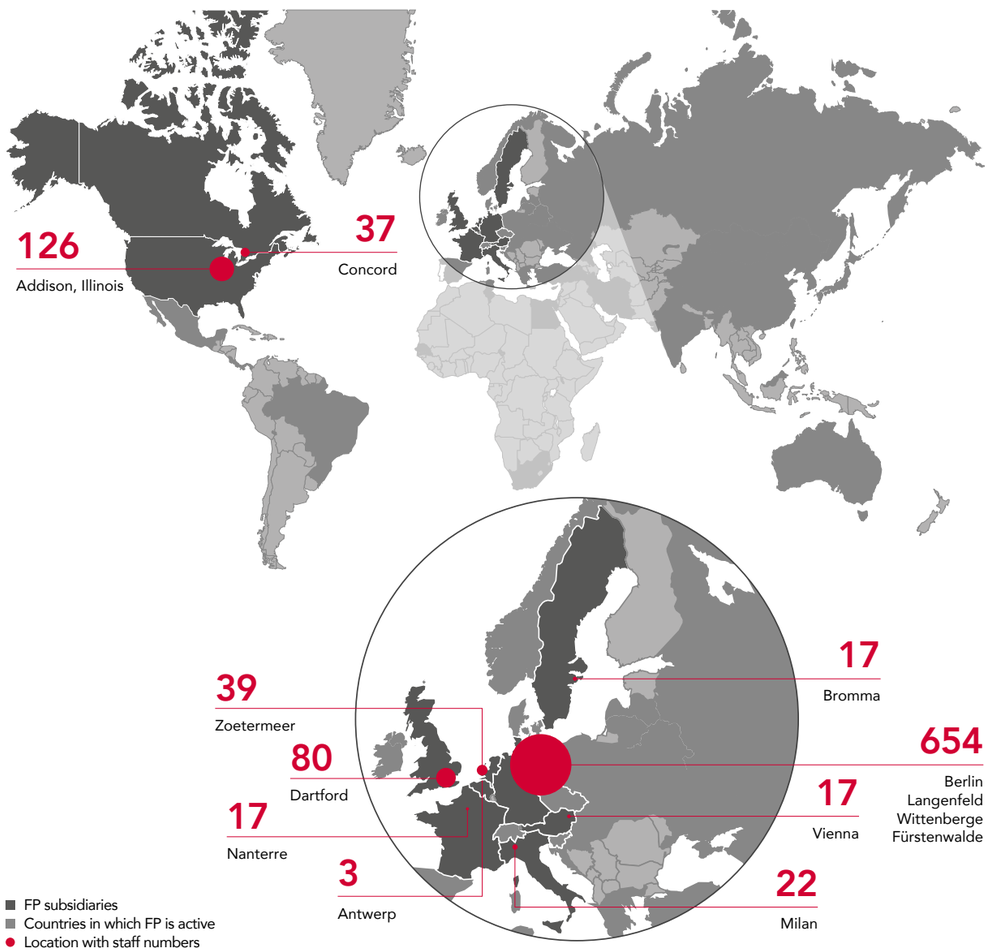
100-year anniversary. Quality made in Germany – something that fills us with tremendous pride. We deliver quality and love technical innovations. We develop innovative ideas and initiatives based on our DNA and integrate our core areas of expertise and capabilities.

Our vision and our values in the context of sustainability form the basis of our sustainable strategy and the actions arising from it: ACT SUSTAINABLY. *This is our sustainability strategy that we introduced in the last sustainability report in 2018.*

## 1.2 Francotyp-Postalia A company in motion

As an internationally operating corporate group, which has its headquarters in Berlin and which is listed on the stock exchange, we – Francotyp-Postalia Holding AG (hereinafter referred to as **FP**) – can look back on more than 97 years of history and look forward to new ways of digital communication (GRI 102-1, 102-3, GRI 102-5). More than 1,000 employees are committed worldwide to our customers (GRI 102-7, GRI 102-8).

**OUR OFFICES WORLDWIDE**




### Secure mail business – secure digital communication processes

Our business activities focus on products and services for efficient mail processing (franking and enveloping systems), the consolidation of business mail (mail services) and unique, highly secure digital solutions (hardware and software solutions such as our signature solution, **FP** Sign), as well as applications, products and consultancy in the field of the "Internet of Things" (IoT) for companies and public authorities (GRI 102-2).

In Germany we have a total of 21 offices (last year: 19). We handle the global distribution of our franking and enveloping systems via our own German subsidiaries, as well as subsidiaries in the United Kingdom, France, the Netherlands, Belgium, Austria, Italy, Sweden, Canada and the USA, and through a dense network of dealers in around 40 countries worldwide (GRI 102-4, GRI 102-6).

We manufacture our franking systems in Germany in a modern, flexible production facility in Wittenberge (Brandenburg), which was expanded two years ago with a central workshop for Germany and our service parts centre for the shipping of consumables and spare parts, designed to make their rapid delivery even more effective.

We successfully opened our Shared Service Centre (SSC) in the Berlin area (Hennigsdorf) that takes care of various group-wide administrative and process-orientated activities. This enabled us to reach a further milestone in the implementation of our JUMP transformation programme, which **FP** set up to generate cost savings and to position itself efficiently for the future.

In our SSC, processes are optimised and quality improved. Domestic **FP** companies and subsidiaries from other European countries will in future be making even more use of the SSC's services. The multi-lingual staff there carry out important tasks centrally, such as telephone and e-mail-based customer support, optimising administrative procedures such as order processing and accounting and improving service quality in the process.

### Product areas

**FP**, with its subsidiaries in various industrial countries and a dense network of dealers, divides its business activities into three product areas:

- Franking and enveloping,
- Mail services and
- Software digital.

### Franking and enveloping systems – Made in Germany

**FP** develops and produces systems for the automatic franking of surface mail. We sell and rent these, just like our enveloping systems, which automatically insert printed letters into envelopes. We also offer our customers a comprehensive portfolio of services. These can be used with the franking systems to automatically frank your post in the shortest possible time, making your everyday office tasks simpler and reducing postage costs. One key revenue driver is our after-sales business: this comprises the sale of consumable materials such as ribbon and ink cartridges, as well as services, software solutions for cost centre management and Teleporto.

### Mail services

We take care of the franking and delivery in the standard postal manner of large volumes of letters for customers. The **FP** subsidiary freesort offers a franking service for customers, as well as the pick-up of un-franked outgoing mail and the consolidation of business mail. This includes sorting according to post code and delivery to sorting centres operated by Deutsche Post AG or alternative postal delivery services. With eight sorting centres in Germany, **FP** is one of the leading independent consolidators of business mail in Germany. The largest **FP** centre for mail consolidation is located in Langenfeld near Düsseldorf – this is supported by seven other smaller centres in Leipzig, Munich, Hamburg, Frankfurt, Hanover, Stuttgart and Berlin.

### Software / Digital

The Software / Digital product area encompasses business with hybrid mail services as well as solutions relating to secure digital communication. For our hybrid mail services, we work with **FP** IAB to offer our customers universal, all-in-one solutions for incoming and outgoing mail processing. After all, **FP** IAB has been a leading specialist in this field for over 20 years. Our hybrid mail services convert data into ready-to-send letters and vice-versa: With **FP** Input management, we take care of the structured processing of all incoming mail, including the digital storage of scanned documents; with **FP** Output management, we take data streams from our customers and take care of the entire production process from the preparation of data and printing to enveloping, franking and handover of the mail to the surface mail or digital delivery service. We have our own printing and scanning centre in Berlin for our hybrid mail services business. Every year, we print, envelope and send around 23 million mail shipments on behalf of our customers.

To facilitate secure, fully digital communication, we offer products for the long-term storage and back-up of electronic documents through encryption and signature software, such as **FP** Sign, from our subsidiary Mentana Claimsoft. **FP** Sign is a cloud-based solution for the legally secure digital conclusion and exchange of contracts and documents, for example for SMEs, which we also reach through sales partnerships with suppliers of corporate software. Especially for our SME customers, we offer new digital products and services worldwide with the help of the discover**FP** customer portal. It includes an online solution for parcel shipping, i.e. multi-carrier selection, franking, tracking (**FP** Parcel Shipping, starting in the USA), webshop offers and the option to use our hybrid mail services.

### Internet of Things

So far, not many people know this, but **FP** is one of Germany's IoT pioneers – developed by **FP** Inovolabs. In fact, we developed highly secure hardware security modules (HSM) and public key infrastructures (PKIs), one of the key components of today's Internet of Things, for our franking machines very early on. The Software/Digital product area encompasses our range of highly secure products and solutions not just for the Internet of Things (IoT), but also the Industrial Internet of Things (IoT). Today, we offer our customers tailor-made cloud-based, end-to-end solutions for the secure transfer, control and analysis of data in the domain of the IoT. Over the past year, we have expanded this expertise and our sales further with the integration of the Berlin IoT specialists Tixi.com. Customers use the gateways to securely transfer data from their distributed devices and machines to their own or cloud servers for central analysis and management.

## 1.3 Our ACT strategy

To understand where **FP** gets its current dynamics from, we explain ACT in a little more detail below: The term ACT stands for Attack, Customer Journey and Transformation. The goal: growth – in terms of turnover and profit. ACT comprises measures to increase efficiency in all areas and, in particular, finance, human resources, sales and digitalisation.

### Attack: We take purposeful action on the markets and achieve higher penetration than previously.

In the age of digital communication, is the franking machine a relic from the past? More and more business customers are turning to systems for smaller volumes of mail, however. With the innovative PostBase family, **FP** is seizing its opportunity in this sector. Thanks to a comprehensive market development strategy, we are increasing our share of the core business and we are planning to further expand our customer base. As part of our ACT project JUMP, we laid the foundation and transformed our international sales by grouping them into three major sales regions under one management team. We develop innovative products and services – our new PostBase Vision, in which engineering skill and sustainability are our watchwords, was introduced onto the markets in the USA, Germany and France as well as the United Kingdom and enjoyed positive customer feedback.

### Customer Journey: The customer is at the forefront of everything we do; we are their companion on their journey into digitalisation, offering new solutions and services.

**FP** is becoming a companion in the digitalisation of processes relating to incoming and outgoing business communication. Especially for our customers from the SME sector, we offer new digital products and solutions worldwide through our discover**FP** customer portal. These include an online solution for parcel shipping, i.e. multi-carrier selection, franking, tracking (**FP** Parcel Shipping in the USA), webshop offers or the option of using our hybrid mail services and our signature solution (**FP** Sign).

With **FP** Sign, we are continuing to conquer the terrain of legally secure digital signatures. With this new solution for the secure, confidential and legally binding digital signing and exchange of contracts and documents, **FP** is addressing the growth market for electronic signatures (global e-signature market), which is set to grow by 30–35 % per year by 2023 (PS Market Research).

### Transformation: We are also on our journey towards digital transformation: FP is itself changing into a digital service provider of the very highest quality.

**FP** is currently changing almost on a daily basis – especially through the development and marketing of new digital business models beyond the traditional customer base. We have built up the skills to do this over decades by developing highly secure processes for the digital billing of postage: Almost 200,000 franking machines are networked via **FP** servers in Berlin. From here, not only can data be read out in a highly secure way, but bidirectional communication based on the highest security standards is also possible. This makes us one of the pioneers of the much-vaunted Internet of Things (IoT), and we operate one of the most modern and secure IoT networks. The tried-and-tested, certified technology stack from the franking sector is also especially ideal for IoT gateways with local data processing and its functions. We are reaching new markets and customer groups with our new **FP** IoT gateways. With its numerous interfaces, the IoT gateway from **FP**, the experts in secure communications, can also connect older machines and systems to the Internet. Other modules such as measuring equipment, small control units or energy meters can also be connected with ease. This prolongs the systems' useful life. The investment costs in modernisation also fall when compared to the purchase of new equipment and systems. The **FP** IoT gateways are real all-rounders in the Factory Automation sector and give rise to new areas of business such as intelligent waste containers. Their versatility means that the **FP** IoT gateways can be used virtually anywhere. They are always synonymous with reliability, high standards of security and flexibility. **FP** is represented at the SPS trade fair in Nuremberg from the 26th to the 28th of November 2019 with its high-performance modules. There, prospective clients can find out more about IoT gateways and what opportunities they offer for their business. We present three practical examples in the section entitled **FP** Secure Gateway.

## 1.4 Clear goals for dynamic growth JUMP – our leap into the future

JUMP is at the heart of our transformation. The implementation and success of JUMP take top priority for us and form the basis of our future profitable path to growth, our improved process structure and the clear orientation of our regional subsidiaries towards sales.

We are focusing on our strengths: everything we have done successfully so far – and everything that will make us even more successful in the future. We are leveraging efficiencies in sales/marketing / service, and in our subsidiary countries' back offices. We are stepping up our strategic forward-thinking and our digital positioning. All this is intended to ensure even better service for our customers and another 100 years of success!

### Our growth levers:

- efficiency, speed and quality.
- Specialisation of our head office in Berlin.
- Concentration of regional organisations on marketing, sales and service.
- Shared Service Centre (SSC) for administrative / transactional operations.
- New standardised processes, systems and responsibilities.

In order to boost the **FP** Group's global impact, we are optimising our structure and organisation according to a newly defined target operating model, which serves us as a bridge between strategy and implementation.

Its key measures are:

- The introduction of globally standardised end-to-end processes, including a standardised ERP/CRM system throughout the company;
- The setup of competence centres, including in the finance, strategy, marketing and service sectors;
- The setup of two shared service centres, one for North America and one for Europe, where repetitive tasks that can be automated will be processed in a standardised way.

As we announced in August 2019, we have re-prioritised the resources we have available to us and reviewed our timeline for the launch of EPR/CRM in order to keep any negative impact of the system changeover on our customers and our operational business as small as possible.

With the new ERP/CRM timing, we are working flat-out on JUMP and are able to provide the following updates:

- We have successfully opened our Shared Service Centre (SSC) in the Berlin area that takes care of various group-wide administrative and process-orientated functions.
- The central logistics division at our production facility in Wittenberge (central warehouse and central repair workshop) for our European business will be put into operation in Q2/2020 (with regard to the UK, we are waiting for any Brexit ramifications).
- In relation to the implementation of our new ERP/CRM system, group-wide introduction will be completed by the end of 2021 based on the current plans.

The international sales management team has been streamlined, and the previously local organisation of sales companies has been replaced with three large sales territories: North America, Central Region (Germany, Austria and Switzerland), Middle Europe (rest of Europe and international dealers). The expansion of key strategic support functions will strengthen **Francotyp-Postalia Holding AG**, while synergies will be leveraged and efficiency advantages achieved across the group.

# Vision, mission and values – our leadership principles at FP

(GRI 102-16)

### 1. Market and competition

We are actively involved with our business areas of secure mail and secure digital communication processes. On the franking machine market, we are the market leader for Germany, Austria and Italy. With our new solutions for secure digital communication processes, we operate on the markets for electronic signatures and secure IoT. We want to grow and gain market share in all areas of the market. We are achieving this goal through organic growth, acquisitions, regional expansion and ingenious creativity.

### 2. Customers

Our customers are at the heart of what we do. We offer them comprehensive solutions relating to mail and secure data communication. We deliver our services with the aim of achieving maximum professionalism, especially in terms of quality, security, service and reliability. Our prices are fair and appropriate. Our customers trust us.

### 3. Profitability

The average is not something we want to measure ourselves against, or indeed set out to achieve. We want to set the benchmarks and, as a brand, be the number 1 on our customers' market for secure mail business and secure digital communications processes, as well as bringing growth and commensurate profitability into harmony.

### 4. Secure jobs

Growth and profitability are not an end in themselves. They serve in particular to safeguard existing and create new jobs and development opportunities.

### 5. Employees

We achieve our goals through highly motivated and skilled employees. We demand a high level of performance and we encourage our employees to reach this. Top performance pays off, and it is fun to work for us. Executives exemplify our vision, our mission and our values. Our employees are our most valuable asset.

### 6. Innovation and processes

Our crucial lever for above-average growth while achieving high profitability comes from innovations and efficient, reliable business processes. With our innovations in the classical product and solutions business, as well as in secure digital communication processes, we are always one step ahead of our competitors. We achieve efficient and reliable business processes by constantly improving what we do. Simply being good is not enough for us.

### 7. Transparency

We have clear goals, translate these into detailed, concrete measures and implement these measures consistently. Since you can only improve what you measure, we ensure maximum transparency down to the last detail through a range of key performance indicators. Comprehensive internal communication across all levels ensures that information is shared consistently throughout the organisation. Our communication within the company and to the outside world is second to none.

### 8. Conduct

We treat each other with openness and honesty, respect others and their opinions and we do not retaliate. We do not sweep mistakes and weaknesses under the carpet. We tolerate mistakes and we want to learn from them and improve. Constructive criticism helps us, but we reject destructive criticism.

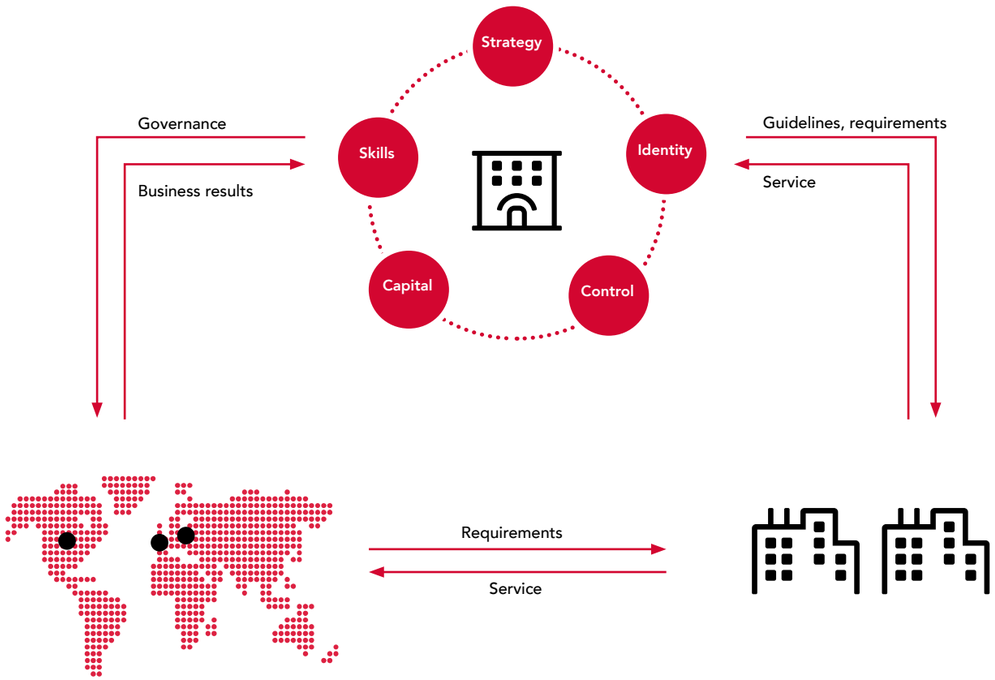
### 9. Business partners

We are extremely reliable and fair in our dealings with our business partners. We set high standards of performance for our partners and, in return, are happy to place high demands on ourselves.

### 10. Society and the environment

We are aware of our responsibility to the environment and society, and we align our activities to fulfil this responsibility. Sustainable action is something that concerns us all – every day.

## OUR BRIDGE BETWEEN STRATEGY AND IMPLEMENTATION




Sales regions/countries
Clear focus on marketing, sales and customer services in respective regions

Headquarters
Strategy and guidance, central governance

Shared Service Centre (SSC)
Services (administrative, process-oriented) for sales regions/countries and HQ

## 1.5 Group structure and company management – Well positioned

**FP**, as a German public limited company, is subject to German stock corporation law. We therefore operate with the governing bodies of Board of Management, Supervisory Board and Annual General Meeting. The management of the company is based on the close and trusting cooperation between all governing bodies and a lively and continuous flow of information between them. Shareholders can, in particular, submit questions to the management and exercise their voting rights at the Annual General Meeting.

### Supervisory Board

As stipulated in the Articles of Association, the Supervisory Board of Francotyp-Postalia Holding AG consists of three members, who are chosen at the Annual General Meeting. The Supervisory Board elects the Chairman and a Deputy Chairman from among its members.

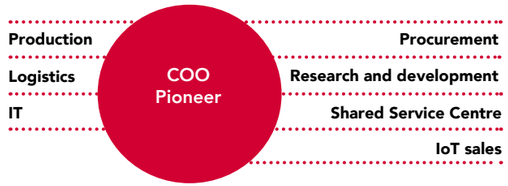
The Supervisory Board has set up its own rules of procedure. These rules stipulate how the highest supervisory body operates under a sustainable focus – with standardised plans and guidelines. Potential conflicts of interest are queried before the nomination of an individual for election to the Supervisory Board (GRI 102-25). For a detailed list of the remunerations paid to the Members of the Supervisory Board and the Board of Management, please see the Group Management Report (GRI 102-35, GRI 102-36, GRI 102-37, GRI 102-38, GRI 102-39).

## OUR ORGANISATION OF AREAS OF RESPONSIBILITY

**Rüdiger Andreas Günther**
CEO and CFO
with FP since January 2016

**Patricius de Gruyter**
CSO
with FP since June 2018

**Sven Meise**
CDO,COO
with FP since February 2015




The Supervisory Board, made up of three people, supervises the activities of the Board of Management and advises it. A change took place within the Supervisory Board during the 2019 financial year. The long-serving member of the Supervisory Board, Robert Feldmeier, resigned from his post on the Board with effect from 20 October 2019 at his own request and for personal reasons. As a result of this, the Board petitioned the competent district court of Charlottenburg to appoint Dr. Mathias Schindl as the new Member of the Supervisory Board. As of 31 December 2019, our Supervisory Board was made up of the following members: Klaus Röhrig (Chairman), Botho Oppermann (Deputy Chairman) and Dr. Mathias Schindl.

### Board of Management

The Board of Management jointly bears responsibility for the overall management of the Group's business and is currently made up of one Chairman and two board members (GRI 102-23). It manages the company with the aim of creating sustainable value through its own responsibility and in the interests of the company, i.e. taking into account the interests of the shareholders, employees and other groups associated with the company, as well as economic, ecological and social aspects (GRI 102-19, GRI 102-22, GRI 102-24, GRI 102-26). Within the framework of their overall responsibility for the management of the Group, the three members of the Board of Management work together in a spirit of collegiality and trust for the benefit of the company in their respective areas of responsibility.

### The strategist

Rüdiger Andreas Günther, Chairman of the Management Board (CEO) and Chief Financial Officer (CFO) of **FP**, is responsible for the areas of group-wide strategic business development, corporate communications, brand management, investor relations, public relations, finance, accounting, controlling, tax, treasury, human resources, legal, corporate governance/risk & compliance / QM / internal audit and mergers & acquisitions.

### The marketing specialist

Patricius de Gruyter is the Director (CSO) in charge of sales strategy / sales transformation, national / international sales for all product areas (except IoT) in the new sales territories, the Service Centre of Excellence, product and business development (except IoT) and global marketing.

### The pioneer

Sven Meise is the Director (CDO and COO) responsible for the information technology, research and development, quality, production, logistics, procurement, shared service centre and facility management divisions, as well as IoT sales. He is also the board sponsor for the JUMP project.

## Duties

The Board of Management ensures strict compliance with the legal regulations and internal company guidelines – not only at Group level, but also in the respective Group companies. It has set up an opportunities and risks management system which is monitored through ongoing controlling in order to identify any potential threats, but also opportunities, in advance. As a result, it is able to take measures if necessary to exploit opportunities and counteract risks.

## Responsibility

Assuming responsibility in the areas of sustainability – economic, ecological and social aspects – is part of our Group-wide conviction and forms the basis of all decisions. We assume responsibility for products and processes, employees, customers and partners in the same way that we do for the environment and society. In doing so, we are maintaining an open approach and are in a continuous dialogue with our stakeholders.

## The Executive Committee

The directors work closely with a team of national and international managers from **FP**. This cooperation was stepped up and made even more efficient during the 2019 financial year through the establishment of a permanent Executive Committee, which meets at regular intervals and involves the Board of Management.

## Key figures

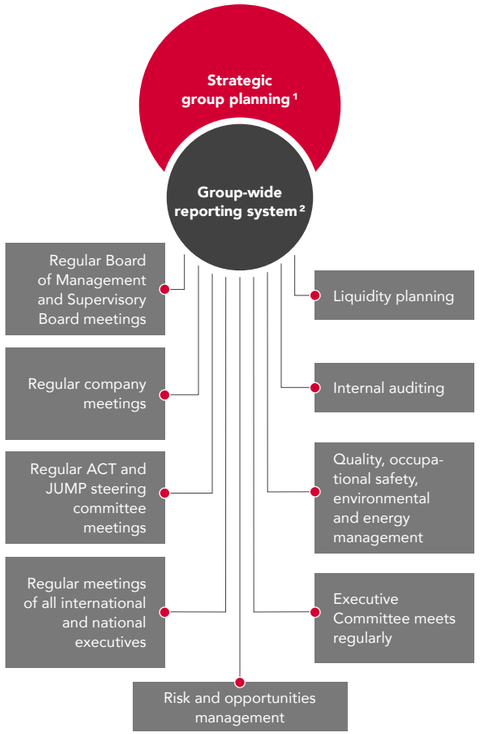
**FP** generated a Group turnover of Euro 209 million (2018: 204,2 million) with an EBITDA of Euro 32 million in the 2019 financial year (GRI 201-1).

Detailed explanations of the company's key financial data, as well as the important changes during the reporting period with regard to the size of all entities named in the financial statements (GRI 102-45), the organisational and ownership structure of the company, including possible changes to the location or changes with respect to the business activities and the opening or closing of production facilities and expansions, can be found every year in the respective business reports and during the year in the quarterly notifications and semi-annual financial reports (GRI 102-10).

## Sustainability goals for the Board of Management

Detailed information regarding corporate governance and the sustainability goals regulated individually for the directors (GRI 102-28) can be found in the Group Management Report and other reports, including the Report by the Supervisory Board, in the Group Declaration on Corporate Governance and in the Opportunities and Risks Report.

### MANAGEMENT SYSTEM




[1] Lasts 3 years, modified annually in the budget process, including where necessary during the year.
[2] Monthly regarding revenue, finance and assets situation

## ARUG II (Act on the Implementation of the Second Shareholders' Rights Directive) takes effect from 2020

Pursuant to Section 87a (1) Point 3 of the Stock Corporation Act (AktG) ARUG II requires the Supervisory Board to adopt a clear and comprehensible system for the remuneration of the Board of Management, in which, among other things, both financial and non-financial performance criteria for the granting of variable remuneration components must be explained. According to the explanatory memorandum to the draft law, these non-financial performance criteria also include those related to corporate social responsibility and will be implemented in accordance with the law.



## 1.6 ACT SUSTAINABLY – sustainability strategy and its management Organising rationality

(GRI 103-1, GRI 103-2, GRI 103-3)

Despite the exemplary structures we already have in place, we have undertaken as part of ACT to take our company's sustainability even further. The key question is this: can we combine our ambitious economic growth goals with this pledge?

Our thoughts and the answers to these questions were answered with our sustainability strategy ACT SUSTAINABLY, because sustainable management is an ethical, but also an economic obligation for us. The wasting of resources is an issue that concerns us every day. So, in order to achieve economic success in harmony with humankind and nature, we have created a new structure for ourselves within which we are able to define our milestones and review and publish what we have achieved.

### OUR PIONEER – OUR EXPLANATION ACT SUSTAINABLY

At the heart of it is our vision: for **FP** to be a company of sustainable growth in the next few years. The three dimensions that make up sustainability for us are: economics, ecology and social matters.

To achieve this change, we have defined four key objectives. They are each based on our six core values. The key objectives give structure to our endeavours and make the systematic documentation of our milestone achievements easier.

## ACT TO GROW

Our first key objective, ACT TO GROW, comprises the partial goals and measures that are anchored in the economic sector: profitable, sustainable growth through increases in market share, improvement of the digital strategy through the accompaniment of our customers from the analogue into the digital world, and the implementation and vitalisation of the brand strategy and brand values. Added to this were specific changes in management, enabled through the restructuring of each division. We ensure integrative and compliant behaviour towards our partners on the market through a compliance management system. Extended data protection management ensures compliance with legal data protection regulations such as the General Data Protection Regulation (GDPR). We review the consequences of our actions with active, efficient risk and opportunities management. And, last but not least, we keep all relevant groups up to date with our achievements through regular stakeholder dialogue.

To help us do this, we use our core values of steadfastness and ideas and visions.

