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## NON-FINANCIAL GROUP REPORT

(pursuant to § 315b and § 315c HGB)

### Imprint

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# FUNDAMENTALS OF THE REPORT

## Business model

As the leading global provider of integrated planning, dispatching, telematics and ticketing solutions for public transport, init aims to manage the company sustainably and act responsibly in all business areas. With our products and services, we want to help improve the attractiveness and quality of public transport and to increase the profitability of transport companies.

For further information about the business model and the basis of consolidation of the init group, please refer to the "Group principles" section of the combined management report.

## Materiality analysis

In 2017, we performed a materiality analysis in order to identify the aspects relevant to our sustainability activities. With cooperation of the Managing Board, two workshops were held with representatives from various company units in which topics were selected with regard to their materiality to the init group and its relevant stakeholders.

The results of the workshops were consolidated and discussed with the Managing Board. In coordination with the Managing Board, the relevance of the topics identified in the first step was then assessed in accordance with the CSR Guidelines Implementation Law (CSR-GIL) in consideration of double materiality, i. e. in view of an understanding of business development and the impact of the activities on non-financial aspects. Key topics for

the init group were defined as "training and further education", "working conditions", "compliance with data protection provisions", and "fighting corruption". Thus, this report covers the three aspects "employee matters" ("training and further education" and "working conditions" topics), "social concerns" ("compliance with data protection provisions" topic) and "fighting corruption and bribery" ("fighting corruption" topic) pursuant to the CSR-GIL.

Furthermore, CSR-GIL provides for the representation of the two aspects "respect for human rights" and "environmental matters". No topics were identified as material in connection with these aspects within the context of the CSR-GIL. Owing to its business model, the init group makes an indirect contribution towards promoting global public transport and therefore contributes indirectly to more environmentally friendly forms of mobility in view of conserving resources and reducing emissions.

The contents of the report are based solely on the definition of materiality and the content requirements of the CSR-GIL, which is why no framework was applied.

## Non-financial risks

Non-financial risks are examined within the scope of risk management. They have been assessed in accordance with the requirements of the CSR-GIL. In the process, no business activities were identified as having any highly likely serious negative impact on non-financial aspects.

## EMPLOYEES

As the leading global provider of integrated planning, dispatching, telematics and ticketing systems for public transport, init relies on qualified, productive employees. Thanks to their experience and motivation, they are the ones who make the greatest contribution towards the company's success. For this reason, we strive to create a motivating, attractive and safe working environment. As an international company, init also values diversity among its workforce. It is a key factor for business success and, along with the continuous acquisition and exchange of knowledge, a prerequisite for our ability to react flexibly to changing overall conditions. We have therefore also firmly enshrined our responsibility towards our employees (in the following, the masculine form applies equally to employees of both genders) in our group-wide ethical guidelines.

The Director of HR at the init group is responsible for all employee issues and control of measures in companies worldwide, with a focus on the German companies init SE, INIT GmbH and initplan GmbH. Moreover, init has a position within the HR department of init SE that supports foreign companies that do not have their own HR department or responsible HR officer. This support comprises monitoring of reporting processes for key HR figures and, depending on the company, administration and recruiting. In future, we intend to expand reporting in our companies and to standardise the data basis so that key HR figures can be presented group-wide.

The HR department informs the Managing Board annually about measures taken and key figures in the area of employees. This reporting is to be expanded as well in future and in the course of 2018 it will be standardised and carried out monthly.

### init as an attractive employer

In particular in view of the current lack of specialised staff in the IT industry, it is essential for init to retain qualified specialists and managers over the long term. Our aim is to preserve and boost init's image as an attractive employer and family-friendly company in order to achieve a high level of employee retention.

Measures to increase init's attractiveness as an employer are regularly reviewed by the HR department and the Managing Board with a view to their implementation. The review is conducted through close collaboration at the locations and in consultation with location managers and team leaders. At the same time, we ensure that new working forms and methods are implemented consistently at all locations. With these measures as well as regular employee surveys/meetings, we also want to create conditions in which employee turnover remains as low as possible. We intend to include the group-wide turnover rate in external reporting from the 2018 reporting year. In addition, in the reporting period we emphasised a host of different measures and offers meant to increase the attractiveness of init as an employer. For example, in 2017 the company's employees were able to take advantage of the following voluntary benefits:

### Flexible working-time models

- ▶ Flexitime
- ▶ Part-time models
- ▶ Ability to work in a home office

### Additional social benefits<sup>1</sup>

- ▶ Travel allowance
- ▶ Wedding and childbirth allowance
- ▶ Anniversary bonuses after 10, 20 and 30 years of service
- ▶ Childcare subsidies
- ▶ Holiday and Christmas bonus
- ▶ Additional employee participation in the form of shares
- ▶ Accident insurance
- ▶ Travel health insurance
- ▶ Occupational disability insurance
- ▶ Occupational pension scheme after five years of service
- ▶ Company sports and events

The parent company init innovation in traffic systems SE has won countless awards in past years for its consistently high level of commitment in the areas of employment and corporate culture. Among other things, it is a three-time recipient of the BFamily Award, which is given to particularly family-friendly companies in the Karlsruhe region. In 2017, the North American subsidiary INIT Inc. was also recognised as an attractive employer in the Best Places to Work awards.

### Training and further education

At init, we want to create an environment in which every employee can reach their full potential. That is why we emphasise further development and promote the exchange of knowledge across all levels and areas of the company. The purpose of the training and ongoing further education of employees is to establish and expand the specific competencies that are required to implement our corporate strategy and objectives. Employees' need for further education and the ensuing measures are first determined in the annual performance review and in meetings between managers and HR. In addition, upon joining the company every employee undergoes a 6 to 12-week orientation and training programme, depending on the area of activity. It consists of training on basic topics such as internal processes, products, public transport, marketing, HR and occupational safety. IT employees are introduced to the specific standards and programming languages.

1) Applies to the following companies: init SE, INIT GmbH, initplan GmbH

Training and further education measures are overseen by the HR department within the context of employee and organisational development and documented and assessed in the form of training evaluations in order to monitor the success of further education measures and draw conclusions for future measures. This is intended to ensure a continuous exchange of knowledge and to position init as a technological trendsetter for public transport. Furthermore, at the beginning of 2018 init plans to create an internal init Academy<sup>1)</sup>, which will be further expanded in the course of the year and which will in particular give rise to further targeted measures in the area of training and further education as well as collaborations with universities of applied sciences. Our aim here, too, is to establish and expand specific competencies and support employees on an individual basis, thereby increasing our attractiveness as an employer and fostering employee loyalty over the long term.

We measure our company's performance in the area of training and further education with the help of key figures on the training rate and completed hours of further education<sup>1)</sup>. Our goal is to raise the average number of hours of further education per active permanent employee to at least 16 hours per year by 2020<sup>1)</sup>.

Further education measures at init comprised employee training with external providers, internal training and attendance at trade fairs. The topics ranged from specific software training to special management development. Permanent active employees<sup>2)</sup> at init attended an average of around 14.34 hours of training<sup>1)</sup> in 2017.

Moreover, for many years init has been training potential specialists in various commercial and technical occupations that require formal training. In 2017, the number of trainees in proportion to the number of active, permanent employees<sup>2)</sup> was 4.1%<sup>1)</sup>.

1) Applies to the following companies: init SE, INIT GmbH, initplan GmbH

2) Designates all staff employed under social insurance law (full and part-time), including the Board of directors and excluding trainees, temporary workers, apprentices, working students and employees on maternity and parental leave

# DATA PROTECTION

We take the