## ACT TOGETHER

Our second key objective, ACT TOGETHER, combines all of the measures we are taking to sustainably strengthen our corporate culture. We want to increase our employees' satisfaction and keep them loyal to us long-term. We will encourage our new employees even more than before, ensure diversity and equal opportunities, and generally develop our staff in every respect, including through active support for the common good and shared commitment to society. Internal communication will be stepped up further and added to with ideas management as a platform for employees to have their say in the company's development. In particular, we will work together to ensure safety and health in the workplace.

Our core values of team spirit and attitude will help us achieve this.

## ACT TO ACCOMPANY

Our third key objective, ACT TO ACCOMPANY, puts the focus on customers, products and service. We are setting ourselves the goal of sustainably improving product quality and efficiency, and incorporating this goal as early as the research and development stage. The aim is to achieve an innovative and future-ready portfolio of products that is always – wherever possible – one step ahead of any specifications imposed by laws and standards. When it comes to procurement and supplier evaluation, our first priority is sustainability.

To help us achieve this, we build on our core values of knowledge, steadfastness and ideas and visions.

## ACT TO PROTECT

Our fourth key objective, ACT TO PROTECT, comprises everything to do with protecting resources and increasing resource efficiency. We are improving the energy efficiency of our plants and offices, from the choice of power we buy to the coordination of lighting. We are establishing a global recycling and waste management system as part of this, and we are optimising our management systems in Germany from an ecological perspective (see Chapter 5. ACT TO PROTECT).

We are able to achieve this through our core values of team spirit and attitude.

### An open system

ACT SUSTAINABLY is not a master plan that must be followed to the letter in order to achieve our goals. Our sustainability strategy is actually designed to be open and interactive: we welcome suggestions from within and outside the company at all times, integrating them and adjusting our course accordingly. Just like **FP** as a whole, ACT SUSTAINABLY is constantly in motion.

### Sustainability – leadership and structure

Sustainable thinking and the assumption of responsibility for employees, customers and partners, as well as for society and the environment, have long since been the cornerstones of our commercial activity. Our integrated management system has been delivering a continuous improvement in these services for 15 years now.

With our focus on sustainability, we are a pioneer in terms of competition and the only provider of franking systems and mailing solutions worldwide that fulfils all basic standards and is certified according to them.

Between 2004 to 2019, we certified and developed the integrated management systems at our German locations,



**FP Green News**

FP is the **only** franking machine manufacturer to have had its integrated management system certified to **5 current ISO standards**. Its emphasis lies on the concepts of quality, information security, environmental protection, energy and industrial safety.

covering aspects such as occupational health and safety as well as the environment, energy, quality and information security.

The key factors include:

- Regulated, recurring work processes.
- Defined responsibilities.
- Organised flows of information to internal and external interfaces.
- Continuous controlling in order to ensure the quality of the working steps

Our certified integrated management system (ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 50001:2018, ISO/IEC 27001:2013) is the responsibility of Sven Meise, who is a Member of our Board of Management. It is managed by the "Integrated Management System Controlling" department, which is responsible for quality, environment, energy, occupational health and safety and information security. Responsibility for the associated tasks lies with the representative for the Integrated Management System (IMR), who in this context has also been appointed the Energy Management Representative (EMR) of Francotyp-Postalia Holding AG for the German locations. His task is to monitor "first, second and third party" audits, reports of results and findings in accordance with requirements relating to quality, energy, environmental, occupational safety and information security.

The findings of process documentation controlling, regular plant inspections, meetings of the Occupational Safety and Environmental Protection Committee, relevant information security reports, customer, production facility and certification audits as well as other reports on environmental protection and occupational health and safety are constantly monitored and updated on the basis of proofs of completion and effectiveness. The integrated management system also supports efficient communication and promotes an open information policy towards our employees, our customers and our suppliers – together referred to as interested stakeholders (interested parties).

### Control from within and outside

The integrated management system is monitored centrally with the identified and relevant internal and external stakeholders. For this purpose, an overview of all requirement aspects, the important legal fields and the strategic and annually updated operational targets is maintained. Ongoing controlling ensures that all opportunities and risks are checked and processed. This is then taken as the basis for the preparation of corresponding quarterly reports and an annual management review – in cooperation with the Management Representative – which present the strategic and operational targets and measures to be initiated.

### Employee commitment

The concept of sustainability is brought to life by our committed and dedicated employees. We continuously raise their environmental and security awareness through corresponding information and training courses.

### Award for our second sustainability report

The **FP** sustainability report for 2018, entitled "ACT SUSTAINABLY – Visions and values in harmony", is worthy of an award! The Lead of American Communications Professionals (LACP) thought so too. Our report impressed the judges in no fewer than two categories, winning the Inspire Award Platinum for Excellence in the domain of Global Communications and the Spotlight Award Platinum in the domain of Corporate Publishing in 2019. This puts our **FP** sustainability report at number ten in the world out of all of the reports submitted that year. Assessed criteria included the messages, overall impression, design, creativity and understanding.

Figure 1: The awards of the LACP 2018

## 1.7 Stakeholder management Fulfilling the demands of stakeholder groups

With our ACT growth strategy, we have placed our focus on the needs and expectations of our stakeholders (interested parties). Accurate knowledge of these needs and expectations is a key prerequisite for our corporate success, as they not only shape our sales markets, but also determine the regulatory framework conditions and our reputation as a global group. This is why we seek and maintain the dialogue with our stakeholders at the group level as well as locally in the regions in which we operate.

Who are our stakeholders? Essentially, they can be broken down into six groups: employees, customers, shareholders, suppliers, legislature and the NGOs of our industry, as well as – more generally – the public – a network of relationships that grows at the same rate as our market presence (GRI 102-40, GRI 102-42).

**FP** maintains constant dialogue with these stakeholder groups in order to establish and build upon good and close partnerships. The Group Divisions and subsidiaries also initiate a networking process as soon as cross-divisional issues arise.

### Our employees

Our employees are the driving force behind the growth and profitability of our company. We therefore attach great importance to nurturing them. This includes a series of measures to which our company has committed itself, especially with the ACT growth strategy: regular staff surveys, pleasant working conditions and active, open and trusting communication.

### Our customers

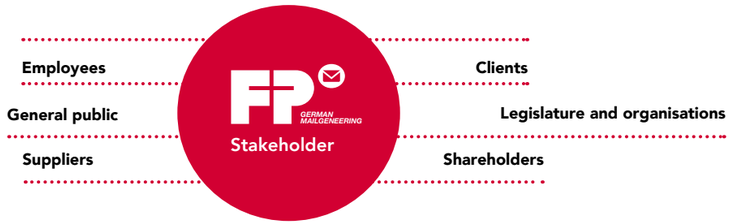
With our ACT growth strategy, the focus on our customers has increased even more than before. Our declared goal is to not only accompany them on their customer journey, but also to give them proactive advice. To this end, we make use of the regular exchange with our customers either in agile development processes or through the classic medium of carrying out customer surveys and market analyses.

### Our shareholders

As a company listed on the stock exchange, we maintain close contact with our shareholders and the capital market and engage in transparent dialogue with both parties. At the Annual General Meeting, the shareholders of **FP** exercise their voting and control rights. They appoint the members of the Supervisory Board, are given the definitive group and annual reports and the relevant management reports and vote, where appropriate, on the use of the retained profit and on the discharge of the Members of the Supervisory Board and Board of Management. The attendees of the ordinary Annual General Meeting also appoint the auditor of the annual accounts each year.

Our shareholders have the ability to exercise their voting rights themselves or to have them exercised by a proxy of their choice – including through a shareholders' association. It is also made easier for shareholders to exercise their rights personally by the fact that the company provides a voting rights representative who can also be reached during the Annual General Meeting. The Articles of Association do not allow for postal voting. We publish the documents required for the Annual General Meeting together with the agenda for the shareholder on our website, where it can be accessed directly. At the same time, the documents are transferred directly to the shareholders via their banks.

**OUR STAKEHOLDER GROUPS**




This means that, once a year, the ordinary Annual General Meeting gives all owners of the **FP** Group the opportunity to engage in direct dialogue with the Group's management team. At the Annual General Meeting on 28 May 2019 in Berlin, 40.96 per cent of the voting share capital was represented.

**FP**'s strategy is focused on sustainably increasing the company's value. Ongoing, open and transparent dialogue with all capital market players is of paramount importance for the company. The Board of Management and Investor Relations team use individual conversations, investor conferences and roadshows to explain the company's business model and to showcase its potential. In the 2019 financial year, the **FP** Group further expanded its IR activities. The **FP** Board of Management presented the company at numerous conferences and events during 2019.

In-depth dialogue with investors is very important to **FP**. In the context of numerous in-depth investor conferences or investor negotiations in Frankfurt, Munich, Hamburg, Warsaw, Vienna and Budapest, a number of interested investors were able to get an impression of **FP**, its ACT strategy and the prospects it offers. In November 2019, the Board of Management and the IR team concluded the conference calendar at the German Equity Capital Forum, an event held regularly in November, in Frankfurt. The Forum is Europe's most important platform for equity capital financing in SMEs. During the course of the reporting year, other dates as well as numerous personal and telephone-based individual discussions were held. A number of these individual discussions with investors, analyses and prospective clients were held at the Groups' headquarters in Berlin. Compared to the previous year, the company's IR activities had increased further, which also illustrates that interest in the **FP** share is growing significantly.

### Legislature and organisations (GRI 102-12, GRI 102-13)

The market in which we operate is still strictly regulated, and we have to comply with these regulations. We regularly engage in a dialogue with the relevant authorities and institutions in relation to this. We also maintain relationships with industrial associations and other social organisations. Through BITKOM e.V., the Bundesverband Briefdienste e.V. and the SIBB – Verband der Digitalwirtschaft Berlin-Brandenburg, we support important topics that are of relevance to our business activities. With the support of the Stiftverband für die Deutsche Wissenschaft, we are shouldering our responsibility for education and science up until the end of 2019. At the regional level, we are committed to the Allgemeiner Verband der Wirtschaft für Berlin und Brandenburg e.V. and Berlin Partner.

Since 2017, **FP** has been a co-signatory to the Crypto Charter at the German Government's Digital Summit. The signatories of the Crypto Charter are committed to secure infrastructures and secure encryption so that digitalisation is able to develop its full potential for German society and the economy.

Since the end of 2018, **FP** has been involved with the American Chamber of Commerce in Germany and actively supports the promotion of transatlantic relations.

### Our suppliers

We maintain long-term relationships with our suppliers, treating them as partners and according them a high level of importance in our everyday procurement activities. This is the only way in which we can ensure that our production is supplied sustainably with the necessary materials.

### General public

As a company listed on the stock exchange, we maintain close relationships with the general public. Through our transparency, we also go far beyond the requirements imposed on us by law or stock exchange regulations.

### Dialogue and reporting

Dialogue between all of our stakeholders and controlling bodies is regulated via the reporting system. The individual subsidiaries and Group divisions report regularly to the Board of Management, which in turn reports to the Supervisory Board at least four times a year (GRI 102-21).

## 1.8 About our third sustainability report

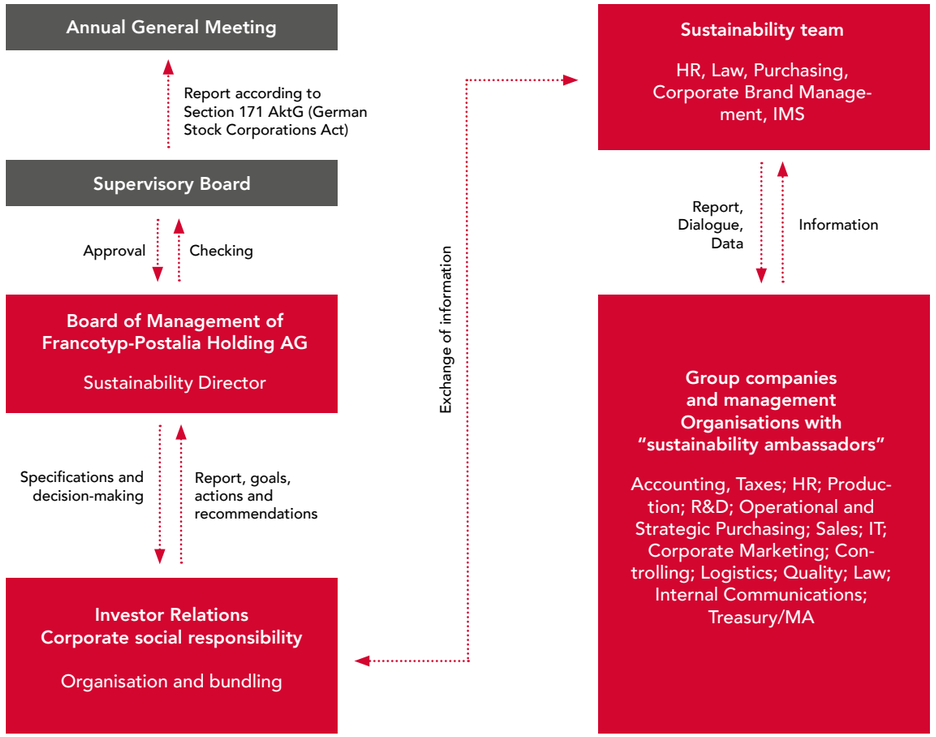
Successful transformation requires sustainability – transformation means responsibility. This responsibility is one we face up to with our day-to-day activities.

Three years ago, we founded a sustainability team that has since been focusing intently and reporting regularly on this subject area. The findings and questions that have arisen as a result are regularly discussed by committees set up for this purpose and in Board of Management and Supervisory Board meetings (GRI 102-20, GRI 102-21, GRI 102-27, GRI 102-32, GRI 102-33).

### 1.8.1 Reporting standards and reporting principles Everything strictly in accordance with GRI Sustainability Reporting Standards (SRS)

To ensure that the sustainability reporting remains comparable at all levels and to ensure it remains reliable for future years, we are again (just as we did last year, in 2018) following the Sustainability Reporting Standards (SRS) of

## STRUCTURAL ORDER IN THE REPORTING CHAIN




the Global Reporting Initiative (GRI) for the reporting period from 1 January 2019 to 31 December 2019. Our reporting is carried out annually. We began in 2017 with our first sustainability report, and the second sustainability report was published in 2018 (GRI 102-50, 102-51, GRI 102-52).

The Global Reporting Initiative has drafted a comprehensive framework for comparable sustainability reporting which is used worldwide. The comments in brackets in our report indicate this.

Our third sustainability report has been created in harmony with the GRI standards: Core option (GRI 102-54). Just as in previous years, no external audit of the report by an auditing company or any other institution has been carried out (GRI 102-56). In accordance with Section 171 of the Stock Corporation Act, our third sustainability report (including the non-financial declaration pursuant to Section 289b-e, Sections 315b and c of the German Commercial Code) has been reviewed by the Supervisory Board. The contact for sustainability matters is Anna Lehmann, Advisor on Sustainability and Investor Relations (GRI 102-53).

In the 2019 reporting year, there were no key changes to the scope and the limitation of aspects compared to the earlier reporting period (GRI 102-48).

The GRI index is appended to our sustainability report and can be viewed separately at www.fp-francotyp.com/nachhaltigkeitsbericht (GRI 102-55).

### 1.8.2 Importance of aspects and agreement of report contents – Where do our areas of focus lie?

After the foundation of our sustainability team in 2017, various rounds of in-depth discussions were held to define the key aspects and contents of the report. Taking account of the interests of our stakeholders and our responsibility to society, we analysed 62 different aspects as we did last year, in 2018 (2017: 54 aspects) from the areas of the company, customers, employees, products, environment and society (GRI 102-46, GRI 102-47).

In particular, we looked at the aspects of our own business activities that have a significant impact on sustainability. The economic, ecological and social impact of our company on the various aspects were discussed in detail and classified. There have been no significant changes in our key areas and in the aspect boundaries compared to last year (102-49).

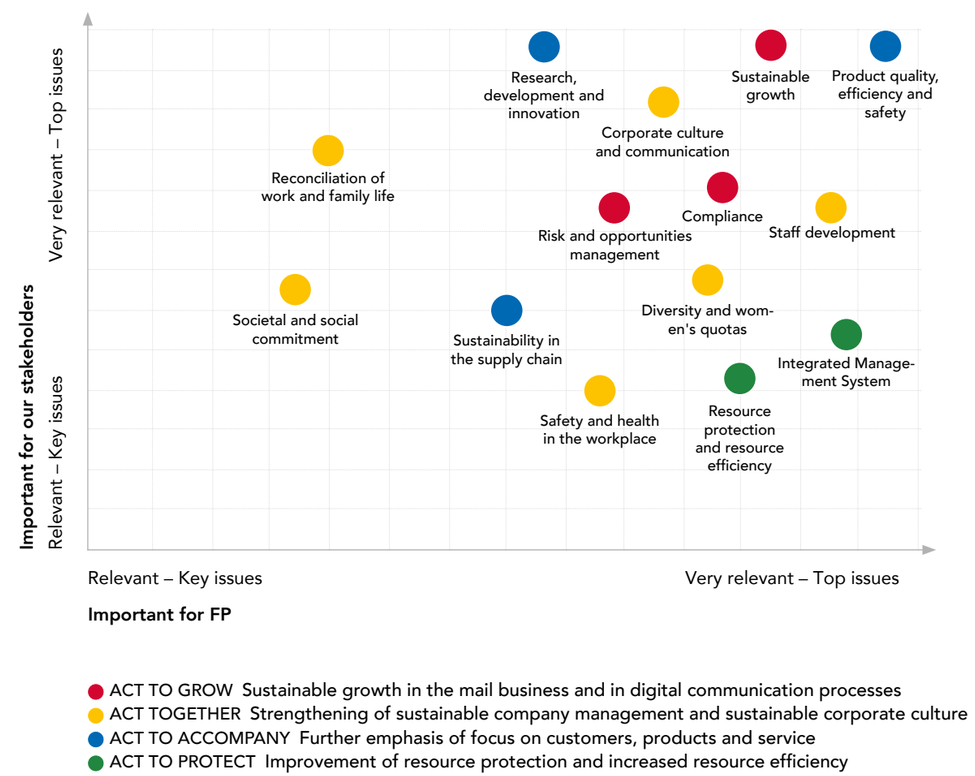
We classified 14 of the aspects included as significant and assigned them to the four key objectives of our ACT SUSTAINABLY sustainability strategy. Our matrix shows the key aspects sorted by relevance for our stakeholder groups and for us, as **FP**. It is on these topics that we will be reporting in detail over the forthcoming sections. They also provide the structure for our report (GRI 102-44).

### Explanation regarding the definition pursuant to Section 298c (2) HGB and DRS 20

We have incorporated the topics and issues specified in our aspect boundary matrix and in particular the specifications of the CSR Directive Implementation Act, into our review and extended them with other issues that are important to **FP**, such as innovation and product quality. All of the key issues in our aspect boundary matrix were then in turn grouped into themed complexes and assigned to the respective key objectives of our sustainability.

The derivation of aspect boundaries and the use of such aspects are also a requirement of **FP**'s integrated management system (GRI 102-48). In the next step, we plan to conduct a survey among selected stakeholder groups in order to compare the sustainability reporting and give our shared dialogue an even more detailed structure (GRI 102-43).

## FP MATERIALITY MATRIX



### 1.8.3 Summarised non-financial declaration pursuant to Section 289b-e, Sections 315b, c HGB

With the inception of the CSR Directive Implementation Act (CSR-RUG) in April 2017 and the associated reporting obligations, **Francotyp-Postalia Holding AG** is obliged to issue a non-financial declaration in accordance with Section 289b-e and Sections 315 b, c of the German Commercial Code.

The separate and summarised non-financial declaration, as in the 2018 reporting year, incorporating all relevant information from **Francotyp-Postalia Holding AG** and its subsidiaries, pursuant to the CSR Directive Implementation Act (CSR-RUG) and Section 289b, Sections 315b, c of the German Commercial Code, is integrated into our sustainability report for the 2019 financial year. We do not distinguish between the key information and figures of our subsidiaries and those of the Group company.

In addition to a description of our business model, our sustainability report contains all information required for an understanding of the progress of the business, the business results, the position of the Group and the impact on the following aspects, as well as all key information regarding environmental matters, employee issues, social affairs, respect for human rights and the fight against corruption and bribery.

The corresponding index with the relevant section references and information can be found in the appendix.

As a result of the definition of aspect boundaries in the CSR Directive Implementation Act differing from the frameworks of sustainability reporting, **Francotyp-Postalia Holding AG** has not used any framework in the creation of its non-financial declaration. **Francotyp-Postalia Holding AG** reports any sustainability information that goes beyond the scope of the non-financial declaration in accordance with the applicable Sustainability Reporting Standards (SRS) of the Global Reporting Initiative (GRI).

# 2. ACT TO GROW

## 2.1 Sustainable growth in the secure mail business and in secure digital communication processes

**(GRI 103-1, GRI 103-2, GRI 103-3)**

Our future comes from our past. The past of a company that is now almost 100 years old, the evolution of which is firmly anchored in the quality promise Made in Germany, and in which the curiosity and will of our engineers are harnessed to constantly come up with new products and services for our customers.

### Secure mail business – secure digital communication processes

This has remained our motto over all these years: we have made customer-focused progress, which has been expressed through successful services and products. It is in this immensely expanded engineering expertise in the development and production of sensor systems, actuating elements, cryptography and connectivity that our potential lies – the potential for new customers on new markets. We are also ready for the Internet of Things, that significant market of the global future: after all, our brand core of security will have a major role to play.

### FP = secure digital communication

### 2.1.1 Sustainably increasing company value From the investors' perspective

For our shareholders, the emphasis is on unilateral company success, which is supposed to be reflected in the share price and the dividend policy. They expect their investment to pay off through an increase in the market valuation of their share certificates and, at the same time, through the distribution of shares in the company's profits (dividends).

The entire company, like **FP**, is deeply committed to its shareholders. We track the development of the market valuation every day. However, this is also dependent on external factors, such as the general capital market environment, which are beyond the company's control.

### Review of the share price – 2019 was a good year on the stock exchange

Following a disappointing 2018 on the stock market, the international share markets experienced a resounding recovery in 2019. Overall, the world's stock markets recorded significant gains, despite geopolitical risks and the trade war between the USA and China. The **FP** share also enjoyed good development and concluded the 2019 stock market year with a significant increase. After a mixed start to the 2019 financial year, **FP** was able to report a strong third and fourth quarter of 2019 and was thus back on track.

Our shares started the 2019 stock market year at a price of Euro 3.00 and enjoyed high demand with a positive effect on the share price. The interest of institutional investors in particular also rose further. Obotritia Capital KgaA ("Obotritia"), for example, reported in January 2019 that its shareholding in Francotyp-Postalia Holding AG had exceeded the ten per cent threshold. The share price reached its zenith at the start of March 2019, standing at Euro 3.78. This was followed by a volatile phase, after which the share was able to quickly restabilise, especially since there was once again increased demand from institutional investors. At the start of September 2019, Obotritia subsequently announced that it had also exceeded the 15 per cent threshold and has since been **FP**'s largest single shareholder. Over the further course of the year, the **FP** share moved in a narrow range around Euro 3.50. The good figures from the third quarter were able to briefly lift the share price before it fell again slightly a few weeks later and ended the year on Euro 3.45. As a result, our **FP** share gained significantly in value over 2019 and ended the year up 15 per cent.

With this positive performance, **FP** clearly prevailed in its core business over its two stock-exchange-listed competitors, which suffered share price losses of 32 per cent and nine per cent, respectively, over the year. In 2019, investors are once again supporting the ACT strategy and with it **FP**'s long-term transformation project.

Compared to last year, the retail volume has reduced to an average of 15,000 **FP** shares per day on the Xetra platform. Investors with a long-term investment horizon have therefore stepped up their investments in **FP**. The highest activity was achieved on 23.08.2019 with more than 139,000 shares traded on a single day.

The share analysts regularly tracking **FP**'s share confirmed their conviction in relation to the ACT strategy over the course of 2019. The associated high price potential of the share was also further confirmed. Two analysts raised their price target at the end of the year and set the recommendation for **FP** to "buy" after issuing a "wait" recommendation in the first half of the year. All in all, the **FP** share was accompanied by the following five analysis firms: Baader Bank, Warburg Research, LBBW, Dr. Kalliwoda Research and GSC Research. All of the analysts recommend buying the share, with an average share target of Euro 4.90.

The ACT growth strategy and far-reaching measures to increase profitability, which we will be implementing on a consistent basis, are also being used to achieve a sustainable increase in the company's value. We are developing an increasing dynamism. ACT represents the gateway to the route towards transformation. And with the fundamental reorganisation taking place as part of JUMP, we are laying the foundations for sustainable, profitable growth.

### Close cooperation between the Board of Management and the Supervisory Board

The shared goal of the close cooperation between the Board of Management and the Supervisory Board is to sustainably increase the company's value. The Board of Management and Supervisory Board regularly discuss the status of the company's agreed strategic direction. The Board of Management regularly, promptly and comprehensively updates the Supervisory Board on all matters relating to planning, business development, the financial and profit situation, risk, risk management, internal accounting and compliance that are of relevance to the company. The Board of Management reports on any deviations in the trajectory of the business from the established plans and objectives and explains them. The Supervisory Board has defined the way in which the Board of Management is obliged to inform and report in its rules of procedure for the Board of Management. Decisions or measures that fundamentally change the company's revenue, financial or asset status, as well as transactions of significant importance, require the consent of the Supervisory Board, in line with the Board of Management's rules of procedure.

Our ACT strategy and corresponding operational structures are important factors in fulfilling the expectations placed on us over the long term, increasing revenue and profits and increasing the value of the company. Sustainable and good corporate governance is documented in **FP**'s successful control systems and in all of the areas identified in this report.

### 2.1.2 Market share No growth without sustainability

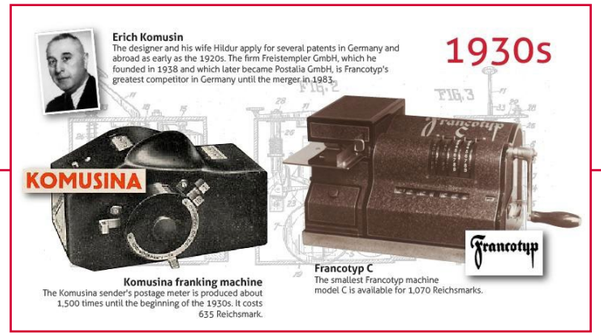
ACT means that we will be increasing our market share long-term, especially in the franking machine market. We will significantly strengthen our activities in the most attractive markets worldwide, namely the USA and France. We offer a large number of innovative products that are of equal interest to companies and public authorities. Our product portfolio comprehensively covers the needs of our customers.

With a total of around 216,000 franking systems installed, our global market share has improved since the start of 2016 from just under 10 % to more than 12 %, again making **FP** the third-largest supplier worldwide. In Germany and Austria, we are the market leader with a market share of around 43 % and 53 %, respectively.

# The History of FP

Admittedly – it took us almost 100 years from the first cash franking machine to the digital letter. Nevertheless: We were mostly faster than everyone else. Discover our eventful company history and learn how the inventors of the 1920s laid the foundation stone for today's **FP** with pioneering engineering skills.

**FP** will continue to be a reliable and innovative partner for secure analogue and digital postal and organisational communication – for you and all the people in offices worldwide.



Our global sales are effected through our subsidiaries in Germany, the USA, Canada, the United Kingdom, the Netherlands, Belgium, France, Austria, Italy and Sweden, and through a dense network of dealers in around 40 countries worldwide.

As part of the ACT project JUMP, our sales structure has been reconfigured. Global sales now take place in three regions:

- NAM – North America (USA and Canada)
- CER – Central Region (Germany, Austria and Switzerland) and
- MER – Middle Europe (other European countries and the dealer network).

### The trend remains on our side

On many markets, **FP** profited in the 2019 trading year from the persisting trend towards smaller franking systems. We have traditionally focused on the A and B segment for franking segments and, with our PostBase family, have innovative franking systems for small and medium-sized volumes of mail. With the market launch of our new product generation of PostBase Vision in 2019, we have further consolidated our technology leadership for small and medium-sized franking systems.

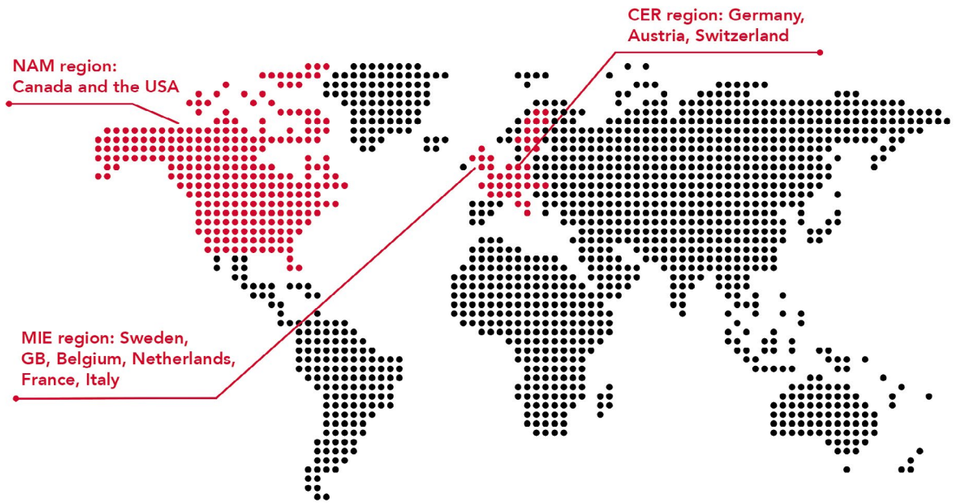
At the same time, expanding our customer base opens up ways to offer our customers further products and services. With the ACT growth strategy we will be accompanying them on their path to digital transformation. As a result, the expansion of the customer base also has positive effects on other important factors such as customer satisfaction and job security at **FP**.

## 2.2 Compliance – We play by the rules

**(GRI 103-1, GRI 103-2, GRI 103-3)**

The specifications defined by the Board of Management and the Supervisory Board regarding compliance and our code of conduct must be observed by all employees of **FP** – taking account of the participation rights of the responsible bodies of employee representation – in everything they do for the company and apply globally. Our compliance guidelines define our expectations in terms of compliance with legal as well as internal specifications in order to further the company's success and to prevent damage to the company.

**TEN COUNTRIES BECOME THREE REGIONS**




The Board of Management is responsible for ensuring compliance with the legal regulations and internal company guidelines and works to ensure that they are observed by the Group companies. Compliance issues are regularly discussed between the Supervisory Board or the Chairman of the Supervisory Board and the Board of Management.

Our compliance management system organises the acknowledgement, analysis, management and documentation and review of relevant requirements. Our corporate culture is characterised by a sense of trust and mutual respect, as well as the will to strictly comply with laws, and sets the binding standard for all of our behaviour. This is not only a self-evident obligation, but also fulfils the expectations of all stakeholders.

Compliance with legal and ethical rules and principles is of key importance. The rules and principles, as well as the responsible handling of insider information, are laid down in the Compliance Guidelines (GRI 205-2).

### Our principles at a glance

1. We operate globally, respecting recognised standards. Laws and regulations that are relevant to us – in Germany and at our overseas offices – are followed to the letter.
2. We take responsibility for our employees. No employees must suffer any disadvantage as a result of following the compliance regulations.
3. Managers have an exemplary role to play and are instructed to encourage their employees to follow compliance regulations.
4. We maintain integrity and fairness in our commercial activities both vis-à-vis our business partners and our in-house cooperation.
5. Employees are continuously updated and trained on how to follow and implement this code of conduct in their business dealings and in a professional context.
6. We want to constantly improve what we do.
7. Violations and significant potential conflicts of interests must be reported without delay to supervisors or the Compliance Officer.

The Board of Management of **Francotyp-Postalia Holding AG** has commissioned the Compliance Officers with the role of encouraging and monitoring global compliance with this code of conduct. All **FP** employees are obliged to provide them with detailed information about all such instances.

Records are kept as proof that the specifications are being observed. Non-compliance with or deliberate violation of our compliance guidelines, as well as any secondary documentation (processes, guidelines, instructions), can lead to disciplinary procedures, including criminal or civil law procedures.

We are committed to avoiding situations in which the personal or financial interests of employees come into conflict with the interests of **FP** or there is a risk of such conflict. This in particular relates to the economic connection between employees and customers, suppliers and competitors of **FP**, as well as the assumption of private business relationships with them (e.g. consultancy agreements).

### Unfairness? We reject …

- … the acceptance or offer of direct or indirect advantages, especially "kick-backs", but also of personal gifts and invitations that may be construed as influencing commercial decisions or transactions.
- … any actions likely to confer direct or indirect advantages on officials or other public employees,
- … in our dealings with business partners, any actions likely to unduly influence the recipient's decisions.
- … the engagement of third parties (e.g. consultants, brokers, sponsors, representatives or other intermediaries) to circumvent the above regulations.
- … the granting of direct or indirect donations to political organisations, parties and individual politicians without prior approval (2019: no direct or indirect donations, GRI 415-1).

Nevertheless, legal infringements through individual misconduct can never be completely ruled out. Employees and third parties have the opportunity to report misconduct within the company.

**FP**, along with all of its subsidiaries and processes, is subject to regular risk assessments, including all compliance risks, as part of our risk management system. These regular reviews cover the risk of corruption (GRI 205-1).

### Yes to competition

We are committed to fair and open competition on the world's markets, and we therefore distance ourselves completely from:

- practices that contravene anti-competition or anti-trust legislation between competitors, suppliers and other companies, such as illegal bid rigging which excludes, restricts or distorts the competition
- the exchange of information on competition
- the misuse of a market-dominating position
- infringements of the regulations of anti-trust merger control

During the reporting period there were no known legal processes arising from anti-competitive behaviour or cartel or monopoly formation at **FP** (GRI 206-1).

### Criteria for suppliers and customers

With regard to suppliers and customers, we are committed to making buying and selling decisions based on the following criteria in particular: costs, delivery time, quality, technology, reaction, compliance with delivery deadlines, financial stability of the supplier / customer, environmental and information security aspects, compliance with anti-terrorism laws and respect for human and employee rights.

We provide our services and sell our products as a globally operational company and we are committed to complying with national and international agreements (especially export control regulations, embargo and trade control regulations).

### Defending human and employee rights

We respect the internationally recognised human rights and support their defence. We vehemently reject all forms of forced or child labour (GRI 408-1, GRI 409-1). We recognise the right of all employees to form unions and employee representative bodies on a democratic basis within the context of national regulations (GRI 407-1). The right to commensurate remuneration is recognised for all employees. Pay and other benefits meet at least the respective national and local statutory standards and/or the level of the national business sectors / industries and regions. We do not additionally check compliance with human rights at our German and international locations since comparably high standards can be assumed at these locations and the respect of human and employee rights is inherent for **FP** (GRI 412-1). We maintain good relationships with all of our stakeholders, work according to our leadership principles and are committed to our company policy (GRI 412-2).

There were no significant investment agreements or contracts that contained human rights clauses or which were inspected for human rights aspects, nor do we operate or invest in at-risk countries (GRI 412-3).

### Against terrorism and money laundering

We are committed to avoiding entering into business relationships with any individuals, groups, suppliers or organisations who are the subject of sanctions enforcing a comprehensive prohibition of disposals. We are reliant on the fact that banks in the legal territory of the EU update their business contacts in accordance with European and national anti-terrorism legislation and accordingly maintain only business relationships that comply with the law. Against this background, we are committed – in relation to the European parts of our company – to maintaining business relationships only with partners who have a business account with a European bank.

We distance ourselves from dealings which we suspect may serve to exchange or transfer money or incorporate other assets into legal business transactions that have been obtained directly or indirectly from previous criminal acts and we comply with national and international money laundering legislation.

### Ongoing review

The extent and intensity of our compliance activities are based on a Group-wide risk analysis, which is carried out every six months, and on any current events that may occur. The risk of individual infringements is minimised through ongoing information and training measures. Any misconduct that is uncovered is followed up on immediately and consistently. The company's internal Compliance Guidelines serve as a yardstick for all employees across all locations to behave with integrity in their business dealings (GRI 205-1). Executives and employees receive regular, mandatory training on the Compliance Guidelines (GRI 205-2).

Together with external service providers, audits are carried out to ensure compliance with further legal requirements. To our knowledge, there was not a single case of corruption in 2019 (GRI 205-3).

### 2.2.1 Information security and its management

For more than 97 years, we have known that data security is indispensable for our business, and have acted accordingly. Our integrated management system is certified appropriately in relation to information security for the relevant parts of our company. All of the company and compliance guidelines relating to data protection apply worldwide.

Under the guidance of the Management Representative (MR), the Chief Information Security Officer (CISO), the information security level is safeguarded with the support of the Emergency Representative (ER), the Information Security Officer (ISO) responsible at the Berlin locations and the Security Officers working there. Local Emergency Representatives (ER) and additional IT Security Officers (IT-SO) responsible for the IT Division also work at the Berlin locations.

The Board of Management at **Francotyp-Postalia Holding AG** is aware of the increasing threat posed by cyber attacks and also takes over the management of and responsibility for this area as required by the German IT Security Act. Within this context, measures have been implemented in order to ensure that the management is called in immediately in the case of any security incidents.

### Existing certificates

In cooperation with the company's Representative for the Integrated Management System (IMR), the Information Security Management System (ISO/IEC 27001) of the **FP** subsidiary IAB in Berlin-Adlershof was extended for a further three years in 2019. Our information management system is networked across Germany and will be constantly developed further over the next few years in line with our stakeholder groups. The **FP** subsidiary Mentana-Claimsoft also holds the TR-RESISCAN IT security certificate from the German Federal Office for Information Security (BSI) for the legally secure, substitute scanning operation of its De-Mail infrastructure.

### 2.2.2 Data protection, EU General Data Protection Regulation and data security

We take extensive precautions to protect personal customer and employee data. To this end, we have defined processes and regulations in harmony with our Compliance Guideline in order to ensure that the handling of this data meets the requirements of the General Data Protection Regulation (GDPR) and the Federal Data Protection Act (BDSG). We document this in our integrated management system. All employees are regularly trained in and instructed on the subject by data protection officers.

If it becomes apparent that information (including personal data) has become known to unauthorised individuals – or if it must be assumed that this may have happened – a security message is sent to the ISO team. Its experts then check the facts and impact without delay, deriving measures where appropriate. The ISO team groups security incidents into three categories: Low, Normal and Critical. Any incidents are listed in the quarterly IMS report. The categories are weighted accordingly, creating a reference value of 15 for the current years. In 2019, the actual value was 7.6, significantly better than the previous year (11.0).

In order to fulfil the reporting obligations set out in Section 33 of the GDPR when processing personal data, the department liaises with the Data Protection Officer before data is documented. If necessary, the procedural directories are updated by IT and provided to the Data Protection Officer. The procedural directories are archived for audits by the authorities.

In 2019, we were confronted by an attack in the USA. As far as we know, there were no justified complaints in relation to infringement of the protection of customer data in 2019. Data leaks, data theft or data loss in relation to customer data was also not reported in 2019 (GRI 418-1).

## 2.3 Risk and opportunities management: Growth in every respect

Identifying and evaluating opportunities and risks early helps us to safeguard our company's long-term existence and to continuously improve our competitiveness. Risk and opportunities management is therefore an integral element of our structures. The more detailed report on this subject can be found in the Group Management Report.

### Organisation of early identification

Risk and opportunities management is integrated into **FP**'s management and existing structures in order to detect and analyse potential signals early on, and is derived from the company's strategic objectives. Opportunity identification is served here, inter alia, by detailed market and competition analyses and forecasting scenarios, as well as an intensive analysis of relevant value and cost drivers. With regard to the risks, a monitoring system has been set up in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). This system also serves to identify early any risks that could threaten the existence of the company. **FP** considers risk management to be a continuous and ongoing process.

Even during the course of the year, newly identified risks are immediately forwarded to the Board of Management (ad hoc communication). The early identification system for risks and opportunities is evaluated by the auditor within the framework of the annual accounts audit in order to ensure that the system is suitable for the timely identification, assessment and communication of all risks with commensurate probability that could potentially endanger the existence of the company (GRI 102-29).

Report Managers from the following group have been appointed to monitor, evaluate and report opportunities and risks: Executives from companies both in Germany and abroad, division managers and representatives of implemented management systems (quality management, data protection etc.).

The Report Managers identify the opportunities and risks in their subject field and are responsible for realising the opportunities and avoiding the risks. To this end, the Vice President Governance, Risk & Compliance sends them a request to report their opportunities and risks every six months. The persons responsible for reporting develop the appropriate options for dealing with the risks identified for their subject area.

## RISK MANAGEMENT AT FP

The Vice President Governance Risk & Compliance monitors the implementation of a uniform risk strategy and methodology, the identification, analysis and evaluation of opportunities and risks, and the subsequent realisation of opportunities and risk handling. He is supported by a six-person committee that reaches an agreement at regular intervals on the identification, analysis and evaluation of opportunities and risks. The members evaluate all of the information provided by the persons responsible for reporting, with the following areas of responsibility having been defined, divided according to risk type:

I Market-related risks
II Operational risks
III Financial risks
IV Regulatory, legal-regulatory, legal and compliance risks
V Reputation and brand risks
VI Environment and sustainability risks

Overall responsibility for the risk and opportunity management system at **FP** lies with the Board of Management. The Board of Management is notified by the Vice President Governance, Risk & Compliance regarding the current risk situation and the drafted proposals, and orders further measures where necessary. Once the Board of Management has approved the Group risk report, it is communicated in a second stage to the Supervisory Board (GRI 102-33).

### Evaluation

Following the traffic light logic, red and orange risks attract particular attention in risk management; they are regarded as significant, while red risks are classed as existential threats. Even yellow and green risks are actively reduced further where this is economically viable, i.e. where the costs of further risk reduction are unlikely to exceed the reduction in the expected loss.

### 2.3.1 Risks for FP

All market-related risks, operational risks and financial risks, as well as regulatory, legal and compliance, reputation and brand risks, including environmental and sustainability risks at **FP** are inventoried twice a year (GRI 102-31).

The risks recorded are assessed according to the potential amount of loss or damage and the probability of occurrence, depending on whether they are important and, if appropriate, whether they jeopardise the existence of the company. These risks are recorded separately and monitored further. In order to obtain meaningful information about which risks can be significant, all risks are divided up into five different classes (1 to 5) according to their probability of occurrence and the level of the potential loss or damage.

## SUMMARY OF RISKS FOR THE FP GROUP

| | Extent of damage | Probability of occurrence | Risk group | Development [1] |
|---|---|---|---|---|
| **Market-related risks** | | | | |
| Changes in customer needs as a result of the digital transformation | 5 | 2 | A | ↘ |
| **Operational risks** | | | | |
| Successful implementation of strategic and operational projects and measures | 4 | 3 | A | ↘ |
| Motivation, burn-out and resignation risk | 4 | 3 | A | ↗ [2] |
| Employee adjustment risk | 4 | 3 | A | ↘ |
| Employee shortage risk | 3 | 4 | A | ↘ |
| **Financial risks** | | | | |
| Potential impact of Brexit on future assets, financial and profit situation | 3 | 4 | A | ↘ |
| **Overarching risk** | | | | |
| Risks from the SARS Cov2 pandemic | 5 | 2 | A | new |

1 Development of key risk figure compared with previous year 2019.
2 The motivation, burn-out and resignation risk is reported separately for the first time this year. Previously, it was part of the personnel adjustment risk and the personnel bottleneck risk. If it had already been assessed separately in the previous year, it would have increased in 2019.

↗ Increased/new risk
→ Unchanged risk
↘ Lower risk

There are no identifiable further potential risks that could arise from our business activities, products and services, or from our cooperation with business partners and suppliers in relation to sustainability (GRI 102-11). Our 14 key subject areas also do not hold any economic, social or sustainability risks that would endanger **FP**'s continued existence or be regarded as significant in our risk management system. A detailed description of **FP**'s individual risks can be found in the Group Management Report.

### 2.3.2 Opportunities for FP
### Growth as a digital companion

With its ACT strategy, the **FP** Group subjected its opportunities on a changing market to a thorough review and re-evaluation back in 2016. Our opportunities for the 2019 trading year were primarily determined on a quantitative basis and also quantified in indicative terms.

In 2019, we reviewed the assumptions about the market and trends environment made in 2016 and at the same time analysed the successes achieved by implementing the individual strategy modules. This analysis once again reinforced our intention to pursue the ACT strategy. The opportunities arising from pursuing the strategy further will therefore be followed with even greater focus over the forthcoming year of trading. In this respect, the future opportunities in 2020 are directly linked to the opportunities set out in the previous year.

As part of the strategy, we will be further expanding our existing customer base of around 200,000 primarily small and medium-sized companies. With each existing customer and new customer, there is also the opportunity to accompany them on their path towards digitalisation and to offer them products relating to secure digital communication that go beyond the classical transmission processing. Overall, this results in stronger customer loyalty and higher, sustainably profitable growth per customer.

The ACT strategy takes these opportunities into account. It comprises the three elements of Attack, Customer Journey and Transformation. Our transformation also includes the thorough modernisation and redesign of the organisational structure and workflows in order to increase efficiency, quality and speed. Following careful planning and preparation, this has been implemented in the ACT project JUMP since November 2018.

In order to meet the expectations of **FP**'s stakeholders, we want to continue driving the company's sustainable growth forward and to implement the changes associated with ACT even more quickly by spotting and successfully leveraging new opportunities early on. A detailed description of **FP**'s individual opportunities can be found in the Group Management Report.

# 3. ACT TO ACCOMPANY Focus on the customer

(GRI 103-1, GRI 103-2, GRI 103-3)

Our second key objective, ACT TO ACCOMPANY, specifies that we must strive to achieve long-term and successful business development while at the same time making a positive contribution to sustainable development. More than 200,000 customers mean a large number of tasks and challenges that we face every day within the context of corporate sustainability. This is where ACT TO ACCOMPANY comes in: we are placing our customers even more at the centre of everything we do. We are developing new solutions and services along the Customer Journey for them.

**ACT – we act from the customer's point of view. ACT is curiosity – about new ideas, new solutions, new people.**

Every day we work to inspire existing customers and convince new customers to join us. We are evolving into the companion for the gradual digitalisation of processes relating to incoming and outgoing business communications in companies and in authorities, in IoT and in Industry 4.0, as well as – for example – the acquisition, consolidation, transmission, encryption, management, monitoring and evaluation of digital data and processes. After all, with our products and services, we are ideally positioned to actively co-define the digitalisation process.

An example from the mail business: 81 % of companies continue to use business letters for confidential and important communications since many companies are uncertain about the confidentiality, security and binding nature of digital solutions. There is an enormous gap in the market here: 53 % of companies are not yet using the potential of digital alternatives, although 66 % of companies realise that the potential for optimisation lies in the digitalisation of incoming mail. This opportunity must be seized (www.fp-francotyp.com/Effizienzreport).

### Portfolio at a glance

The most important product in the secure mail business sector is our PostBase family: the range extends from small systems for beginners, our PostBase Mini, to the PostBase Classic and PostBase 100 and onwards to the professional franking system, our PostBase One and, since 2019, our PostBase Vision. With this comprehensive portfolio, we have the right solution for every requirement. In future, we will also be offering our customers a flexible and economical alternative with **FP** Finance:

**FP** Finance offers various options for using products. From all-inclusive rental to leasing, customers have a range of options to choose from. At the forefront of this will be financing solutions tailored to customers' needs for franking and enveloping machines, as well as electronic solutions. Customers have the advantage of being able to pay in manageable instalments instead of a single, expensive investment, giving them financial leeway. At the same time, customers receive a "completely worry-free package" with personalised service and maintenance agreements. At the end of the contract period, products can be purchased, leased again or returned. Depending on their needs, we are able to find the perfect solution for every customer!

In the field of secure, fully digital communication processes, we have developed **FP** Sign, a cloud-based software solution for the secure, confidential and legally binding digital signing and exchange of contracts and documents.

Especially for our customers from the SME sector, we offer our digital products and solutions worldwide through our discover**FP** customer portal. With the cloud-based **FP** Parcel Shipping service, **FP** customers are able to quickly and easily compare the prices of various providers when sending parcels, select the best parcel sender and then generate a parcel label online. This solution will also be available via the discover**FP** customer portal. We also offer our customers webshop services or the opportunity to print digital documents on paper, frank and then send them using our hybrid mail services such as TransACTmail. Through our **FP** Secure Gateways, we also offer our customers a tailored solution for the security requirements of the IoT sector.

All of these initiatives are based on **FP**'s own DNA (cryptography, sensor systems, actuating elements, connectivity). They open up further strategic options for the transformation and accompanying of our customers on their path towards secure digital communication processes.

## 3.1 Research, development, innovation Managing our own future

**FP** German Mailgeneering: Our claim represents technical development and innovation, all things digital, inventive spirit and the strength of our engineers, with enthusiasm and passion being the watchwords of our everyday activities.

The core goal of research and development is to support the key strategic measures of the ACT strategy by developing innovative products and refreshing existing products based on an evaluation of the market and technologies. This is especially true in digital areas of business. This results in the following key areas:

- Safeguarding and expansion of the core business
- Strengthening of digital products
- Expansion of the IoT business sector
- Continuous adaptation of the organisation
- Cooperation with universities and start-ups.

### Our DNA:

From our corporate history spanning more than 97 years, we have developed a unique corporate DNA in the fields of cryptography, actuating elements, sensor systems and connectivity. On this basis, we are penetrating deep into the subjects of Industry 4.0 and the Internet of Things (IoT) and researching new solutions that meet the needs of our customers.

### Cryptography ...

Cryptographic processes encrypt and decrypt data during transmission in order to protect information systems from manipulation and espionage from outside. For more than 15 years, we have been using these processes and constantly developing them, since mastering these technologies is essential for our franking systems: cryptography ensures the highly secure transfer of financially valuable data. We transfer over Euro 1.2 billion in postage costs from the **FP** infrastructure to our franking machines' security modules every year. Building on this experience, we secure digital communication processes in our area of business.

### ... Actuator mechanisms, sensors ...

The sensors used in franking systems detect external and internal operating states and document temperature, speed or brightness. This information is translated into the control of drive elements, known as actuators, through special programs. This ensures that the systems are transported, printed and protected to a high standard of quality.

The purchased, many-times-proven **FP**-Tixi.com interface technology makes it possible to acquire data from virtually any source, such as industrial controls, energy meters, analogue and digital sensors of all kinds, and to make it available for analysis and use in digital services. The applications created in 2019 using this technology are extremely diverse. They range from buildings management, control of photovoltaic systems, virtual power plants and energy management in airports to industrial equipment such as injection moulding machinery, ships or hardening plants and even transportable rubbish compactors. In 2019, work began on creating further new interfaces for added-value services involving our smart meter gateways.

**SECURE DATA TRANSFER WITH THE FP-TIXI GATEWAYS USING THE EXAMPLE OF MACHINE**

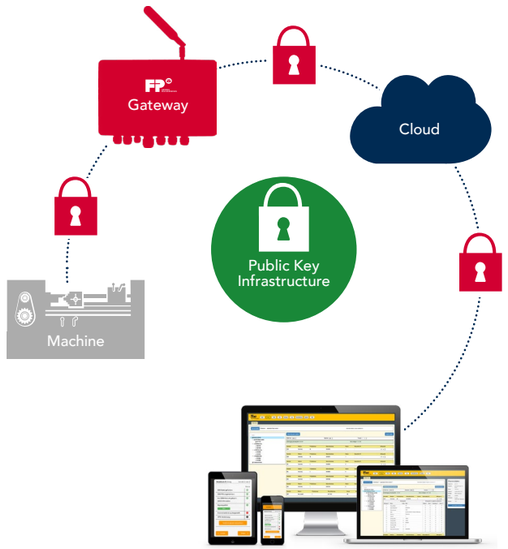



Figure 2: Secure data transfer with the FP-Tixi gateways using the example of a machine

### ... and connectivity

Every product and service from **FP** is closely interconnected with other systems. We have a growing installed base of more than 162,000 PostBase, PostBase Vision, PostBase One and PostBase Mini systems, all of which are connected to the **FP** Repository. This monitors the status of the franking systems and allows a range of services to be offered or executed from here.

All products and services are now closely interlinked. At **FP**, we have a growing installed base of more than 200,000 franking systems, all of which communicate with the **FP** Repository. Added to this are more than 30,000 IoT gateways which are connected to customer or **FP** infrastructures. The status of the connected systems is monitored via the **FP** Repository. A number of services can be offered or implemented. Every product and every service represents a complex solution that is connected to and communicates with other solutions. The discover**FP** portal combines the various services and establishes a connection with hybrid or fully electronic shipping systems. Cloud systems allow parcel services such as **FP** Parcel Shipping to be called up, and contracts and documents can be exchanged or signed even in a mobile form in a legally binding, secure and confidential manner. The solution behind this is **FP** Sign.

## Software of crucial importance

Software is of crucial importance for the success of **FP**'s products used around the world. We are increasingly consolidating software development into centres of expertise. These ensure that **FP** remains at the cutting edge in the various domains of software technology. Software development nowadays comprises much more than "simple" machine control and ranges from PC and web applications and embedded software to servers for managing data and implementing cryptography and cloud solutions. In 2019, the expansion of centres of expertise was continued. Two further areas of expertise were created, each with its own range of tasks. The first area includes application development with a focus on PC and server software, cloud applications and the development of mobile applications for the Android and iOS operating systems. This area has been moved into global IT with the application development activities that it carries out. The second area concentrates the development of embedded software with the emphasis on industrial IoT and the further development of products for the core businesses of franking and enveloping.

As a high-tech company, **FP** has a tradition of innovation going back decades. The transfer of valuable data streams and secure communication have contributed to the creation of unique expertise in the development of highly specialised functions that satisfy the requirements of various postal authorities and companies around the world to the fullest. This innovative strength is what shapes the DNA of **FP**, with its sensors, actuator mechanisms, connectivity and cryptography components.

The focus lies much more on developing products and processes relating to secure digital communication using our core areas of expertise.

- Secure infrastructures
- Cryptography (security and encryption software)
- Sensor and control solutions
- Software
- Connectivity
- Agile development processes
- Testing and test automation

## Optimised use of resources and skills

The optimised use of resources and skills is crucial for success in the field of research and development. The proven use of agile development methods enables **FP** to dynamically adapt products to market requirements. At the beginning of a project there is an idea which is not implemented rigidly, but can instead be continuously improved through contact with customers and sales at an early stage. In addition to the agile implementation of projects, we are also increasingly using agile methods in the product definition phase. These design sprints lead to rapid market feedback even during the product idea's development stage. In the meantime, we use agile processes and methods that are integrated into a sophisticated multi-project management environment in all projects in which it is expedient to do so.

## Technology centre

**FP**'s multi-functional technology centre brings the results of development and solutions of the various technical divisions together. Potential functional principles can be set up, tested and analysed in the testing laboratory in order to make important decisions based on the outcomes regarding the product design. This relates in particular to the innovative solutions for data capture and analysis in the IoT environment. In this case, the "Time to PoC" is crucial, i. e. the time during which proofs of concept are developed, created and tested to verify business models for customers. At the same time, the technology centre provides the facilities for making any changes needed in real time and subjecting them to further tests. In this case, the wider range of first-class equipment featuring the latest technology, such as 3D printers, is proving particularly effective. High-speed cameras and air-conditioned cabinets also allow research environments to be created that can quickly visually capture processes and simulate long lifespans. This allows **FP** to gain important information regarding the long-term behaviour of products it is developing. New processes involving alternative printing technologies, as well as simulated ageing processes, are just some of the examples of the information that the technology centre has provided for the fields of design and electronics.

In 2019, the automated software test for IoT gateways was also implemented in the technology centre. New developments and new software releases are checked for practicability in a complex, automated testing environment comprising a series of typical programmable logic controls (PLC) and common metering infrastructures.

The technology centre not only tests new technologies, but also evaluates their use in products and new innovative solutions. The interaction of new and old and the experience gleaned from testing create a fertile soil for product developments. The bandwidth of new and alternative technologies is broad – the use of printing technologies, communications technologies or indeed "human-machine communication" is wide-ranging.

## Employees in Research & Development

At the end of 2019, 73 people (previous year: 73) were permanently employed in research and development within the **FP** Group (including subsidiaries); this corresponds to 7.2 % (previous year 6.9 %) of the entire Group workforce. For certain projects, additional external staff are also temporarily employed as required. At the end of 2019, the proportion of temporary staff amounted to 7 % (previous year 11 %) of the permanent R&D workforce.

## Cooperation with universities

Cooperation with universities and other educational institutions is essential for any company that wants to be prepared for the future. **FP** has long since engaged in an active exchange with various institutions. We offer students working on their Bachelor's or Masters' thesis opportunities to consult with experienced **FP** engineers and **FP** developers, work with them and use **FP**'s laboratories and workshops for their own research and developments.

In this context, **FP** enables the organisational monitoring and staffing support of funded projects. In 2019, alongside a grant screening, the CEF project "StudIES+" was the main focus of activities.

On this project, **FP** is the consortium leader in a consortium with SiXFORM GmbH, Bundesdruckerei GmbH and the Harz University of Applied Sciences and Research, with netlab of the Department of Automation and Computer Science as part of the EU funding programme entitled "Connecting Europe Facility (CEF) 2014-2020 TELECOM Call 2017". As part of this project, we primarily develop solutions for digital student identities and the secured and authenticated exchange of documents based on the European eIDAS directive.

In September 2019, we launched the project entitled "Market analysis for discoverFP.com – the **FP** platform for proprietary and third-party solutions in the UK" as part of the "International Management" Masters programme in collaboration with students at the University of Pforzheim. With the support of colleagues from **FP** UK, the students carried out in-depth market analyses, customer interviews and competition analysis with the aim of developing potential innovative solutions, including new business and marketing models, for the platform.

## Trade fairs, events and public relations

On the development side, we actively and directly supported a range of specialist events. Examples include our own trade fair stands and demonstrators for the subject of secure digital communications / IoT: Hanover Trade Fair 2019, SPS – Smart Production Solutions and E-world energy & water. This was supplemented with various presentations, for example at the Hanover trade fair (Bitkom), the IoT Convention and at events organised by the Association of the Digital Economy for Berlin & Brandenburg (SiBB).

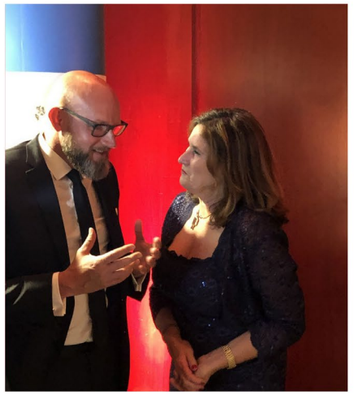
We also rely on continuous press relations and have stepped this up at **FP** – thus achieving high coverage in both print and digital media.

## Outlook

Alongside measures for continuous improvement and product care, the development of new innovative features, products and services in secure digital communication remains a high priority for us. Examples of this include:

- Further country versions of the PostBase Vision
- The connection of modern energy meters to IoT gateways via LMN/CLS smart meter interfaces.
- Extension of digital payment services for **FP** products and subscription models
- Extension of identity and licence management for digital products
- Re- / further development of the **FP** Sign technology platform
- Further IoT protocols for connecting gateways to modern management systems and connecting OPC/UA-enabled systems to **FP** secure gateways

We have been using agile development methods for many years. Agile methods are also increasingly being used in the field of hardware development. The challenges relating to the digital transformation of companies arise on many levels and require an expansion of core skills, constant adaptation of the organisation, but also cooperation agreements in order to not only keep up with the quickening pace of innovation cycles, but also significantly increase it. The creative energy of **FP**'s development engineers remains an important requirement for the development of innovative analogue and most importantly also digital products and services.



## FP receives "Media SME Prize" in the "Digital Innovation" category

### Grand stage at the historic Alte Oper in Frankfurt

The prestigious Media SME Prize is awarded every year in five categories, and we won it in the "Digital Innovation" category. The keynote speech was held by Prof. Kristina Sinemus, the Hessen State Minister for Digital Strategy and Development. In his congratulatory speech, Reinhard Schlieker, ZDF's keynote speaker on the economy, stock exchange and finance, and from January 2020 onwards Editor-in-Chief of "BÖRSE am Sonntag", said: **FP** impresses "in the category 'Digital Innovation'. We are the market leader in Germany in our sector and number three in the world. The success story began 96 years ago, when designers transformed a cash register into one of the world's first franking machines with adjustable postage – marking nothing short of a revolution. Today, the Berlin-based company is an international technology leader in the field of secure digital communications and has key account clients such as Metro, E.ON, Lufthansa and the German pensions insurance organisation. As a result, the SME has developed a wide range of cryptographic solutions for the highly secure transfer of digital data". The reasons given by the judges were: "Francotyp-Postalia impressively proves how digital transformation can be achieved successfully"
CDO/COO Sven Meise accepted the award on behalf of FP and the entire Board of Management, and in his acceptance speech particularly praised the performance of FP's employees: "I am proud of our teams. These were their ideas."
This was followed by the Brand Gala, where the key representatives of Germany's marketing industry come together. "The award honours outstanding achievements and is a mark of positive entrepreneurship", said publishers Christiane Goetz-Weimer and Dr. Wolfram Weimer. After the awards ceremony, the prize winners and their speakers celebrated with 600 other guests.

## 3.2 R&D in the secure mail business From a good idea to good business

What makes an idea successful? How can it be evaluated in terms of quantity and quality? This question is what motivates the Research & Development team across all departments and divisions. After all, when they are good, ideas can be come products and partnerships on the market.

It all starts with an idea. In this context, the faster and more sophisticated the evaluation, the more quickly and with less risk it can be launched on the market. Ideas go through a multi-stage process as follows: from an initial pitch before a panel of experts, through a prototyping and testing process to an evaluation matrix that examines in detail the relevance for customers, strategy, market and technology. We take a user-centric approach to this. In other words, ideas are developed in an iterative process together with potential customers and quickly trialled through minimal viable products, as they are known, and repeatedly adapted to the requirements (design thinking).

The considerations on the evaluation of product ideas gave rise to further evaluation models last year, for example for strategic partnerships. With the evaluation criteria that have been developed, **FP** sets standards so that decisions can be taken quickly.

### Protecting ideas

Our transformation process requires a future-oriented, active strategy with respect to industrial property rights. The core element is the systematic analysis of new, relevant fields of business in relation to the existing framework conditions around intellectual property (IP): Which property rights already exist? Which strategic fields can still be occupied? How can our innovative products be protected most effectively and efficiently? In addition to the classic "Freedom to Operate" research and the protection of new products during development, the targeted creation of strategic intellectual property rights is of particular importance. The basis for this active strategy with respect to industrial property rights is the periodic review of our patent portfolio with regard to intrinsic value. This represents a good starting position and guarantees the appropriate "clout" for future intellectual property activities.

### Our patents

**FP** has been a company driven by engineers, their experience, their knowledge and their expertise for 97 years – with our history being shaped by our patents. With the help of our 360° IP strategy, we accompany the entire development cycle of new products, thereby achieving all-round protection through the use of early patent applications. Even during the phase of idea generation and concept development, functions which are relevant to intellectual property rights are identified and registered by means of a systematic analysis, thereby resulting in competitive advantages in monetary terms during the subsequent marketing process. The aim is to significantly

strengthen our market position by the targeted occupation of relevant fields of intellectual property rights.

**The no-sooner-said-than-done secure mail business.**
Our innovations and successes in research and development in the secure mail business from last year speak for themselves:

**Safeguarding and expansion of the core business**

- 55 software releases have been created, tested and rolled out from the PostBase product range with country variations. PostBase is therefore represented in 29 countries, while the PostBase Mini is found in 17 countries.
- A further area of focus was the finalisation and product launch of the new generation of PostBase Vision franking machines on four core markets with five different country versions and – along with this – the finalisation of the development of the new 1-inch printing system with the testing and approval of new postal inks that take particular account of environmental compatibility.
- The key to the introduction of the IF Design Award-winning PostBase Vision was also the finalisation of the development of the new hardware security module (HSM) with a modified "Factory Data Centre" production environment and modified infrastructure for the roll-out. The HSM's architecture offers not only compatibility for use in all PostBase platform systems, but also new interfaces for use in **FP** secure gateways for the IoT's industrial areas of use.
- In 2019, FIPS approval (Federal Information Processing Standard) of the new generation of hardware security modules for franking systems and products in the IoT sector was also concluded.
- Also worthy of a mention in this context is the development of processes and software for the close connection for the first time of the PostBase Vision franking machine to the **FP** customer portal discover**FP** and the integration of cloud services.

**Development of digital products (without IoT)**

- During the application development process, the focus lay on developing the cloud-based digital signature solution **FP** Sign and in particular on adding key functions and convenience features, addressing requirements from other countries and developing **FP** Sign mobile apps for Android and iOS associated with the roll-out via app stores.
- The development and infrastructure integration of a shipping solution for parcel shipping in the USA, as well as the development and roll-out support for the international discover**FP** portal continued to remain at the forefront of our activities.

In the development sector, there was a content and location-related reorganisation of the entire divisional and departmental structure, with a reorientation towards digital areas of business. To do this, the IoT activities were concentrated at the headquarters in Berlin, and the site in Berlin-Frohnau was closed. At the end of 2019, there was a significant increase in personnel and expansion of IoT sales by focusing internal teams and bringing in and on-boarding technology expertise. The merging of application development from R&D and IT in the new "Product IT" section, with standardised responsibility in IT, increased the efficiency of the processes involved and reduced internal interfaces. To do this, the Application Development department was moved from R&D and integrated into the IT section. The implementation of new, agile innovation methods and tools also increased effectiveness and innovativeness. The completion of the reorganisation of the Property Rights and Brands section improved the efficiency of the use of property rights and brands.

### 3.2.1 The PostBase product range
### The bedrock of our success

The most important product in the mail processing sector is our PostBase family. The PostBase Classic was launched onto the German and US markets in 2012, with further countries such as Canada, the United Kingdom and Italy following in 2013. Our PostBase brought numerous innovations in the field of mechatronics and software control to the market, as well as the characteristic touch display for intuitive operation.

The range extends from a small system for beginners, our PostBase Mini, to the professional franking system, our PostBase One. With the PostBase Classic and PostBase 100 models, as well as PostBase One, the product family provides the ideal solutions for medium and high volumes of mail in everyday business contexts, perfectly tailored to the volume of mail generated.

### "The addition to the family" PostBase Vision gets established – Fully networked and intuitive

The PostBase Vision is the logical development of the PostBase Classic franking system, introduced in 2012. The PostBase Vision combines the excellent quality and functionality of its predecessor system with increased connectivity and user-friendliness. Almost 55 employees have played a part in its development. Our PostBase family is growing in the USA, Germany, the United Kingdom and France! We will be introducing our PostBase to other **FP** markets such as Canada, Sweden and Austria in 2020.

Here is the most important information about our new family member:



## OUR POSTBASE FAMILY

**PostBase Mini**
Perfect for beginners

**PostBase (Classic)**
Quick, stylish, whisper-quiet

**PostBase 100**
The franking machine with a modular approach

**PostBase One**
The right choice for mailrooms

## OUR POSTBASE VISION

it features a colour and motorised-swivel touch display that is over 40 % bigger than the PostBase Classic which the user can customise to their viewing habits. Functions can also be controlled easily in a customer-friendly way using swipe gestures. The enlarged surface allows for the convenient entry of text messages or QR codes using the QWERTZ keyboard directly on the franking machine. The intuitive graphical user interface has been made even more user-friendly with new tool tips and connectivity has been significantly expanded with integrated WiFi. The franking system continues to be based on the tried-and-tested one-button concept. Users are also supported with new optical orientation aids such as LEDs in the letter inlet and during cartridge handling, with the most important new feature being only a single 1-inch printing head being used. Particular advantage: it makes handling ink cartridges much simpler for our customers and users, doing away with the need for tedious adjustment processes. There are also LEDs to accentuate the scales and audio or sound support during operation.

## A GLIMPSE OF OUR FLEXIBLE PRODUCTION FACILITIES IN WITTENBERGE

discoverFP, the portal to the digital FP world, is also integrated – a new feature. It provides a rapid summary of the status of all of the user's machines and offers assistance through our self-service functions with smaller problems, reducing service call-outs and therefore also protecting the environment. discoverFP displays the cartridge fill levels of all devices, the remaining postage credit in customers' postage accounts, as well as video material on how to set up the machine.

Cartridges and other consumables can also be purchased online. discoverFP gives our customers a comprehensive breakdown of their contracts, orders, invoices and service enquiries. They can set up various users and cost centres in the portal and obtain detailed analyses of the use of their entire fleet of installations at a central point, with the information provided being very up to date.

The PostBase Vision is currently available in five modern colour designs to suit our customers' existing office designs.

### 3.2.2. Environmentally-friendly and energy-efficient products (GRI 301-2, GRI 301-3)

Protecting the environment and conserving resources with our energy sources is one of FP's guiding principles. We know that companies can only be successful if they act in harmony with the global environment. Product management has been responsible for sustainability at FP for more than 25 years.

A recycling system for our consumable materials was established for the first time in 1995 and has been undergoing continuous development since then. Ten years ago we launched the first franking system with GO-GREEN functionality onto the market and have supported Deutsche Post AG's climate protection programme ever since. In this programme, the $CO_2$ emissions generated during the transport of a GO-GREEN consignment are recorded for each individual customer and offset by means of a climate protection project.

### Lighter, more recyclable, reduced waste

Our PostBase, PostBase Mini and PostBase Vision franking systems satisfy the requirements for sustainable franking in many respects. Noteworthy features include the 8% lower weight compared to previous and competitor models, the option to reuse components or the labelling of plastics used in order to make returning them to the recycling system easier and to reduce subsequent sorting efforts in relation to recycling. We also use new, environmentally friendly packaging and inserts made from 100 % recycled materials for our PostBase family.

### FP Green News

For more than **10 years**, our eco-conscious customers have been able to print the Go Green logo on their envelopes with every franking operation, thereby supporting Deutsche Post AG's climate protection programme.

Figure 3: Our environmentally friendly packaging

### Engineering skill coupled with sustainability produces our PostBase Vision

- We have reduced waste from ink cartridges by 50 %, since we are only using one 1-inch printing head.
- We use new packaging and inserts made from 100 % recycled materials.
- We dye our own plastics, avoiding the need to paint plastic components.
- We have a high proportion of non-mixed plastics, thereby guaranteeing easier recycling.
- All of our plastic components are labelled in accordance with their properties.
- We have a high reuse rate for the structural components of the PostBase Classic, PostBase One and PostBase Mini.

### PostBase Vision – energy-efficient Unchanged current consumption with improved performance (GRI 302-5)

The Energy Star is an American environmental symbol for energy-saving devices that meet the particular criteria of the American environmental authority the EPA and the American Department of Energy.

At this point, we would like to extend special congratulations to our colleagues at the production facility in Wittenberge: just a few weeks after the initial launch of the new Super-PostBase in the USA, the 1000th PostBase Vision was produced on 17.06.2019 by our first-class machine engineers in Wittenberg! This machine has long since ceased to be "just" a particular piece of hardware, and is instead now a real IoT device that truly is part of the Internet of Things. The title "Connected2Tomorrow" makes reference to one of the new machine's key features: its future-focused connectivity. The PostBase Vision module system promises a high degree of individuality and flexibility for every user. American and German customers are already completely inspired, and we are certain of being able to offer the best franking machine in the world. More information about the system, which was also launched in Germany in the autumn, can be found in our new product brochure.

Figure 4: The key visual of the product brochure of the new PostBase vision

Our PostBase Vision was certified in November 2019 – not compliant with the specifications of the Energy Star in Vision 2.0, but rather in accordance with the new specification of Energy Star 3.0, valid from 1 August 2019! Despite additional components such as the LEDs in the logo and shaft lighting, the LEDs in the system area, the larger display and the new WiFi PCB – we are on a par in terms of power consumption and energy efficiency with our PostBase Classic and in full compliance with the strict specifications.

We have also been able to upgrade the technology of our PostBase Mini, PostBase Classic and PostBase 100, which previously already satisfied Energy Star 2.0, and also certify them according to Energy Star 3.0. For the consumables, we have implemented our recycling concept that allows used ink cartridges to be disposed of in an environmentally friendly manner. With our new PostBase Vision, we have reduced waste from ink cartridges by 50 %, since we are only using one 1-inch printing head.

Within the framework of the product conception, product development and the manufacture and procurement of materials and part-products, **FP**'s Product Management, Development, Production, Purchasing and Service Departments are responsible in their respective field for systematically working to ensure that products, manufacturing processes and transport routes are consistently and continuously improved in accordance with the state of the technological art under economic conditions, both for new products, product modifications and product improvements, as well as for maintenance and repairs. In doing so, we pay attention to four key factors at all times:

First key factor: The development, manufacture and market launch of products which can be re-used many times, which have a long technical service life and are suitable for proper, safe and high-quality reuse and environmentally sound disposal.

Second key factor: The priority use of recyclable waste or secondary raw materials during the manufacture of products.

Third key factor: The labelling of products containing harmful substances in order to ensure that the waste remaining after use is recycled or disposed of in an environmentally sound manner, the reference to options or obligations for returning, re-using and recovering specific materials and deposit regulations by labelling of products.

Fourth key factor: The taking back of products and the waste remaining after their use and their subsequent environmentally sound recycling or disposal.

**FP Green News**

FP is the **1st manufacturer**, to successfully certify its franking machines as compliant with the latest, even stricter Energy Star 3.0 specification.

When the state of the technological art is determined, the following criteria in particular are to be taken into account, as well as the proportionality between the costs and benefits of possible measures and the principle of precaution and prevention – in each case relative to systems of a certain type:

1. The use of low-waste technology and less hazardous substances.
2. Promotion of the recovery and recycling of the substances produced and used in the individual processes and – where applicable – the waste.
3. Comparable processes, devices and operating methods that have been successfully tested.
4. Advances in technology and scientific knowledge.
5. The nature, impact and volume of the emissions concerned.
6. The scheduled times for the commissioning of new or existing plants.
7. The time required to introduce a better technology that has become available.
8. The consumption of raw materials and the type of raw materials used in the individual processes (including water) as well as energy efficiency.
9. The need to avoid or reduce as far as possible the overall impact of the emissions and the hazards posed to individuals and the environment.
10. The need to prevent accidents and reduce their consequences for individuals and the environment.
11. Information published by the Commission of the European Community or by international organisations on the integrated avoidance and reduction of environmental pollution.

## 3.3 R&D in the field of secure digital communication processes Our "old new" world

The Internet of Things (IoT) is currently the number one topic: scarcely any market is growing as fast as the IoT sector. By 2020, 28 billion things will be networked and communicating with each other. It starts with toasters or smart cars and extends to entire production lines or power plants.

In principle, every form of digital communication is vulnerable. Everything that can be networked can also be the target of manipulations and attacks. From an economic perspective, the greatest risks often yield the biggest opportunities. Market players are also increasingly becoming aware of the need to protect themselves and their customers from unauthorised access. The IoT security market is therefore growing faster than the sales of IoT devices. Security sells well.

### The core business of cryptography

When our franking business started out almost 100 years ago, one thing was particularly important both for the postal authorities and our founders: the franking machine that would be used to create and invoice postage imprints with a monetary value needed to be a secure element in the relationship between the sender, the manufacturer and the postal authority. Since then, we have always had to ensure that this relationship remains protected from theft or attempted fraud.

### Franking machine and secure digital communication? Protecting the Internet of Things against external manipulation? What is missing here? Where is the link to FP?

**FP** and its franking machines are synonymous with almost a century of secure communication. A franking machine prints postage: a franking machine prints money.

Each franking machine has a digital heart – a hardware security module. This is world-class security. Just like in a human body, the "digital heart" – our hardware security module – ensures that the entire process of data collection, data management, data encryption and data transfer remains alive and safe.

Today, over 1,000 **FP** employees and executives work together day in and day out to make business communications more convenient and more secure for our customers. Thanks to the hardware security module we have developed, more than Euro 1.2 billion are securely managed and invoiced via our franking machines every year. And to date, these data streams, which have a real monetary value, have never been hacked. This makes our technology interesting for very different industries, thereby opening up entirely new areas of business for us.

With the ACT strategy, we are using the opportunity to rethink our core areas of expertise and to invest in research and development in the field of secure digital communication processes – through the development of innovative and revision of existing products in line with market and technology evaluations.

### FP Secure IoT

Internet of Things: the IoT is the mega-boom market of our time. Its growth: dynamic. Its exploding requirement: security. The more things and processes are networked, the more prone they are to cyber attacks. This is where we come in: **FP** has been providing security for 96 years. At the heart of the franking machine nowadays is the **FP** hardware security module, and with our **FP** Secure IoT, we are the technology leaders. We are equipped for the demands of the markets in our digital future, since: Security is our passion – as evidence by our new label "**FP** Secure IoT", which allows us to focus even more intently on our target markets for energy, heat, environmental technology, alternative energy, transport, computerised building technology and water/waste water. In the IoT sector, we offer secure digital solutions for infrastructure automation (retrofitting of heat, water, transport, building, environment à Trend: Smart City, monitoring and remote management of substations in the heat/water/waste water sector), energy management / renewable energies (contracting, heat meters, power, energy management, smart grid, monitoring and the remote management of PV installations, wind farms and combined heating and power plants) as well as factory automation (integration of hardware security for secure feedback from IT systems to automation systems, integration of manual workstations into cloud systems, tracking and traceability).

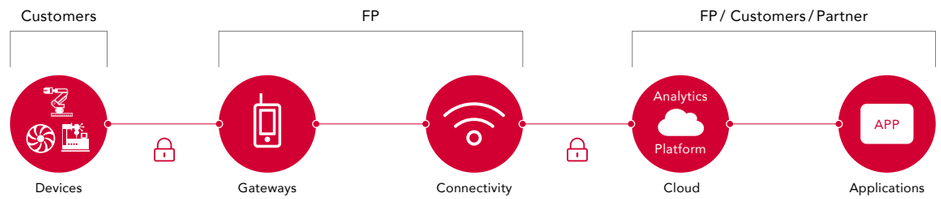
### No-sooner-said-than-done: secure digital communication processes.

In the IoT environment, the emphasis lay on honing and focusing the activities along the IoT value chain.

The IoT, the Internet of Things, is set to fundamentally change the way we all live. This technology means that a device connected to the Internet can communicate directly with other devices, a group of devices or a platform. The communication possibilities range from the transmission of simple status messages, such as the current temperature, to complex control commands for industrial equipment. However varied the applications may be, they still have one thing in common: the demand for data security. The transferred data must be authorised in an integral form, i.e. unchanged, with a secured identity, in full, and by the expected communicating party. In some sensitive areas, confidentiality also needs to be ensured – unauthorised individuals must not be able to read the content.

With the takeover of Tixi.com in 2018, we closed the gap in the upstream part of the added-value chain. The Tixi technology allows easy access to sensors, control units and data sources of almost any kind.

**FP IOT VALUE CHAIN**




IoT closes the gap between the real and virtual (digital world) – IoT networks sensors and actuators with the cloud servers of providers or customers.

Figure 5: IOT Value Chain

To be able to offer customers end-to-end solutions, **FP** purchased shares in Juconn GmbH at the start of 2019. This means that **FP** solutions can be completed in the downstream sector with dashboards, monitoring functions and the use of analytical and blockchain functionality.

In 2019, we focused our IoT development activities on products for the redefined target markets of infrastructure automation, energy distribution, renewable energies and the secure retrofitting of automation systems.

This meant that the integration and standardisation of the IoT product portfolio adopted from Tixi could be implemented with the inclusion of secure **FP** technology and a standardised pricing and product structure could be achieved that was the perfect fit for the target markets. This development was reflected by the launch of the **FP** Secure Gateways product range in a new design. This defines the range of products into the ENGuard, OTGuard and Compact product groups, as well as the Secure Connector. The functional design of the **FP** Secure Compact gateway was recognised in 2019 with the Red Dot Design Award.

The aim of these activities was to increase the value retention of IoT solutions. The customer-centric increase in functionality and security, along with the resulting creation of real added value and benefits are the crucial steps in this process. The emphasis lies on solving problems and offering end-to-end solutions. As part of this, current trends are continuously being taken into account and new interface solutions are being implemented.

Secure digital communication is therefore nothing new to us. We have been developing and using it for almost 100 years. Recognising the additional potential beyond the secure mail business was one of the key triggers behind our strategy and is one of the drivers behind our transformation. Our key service promise remains constant and is as important today as it was 100 years ago: we make your communication simpler, more secure and more convenient.

The way we do this, however, will change considerably. **FP** is on the threshold of a new era. We are currently undergoing a radical transformation process – a transformation that will help us to win new customers and strengthen our cooperation with existing customers. A transformation that will encourage sustainable growth in our turnover and profit. To help us achieve this transformation, we are building on our new products in the secure digital communication sector that will have a significant impact on our sustainability goals.

### 3.3.1 FP Secure Gateway Interface for a highly secure IoT

The IoT, the Internet of Things, is set to fundamentally change the way we all live. No matter how varied the applications might be, the demand for security is huge.

### FP offers engineering expertise and exceptionally reliable technology

The **FP** Secure Gateway is the perfect-fit solution for these requirements. It has a scalable number of sensor inputs. The information documented by the sensors is transferred via our Gateway to a data centre and backed up according to the required security level. The communication channels are designed according to the area of use. The volume of data and network connection available are the key influencing factors here.

Its flexible and robust structure allows it to be used in industrial environments. This generates interest among solution providers in the field of Industry 4.0. As a result, this product and its security features stands out against competitor products.

### 1st example: Intelligent rubbish compactors call for waste collection

From the moment something is thrown away, we forget all about it. So it is great when rubbish trucks are equipped with a fully automatic rubbish compactor, like the one owned by an **FP** client. They need to be emptied less often, and the logistics are reduced. The container also scans the rubbish to determine whether it contains wood or metal and regulates the compaction pressure and speed to compress the rubbish perfectly and reduce machine wear.

With the **FP** IoT gateway, all rubbish containers can send their data directly to the manufacturer. The manufacturer can then track, using cloud monitoring, whether the systems are working correctly. The trucks also report their fill level before it reaches a critical level. The software in the cloud summarises the status of the systems and automatically coordinates the most efficient disposal plan.

### 2nd example: Cooling keeps the cheese cold

The food industry is bound by strict guidelines for guaranteeing quality. For this reason, one cheese producer is having its production processes monitored by **FP** IoT gateways. They are installed on the control elements and sound an alarm as soon as defined temperature limits are exceeded or if major fluctuations occur. The current temperature can be monitored and controlled centrally through the IoT gateways, cutting production losses to a minimum. The cheese producer can also provide documentation of the temperatures if necessary.

### 3rd example: Cleaning oil filters until the end

Oil filters in cars need to changed regularly. Wind farm turbines also have oil filters, albeit much larger ones. Service engineers start up the systems in accordance with the cyclical maintenance cycle and replace the filters. This is inefficient, because the systems' operability cannot be precisely predicted due to the changeable wind. Often, the filters are still OK, and if a fault were to occur, it is often only noticed at the next visit. The oil filter of one **FP** client therefore documents the pressure curve, temperature and clouding of the oil in order to determine the filter's condition and remaining lifespan. All of the oil filters in operation send their data via the IoT gateways to the monitoring system, where the data is collated and presented for viewing. It is then used to create customised and efficient servicing schedules. And even more oil is saved.

### Our 4th example: Reliable partner for energy management

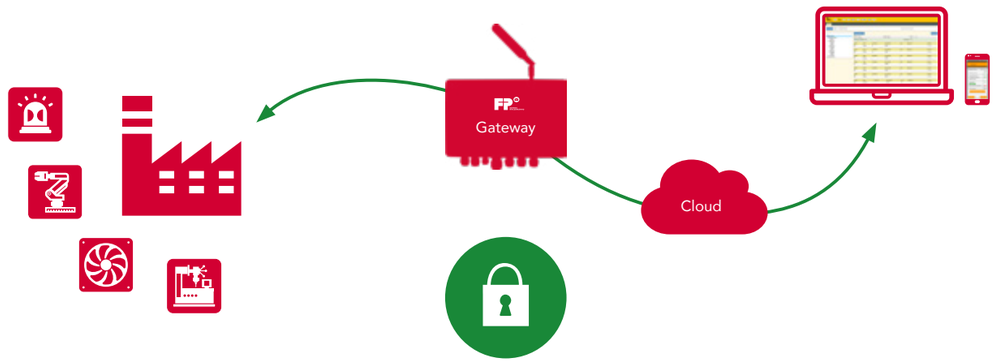
Talking of wind turbines: **FP** IoT gateways can handle not just automation, but also energy management. As a result of the change in energy policy, more and more solar plants, wind turbines and combined heating and power plants are being built. Added to this are charging stations and static energy stores. The gateway can easily connect, monitor and control small, alternative energy generators. If a storm occurs on a sunny day, for example, wind turbines and solar panels produce more electricity than is required. If over-production occurs, certain systems have to be temporarily disconnected from the grid. This already takes place automatically. However, a further switch-on often requires manual intervention with a journey having to be made to the plant in question. With IoT gateways, both steps can be carried out directly in the energy management control room. They also offer the options "On"and "Off", as well as scaling of the operating power.

### What is more, our IoT gateways from FP can do a lot more!

Their versatility means that the **FP** IoT gateways can be used virtually anywhere. They are always synonymous with reliability, high standards of security and flexibility. **FP** is represented at this year's SPS trade fair in Nuremberg from the 26th to the 28th of November 2019 with its high-performance modules. There, prospective clients can find out more about IoT gateways and what opportunities they offer for their business.








Our hardware security modules are certified to FIPS 140-2 Level 3 FIPS stands for "Federal Infrastructure Processing Standard", a computer security standard used by the American government to approve and certify cryptographic modules with the primary goal of use by authorities.

In summary, this means that, with our technology, we are providing a hardware security module that meets one of the highest security standards in existence. Alongside our security module, we also manage our own PKI and our **FP**-specific configuration management platform to administer our installed base of devices.

The development of the new **FP** Secure Gateway product range and the start of the marketing of IoT solutions under the **FP** umbrella brand was a milestone in 2019. The **FP** umbrella brand was supplemented with the slogan "Powered by Tixi" to attract further benefits from the familiarity of the "Tixi" brand on the market. The new **FP** product range, with its ENGuard, OTGuard and Compact product groups and the Secure Connector, is the perfect solution for secure data transfer in the IoT environment for the target markets. Each **FP** Secure Gateway has a scalable number of interfaces. The information captured by the sensors can be transferred to a central data repository, for example in the cloud, and scalably secured according to the security of level required. The communication channels are designed according to the area of use. The volume of data and network connection available are the key influencing factors here. Local commissioning apps support streamlined roll-out processes and rapid commissioning. One particular feature is that the security level can also be increased at a later point in time and adapted to growing requirements.

As part of the growing demand for end-to-end solutions, other customer projects and PoCs were implemented based on the innovative Juconn Cloud. In 2019, the **FP** Secure IoT gateways were certified for the Deutsche Telekom "Cloud of Things". This means that the technologies of virtually all relevant cloud services, such as AWS, Cumulocity and Siemens MindSphere, are now supported.

The flexible and robust structure of the gateways allows them to be used in industrial environments, thereby meeting the requirements of solutions providers in the domain of Industry 4.0. The stand-out distinguishing feature of the gateway product range compared to other products are its optional security features, such as the HSM-supported secure storage of key material for cryptographic key management processes (key generation, re-encryption). The key material is used for integrity protection, for safeguarding confidentiality and for secure time stamp and verification services

Figure 6: FP Secure Gateway (centre) in the "hat rack" design

## FP News – Good to know

"**FP** wins key IoT order from the energy industry: one of the largest independent energy service companies in the German-speaking region is placing tremendous trust in **FP** with its goal to make its energy supplies efficient. GETEC offers customised energy management solutions. For two years now, the company has been relying on 1,500 innovative IoT gateways to control heating systems. According to the contract, the company will install a further 3,500 IoT gateways from **FP** by 2021. The systems can therefore also be controlled remotely in a quick, secure and transparent manner. Individual functions can also be programmed for the gateways, and customers have an overview of all of their devices at all times. GETEC is therefore taking a major step towards intelligent heating control."

The Internet of Things can make a valuable contribution to sustainability: a seamless flow of traffic, highly efficient systems for power and heat generation and the monitoring of environmental conditions in real time are just a few highlights among many.

### 3.3.2 FP Sign
### Signing as an advantage in the competition

We equipped our **FP** Sign signature solution with further new functions in 2019, especially in the domain of workflow management and document handling. National and international identity services were integrated as part of this, too.

Figure 7: FP Sign

**FP** Sign creates a competitive advantage for companies since documents can be legally signed online and exchanged within minutes – either in the office or while out and about. **FP** Sign can be used in any sector or industry, but increased demand is being seen from recruitment agencies, tax consultants, lawyers, insurance companies and banks.

With **FP** Sign, companies digitally sign documents such as contracts, quotes, forms or certificates quickly and securely and have them countersigned by their customers, suppliers or employees. Different signature levels ensure the documents' legal security.

In 2019, the **FP** Sign signature solution was rolled out to eight countries with twelve language versions. Alongside Germany, the countries were the USA, UK, the Netherlands, Belgium, Austria, Italy and Sweden. The solution can be subscribed to directly on the websites. The integration of business solutions is being simplified on the basis of the continuously expanding application and accounting API. Partners can be connected at organisational structure level, which has been expanded to include distributors and resellers, and administered in fine detail. The countersigning process has been restructured, allowing customers to be guided to pre-defined signature areas or paragraphs. The same also applies for complex, multi-copy documents.

New ground has been broken by connecting WhatsApp as a communication channel. Customers are able to use their telephone / WhatsApp number to easily be included in the digital signature process.

**FP** Sign was developed in Germany and uses certified data centres based in Germany which have been certified by the Federal Office for Information Security (BSI) – once again demonstrating our commitment to "Made in Germany". The security features and its excellent scalability make **FP** Sign an innovative solution for digital signatures. In recognition of this, **FP** Sign was awarded the IT Innovation Prize in the category of cloud computing and was therefore one of the "Best of 2017".

Other core features of **FP** Sign include:

- eIDAS compliance
- Complete control and traceability of the digital transaction process
- Seamless integration into business applications such as SAP, Salesforce and industry-specific specialist software with support for the latest APIs
- Industry neutrality
- Mobile app for work on the move
- Constant development and orientation towards the requirements of the industry in question with the direct integration of customers
- Inclusion of all specialist departments, such as Procurement, Administration, Sales, Marketing and HR
- One solution for all – from SMEs to conglomerates.

**FP** Sign also offers the following advantages in terms of sustainability:

- Less paper consumption, more protection of resources.
- Less printer use and savings of ink, toner and maintenance call-outs as well as less toner dust development.
- Digitalisation is driven forward.
- Streamlined processes with significantly shorter throughput times and faster results associated with cost savings.
- Elimination of logistics cost and saving of resources thanks to less transport (mail).

### 3.3.3 discoverFP
### The companion of change

Whether it be digital signature solutions, the online shipping of paper mail, scanning services, Voice over IP (VOIP) business telephony, simple parcel shipping with the **FP** Parcel Shipping solution that first becomes available in the USA in February 2020, cost centre management, reporting or the user administration of franking systems: the new, one-stop platform from **FP** combines all kinds of products and services from **FP** in a single online portal.

## FP News – Good to know

"From May 2019, documents scanned with a smartphone are certified for the first time according to TR-RESISCAN and can therefore be accepted as proof. FP is helping companies achieve BSI certification for cloud solutions where scanning is replaced with an app. The Federal Office for Information Security (BSI) has announced that the app trebono has been certified as legally secure for scanning receipts. The manufacturer, 2KS Cloud Services GmbH, has developed this app in collaboration with **FP**, enabling companies, health insurance companies and authorities to immediately scan receipts with mobile smartphones and tablets and save them digitally."

discover**FP** is an important part of our ACT strategy that allows us to develop new solutions and services for our existing and new clients. At the same time, the portal acts as an important level for further strengthening the traditional sector. With discover**FP**, we accompany our customers on their digitalisation journey – via an easy-to-use portal.

### Successful introduction complete

The discover**FP** customer portal has now been introduced in nine countries. The new PostBase Vision franking system uses the central cloud application to, among other things, facilitate transparency and cost control, including through a new cost centre management system and multi-level reporting. Portal users with administrator roles are able to create and manage cost centres and administer the rights of machine users. With the introduction in Canada in 2020, we – as specialists in secure digital communications – will be completing the platform's international roll-out. The initial figures prove that the cloud solution is meeting customers' expectations. Almost one in two **FP** business customers in the Netherlands, one in three in Belgium and one in five in Great Britain, for example, are already using the new portal.

### Franking machines in the cloud

A new feature of the cloud solution is that the latest flagship, our PostBase Vision, can be controlled and analysed through it, no matter where you are. This means that an easy-to-use web dashboard can be used to view invoices and account details or monitor ink and postage levels.

### One platform with all functionalities

Thanks to automatic synchronisation, prompt analyses are available from a central point in the portal, and reports that can be generated at any time provide an overview of potential savings on postage costs.

### More transparency through connectivity

Overall, the administrative outlay for our customers is reduced tremendously, since with the franking systems alone, entire fleets can be controlled centrally or cost centres can be set up according to department, person or level of authorisation. Over 200,000 **FP** franking machines are in use worldwide, printing over Euro 1.2 billion in annual postage. With the new customer portal, we are now bringing together all of our solutions in a single location.

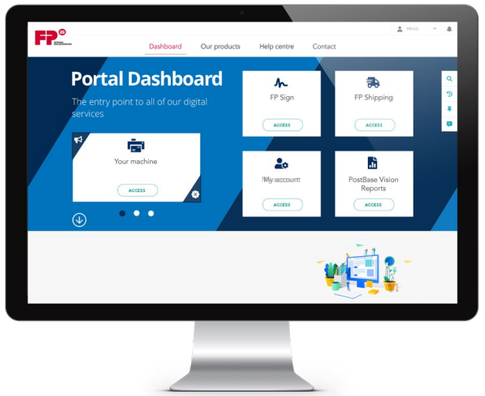



Figure 8: discoverFP

With discover**FP**, customers gain a summary of their relevant franking system data and, with the integrated help centre, the ability to view invoices, orders, contracts and service enquiries. Customers with the new PostBase Vision can also set up user accounts and cost centres in the portal, as well as obtain detailed analysis of how their entire installation base is being used.

The aim of discover**FP** is to accompany all current and future customers on the digital transformation of their own communication business processes. One good example of this is the machine dashboard it contains: it provides the user with information about the fill levels of cartridges and the postage funds on machines, but also about any functional problems – and in such cases also an instant solution. There is a (video) guide available on how to resolve all previous known problems. This allows our customers to start using their machines as quickly as possible again without having to wait for the **FP** customer service team.

The solutions and services needed for this will also be gradually aligned with our new customer target groups in accordance with **FP**'s ACT strategy. An agile project method ensures that customer feedback can be quickly integrated into the development of further portal functions, ensuring our service undergoes a continuous improvement process in the interests of our customers.

### 3.3.4 FP Parcel Shipping

The parcel industry has been experiencing very significant growth for a number of years thanks to the increasing availability of goods via the Internet. While major power sellers and e-commerce firms rely on fully integrated logistics solutions for shipping their goods, companies in the SME sector need practical and convenient solutions.

In 2019, **FP** expanded its product portfolio with **FP** Parcel Shipping: this web-based cloud solution allows parcel shipping to be arranged conveniently via various carriers. As part of the discover**FP** customer portal, the product will initially be developed for the American market and introduced there. Customers will then be able to choose not only USPS, but also UPS and FedEx as carriers. All common methods, such as e-check, direct debit or credit card, can be used for payment. In functional terms, customers can choose between the carriers' various shipping options and use different print formats for labels. Customers can now also use a local direct connection for parcel scales. Together with the new address management and integrated address validation features, as well as recipient notification by e-mail, there is now a sophisticated parcel shipping system on the market that is perfect for customers' needs.

### 3.3.5 FP TransACTmail
### transACTmail Send paper mail online

Our digital online mail portal, transACTmail, offers our customers a convenient, simple and flexible solution for processing and sending their business mail. transACTmail serves as a digital mailroom where customers can create their business correspondence online or upload it digitally and the recipient receives it as regular paper mail. Whether it be invoices or promotional mail, customers can create and send mail through the browser-based solution whenever and wherever they want.

The mail created by the customer is uploaded in encrypted form and forwarded to the transACTmail printing and franking centre. The product we deliver for our customers is reliable, fast, high-quality and environmentally friendly. Highly efficient processes guarantee the rapid delivery of customers' important documents. We ensure this with state-of-the-art production technology and our online services. The business mail is printed onto high-quality paper, folded, enveloped, franked appropriately and delivered by Deutsche Post the following working day. With transACTmail, our customers are making a contribution to more sustainability since the processing of business mail can be carried out entirely digitally, right up to the shipping stage, which saves a lot of paper. Companies also avoid the risks of investments in large machine parks. Stocks of paper, envelopes, stamps or toner are also no longer required. Our customers are also able to use transACTmail without any contractual obligations or minimum volume requirements.

## 3.4 Product quality, product efficiency and product security
## Quality – more than just a promise
**(GRI 103-1, GRI 103-2, GRI 103-3)**

The quality and safety of our products are the basis of our company's economic success. Guaranteeing these aspects at all times is therefore the subject of extensive internal regulations, which are continuously reviewed and updated, and compliance with them is monitored in defined processes.

This means that we satisfy the requirements of key stakeholders:

1. Our customers expect in particular a high level of service, availability at all times, low maintenance costs as well as simple and safe operation.
2. Our contractual partners on the part of the respective national postal companies expect strict compliance with the standards they have set and monitor these regularly in precisely defined audits.
3. For their part, the regulators in the countries in which we operate have themselves drawn up extensive sets of regulations and standards with which our products must comply at all times.

It is therefore an essential objective to take account of quality and security during the product development stage so that they are smoothly integrated into the process. This enables us to achieve short development and approval times as well as rapid implementation in production and commissioning by the end customer with as few problems as possible.

During the development of the successful PostBase product family in its various forms, we also surveyed the demands of our customers through an extensive survey which was conducted with the support of external consultants. In total, more than 200 customers in Germany and abroad were asked in detail about their expectations and requirements, which were subsequently taken into account in the development process. In an extensive customer satisfaction survey, these requirements were gradually explored in more detail and integrated in an agile manner into the development process.

In the ongoing process of continuous improvement, the development teams accepts wishes and suggestions from customers mainly through the mediation of Sales and Product Management. In addition, the information and performance data from the Service Department are regularly evaluated and used as a basis for further improvements. Compliance with the requirements of the regulatory bodies and postal operators is defined with binding effect in our guidelines. The feedback from this stakeholder group represents the approval of the product based on the resulting documented compliance with all regulations and standards. This also includes the monitoring of the quality and security of supplied parts, which is our responsibility, but verified nonetheless by the approval authorities. A further aim of the procedure is the granting of the CB (Certification Body) certificate by the notified body and therefore the issuing of the declaration of conformity according to CE by **FP** for the respective device.

Specifically, only the following guidelines and standards shall be mentioned here and may also include several individual technical standards in each case:

- European certificates
- Product Safety for ITE products
- Low-voltage directive
- EMC Directive (Electromagnetic compatibility of electrical and electronic products)

North American certificates are maintained in accordance with the OSHA Safety Standards (Occupational Safety and Health Administration), compliance with which can only be confirmed by Nationally Recognized Testing Laboratories.

In addition to the mandatory technical standards, **FP** ensures that internationally recognised country-specific standards are also adhered to and that the corresponding certificates are issued for the products, in particular:

- "Geprüfte Sicherheit" – GS (Tested Safety, Germany)
- Energy Star (USA)

The globally recognised GS mark, which documents compliance with the quality and safety standards of the German Product Safety Act, indicates in particular that corresponding safety measures have been taken to protect the customer.

Some countries also require environmental impact assessments in order to ensure that the products operate in accordance with the health or safety specifications even when subjected to different environmental conditions (GRI 416-1). During the 2019 reporting year, there were no infringements in relation to the health or safety impact of products and services (GRI 416-2). There were also no processes or infringements in relation to product and service information or labelling (GRI 417-1, GRI 417-2). There were further no infringements in relation to marketing and communication (GRI 417-3).

Quality assurance in the area of software development is carried out continuously in the development process. The development teams interpret the results and, if necessary, initiate measures to eliminate potential quality problems. To this end, **FP** uses a Release Management System (RMS) in which all data, information, measures and results are stored, so that all statuses and processes can be restored as required. Each approval of a product or release is preceded by a defined routine: The test team defines acceptance criteria and formulates test cases. These test cases are processed by the test team. During the course of processing, defined test logs are kept in order to guarantee the documented verifiability of the test process at all times (GRI 416-2).

Quality assurance in the area of hardware is carried out during the project by numerous internal methods. Intensive function and endurance tests on devices are carried out in our own electromechanical laboratory throughout a device's development period. The transfer of a development to production is coordinated by a corresponding team which prepares series test plans as well as production plans and testing schedules in order to ensure quality during production.

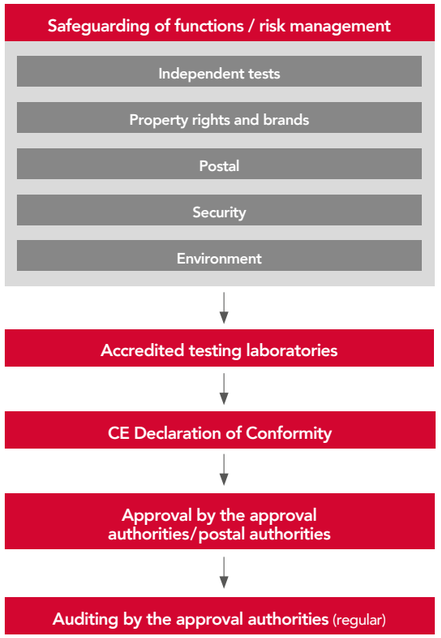
The restructuring of the Development division, the integration of Tixi and the focus on IoT processes and digital products required extensive adaptations of the process images and managed documents. The organisational changes implemented were adapted into the "Integrated Management System" (IMS). All processes and managed documents were established accordingly. The objectives in this case included organisational development, the expansion of knowledge management and strengthening of internal and external communications. In addition to the successful certifications of the processes for quality and environmental management (ISO 9001, ISO 14001) in December 2019, **FP** is now also able to show customers its certificates for the updated standards relating to occupational safety (ISO 45001:2018) and energy management (ISO 50001:2018).

## Product safety

Most products and services from **FP** require an operating licence from a regulatory institution. For the franking systems, these institutions are the respective postal companies in all sales territories worldwide, and for software products often the BSI (Federal Office for Information Security).

The high licensing requirements of the individual regulatory institutions make it abundantly clear that, for **FP** products, the important aspects are not just smooth and secure operation for consumers. The decisive criterion for the approval of the products and services is data security, which must be guaranteed at all times. The transfer of postage fees, which is worth billions between the cloud-based infrastructures of the national postal companies and the franking systems of the customers, requires highly secure communication channels within the Internet. The values transferred between the parties must be calculated exactly before being transferred. Accordingly, the postal service companies demand the highest security standard from the manufacturers for each new model. Accredited testing laboratories are used to carry out these tests.

### TYPICAL APPROVAL SEQUENCE




In addition to the initial approval, the postal companies concerned carry out a regular check to determine if the security requirements are also reliably met over the lifetime of the product. Not only the security level is checked during these audits. Additional important components include the test and evaluation themselves. Security at this high level can only be guaranteed by well-defined processes that are put into practice over the long term. Consistency and quality over many years in particular is one of the core areas of **FP**'s expertise, and explains the high market entry barriers for other companies. This is also where the interfaces with potential synergy with modern products, such as **FP** Sign, are located. Confidentiality, security and compliance with legislation are essential requirements in this context for the success of products and services.

## 3.4.1 Quality management system
## Claim and practised reality

**(GRI 103-1, GRI 103-2, GRI 103-3)**

We ensure the quality and security of our products right from the development stage. We see it as our obligation to keep our focus on the quality of our products and services throughout their entire life cycle. Under the responsibility of the Board of Management, the integrated management system representatives (IMR) and quality management representatives at the various locations evaluate current and future requirements as well as the results of previous activities and events, initiating follow-on measures as appropriate. This occurs on the basis of the "Plan, Do, Check, Act" method .

Based on the results of this process, measures are developed which the departments are required to implement by working together. Measures relating to warranties and improvements are coordinated and checked for effectiveness by means of appropriate quality cycles. Feedback is provided once a measure has been implemented. The cycle concludes with the corresponding analyses and the derivation of possible options for action.

## Quality and improvement: the non-financial performance indicators pursuant to Section 315 of the German Commercial Code (HGB)

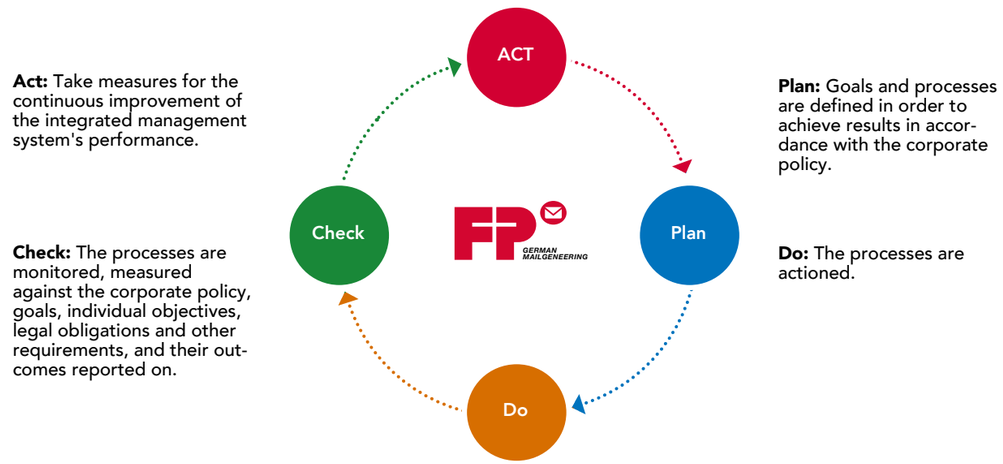
As part of our responsibility towards our stakeholders, we use both financial and non-financial performance indicators to manage our company. The focus is on the quality of the range of services, measured by means of a quality (PQI) and an improvement indicator (nF IQ).

## Continuous improvement in quality

In addition to financial performance indicators, we also use non-financial performance indicators to manage the company. At the heart of these is the quality of the range of services, measured by means of a quality and an improvement indicator.

The quality indicator measures the product quality based on the annual service call-outs in relation to the average weighted machine park. Ongoing changes such as the introduction of new or the optimisation of existing products are also taken into account. This parameter has so far only been measured in Germany and applied on a compar-

### FP'S PDCA METHOD



ative basis against international subsidiary companies in order to support the cost calculation process, for example. From 2020, this parameter will be known as PQI Germany and will be supplemented with the parameter PQI International. The Product Quality Indicator International is also comprised of the average machine inventory and annual service calls. However, it combines the data from Belgium, the United Kingdom, Italy, Canada, the Netherlands, Austria, Sweden and the USA. These are the countries that support the **FP** Group with data regarding service calls for the identification of potential improvements. Since the value of the PQI International is calculated differently to that of PQI Germany and reported on for the first time in 2020, it has also been calculated for 2019 in order to be able to compare developments. Both PQIs (since 2019) take into account the products that are currently manufactured in Wittenberge. In addition to this, the values of the PostBase Vision will also be incorporated into the number in 2020.

As a result of the new development of our PostBase franking systems, we have been able to significantly improve quality over recent years. The value of PQI Germany improved by 34 % from 14.6 in 2018 to 9.6 in 2019. The reason for this is the improved quality situation of the product series that are currently being marketed. The PQI International was 49.6 in 2019.

For 2020, we anticipate that both the PQI Germany and the PQI International will improve slightly, since we are continuously improving our product quality through improvement projects arising from the quality circles.

The improvement indicator (nf IQ) also measures the quality of **FP**'s products and in particular the quality of new franking systems. It has been based so far on the cost of parts for improvements to machines that have been delivered, and measures the ratio of the costs of the parts from warranties to the overall turnover. Since 2019 and retroactively for 2018, the nf IQ has been calculated based on the parts costs from warranties and the turnover from franking machines. The **FP** Group collects the necessary data on a monthly basis, whereby an analysis of the last few years shows that the indicator tends to rise with the introduction of a new generation of franking systems. After adjustment of the basis for calculation, the nf IQ in 2018 was 0.62. In 2019, the nf IQ rose slightly to 0.65. The reason for this is increased warranty costs, the cause of which was eliminated in the second half of 2019 as part of a quality circle project. For the 2020 financial year, an improvement in the nf IQ is anticipated since the measures from the quality circles are taking effect.

We also use these two non-financial performance indicators internally under the aspect of sustainability. In this instance, the company makes reference to the Global Reporting Initiative (GRI). Both non-financial parameters measure the long-term increase in product and service quality. Improvements in both indicators help increase customer satisfaction and therefore the company's economic success. At the same time, a more sparing use of material and personnel resources will also be achieved in this way.

| | Forecast 2019 | Actual 2019 | Explanation |
|---|---|---|---|
| Quality Indicator – Germany | Improvement compared to previous year (14.6 in prev. year) | 9,6 | Improvement through project implementation which was decided upon in the quality circle |
| Improvement indicator | Slight deterioration compared to previous year (0.62 in prev. year) | 0,65 | Slight deterioration essentially as a result of a problem with PostBase which has now been resolved through the Q circle in Wittenberge |

Table 1: Comparison of forecast and actual value

### 3.4.2 Customer service at FP – Focus on SME

In terms of our service promise, our customers appreciate us for:

**Security**

**Simplicity**

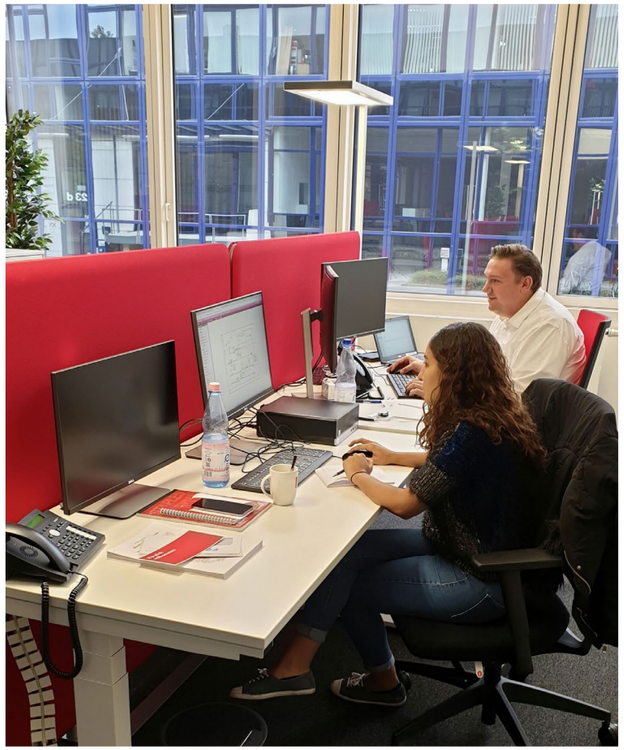
**Quality**

This applies not just to our product, but also very much to the delivery of our services – an important defining characteristic over the competition that we offer to our customers and firmly believe in.

**Customer structure**

**FP** focuses on the group of small to medium-sized companies. As in the previous year, around 85 % of our customers come from this sector, which is made up of companies with up to 250 employees. Around 13 % of our customer base is represented by the mean market segment of companies with up to 2,000 employees, and, in the corporate segment with over 2,000 employees, the proportion is one to two per cent.





We approach each customer segment differently, with different sales teams and channels, in order to achieve the greatest possible effectiveness and efficiency. We also take care to ensure that sales costs and customer communication remain in an equilibrium that matches the expectations of customers and also the promised efficiency of sales costs.

## Sales structure

**FP** currently has sales teams in the areas of

- Telesales
- Direct sales for major customers
- Indirect sales channels via dealers.

While the emphasis is on the dealer channel in North America, we serve the majority of customers directly in Europe.

Processes are optimised and quality improved at our SSC in Europe. Domestic **FP** companies and subsidiaries from other European countries will in future be making even more use of the SSC's services. The multi-lingual staff there carry out important tasks centrally, such as telephone and e-mail-based customer support, optimising administrative procedures such as order processing and accounting and improving service quality in the process.

## Service hotline

Not only in Germany, but also abroad, every customer has the option to contact our service hotline (First Level Support). In Germany we have a total of 10 employees to provide support to our customers in resolving any issues. For more complex questions, the service hotline can, in turn, call upon the national Second Level Support for assistance. Each national service can also turn to the international Third Level Support which – if necessary in connection with the Development department – will find a solution as quickly as possible. It takes many years of experience to acquire the in-depth and product-specific expertise required for this, as we offer a wide range of products in the form of 20 different models of franking systems for which we provide support and 15 models of enveloping systems in various age groups. The Second Level and Third Level Support also support Product Management with invitations to tender and the acquisition of postal licences in the respective countries. The creation of service documents and service bulletins is also the responsibility of Third Level Support.

Service bulletins contain technical details as well as organisational and country-specific information that help national support with the provision of daily support to customers. They are used primarily for the transfer of knowledge among service colleagues in order to keep them up to date at all times.

## On-site assistance

In order to offer smooth customer service, we maintain a dense network of technicians in Germany, with a total of 37 technicians (last year 40) supporting customers in the event of technical faults that cannot be rectified by our service hotline or on-site maintenance. Our retail partners also use our own sales and after-sales services. If a technical specialist is required, they will be on site within a few hours in order to rectify any defect as quickly as possible.

## Repair and disposal

On average, we repaired, maintained or appropriately scrapped and recycled due to their age a total of 700 franking and enveloping machines in 2019. The drop in the number of repairs we carried out compared to the previous year was more than 40 %, which speaks volumes for our high quality standards.

As a result of the new development of our PostBase franking systems, we have been able to significantly improve the quality in recent years. The improved quality of our franking and enveloping machines is now being reflected, with a drop of almost 20 per cent, in the number of franking and enveloping machines that we need to repair and maintain. In recent years, we have sold virtually only new PostBase systems and replaced older systems with new PostBase models.

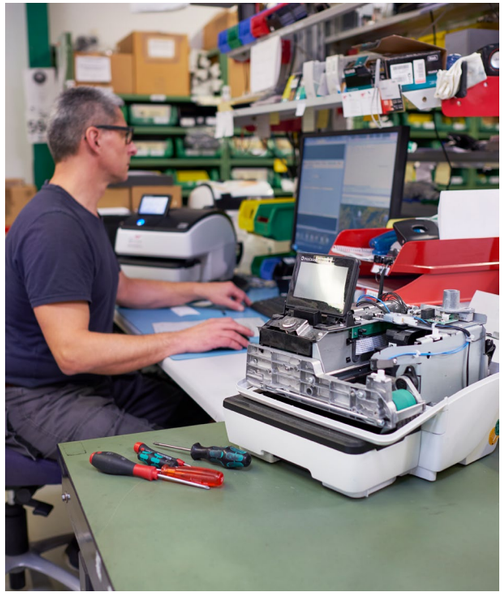
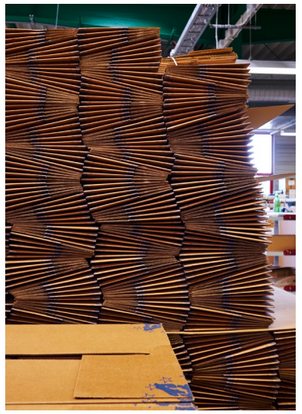
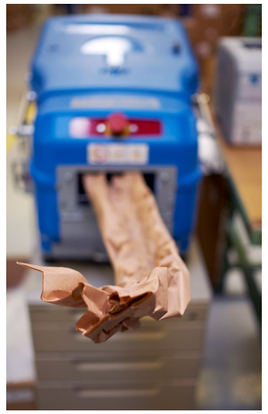


Figure 8: Insight in the main garage

In Germany, in the event of a repair, customers have the option of using a rental machine for the duration of the repair, which is delivered within 24 hours and collected again from the customer after return of the original machine in order to ensure high-quality service.

VIEW OF THE SPARE PARTS WAREHOUSE AND ORDER PICKING IN WITTENBERGE





## Spare parts

The German Service Parts Centre in Wittenberge stocks more than 1,100 different spare parts and consumable items, and many more are available to order. The entire global market is supplied from here – with ink cartridges, ink ribbons, envelopes, spare parts and labels. For the highest possible standards of service, these spare parts and consumables are available at short notice and can, if required, be delivered by express courier to the customer within one working day.

## New developments through JUMP

In 2019, our ACT project JUMP worked on the handling of central logistics by implementing the central warehouse for our spare parts and our central repair workshop for our European business at our production site in Wittenberge. The central warehouse is scheduled to go into operation in the second quarter of 2020. For the United Kingdom, any Brexit ramifications are still being awaited.

## International support

We are well positioned in the service sector at the national and international level to deal with the large number of companies and all of the various franking and enveloping systems we support. All in all, our international support team covers more than 40 countries.

## Training

With the introduction of our international collaboration platform, we have optimised the transfer of knowledge between our technical specialists in order to save resources in the pursuit of sustainability and in particular to avoid business trips. These specific training courses on our products and services form a solid basis for the reliable and secure care of our customers. The sales, service and support teams, as well as our trading partners and franchisees, are trained internationally by **FP**'s own training units.

Every year there are an average of 15 individual training courses on franking and an average of six on the subject of enveloping. Through our train-the-trainer concept we are able to design the training courses on site in a highly customized way, thus ensuring their sustained success.

### Customer satisfaction analyses

We regularly carry out customer satisfaction analyses in order to optimise the quality of our customer service and customer satisfaction and adapt our products to customer needs. An engineering change management process is used to convert customer inquiries concerning existing products into specific product improvements. Within the framework of new product developments, customer surveys and usability tests on user-friendliness are carried out in order to take customer needs optimally into account.

### Complaints and service management

Service and complaint management are designed for the purpose of maintaining, restoring and improving customer satisfaction, minimising any potential negative effects of customer dissatisfaction, identifying the indications of weaknesses and opportunities contained in the complaints and making use of them to carry out continuous improvements.

The documentation of complaints also creates transparency with regard to measures that have been initiated and implemented within the framework of complaint processing. It enables targeted communication with the customer, creates clarity and avoids duplicated and incorrect work. Employees to whom a complaint is made fulfil the role of being the first point of contact and coordinator for their department. It is their task to promptly select complaints which have been submitted locally, forward them internally to the employees responsible and track their processing.

At present, we have our own points of contact in our different areas for the acceptance and processing of complaints. We manage and control all customer complaint data ourselves – from its collection and processing to the concluding, effective solution. The complaints recorded are evaluated and form the basis for an analysis of causes in order to uncover and evaluate the main problem areas, develop measures for their prevention, and continuously improve the complaint handling process.

The aims of customer support and complaints management are to maintain, restore and increase customer satisfaction, minimise negative impact of customer dissatisfaction and identify and leverage the information contained in the complaints regarding commercial vulnerabilities and market opportunities.

## 3.5 Sustainability in the supply chain The policy of short reporting lines

**(GRI 102-9, GRI 204-1)**

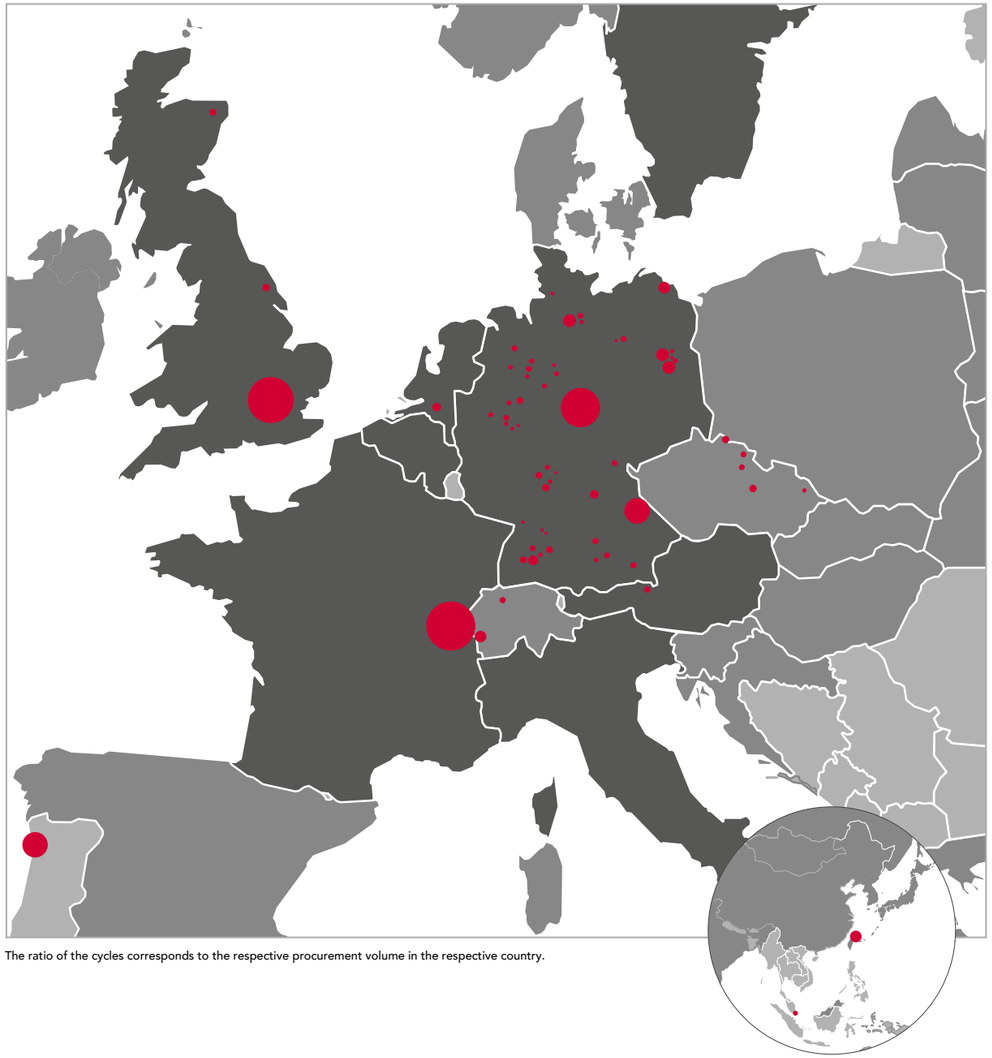
Sustainable thinking and action – in combination with respect for human rights, as well as compliance with fundamental environmental protection, climate protection and occupational health and safety – are essential parts of our added value chain and the procurement of the materials and services we need. The constant optimisation of our supply chains therefore pursues several goals: optimisation of prices, delivery quality and adherence to deadlines, but also the avoidance of environmental burdens caused by overseas transport. For this purpose, we changed over to procurement very close to our production site back in 2014.

The sole production site for franking systems and therefore the destination of the supply chains is **FP** Produktionsgesellschaft mbH & Co. KG based in Wittenberge in the Federal State of Brandenburg. Essentially, individual parts and assemblies are used there which we group together into the areas of mechanical contract production, plastic components, electronic components and assemblies, as well as drive technology. In 2019, we worked with around 230 suppliers (previous year: around 240).

Figure 9: Die FP Produktionsgesellschaft mbH & Co. KG in Wittenberge







The ratio of the cycles corresponds to the respective procurement volume in the respective country.

### Procurement close to home

For more than six years we have made use of economically and ecologically optimised procurement from suppliers who are based in Europe. Direct cooperation with suppliers in Asia was all but ended, and only five of our suppliers come from outside Europe. The proportion of direct procurement in Europe is now 98 %. The share of the procurement volume awarded in Germany remains at approx. 50 %, the same as last year.

Our goal is to establish and maintain long-term relationships with our suppliers that are based on strong partnerships. This is the only way in which we can ensure a sustainable supply of the necessary materials for our production. Looking at our A and B suppliers (in the reporting year: 66), we have worked successfully with 36 of them for more than 15 years, with 6 for more than 10 years and a further 16 for more than 5 years.

### Ongoing review

New suppliers are reviewed for supplier approval as part of an established, standard process. Among other things, this includes the collection of information on all implemented environmental, energy, and occupational health and safety management systems as well as all alternative measures (GRI 308-1). Suppliers which take such measures that go beyond the legal regulations are given a higher ratings index during qualification. This information is collected during the annual supplier evaluation and included in the evaluation.

If a supplier receives poor assessments in these areas, they may be removed from the list if they are also associated with other negative anomalies. With all supplier approvals and renewed supplier assessments, we enquire about a number of ecological and social components in the form of a supplier self-assessment. In the 2019 reporting year, we re-evaluated 35 existing suppliers (previous year: 20), and no negative environmental or social aspects were reported (GRI 414-1, GRI 414-2).

We do not maintain relationships with suppliers that are suspected of negative ecological or human rights impact, negative labour practices or negative impact on society (GRI 308-2). Since our suppliers are almost exclusively based in Europe and we do not work directly with any suppliers in developing or emerging market countries, it can be assumed that there are no risks of child labour, forced labour or negative effects on human rights. All of our suppliers are also adequately informed about our values, manners when dealing with one another and requirements in the area of compliance – with the same applying to our employees.

### Sustainable packaging

As a sustainability service, we have introduced individual returnable packaging for high-quality electrical components and work with local suppliers within the framework of groupage transport using corresponding reusable containers. This process was also used with the launch of the PostBase Vision during the reporting year. This allows us to avoid single-use packaging, reducing the environmental burden to the minimum possible.

As part of the "Best Material Purchase" project, which we have been operating for 2 years now, further suppliers in the local area have been trained in order to strengthen the Berlin-Brandenburg region economically and reduce the environmental impact of transport. The aim of implementing a constant improvement and optimisation process was achieved.

# 4. ACT TOGETHER Strong together

**(GRI 103-1, GRI 103-2, GRI 103-3)**

ACT TOGETHER – In accordance with our core values of team spirit, attitude and ideas and visions, we make life easier for our customers with our innovative and efficient products and services, giving them time for – and delight in – their everyday business. Each and every one of us at **FP** bears responsibility for our success – through the consistent implementation of our shared projects and goals.

### Strong together

Our employees represent a wealth of skills, experience and interests. Promoting and demanding, seeking common ground and making differences productive, developing and maintaining sustainable values – this is part of our responsibility as a company and as an employer. With our ACT growth strategy, we are pursuing a path to growth – and making that growth happen depends on successful and motivated employees. Successful and motivated employees are those who strive for customer satisfaction, conquer market share, drive innovations and generate dividends.

Our employees therefore create important perspectives for all of our stakeholders. Strengthening this awareness and anchoring the goals and principles of our Group as a yardstick for decisions represents the basis for sustainable action on our own responsibility. Through JUMP, we want to be able to work faster, more efficiently and more easily in the future.

### Key figures about our employees

At present, the same statistical data is not collected consistently in the different areas of the company. Therefore, the validity of the statements made here may vary in places. However, for the reporting year we have once again successfully managed to significantly expand our perspective on our HR figures.

## 4.1 Strengthening of sustainable company management and sustainable corporate culture Turning claims into reality

**(GRI 103-1, GRI 103-2, GRI 103-3)**

Creating and implementing framework conditions that strengthen the workforce and the management team, accompanying them, providing them with a sense of security and support: this is a strategic task in our daily interactions with one another. Our common goal is to structure our actions in such a way that all resources are used with clear objectives and in a concentrated manner, and that all requirements and abilities are in harmony with one another.

As part of ACT TOGETHER, we are aiming to achieve sustainable strengthening of our corporate culture. In order to achieve ACT's common goals, we demand a high level of performance while, at the same time, encouraging our employees so that they are able to achieve them. Top performance pays off, and it is fun to work for us. Executives exemplify our vision, our mission and our values.

### FP around the world

In 2019, 1,012 employees (previous year: 1,055) worked at our subsidiaries worldwide – in ten countries and at 21 German locations (GRI 102-8). Together we pursue the aim of organising our processes in an optimum manner so that we can support our customers efficiently and cost-effectively as experts for secure mailing business and secure digital communication processes and accompany them on their way to digitalisation.

The rise in the number of employees during the 2019 financial year in the **FP** Group's Production sector is essentially due to the expansion of the IoT business and the Information Technology sector.

The fall in the number of employees in the Sales Germany and International Sales sectors resulted primarily from the implementation of measures as part of the ACT project JUMP. In the Sales Germany sector, the reorientation and optimisation of processes in the software / digital product area also led to a reduced number of employees. With the ACT project JUMP, the structure and organisation of **FP** is changing and being optimised for the new Target Operating Model in order to significantly strengthen the global impact of our **FP** Group. In parallel to this, a standardised ERP/CRM landscape is being introduced in order to support and further automated standardised processes worldwide going forward. This move is intended to not only restructure the sales organisation, but also to revise internal procedure and re-establish them on a process-orientated footing. A number of previously locally performed administrative functions will in future be concentrated in two shared service centres – one in North America, the other in Berlin / Brandenburg. This will enable synergies to be leveraged group-wide and efficiency advantages to be achieved. The reduction in the workforce associated with this is contrasted by appointments in previously less well-represented strategic and support functions. Moreover, it will allow us to create space for the essential and planned growth in sales and earnings in the tradition and digital sector, for which new employees will also be required. All in all, through the ACT project JUMP, we are planning to achieve turnover and earnings growth without having to proportionally increase the overall workforce.

As a medium-sized corporate group, we also benefit from short communication channels and the close personal and direct exchange of ideas. Within the individual parts of the company, we are proud of the almost family-like quality of our cooperation that makes it seem completely natural to respond to each other's needs, support each other and work out solutions together.

| Number of Employees | 2019 | 2018 | 2017 |
|---|---|---|---|
| Employees in Germany | 654 | 643 | 638 |
| Employees in Europe (not including Germany) | 195 | 234 | 247 |
| Employees in North America | 163 | 181 | 182 |
| **Employees worldwide** | **1.012** | **1.058** | **1.067** |

Table 2: Employees as of 31.12.2019

| Executives with responsibility for HR[3] | 2019[1] | % | 2018[2] | % |
|---|---|---|---|---|
| Number of executives[3] | 131 | 12,9 % | 143 | 13,5 % |

[1] Employees included: 1.012 (worldwide)
[2] Employees included: 1.058 (worldwide), corrected for 2018
[3] Executives with responsibility for HR, across all levels in our company, including group managers

Table 3: Number of executives as of 31.12.2019

### JUMP helps to strengthen sustainable company management and a sustainable corporate culture

**FP** is developing into a more agile, more dynamic growth company. To this end, the ACT project JUMP is changing the structure and organisation of the global **FP** Group and optimising it towards a target operating model. We will be establishing centres of excellence for accounting, tax, controlling, human resources, sales, service and other departments in order to standardise workflows and to implement clear global governance. We have also changed and therefore streamlined our sales and service structure from ten countries to three regions. At the same time, the administrative roles that are maintained locally will be grouped together into cross-departmental shared service centres.

JUMP represents a fundamental and complete redesign of **FP**. We want to motivate our employees to cooperate effectively to achieve project goals, adopt a hive thinking approach and be open to changes. Even if those changes lead to their position changing significantly or even disappearing altogether. The corporate culture is changing, and

our global teams are working in a well-coordinated and highly motivated manner towards achieving the same goals. More than 7% of our global workforce is involved directly with implementing the project in order to ensure that all local and regional requirements are taken into consideration and implemented.

## 4.2 Staff development – Finding and keeping (GRI 103-1, GRI 103-2, GRI 103-3)

Finding, inspiring and developing talent both internally and externally is an important aspect of our human resources work – especially in light of the goals created through ACT and JUMP.

### Our world of work in figures

The number of new appointments worldwide in 2019 stood at 144, with 57 female and 84 male staff (previous year: 260 employees in Germany, Austria, Italy, France, the USA and Canada).

The resignation quota worldwide stood at 9.5 % (previous year: 13.3 %) and involved a total of 97 resignations by staff. In Germany, the resignation quota was remained constant in 2019 at 7.7 % (previous year: 7.7 %).

The number of resignations fell significantly and stood at 5.7 % worldwide (previous year: 7.9 %), the equivalent of 58 employees (GRI 401-1). In Germany, the ratio of resignations rose minimally to 4.8 % (previous year: 4.6 %).

### 23 % of our employees have been with FP for more than 15 years

This year, we have once again been able to detail how long people have been with the company, with the exception of sites in the USA (975 employees included).

### Award for FP as "Germany's Best Employer"

In a study, the F.A.Z. Institute and Institute for Management and Economic Research have determined Germany's most sought-after employers. Over 500 companies from a wide range of sectors were included. To begin with, we were a little unsure: How will FP get this honour? Suddenly, the news appeared in the press clipping that we were also on the list, and later we received an e-mail from the leading market and opinion research institute that also explained the design of the study. We are actually one of the two most sought-after employers in Germany in the "Tool and Equipment Construction" category, and one of the best employers with its headquarters in Berlin and Brandenburg.

133 employees have been with us for less than 1 year (14 %). 298 staff have been with us for less than 5 years (30 %). 190 employees have been with us for more than 5 years (19 %). 134 employees have been with us for between 10 and 15 years (14 %). 23 per cent of our employees have been with us for more than 15 years, amounting to a total of 220 staff.

The average length of service at the German locations (556 employees included) is 9.95 years. 75 of our employees have been with **FP** for more than a quarter of a century, and some of our colleagues will be celebrating their 40th year with us in 2020. One colleague is even beginning his 41st year at **FP**.

Here is a global summary of our employees' length of service:

| | Less than 1 year | | under 5 years | | under 10 years | | under 15 years | | more than 15 years | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female |
| Employees **2019**[1] | 83 | 50 | 166 | 132 | 0 | 0 | 0 | 0 | 0 | 0 |
| In per cent | 9 % | 5 % | 17 % | 14 % | 0 % | 0 % | 0 % | 0 % | 0 % | 0 % |
| Employees **2018**[2] | 88 | 72 | 184 | 138 | 138 | 64 | 78 | 54 | 155 | 84 |
| In per cent | 8 % | 7 % | 17 % | 13 % | 13 % | 6 % | 7 % | 5 % | 15 % | 8 % |

[1] Employees included: 975 [2] Employees included: 1.055

Table 4: Length of service

A look at our **FP** world:

### Management maxims

Our international management acts in accordance with our management policy. By establishing principles, we give employees a framework that leaves room for freedom, encourages innovations and creates the ability to take decisions (GRI 102-16). These core values are an integral part of our processes for the introduction of new employees, just as they are in our annual training courses.

### Internal communication

Joint dialogue is very important to **FP**, and we work on it every day. Without constant dialogue we cannot achieve the effectiveness or efficiency that we need for a sustainable orientation of the company. We regularly send out our global Corporate News, containing information about "What's happened", and "What's happening", and we also welcome new colleagues with team updates. We are also committed to active change communication in the context of JUMP. In order to promote short communication channels, we use our collaboration platform **FP** Connect. This supports all employees with the rapid exchange of information and ideas through various forums and groups, as well as through the option to conduct video conferences. The worldwide teams can communicate with each other without having to travel long distances or restrict themselves to using the telephone

### Co-determination

Works councils represent the interests of the employees at the Berlin-Pankow location, at the nationwide locations of our sales and service field staff, at our production site in Wittenberge and at our Group companies in Austria and the Netherlands. Trustful cooperation with them is also an essential part of this open and joint dialogue. All in all, we have 28 employees in 7 companies who are actively involved with the works council.

### Commemorative culture

All colleagues are invited to visit the company-owned museum, made up mostly of private exhibits, at the Berlin-Pankow location and to immerse themselves in over 97 years of **FP**'s history of inventions. Since 2018, a visit to the museum has been part of the induction process for new colleagues. There are now 43 franking machines on display, some of which are still working. Twelve historic machines have now made their way to Wittenberge, including the 50,000th PostBase Mini and the 100,000th PostBase Classic. Every single museum piece contributes to presenting our history in a lively and understandable way. A history that fills us with pride.

# FP: Momentum in Figures for 2019

1,012 employees
131 executives

21 locations in Germany and subsidiaries in the UK, France, the Netherlands, Belgium, Austria, Italy, Sweden, Canada and the US

108 employees completed a total of 6,060 hours of training in 2019.

28 employees worldwide are involved in works council activities at 8 companies.

At our nationwide sorting and printing centres of the FP subsidiaries freesort and IAB and our locations throughout Germany, we employ more than 70 disabled people, including many with hearing impairments.

## Parental leave

38 employees

24 women

14 men

## Average age worldwide*

44.0 %* of our employees are 30–50 years old

40.5 %* are more than 50 years old

15.5 %* are less than 30 years old

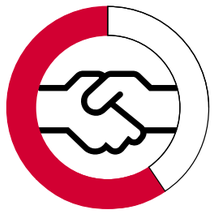
*out of a total of 1,012 employees

We train people – our five training professions in Germany at a glance:

- Office management specialist
- IT specialist for application development
- Electronics technician for devices and systems
- IT systems specialist
- IT specialist for systems integration

## Recruitment worldwide*

84 men
8.3 %*



57 women
5.6 %*

*percentage worldwide, out of a total of 1,012 employees

## Record number of participants in Berlin company run

A total of 57 colleagues from all across Germany took part!

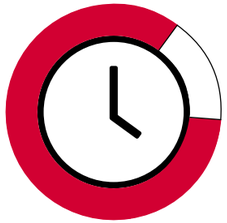
## Sick leave rate in percent*

4.3 %

*out of a total of 849 employees with an average of 251 working days

## Type of employment worldwide*

Full-time (88 %):
892 employees
582 men (57 %)
310 women (31 %)



Part-time (12 %):
120 employees
37 men (4 %)
83 women (8 %)

of which students/trainees:
34 employees

At our German locations, more than 60 % of our employees have the option of flexible working hours, while in the Netherlands this still applies to 100 % of employees.

Temporary*:
73 employees
46 men (5.2 %)
27 women (3.0 %)

92 % of our employees are employed on a permanent basis*:

813 employees
499 men (56.3 %)
314 women (35.5 %)

*out of a total of 886 employees

## Duration of employment*

23 % of our employees have been employed at FP for more than 15 years

14 % have been employed at FP for more than 10 years

19 % have been employed at FP for more than 5 years

**Less than one year:** 83 men and 50 women
**Less than five years:** 166 men and 132 women
**Less than ten years:** 124 men and 66 women
**Less than fifteen years:** 75 men and 59 women
**More than fifteen years:** 145 men and 75 women

*out of a total of 975 employees

In the UK, our colleagues did a great job collecting donations for the Samaritans' life-saving service. They supported the organisation for a year and raised a total of £5,000.

## Average age in Germany*

*out of a total of 556 employees

For the sake of simplicity, we sometimes use gender-specific language. Particularly in the context of a gender-neutral and non-discriminatory approach, this is of course intended to refer to all genders, including LGBTQIA+ (lesbian, gay, bisexual, transsexual, transgender, queer, intersexual and asexual people).

### Training

At **FP**, our trainees find a wide variety of opportunities that are designed to encourage long-term cooperation. We also promote interrelationships between academic training and the requirements of business.

Through cooperation agreements and contacts with 30 German universities in total, we support students in the preparation of their final theses on the one hand and maintain contact with research and teaching for our experienced employees on the other. Our dual training syllabus allows young people to craft their own entry into the world of work through strong performance.

At our German locations we are currently training twelve young people in five professions, and worldwide we had 14 trainees at the end of the reporting period, with a further 22 interns and students.

On 1st August and 1st September 2019, we welcomed a total of nine new trainees to the **FP** family. We are endeavouring to give our trainees broad insights into the **FP** Group and to also help them see the bigger picture. Deployments beyond the scope of their training will broaden their horizons.

We welcome our trainees at Welcome Days and support them through regular appraisal meetings and group-wide trainee meetings.

We also endeavour to inspire stakeholders within the Group on the subject by letting them know that the trainees provide invaluable support even during their training period, and once they have completed it will be the best-trained new talent for **FP**. The more departments find this out for themselves, the higher the demand will be for providing training themselves in an effort to instil inspiration and willingness.

In November 2019, the trainees worked out together what the training at **FP** means to them as part of our trainee meeting at the Group's headquarters in Berlin. They put their heads together, engaged in brisk debate and worked creatively. The result was interesting ideas and outcomes that are now reflected in **FP**'s trainee job postings. In their free time, they then explored Berlin together.

For the first time, **FP** IAB was represented at one of the world's biggest careers fairs – Connecticum! With 18,000 visitors. We were on hand to help prospective new employees for two days, holding numerous interesting and on-spec interviews and providing information about **FP** IAB.

## FP News

### Our training professions a glance:

- Office Management Assistant
- Electronics Engineer for Appliances and Systems
- IT Specialist in Application Development
- IT Specialist in Systems Integration
- IT System Management Assistant

Our highlight was the presentation of the company by **FP** IAB's Managing Director, Michael Steinberg, on: "Communication in changing times – chaos or opportunity?". His presentation set out the changes in communication in visual terms and very much stimulated the audience's interest in **FP** IAB.

For 2020, we will be appointing eight new trainees and endeavouring as a result to achieve a training quota of 3.5 % of all employees in Germany. In 2021, this quote will be increased slightly to 4 % (with the exception of the **FP** production company and **FP** IAB). By teaching specialist skills, methods, social skills and self-competence, the acquisition of professional capacity will be ensured both for people who are undergoing their first training and for those who have taken time out of their studies and decided to take a different path into work. In addition to the teaching of professional skills, knowledge and abilities, they can independently apply what they have learned.

### Jobs fair

For the first time, **FP** IAB was an exhibitor at a jobs fair and also at one of the largest careers fairs in the world – Connecticum! With 18,000 visitors over three days, students, graduates and young professionals were able to get in touch with 400 companies (such as T-Systems, Allianz, BMX, Apple, Deutsche Bahn, etc.), and we were one of them! We were on hand to help prospective new employees for two days, having many interesting conversations and getting to know candidates, as well as providing information about **FP** IAB.

Our highlight was the presentation of the company by **FP** IAB's Managing Director, Michael Steinberg, on the subject: "Communication in changing times – chaos or opportunity?". His presentation set out the changes in communication in visual terms and very much stimulated the audience's interest in **FP** IAB. The subject was discussed then discussed at our trade fair stand with a large number of interested individuals, and **FP** IAB's portfolio was presented.

**FP** IAB's summary of its first jobs fair was very positive! We were able to demonstrate that **FP** IAB is an interesting employer who, through repositioning, covers a wide range of interesting tasks and offers prospects to newcomers to the company.

### Ideas and the power of vision change the world. Our ideas management

In order to secure and strengthen our own competitiveness and the success of ACT, we need the active thoughts and participation of all employees. For this purpose, an improvement system – our Ideas Management System – was introduced within the framework of the first ISO-certifications. Its task is to encourage all employees to contribute their ideas and to have their potential for implementation checked. This commitment, which often goes beyond the employee's areas of responsibility, is then acknowledged and rewarded by **FP**.

In order to be able to evaluate and process the ideas, we make use of an ideas database which is maintained by our Ideas Manager. Irrespective of their responsibilities and length of service with the company, all employees at **FP**, including apprentices, interns and working students as well as freelancers and pensioners, can submit ideas.

Investments were planned for the following year in order to restructure the ideas management process with a cloud-based solution.

## 4.3 Diversity and women's quotas

(GRI 103-1, GRI 103-2, GRI 103-3)

### Diversity forms an important basis for ACT TOGETHER and non-discriminatory cooperation.

**FP** values diversity and ensures an open and honest atmosphere as part of our principles of management. Every employee should feel empowered to actively put forward their views and suggestions, regardless of how long they have worked with us, their age or their position in the company. Supported by the explicit mention of the principle of equal treatment in our mission statements and the appointment of corresponding equality representatives and the establishment of confidential hotlines, this principle is incorporated into all of our processes (GRI 102-17, GRI 406-1).

We pay particular attention to equal treatment in terms of our remuneration system. This is based on the requirements of the work performed and the responsibility assumed, not on the holder of the position (GRI 401-2, GRI 405-2). In some of the German Group companies we ensure this together with the employee representatives (GRI 102-41) by means of a remuneration system defined in our company collective agreement. Where operational changes are put in place, the employee representatives are notified in accordance with legal and company regulations. We also maintain a close dialogue with our employee representatives on various committees (GRI 402-1). There were no reported cases of discrimination in the reporting year.

In order to be able to preserve and use the experience of our workforce in the best possible way for the organisation of customer relationships or the implementation of joint projects, we specifically focus on the formation of mixed-age teams. Our own training programme supports the natural increase in the percentage of the group of over-50s in Germany.

| Employees | 2019[1] | % | 2018[2] | % | 2017[3] | % |
|---|---|---|---|---|---|---|
| under 30 years of age | 157 | 15,5 % | 130 | 14 % | 39 | 7 % |
| 30 to 50 years old | 445 | 44 % | 412 | 44 % | 220 | 41 % |
| over 50 years of age | 410 | 40,5 % | 400 | 42 % | 272 | 51 % |

[1] Employees included: 1.012
[2] Employees included: 942
[3] Employees included: 531

Table 5: Average age of FP employees

The inclusion of severely disabled people is also of major importance to us. At our nationwide sorting and printing centres run by **FP**'s subsidiaries freesort and IAB, as well as at our German sites, we employ over 70 severely disabled people, including many who have a hearing impairment.

In cooperation with the communities and specialist integration services, we have been able to ensure that the supervisors and colleagues are trained and that these special teams can easily communicate with one another. In Germany we also continued to fulfil the legal quotas across all companies, as in previous years.

At the **FP** Manufacturing Company, a pilot project entitled "Ways into Work" has been in place since July 2018, organised in cooperation with Lebenshilfe Prignitz. The aim of this is to employ people with a disability.

| Employees | 2019[1] | % | 2018[2] | % | 2017[3] |
|---|---|---|---|---|---|
| Proportion from minority backgrounds | 71 | 7 % | 94 | 8,9 % | 97 |
| Proportion with disabilities | 75 | 7,4 % | 77 | 7,3 % | 84 |

[1] Employees included: 1.012 (worldwide)
[2] Employees included: 1.055 (worldwide)
[3] Employees included: 902 (Germany, Austria, Italy, France, USA, Canada)

Table 6: Employees from minority backgrounds and with disabilities

### Diversity at executive level

The subject of diversity is of major importance to the whole of **FP**. The Supervisory Board, guided by the German Stock Corporations Act and Code of Corporate Governance, is aware of the need to ensure diversity in its composition and the relevant voting proposals at the Annual General Meeting. Not just gender, but also the experience of the individual members, measured against their age, professional and international experience, are relevant when it comes to assessing candidates. The Supervisory Board – following a suitably conducted application or proposal process – proposes the most suitable people based on these criteria. At present, there are still no women on the company's Supervisory Board.

The planned age limit for voting proposals of members of the Supervisory Board also needs to be considered in light of this. The mandate must end by no later than the end of the Annual General Meeting that takes place in the individual's 70th year. The Supervisory Board is currently suspending this requirement in order to ensure as broad a spectrum of experience as possible and to safeguard continuity. Furthermore, at least one member of the Supervisory Board should fulfil the criterion of internationality. At least one member already has the required characteristics for this (GRI 102-24).

The German Stock Corporation Act and the Code also stipulate that the Supervisory Board of companies listed on the stock exchange must define target figures for the proportion of women. Given the fact that the last Supervisory Board elections took place in 2016 and the Supervisory Board is constitutionally made up of three members, it was only with the decision of 20 June 2019 for the period up until 30 June 2021 at the latest that a proportion of women of zero per cent was defined as a target figure. The new regulation regarding the filling of Board of Management positions must be considered under the same requirements. In the same way as it does or the Supervisory Board, the regulation stipulates that the interests of the company represent a key guideline for the appointment of executive positions. In the case of Board of Management positions, the continuity of the company's forthcoming strategic development also needs to be ensured. In accordance with the provisions of the German Stock Corporation Act and the German Corporate Governance Code, the Supervisory Board has therefore adopted a target figure of zero per cent for the proportion of women on the Board of Management for the period up to 30 June 2021. Nevertheless, the Supervisory Board will consider the topic of diversity in its search for suitably qualified candidates for new Board of Management positions. However, the interests of the Group remain the decisive factor, so that the Supervisory Board will propose the most suitable candidates.

In addition, the Board of Management is obliged to set a target figure for the proportion of women on the first and – where applicable – the second management level below the Board of Management. The first level of management below the Board of Management has been defined as the positions of Vice President and equivalent staff functions within the company, Regional Heads and Managing Directors of the subsidiary companies. We do not have a second management level below the Board of Management.

With effect from 3 June 2019, the **FP** Group's Board of Management has stipulated that the proportion of women on the first management level below the Board of Management should be at least 10 %. As of 31.12.2019, this target is temporarily fallen just slightly short of at 9.5 %. When filling management positions, the Board of Management will be mindful of the need to re-attain the diversity specifications (GRI 405-1).

## 4.4 Safety and health in the workplace
**(GRI 103-1, GRI 103-2, GRI 103-3)**

The safety and health of our workforce are assets that are worth protecting. For us, they are our primary entrepreneurial goals, which give rise to important management tasks.

Through suitable information and training courses, we are improving and maintaining safety awareness among our employees as they carry out their duties. In addition, we offer our employees well-balanced offers for health protection schemes. Within the framework of the tasks and powers assigned to us, we assume major responsibility for ensuring and consistently improving the environmental protection and occupational safety measures, as well as the safety and health at work of all employees. Worldwide (with the exception of the USA and Canada), our sickness quota stood at 4.3 %.

We use an occupational health and safety management system which is certified at our German locations according to ISO 45001:2018. Subject and specialism-specific representatives support our executives locally in ensuring that we fulfil the requirements of our stakeholder groups as well as those of the legislator. Key tasks are performed by the Representative for the Integrated Management System (IMR), the Occupational Safety Specialist (OSS), the Waste and Hazardous Materials Specialist (WHMS) and our Company Medical Officers (CMO).

### People in positions of responsibility

A Fire Protection Officer (FPO) has also been appointed for the Berlin locations and Wittenberge. At our locations we also have local Safety Representatives (SR) with supplementary tasks for information security, First Aiders (FA), Evacuation Assistants (EvaA) and Fire Protection Assistants (FPA). In addition, there are further representatives – such as a Laser Safety Officer (LaserSO) at the Wittenberge location – who report to the Fire Protection Officer or directly to the Board of Management, depending on the locations' risk assessments (GRI 403-3).

A number of employees at all 21 locations across Germany are involved with occupational, environmental, energy and health management. Our company physicians (CP) also support all employees with treatment and screening programmes that go beyond the level of basic care, such as the influenza vaccination programme. Visitors, guests and individuals from outside the company must be instructed in our house rules – which also apply to our employees – in order to minimise possible risks. In the event that external companies carry out work on our premises, a corresponding safety briefing is carried out with the third-party company and confirmed in writing by both parties. This confirmation is archived. It also regulates how to deal with hazardous substances, work on electrical systems and perform welding work (GRI 403-1).

| Vorsorgeuntersuchungen/Ersthelfeschulungen | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Gesetzliche Pflichtuntersuchungen (nicht erforderlich) | entfällt | entfällt | entfällt | entfällt | entfällt | entfällt |
| Fahr-, Steuer und Überwachungstätigkeiten[1)] | 2 | 2 | 1 | 2 | 1 | 1 |
| Bildschirmarbeitsplätze[2)] | 16 | 32 | 72 | 33 | 40 | 49 |
| Lärm[3)] | 2 | 4 | – | 8 | – | 5 |
| Muskel-/Skelettsystem, Belastung[4)] | – | – | – | – | 1 | – |
| Ärztliche Beratungen (Betriebsarzt) | 33 | 25 | 51 | 38 | 113 | 55 |
| Grippeschutz-Impfungen (ergänzendes Angebot) | 47 | 46 | 20 | 18 | 51 | 53 |
| Erste-Hilfe Kurse (Ersthelfer) | 14 | 25 | 10 | 19 | 24 | 0 |

[1)] nach DGUV 250-427 (G25), [2)] nach DGUV 250-438 (G37), [3)] nach DGUV 250-418 (G20), [4)] nach DGUV 240-460 (G46)
Standorte Birkenwerder/Berlin-Pankow, Berlin-Adlershof, Wittenberge, Langenfeld

Table 7: Health screenings over time

| Accidents in and on the way to / from the workplace | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Total over the year | 0 | 7 | 5 | 2 | 7 | 1 |
| Reportable accidents at work (AAW) | 0 | 6 | 2 | 1 | 4 | 0 |
| Notifiable accidents on the way to/from the workplace (CA) | 0 | 1 | 3 | 1 | 4 | 1 |

Locations Birkenwerder/Berlin-Pankow, Berlin-Adlershof, Wittenberge, Langenfeld

Table 8: Accidents in and on the way to / from the workplace 2019

Employees at all locations are represented on the Occupational Safety and Environmental Protection Committee (OSEPC). At its regular meetings, the topics of basic support and company-specific support according to German Social Accident Insurance (DGUV) Regulation 2, as well as supplementary topics on environmental and energy management, are discussed and potential measures agreed upon with the employer representative. Appointments for the screening programmes offered are agreed annually and all employees informed.

### Ergonomic workstations

Our workstations are planned and set up in accordance with ergonomic aspects. We are increasingly using height-adjustable desks in our offices to enable our employees to change their working posture.

In 2019, there was one reportable accident on the way to/from the workplace at the German locations – with the figure for reportable accidents and on the way to/from the workplace being four the previous year (GRI 403-2). We attach particular importance to the analysis of accidents in the company and to providing advice on measures and devices in order to counter accident and health risks and to promote the joint exchange of experience on implemented measures and the development of an occupational safety or campaign programme. We are also actively working on suitable preventative measures to counteract accidents in and on the way to/from the workplace.

In order to be able to react appropriately to emergency situations, regular emergency exercises are carried out at all locations as a preventive measure. The appointments are made by the Occupational Safety and Environmental Protection Committee (OSEPC) and are prepared and accompanied for emergency exercises by the Occupational Health and Safety Specialist and – in the case of evacuation exercises – by the Fire Protection Officer. All emergency exercises are carried out in accordance with the location-specific fire protection regulations. After each exercise, the accompanying team evaluates the results in a hazard assessment, whereby measures for improvements are derived from any findings.

### Company integration management

In 2018, we actively worked on introducing company integration management and, in agreement with the Works Council, drew up and approved a company agreement on company health management (CHM) at the head office in Berlin and also implemented it in 2019 (GRI 403-4).

The target group of the company integration management scheme is employees who have been unable to work for a period of more than six weeks within one year or have been repeatedly unfit for work. In consultation with the individuals affected, meetings are held and measures agreed. The emphasis is on helping the individual to overcome their inability to work, and on determining what services or assistance can be used to prevent further sickness and allow them to keep their job. As part of the company health management scheme, **FP** takes responsibility for its staff and plays its part in safeguarding its employees' health.

### FP with 57 colleagues at the Berlin corporate run

The annual Berlin corporate run was held on 22nd May. 19,000 registered entrants completed the 5.5-km-long route through Berlin's city centre, and the **FP** team entered with a record number of 57 colleagues! From 7 pm, the athletic runners, walkers and skaters set off from the Strasse des 17. Juni, with the course taking them past the Tiergarten and the Victory Column. After the race, everyone met up in the **FP** marquee for some rest and relaxation. We are looking forward to this year's race and cannot wait to see whether we can beat our previous number of entrants.

## 4.5 Reconciliation of work and family life Working from anywhere

Our employees support us in our sustainable growth. In return, we meet them wherever we can: in all areas where the tasks permit it, they have the flexibility to perform tasks in the form of mobile work. Last year, we reached a milestone: the "mobile workplace (MW)" was introduced at our Berlin location. On 1 September 2018, the three-month pilot phase began, and we then moved into the implementation phase.

With this model, we are looking to improve the reconciliation of working activities and personal lives and facilitate the flexible design of working hours and working locations to serve personal as well as company interests. After this test phase and if the requirements are met, our employees are able to carry out the work they normally do within the company outside the company on a hour-by-hour and day-by-day basis through the "MW". As part of our ACT strategy, the MW project represents a further step in our company's cultural change process. We are disrupting traditional ways of thinking and creating a culture of trust in which colleagues as well as supervisors are able to deliver the same standard of work wherever they may be. And with this, we are choosing a self-organised method of working for employees and the ability for the executives involved to manage their work remotely.

### Flexible working times and locations

At **FP**, fixed working hours are only used where they are essential. At our German locations (with the exception of **FP** Produktionsgesellschaft), a total of 60 % of our employees can arrange their working hours in a flexible form. In total we have the ability to provide a flexible workplace to 191 employees at our German locations, where they are also able to carry out tasks away from their regular place of work. Working hours can also be arranged with flexibility at our companies in Austria, France and the United Kingdom. In the Netherlands, 100 % of the workforce are able to choose a flexible approach to their working hours.

We also enable and promote the voluntary commitments of our employees through uncomplicated leave of absence – paid or unpaid. Our employees also take advantage in many cases of the opportunity to participate in the implementation of our strategic goals on a part-time basis. There are no company benefits, which are granted only to full-time employees, but not to temporary or part-time employees (GRI 401-2).

### 92 % with permanent contracts

| Employees | 2019[1] | % | 2018[2] | % | 2017[2] | % |
|---|---|---|---|---|---|---|
| permanent | 813 | 92 % | 850 | 88 % | 460 | 87 % |
| fixed-term | 73 | 8 % | 72 | 7 % | 55 | 10 % |
| Training contracts worldwide | 14 | 1,6 % | 22 | 2,3 % | 9 | 2 % |
| Training contract Germany | 10 | 1,1 % | 8 | 1,2 % | – | – |
| Working students | 20 | 2,3 % | 18 | 1,9 % | 7 | 1 % |

[1] Employees included: 886 [2] Employees included: 962
[2] Employees included: 531

Table 9: Type of employment

20 employees use the opportunity to take parental leave. Our young parents also return to work after taking parental leave, which confirms the success of our efforts (GRI 401-3).

| | 2019[1] | | 2018[2] | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Employees on parental leave | 5 | 11 | 5 | 11 |
| Return quota from parental leave | 100 % | nn | 100 % | nn |

[1] Employees included: 407
[2] Employees included: 407

Table 10: Parental leave and return quota

It is not possible currently to determine the entire return quota of our female employees since parental leave was taken across years. Four staff have already returned from parental leave.

**FP** also participates financially in various ways by providing, for instance, allowances for childcare costs, paid leave for the care of sick children or additional leave for family events.

For the period after they retire from professional life, we participate in providing security for our employees. We pay allowances for private retirement provision and raise awareness for the importance of this topic through regular employee events (GRI 201-3).

## 4.6 Societal and social commitment Supporting the Samaritans

ACT TOGETHER states team spirit and attitude as our core values. Thanks to the commitment of our employees, we were also able to do good deeds in 2019. We are delighted to be able to document our employees' outstanding achievements.

### Samaritans' life-saving service

In the United Kingdom, our colleagues made a fantastic contribution and collected donations for the life-saving Samaritans service, supporting the organisation for an entire year. The Samaritans' life-saving service works 365 days a year, 24 hours a day, to ensure that fewer people die due to suicide. They respond to a call for help every six seconds and are there for anyone who needs them.

**FP** Mailing employees took part in a number of donation campaigns, including Rough Runner, 5-a-side football matches and participation in the notorious Isle of Wight Challenge. Our colleagues in the United Kingdom can also be very proud of themselves and celebrate the success of a one-year partnership with the Samaritans. They collected more than £5,000, helping to fund up to 1,000 more support calls. **FP** Mailing also organised numerous cake sales, raffles and dress-down days, honouring important events such as World Suicide Prevention Day in cooperation with the Samaritans. During World Mental Health Week, employees set themselves the ambitious goal of walking almost 2 million steps and encouraged families and friends to get involved outside of work too.

**"We are so proud of everything we achieved in 2019. Taking on these activities as a team has created a tremendous spirit of togetherness, and we are all exceptionally grateful that everyone has been so enthusiastic right from the start."**
*Jeni Holdcroft-Young, Marketing Manager*

As part of its charitable partnership, **FP** Mailing benefited from access to the Samaritans' specialist expertise in well-being. The Samaritans held sessions at both of **FP** Mailing's sites at which employees could talk about their emotional well-being. The aim was to start a conversation about emotional health, help employees to recognise the signs that someone might be having difficulties, give them the confidence to find a way of dealing with those difficulties, and highlight the importance of supporting their own emotional well-being.

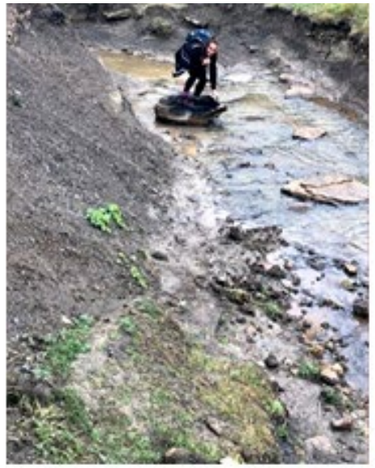
**"The Samaritans offered us extended sessions, and the places were quickly snapped up. The feedback from the sessions was fantastic, and we are absolutely delighted that we have been able to play a part in the organisation's ongoing campaign to create a nation of listeners."**
*Sofia Mead, Public Sector Development Coordinator*

The sessions focused on active listening and included an introduction to the Samaritans' online learning programme, which teaches some of the Samaritans' skills in the areas of listening and well-being in the workplace.

**"It was a helpful reminder for me and others that, no matter what you have to deal with at work or at home, you do not have to handle it alone."**
*Sofia Mead, Public Sector Development Coordinator*

**"This year, I enjoyed working with FP Mailing and I loved seeing how employees were putting their own twist on our ideas for collecting donations. Thanks to incredible charitable partners such as FP Mailing, we are able to be there 24 hours a day, 365 days a year, for anyone who is having difficulties. We cannot thank them enough."** *Alice Firbank, Managing Director for Corporate Partnerships at the Samaritans*





The nomination of the Samaritans' life-saving service as the UK's charitable organisation of the year was a unique opportunity for employees to unite behind an inspirational cause and show commitment to making a difference.

More information about our partnership and to support **FP** Mailing, visit the online fund-raising page.

For more information about corporate partnerships with the Samaritans, please contact a.firbank@samaritans.org. More information about **FP** Mailing can be found at www.fpmailing.co.uk.

Figure 9: Drawing of the winner for our hand-signed "Pink in the Rink" jerseys of the Eisbären Berlin

### Hockey is Diversity e. V.

As part of our **FP** Christmas campaign, our dedicated colleagues were able to bring joy to the children on the oncology ward at the Helios Hospital in Krefeld on Christmas Eve. We actively supported the annual Christmas donations from Hockey is Diversity e. V. Our sincerest thanks for this dedication!

Following our photo campaign with our Santa and Claus Father Christmas characters in December 2018, we have now been able to pick a winner for our hand-signed "Pink in the Rink" jersey from the Berlin Polar Bears.

Sven "Felle" Felski, also known as the "Mayor of Hohenschönhausen", drew the lucky winner of our *"Pink in the Rink" jersey* draw at the HiD Winter Classic in Hof in front of the audience and press.

Felle has played 1000 matches in the German Ice Hockey League and was crowned German Champion six times with the Berlin Polar Bears. He took part in three Winter Olympic Games and 10 World Championships, as well as six German Ice Hockey League All-Star Games. At the European level, he won the first outing of the European Trophy in 2010 along with the Polar Bears. Former ice hockey pro Dr. Martin Hyun was also present at the draw. Martin Hyun was the sports technology leader in the field of ice hockey and sledge ice hockey at the 2018 Winter Olympic and Paralympic Games. In recognition of his social commitment and dedication to promoting international understanding between Germany and Korea, Hyun was chosen as the torch bearer for the 23rd Winter Olympics. The draw was also accompanied by the guitar player from the Sons of Mannheim group, guest of honour Andras Bayless. At this point, we would also like to thank Mr Norman Höhling from the legal department for this commitment.

Figure 10: Christmas wishes of the FP to the brave children of the cancer ward

### Making Strides Against Breast Cancer

Colleagues from **FP** USA successfully collected money for breast cancer research: "Making Strides Against Breast Cancer". This is a well-known movement in America that clubs or companies can affiliate themselves with. At the end of September, **FP** America took part in one of the movement's action days ("walks") and collected a total of over 5,000 dollars for this worthy cause. As soon as they had collected just 2,000 dollars, they were already the fifth-best team out of 138 and, since by the end they had collected twice that amount, we assume that they are once again the best. The money was raised in a number of ways, including through home-baked treats, a tombola and piles of stylish "2019 **FP** Strong Shirts". Canadian colleagues increased this result by 4,573 dollars, true to the motto: No One Fights Alone!

For more than six years, **FP** Mailing Solutions has worked in partnership with the National Breast Cancer Foundation. In addition to its annual donation, **FP** also continues to offer its special edition of the pink PostBase franking machine, which is designed to raise awareness of breast cancer.

The pink franking machine does more than just raise awareness of breast cancer, however. For every pink PostBase sold, **FP** gives 5 % of the revenue to the National Breast Cancer Foundation. This means that all of our customers have the opportunity to directly support people affected by breast cancer.

Figure 11: The team of Making Strides Against Breast Cancer

This year, **FP** organised multiple donation collection drives to raise money and awareness. **FP** took part in six different fund-raising events. From charity events and cake sales to silent auctions, **FP** was able to collect additional money to support the needy.

Our thanks go to everyone who gave freely of their time and money to our many charity campaigns. In 2020 too, we will be filling ACT TOGETHER with life again and dedicating ourselves to making our society a little bit better.

Figure 12: Pink PostBase Vision

## 5. ACT TO PROTECT Responsibility for people and the environment

Protecting the environment and conserving resources with our energy sources is one of our main principles. This is why our production takes place exclusively in Germany and primarily uses suppliers from Germany and Europe. We also ensure that waste and emissions are minimised and, where possible, avoided.

In addition to our efforts to protect our environment, we ensure the safety and health of our employees in the workplace. We regard environmental protection, energy efficiency, safety in the workplace and health protection as important management duties, and we integrate them into our company policy and strategy.

### Sustainability first

For each newly designed product and each new process used, we check the environmental sustainability and the efficient use of energy and open up opportunities to further improve both. (GRI 103-1). We train our employees in order to raise their environmental and safety awareness and empower them to work and act accordingly. We want to implement ongoing improvements, ideally ones that go beyond mere compliance with statutory requirements. We therefore maintain an open dialogue with employees, public authorities, customers and suppliers, as well as the public, on all questions of environmental and energy management.

The "Environment, Energy Efficiency and Occupational Health and Safety Report", which has been published separately for many years, will from 2019 onwards be integrated into the Sustainability Report. The graphics used previously are shown separately in the annex.

### 5.1 Integrated management system – energy and the environment Environmental protection still standards-compliant

The requirements of the ISO 14001, ISO 50001 and ISO 45001 standards provide the framework for introducing an environmental, energy and occupational health and safety management system and therefore for breaking new ground towards personal responsibility and self-commitment. With this in mind, the topics of occupational health and safety are directly linked to the topics of environmental protection at **FP**, which also brings advantages with regard to sustainability, reporting, risk and process management.

### Environment and energy management system compliant with ISO 14001 and ISO 50001 ...

As already described in the section on the quality management system, all standard requirements are based on the "Plan, Do, Check, Act" method (Plan, Implement, Check, Act and Improve).

We are committed to responsible energy management. Wherever it is cost-effective to do so, we implement energy efficiency measures at our locations. We manage our energy consumption in order to improve the cost-effectiveness, productivity and working conditions, protect the environment and extend the availability of fossil fuels for useful purposes. It is in this vein that we are implementing ongoing improvements.

### ... as well as ISO 50003 and ISO 31000

We adapted our energy management system to the audit requirements of ISO 50003 early on and had the system re-certified according to ISO 50001:2018 in 2019. Approaches referred to in ISO 31000 (Risk Management) are also used and implemented in order to support risk-based thinking. The legally required OSC (Occupational Safety Committee) was transferred with effect from 2009 into an Occupational Safety and Environmental Protection Committee (OSEPC). In addition to the topics of safety and health in the workplace, the committee also assesses subjects such as compliance, waste, hazardous substances, energies and resources, and defines measures for improvement. In detail, these include:

- Energy management, energy savings and energy supply at the respective location
- Production, saving, selection and transport of raw materials, water management and water saving
- Avoidance, recycling, reuse, transport and final disposal of waste
- Assessment, monitoring and reduction of noise pollution inside and outside the location
- Environmentally relevant changes to existing production processes as well as to packaging, transport, use and final storage
- Operational environmental protection: practices among contractors and suppliers
- Current legal situation, new legal or also internal requirements and, if applicable, feedback from interested parties, improvements, corrections

No fines or penalties for non-compliance with environmental laws and regulations were imposed during the reporting year (GRI 307-1). There were also no complaints regarding ecological aspects that would have had to be submitted, processed or resolved in a complaints procedure (GRI 103-2).

## 5.2 Protecting resources and increasing resource efficiency The progress continues

Derived from our company policy and the dialogue with our stakeholders, we revised the integrated management system's strategic goals in 2018. Energy management at our German locations was successfully re-certified in 2019 to comply with the current version of ISO 50001:2018. Within this context, the certification area for the **FP** Mentana-Claimsoft GmbH was expanded to include the environmental protection and occupational health and safety management system. We were able to further improve the efficiency of electricity and heat consumption at the German locations compared with the previous year's level, which led to an improved $CO_2$ balance.

### No-sooner-said-than-done resource protection.

The following measures were successfully implemented in this respect:

- Keeping the efficiency of electricity and heat consumption at the German locations above the energy baseline and increasing their efficiency
- Sustainably keeping the costs of our waste volumes at the German core locations (Berlin-Pankow, Berlin-Adlershof, Wittenberge and Langenfeld) below Euro 60,000 (in the 2019 reporting year: Euro 30,192.27)
- Maintaining the efficiency of water consumption at the locations above the energy baseline
- Keeping the emissions consumption of the **FP** vehicle fleet below 60,000 kg $CO_2$ p.m. 2019: 51,366 kg $CO_2$ p.m.)
- Emissions consumption of the flights used by **FP** employees below 20,000 kg $CO_2$ p.m. 2019: 19,117 kg $CO_2$ p.m.)
- Checking and updating German Social Accident Insurance (DGUV-V3) tests for all appliances
- Updating the energy baseline in the event of changes

In addition, we continued, initiated and implemented the following measures in 2019:

- Maintenance of our hazardous substance, waste, energy and legal source registers
- Constant review of integrated requirements aspects (objective control)
- Guidelines, process and directive supplements in the system documentation
- Information and training courses
- Updating of the hazard assessments at all locations
- Regular plant and fire safety inspections at our locations in Berlin-Pankow, Berlin-Adlershof, Hennigsdorf, Wittenberge and at all **FP** freesort locations, focusing on safety in the workplace and fire safety
- Measurements and detailed analyses of the energy consumption at the German locations

### Expenditures on Environmental Protection

In 2019, investment calculations were obtained at the German locations with the emphasis on LED conversions, and new measuring systems were obtained in order to carry out further measuring series of defined consumer groups (SEUs). As part of the investment calculations, preparations were made for the systematic conversion of measuring systems to the IoT (Internet of Things) so that more influence can be exerted over energy consumption in future.

As a result, in addition to staffing costs and smaller expenditures for the procured measuring systems (approx. Euro 5,000), costs were essentially only incurred for the re-certification of the integrated management system (approx. Euro 35,000). The re-certification of the energy management system was brought forward by one year. We hereby confirm that the audit requirements of ISO 50003 are met. Disposal costs in 2019 amounted to around Euro 30,000 at all German locations (previous year: around Euro 50,000).

### 5.2.1 Energy and consumption data A falling trend (GRI 103-1, GRI 103-2, GRI 103-3)

At our German locations, we primarily use the resources of electricity, heat (from heating oil, natural gas, district heating or fuels) and water. The consumption data is recorded and analysed every month in the central energy register in order to use the observed trends to achieve further savings in the future and use our ecological resources in a more environmentally-friendly manner.

Our calculations of energy-related services (ERS) are always based on the energy baseline (EB) for all 21 German locations. This baseline is reviewed annually and adjusted for each location according to defined criteria. Since we also operate a sizeable fleet of cars (field sale team, **FP** freesort fleet), their fuel consumption is considered separately from heat consumption. Our energy baseline, which is reviewed annually, is also the key figure (EnPI) for the respective location for the current year.

At all German locations, a total of 1,226 MWh of electricity were used in 2019 (previous year: 1,251 MWh), 1,975 MWh of heat (heating oil, natural gas, district heating) (previous year: 1,975 MWh) and 2,100 MWh of fuel (previous year: 2,320 MWh) and 882 MWh of kerosene (previous year: 921 MWh) pro-rata flight services.

The total energy consumption for all 21 locations, including the vehicle fleet and use of flights, was 6,183 MWh (previous year: 6,467 MWh). The entire scope of reporting currently relates to the German locations, as the foreign companies are not yet included (GRI 302-1).

### 5.2.2 Reducing energy consumption – Expenditure for savings (GRI 103-1, GRI 103-2, GRI 103-3)

In 2019, **FP** IAB's administration office in Adlershof was closed, and the employees were primarily integrated into the production site following appropriate construction measures. This enabled just under 10,000 kWh of electrical energy to be saved alone. At the production facility in Wittenberge, just under € 22,000 were invested to replace an ineffective compressor with a more effective one and to create suitably secured supply lines as well as further LED lighting elements. Here too, 20,000 kWh of electrical energy were saved, although the major savings will only be noticeable next year.

A further investment of just under €10,000 meant that the company was able to face the requirements of ISO 50001:2018 early and achieve certification in 2019. In this context, numerous smaller projects were initiated at the German locations and further investments are already planned for 2020.

The climate balance improved in 2019 from 2,016 t of $CO_2$ to 1,810 t $CO_2$ for our German locations (reduction by over 200 t $CO_2$) (GRI 302-4, GRI 302-5, GRI 305-5).

### Same output, less gas

In the area of heating we have optimised the switching cycles of the natural gas supply and insulated leaks better in the production of franking systems at the Wittenberge location. This has increased the efficiency levels (benefit to cost) from 0.03/m²W to 0.04/m²W (GRI 302-3). Compared to the building's primary energy consumption (208.7 kWh/m²a), this value remains significantly below the EnEV requirement value (169.5 kWh/m²a) at 66 kWh/m²a.

### 5.2.3 Energy intensity – LED lights up the future (GRI 103-1, GRI 103-2, GRI 103-3)

The core objective of our energy management system is to constantly increase the efficiency of our consumption. The absolute consumption values are therefore not insignificant, but have to be supplemented by consideration of the dynamics of corporate development – including new or expanded locations, new employees or changed framework conditions.

For each German location, separate energy indicators (EnPIs for electricity and heat) are planned and monitored annually in relation to the benefit/expenditure. In buildings where office work is carried out, the benefit for the electricity values is mainly calculated on the basis of

the times they are actually used by the employees, whereas in the various production facilities we take the production volume as the basis. In the case of the heat values, the benefit is the useful hours of the employees versus the useful areas. Which measured variables are used in each case was determined for each location by means of suitable correlations. The heat consumption per unit area is also compared and optimised with the building energy specifications (energy certificates). Since we did not yet have all the energy performance certificates of the landlords, we were only able to compare the specific heat consumption per area unit in 2019 with standardised building specifications for the locations still missing energy performance certificates.

Within the framework of our analyses of the electricity consumption, it was found that approximately 26 % of the consumption was caused by the lighting elements we have used until now. Servers (20 %), production equipment (17 %) and computer workstations (11 %) followed ahead of compressors and air conditioners. The new location in Hennigsdorf was planned and implemented in 2019 as part of an energy-efficient build right from the start (e.g. LED lighting, motion sensors for workplace illumination). A larger administrative office in Berlin-Adlershof has been replaced by a temporarily rented office space.

All German companies, in accordance with the decision from last year, are also obliged to switch to LED in the context of lighting procurement.

### 5.2.4 $CO_2$ emissions – Saving where we can

**(GRI 103-1, GRI 103-2, GRI 103-3)**

As a company, we generate $CO_2$ emissions. We are, however, investing energy to reduce them – with measurable results, be it in the vehicle fleet, heating energy, service or when we hold the Annual General Meeting.

In 2019 our delivery vans in Germany carried over 165 million letters (previous year 181 million) and our passenger cars were in service for 182,543 hours (previous year 175,845 hours). A separate $CO_2$ fleet register (broken down according to passenger cars and vans) is maintained for the company's vehicle fleet. If new leased vehicles are ordered (or exchanged for existing models), they must always have lower energy consumption than the previous vehicles.

#### Fleet on the right course

Although just a few years ago the target figures for the entire vehicle fleet were 75,000 kg $CO_2$ per month, they had already been reduced to 56,691 kg $CO_2$ per month by 2019. In the reporting year, 616,391 kg of $CO_2$ were generated (previous year: 692,290 kg); grouped according to vehicle type into 107 cars at 521,690 kg, and 15 delivery vans at 94,701 kg. This means we were able to reduce $CO_2$ emissions by 11 %.

#### Savings on Scope 1 and 2 (direct and indirect)

The use of a total of 1,975 MWh of heat from heating oil, natural gas and district heating (previous year: 1,975 MWh) generated 436 t $CO_2$ which come under Scope 1 ("direct emissions"). These are produced by static and mobile energy sources. From the use of heat (436 t $CO_2$), the $CO_2$ fleet register (681 t $CO_2$) and the use of flights (229 t $CO_2$), this produces a total value of 1,346 t $CO_2$ (previous year: 1,357 t $CO_2$). This corresponds to a reduction of 0.8 % (GRI 305-1).

Based on the use of 1,226 MWh of electricity (previous year: 1,251 MWh), which falls under Scope 2 (indirect emissions), a total of 464 t $CO_2$ were generated (previous year: 659 t $CO_2$); in this case, only emissions from electricity generation were included (GRI 305-2). The increased use of LED lighting allowed the energy consumption to be reduced by 2 %.

Due to technical problems, we were unable to identify $CO_2$ emissions that arise in the upstream and downstream value-added chain and are indirectly related to our corporate activities for the 2019 reporting year for the overland transports managed by one of our logistics providers (GRI 305-3).

It is not currently possible to report in full on ozone-depleting substances such as nitrogen and sulphur oxides (GRI 305 -6, GRI 305-7).

#### Green energy at our German locations

In 2019, new energy contracts were put out to tender for our German locations, which include the headquarters in Berlin, our production site in Wittenberge and the locations of the **FP** subsidiary freesort in Hamburg, Frankfurt, Weinstadt, Pattensen, Leipzig, Langenfeld and Munich. In the interests of sustainability, we have decided to obtain all of our energy from green energy, which will significantly improve our climate footprint. So far, we have saved a total of 195 t of $CO_2$ through green energy, equivalent to just under 30 %.

What is more, we use the recommendations of the German Federal Environment Agency to calculate the $CO_2$ emissions and round up the specified number of grams (www.umweltbundesamt.de).



### 5.2.5 Waste balance and waste types – Avoid wherever possible (GRI 103-1, GRI 103-2, GRI 103-3)

We adopt a sustainable and responsible approach to waste – our overriding principle is therefore one of avoidance, closely followed by preparation for reuse, actual recycling or another form of repurposing, especially in energy terms. Only if none of these options are available do we choose landfill and proper disposal.

We want to conserve natural resources and ensure the protection of people and the environment in the production and management of waste. Waste is therefore stored and treated separately so that it can be returned to the closed-loop economy. We prepare annual volume balance comparisons with waste balances and determine the ratios of the different waste types.

We did increase our waste to 240.7 t (previous year: 230.2 t), but were able to recycle 81.7 t (previous year: 18.6 t) and therefore keep costs in 2019 significantly below the target value of Euro 55,000 (Euro 30,912.27). At our German locations, 240.7 t of waste (of which 0.1 t were hazardous) were produced (previous year: 7.1 t) (GRI 301-1). The proportion of hazardous waste rose significantly by 29 % compared to the previous year (GRI 306-2). There were no exports of waste in accordance with the Basel Convention (GRI 306-4).

### 5.2.6 Hazardous substances

131 hazardous substances are currently used at our sites (previous year: 127), 40 of which have no hazardous characteristics (previous year: 76), equating to 31 % (previous year: 60 %). Six hazardous substances are used at two or all locations. Compared to the previous year, we are no longer using 36 hazardous substances (previous year: 7) without hazardous characteristics.

The highest proportion of the 58 substances used at the Berlin-Pankow location are only stored in small amounts or used in development. The production sites in Berlin-Adlershof and Wittenberge each use 31 or 32 substances. All substances for which safety data sheets are required have been listed. These also include, for example, our old inks, since they are assigned to water hazard class 1, but they do not require any hazard (GHS H) or safety information (GHS P). Contact sprays, Caramba or Raster Clean are substances for which there are corresponding hazard and safety instructions that have to be observed – even if they are only used in very small quantities. Before a potentially hazardous substance is used by us or a further application for it is found, all of the risks it represents to the health and safety of our employees and our customers, as well as the environmental impact, are assessed and tested (GRI 306-3).

### 5.2.7 Water – Not a side issue

**(GRI 103-1, GRI 103-2, GRI 103-3)**

Water does not play a significant role in our production process. At the German locations we use fresh water (GRI 303-1). There is no negative impact on the water sources used (GRI 303-2). Recirculation via production circuits or separate systems does not, therefore, take place (GRI 303-3). We facilitate reprocessing through regular waste water disposal.

The total water consumption at the locations in Langenfeld and the six other consolidation centres (1,197 $m^3$), Wittenberge (525 $m^3$), Adlershof (350 m3), the new site in Hennigsdorf (24 m3) and the main location in Berlin (1,916 $m^3$) amounts to 4,012 $m^3$. (Prev. year: 3,680 $m^3$) Measured in terms of hours of use, the reduced water consumption level is 4.15 litres per hour of use (previous year: 4.22 litres per hour of use). The aim is to continue maintaining water consumption per hour of use at this low level.

| Storage location | Without haz. characteristics | With haz. characteristics | Totals |
|---|---|---|---|
| Berlin-Pankow location | 13 | 45 | 58 |
| Berlin-Adlershof location | 10 | 21 | 31 |
| Wittenberge location | 15 | 17 | 32 |
| Langenfeld location | 1 | 3 | 4 |
| Hennigsdorf location | 0 | 0 | 0 |
| Service location | 1 | 5 | 6 |
| Disposed-of materials | 36 | 0 | 36 |
| Locations covered | 40 | 91 | 131 |

Table 11: Overview of hazardous substances

## Low water hazard

In our hazardous substances register, all substances used are broken down according to water hazard classes. According to the current Water Resources act (Section 62 Para 4 Clause 1 of the WHG), substances with a potential to endanger water are only divided into three classes. Substances that are not at risk of endangering water are assigned to class 0.

We only work with a small proportion of water-endangering substances of hazard classes 2 and 3, such as adhesives and cleaning agents in small quantities. Our old inks correspond to water hazard class 1, while the new inks are classified under water hazard class 3.

| WHC[1] | 0 | 1 | 2 | 3 | Total |
|---|---|---|---|---|---|
| Number of substances[2] | 8 | 87 | 29 | 4 | 128 |

[1] WHC: Water hazard class according to WHG (Water Resources Act)
[2] From the central directory of hazardous substances

Table 12: Overview of substances hazardous to water

## Secure storage of hazardous substances

In relation to water-endangering substances, particular focus is placed on the appropriate labelling. These substances are always stored in special containers. Special precautions at filling stations prevent them from entering the waste water system. All supply lines, pipes or containers are sealed and drip-proof, with suitable binding agents available at all times, and all disposals are taken care of using the relevant disposal matrix in accordance with statutory requirements.

The central waste collection points are clearly documented for the locations in site maps.



## INDEX OF THE NON-FINANCIAL DECLARATION OF FRANCOTYP-POSTALIA HOLDING AG ACCORDING TO THE REQUIREMENTS SET OUT IN THE CSR DIRECTION IMPLEMENTATION ACT (CSR-RUG)

| General requirements | | Chapter |
|---|---|---|
| Section 289c, Para 1 HGB (German Commercial Code) | Business model | 1.2, 1.3 |
| Section 289c, Para 3, Sentence 1 and Sentence 2 HGB | Concept and strategy including results | 1.3, 1.5 |
| Section 289c, Para 3 | Materiality clause | 1.8 |
| Section 289c, Para 3, Sentence 3 HGB | Significant risks related to a company's own business activity | 2.2, 2.3, 3.1, 3.2 |
| Section 289c, Para 3, Sentence 4 HGB | Significant risks related to a company's business relations and services | 2.2, 2.3, 3.1, 3.2, 5 |
| Section 289c, Para 3, Sentence 5 HGB | Non-financial performance indicators | 2, 3, 4, 5 |
| Section 289d HGB | Framework | 1.8 |
| **Environmental issues** | **Key topic** | |
| Section 289c, Para 2, Sentence 1 HGB | Conservation of resources | 5.2 |
| | Protection of resources | 5.2 |
| | Integrated management system | 1.1, 1.6, 5, 5.1 |
| **Employee issues** | **Key topic** | |
| Section 289c, Para 2, Sentence 2 HGB | Staff development | 4.2 |
| | Corporate culture | 4.1, 4.2, Management principles |
| | Diversity and women's quotas | 4.3 |
| | Safety and health in the workplace | 4.4 |
| **Customer** | **Key topic** | |
| Section 289c (2) HGB | Product quality | 3.2 |
| | Product efficiency | 3.2.2 |
| | Product safety | 3.2 |
| | Sustainability in the supply chain | 3 |
| | Research, development and innovation | 3 |
| **Social issues** | **Key topic** | |
| Section 289c, Para 2, Sentence 3 HGB | Societal and social commitment | 4.6 |
| | Reconciliation of work and family | 4.5 |
| **Human rights** | **Key topic** | |
| Section 289c, Para 2, Sentence 4 HGB | Risk and opportunities management | 2.3 |
| | Compliance | 2.2 |
| | Management principles at FP | Double page |
| **Prevention of corruption and bribery** | **Key topic** | |
| Section 289c, Para 2, Sentence 5 HGB | Compliance | 2.2 |
| | Management principles at FP | Double page |

# Glossary

A

### ACT
ACT is the Group strategy announced in 2016 comprising the elements ATTACK, CUSTOMER and TRANSFORMATION with the aim of sustainable growth and increasing profitability.

### Agile methods
Agile methods are principle-based approaches for higher efficiency in software development.

### Actuation
Actuation describes the signal-controlled response of drive components to certain operating conditions.

### API
Application programming interface.

### App
Program for smartphones and tablet computers.

### A segment
The franking machine segment for customers with low mail volume (up to 200 letters per day).

### ATTACK (ACT strategy)
Expanding the customer base, revenue growth and increasing the market share in the core business.

B

### Bluetooth
Standard for the wireless transfer of data between different electronic devices over a distance of around ten metres. Bluetooth has superseded infra-red technology in this segment.

### B segment
The franking machine segment for customers with medium mail volume (200-2,000 letters per day).

### BSI
German Federal Office for Information Security.

C

### Slogan
A slogan is a short but crucial statement and a company's value proposition regarding itself. See German Mailgeneering.

### Cloud services
Provision of IT infrastructure such as processing power, memory space or application software as a service over the internet.

### Concept of operation
A concept that describes the features of a system from the perspective of a user.

### Connectivity
The ability of systems to establish a connection with other systems.

### CRM
Customer relationship management system. Software solution for the systematic configuration of customer relationship processes.

### Cross-selling
Efforts to sell customers complementary products or services.

### Cryptography
Originally the science of the encryption of information. Today, cryptography also concerns the conception, definition and design of information systems and information security.

### C segment
The franking machine segment for customers with high mail volume (more than 2,000 letters per day).

### CUSTOMER (ACT strategy)
Developing new solutions and services for existing and new customers.

### Cyberattack
Targeted, external attack on major computer networks that are important for specific infrastructure.

D

### Dashboard
Method to clearly present information on a monitor using small programs that are designed to look like traditional dashboard gauges.

### Design sprint
A time-limited, five-step process of design thinking with the aim of reducing the risk for the market launch of a new product or service.

### Currency swap
In a currency swap, two contracting parties swap two currencies at the current exchange rate and then swap them back at the same rate at a later date.

### discoverFP
Our FP portal that acts as a shop window for our portfolio and provides access to nearly all FP products. discoverFP gives customers an overview of their relevant franking system data and the integrated help centre enables them to view invoices, orders, contracts and service requests. Similar to an app store.

### DNA
Scientific definition: deoxyribonucleic acid, carrier of unique genetic information, i.e. the material basis for genes. The "DNA" of a company means the particular characteristics of a company that give it a competitive edge or bundle unique selling propositions. FP's DNA is defined by actuation, sensor technology, connectivity and cryptography.

E

### Edge computing
Decentralised data processing at the edge of the network via intelligent devices. Model for IoT.

### eIDAS
European regulation on electronic identification and trust services for electronic transactions.

### Electronic signature (e-signature)
Data record that confirms the identity of the sender of an e-mail, for example, and that the message has not been changed. Legally binding by dint of European directive and German Digital Signature Act in the form of the qualified electronic signature.

### Embedded software
Software that takes on certain control, monitoring and corrective functions within technical apparatus, e.g. in a car.

### EMC
Electromagnetic compatibility. Ability of an electronic device not to interfere with others through electromagnetism.

### End-to-end solution
End-to-end solution means that FP as a provider of an application program, software and a system meets all of the customer's software and hardware requirements, so no other provider is involved in meeting the requirements. Everything from a single source, covering the entire value chain.

### ERP
Enterprise resource planning. ERP systems support the planning of enterprise resources such as finance, human resources, merchandise, etc. ERP combines various back-office systems such as production, finance, HR, sales and materials management systems.

### ESD
Electrostatic discharge.

F

### Finance lease
A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. The classification is made at the commencement of the lease [IAS 17.4 and 8].

### Financial covenants
Blanket term for additional contractual clauses or side agreements in loan and bond agreements with enterprises.

### Forfaiting
The purchase of receivables – usually without recourse to the seller in the event of default.

### FP Fit4Change
Human resources initiative in which around 1,000 employees took part in six languages and more than 40 workshops.

### FP Input
FP Input takes on structured incoming mail processing of all incoming mail including digital storage of scanned documents.

### FP Output
FP Output takes over the customer's data flows. FP takes care of the entire production process from the preparation of data, printing, inserting, franking and handing over the letters to the delivery service or alternatively digital delivery.

### FP Parcel Shipping
A new FP solution for parcel shipment with multi-carrier selection, franking and tracking of parcels.

### Part-performance discount
A part-performance discount is granted under part-performance contracts with Deutsche Post when letters are delivered, processed and consolidated at a sorting office.

### FP Portal
See discoverFP.

### FP Product Roadmap
An ACT project to develop new products and services in the field of franking systems.

### FP secure gateway
The latest FP product "FP Secure Gateway" is the perfect solution for security requirements in the IoT environment and has a scalable number of input sensors.

### FP Sign
FP Sign is a cloud-based software solution for the secure, confidential and legally binding digital signing and exchange of contracts and documents.

### FP WebBrief24
Online letter service for private customers. Users transmit their text via a browser-based app to FP, which prints, inserts and sends the letter. The service is available starting with a single letter.

### Freedom to operate analysis
Analysis of whether third parties already have property rights with respect to the development, manufacture and market launch of a new product.

## G
### Gateway
Component (hardware and/or software) that establishes a connection between two systems.

### German Mailgeneering
Slogan. MAIL: Our core business, derivation (origin) and expertise. GENEERING is the development and modification of DNA, even that of a company, in order to give it a new character (future). ENGINEERING = the know-how required for the development/change).

### Going concern
Positive forecast of continuation for the coming fiscal year.

## H
### Hardware security module
External or internal computer accessory for encrypting and decrypting sensitive data..

### Hybrid mail services
Hybrid mail services transform data into mailable letters and vice versa.

## I
### Industry 4.0
Term from the German federal government's High-Tech Strategy 2020, which postulates the fourth industrial revolution. Following mechanisation (Industry 1.0), mass production (2.0) and automation (3.0), production in Industry 4.0 is governed by the Internet of Things.

### Infrastructure discount
Since 1 January 2018, the infrastructure discount has replaced Deutsche Post AG's volume discount. This requires specific conditions to be met, including with regard to machine-readable postage paid impressions.

### Inserter release
A new option to combine inserting and franking.

### Intellectual property
A category of property that includes intangible creations of the human intellect.

### IoT
Internet of Things. The Internet of Things in industrial application, synonymous with Industry 4.0.

### Iteration
The process of repeating the same or similar actions multiple times to approximate a solution or a certain target.

## J
### Juconn GmbH
Since January 2019, FP has held a 15 % interest in Juconn GmbH in order to offer customers the entire IoT value chain.

### JUMP
ACT project supporting FP in its transformation into a more agile, more dynamically growing company.

## M
### Mail Services
The Mail Services segment comprises the franking service – collecting unfranked outbound post and providing the franking – and the consolidation service – sorting the post by postcode and delivering it in batches to a sorting office of Deutsche Post AG or an alternative postal distributor (Secure mail business).

## O
### Operating lease
A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. The classification is made at the commencement of the lease [IAS 17.4 and 8].

## P
### PKI
In cryptology, public key infrastructure is a system that can issue, distribute and check digital certificates.

### PostBase One
PostBase One replaced CentorMail in spring 2016 and is a new system in the upper performance class of the PostBase product family. PostBase One enables the franking of medium and large mail volumes.

### PostBase Vision
PostBase Vision is the consistent further development of the PostBase "Classic" franking system, which was introduced in 2012. The colour touch display that adapts to the user automatically has increased in size by 40 % and swivels automatically. It now allows users to control functions with swiping gestures and enter text and QR codes on the PostBase Vision directly.

### PostBase100
PostBase 100 is a system of the PostBase product family. A special feature is its dynamic scale, which allows customers to conveniently process stacks of uniform mixed mail.

### Proof of concept
Demonstration of feasibility.

## S
### Sale and lease back
Sale of assets that are then used by way of rental or leasing.

### Sensor technology
With sensor technology, external and internal operating conditions are recorded by sensors, which are used to control drive components via special software programs.

### Shared service centre (SSC)
Pooling of an organisation's internal services with the aim of achieving greater efficiency through synergies.

### Secure digital communication processes
FP's second business area, which deals exclusively with digital products, solutions and services (IoT, Secure Gateways, cloud solutions, software and much more). First business area: secure mail business (core business dealing with mail communication, including franking, inserting, consolidation, postage optimisation, services).

### Secure mail business
FP's first business area: secure mail business, i.e. core business dealing with all mail communication, including franking, inserting, consolidation, postage optimisation, services. Stands alongside FP's second business area (secure digital communication processes, dealing with digital products, solutions and services, such as IoT, Secure Gateways, cloud solutions, software and much more).

### Signature
Legally binding signature. An electronic signature, or e-signature, can replace a handwritten signature. FP Sign is a service for signing digital documents in conformity with the law.

### Signature (digital, electronic)
See e-signature, FP Sign.

### Social media
Blanket term for online services such as Facebook or Twitter, which allow users to communicate with each other in groups and to share content.

### Stärkenkompass
Stärkenkompass is the world's first and only digital tool for collecting and visualising feedback on strengths. More than 1,000 FP employees around the world attended the Stärkenkompass workshops.

### Start-up
Newly founded company.

### Strategic controller
Strategic control is used to describe the process companies use to control the preparation and execution of strategic plans.

## T
### Target Operating Model
Target Operating Model, which is the description of the desired state of an organization's operating model

### Time to PoC
Time to proof of concept (PoC). Important milestone in project development. Basis for further work, as it validates the project concept. It thus services as decision basis for the further course of the project and allows the identification and minimisation of risks.

### Tixi.com
The operations of the IoT specialist were acquired in May 2018.

### TRANSFORMATION (ACT strategy)
Developing new, digital business areas.

### Triggering event
Event that triggers an impairment test.

## U
### Upselling
Efforts to offer customers higher-value products and services as a next step.

## V
### Vision
With our innovative, efficient products and services, we make our customers' lives easier, leaving them more time and thus greater enjoyment in their everyday work.

## W
### White spot
Market segments that are not yet served or are served only by a few current offers (also "unused market potential" or "identification of opportunities for innovation").

### WIFI (WLAN)
Wireless local area network. Short-range local data transmission network using radio waves. Internationally mostly referred to as WiFi.



# Imprint

Imprint and Appendix
Francotyp-Postalia Holding AG
Investor Relations
Prenzlauer Promenade 28
13089 Berlin

Contact: Anna Lehmann
Investor Relations and Sustainability Spokesperson
Tel: +49 (0)30 220 660 721
Fax: +49 (0)30 220 660 425
E-mail: nachhaltigkeit@francotyp.com
Internet: www.fp-francotyp.com

Chairman of the Supervisory Board: Klaus Röhrig
Board of Management: Rüdiger Andreas Günther (Chairman), Patricius de Gruyter, Sven Meise

Company headquarters: Berlin
Court of registration: Charlottenburg District Court, HRB 169096 B
VAT No. DE 247883577

Design: Groothuis. Gesellschaft der Ideen und Passionen, Hamburg; www.groothuis.de

Dem Bericht ist der Nachhaltigkeitsindex der Francotyp-Postalia Holding AG beigefügt (GRI 102-55).

The sustainability index of Francotyp-Postalia Holding AG is attached to the report (GRI 102-55).

It is available as a separate document at www.fp-francotyp.com/nachhaltigkeitsbericht to download.

For the sake of simplicity, we use the terms "employees", "investors", "customers", "suppliers", etc. throughout. In the context of a gender-neutral and non-discriminatory approach, these groups naturally include all genders, including LGBTQIA+ (lesbian, gay, bisexual, trans-sexual, transgender, queer, intersex and asexual people).

**FRANCOTYP-POSTALIA HOLDING AG**
Prenzlauer Promenade 28 D – 13089 Berlin
Phone: +49 (0)30 220 660 721
Mail: nachhaltigkeit@francotyp.com
www.fp-francotyp.com

**»Every day makes a difference.«**

**Jane Goodall**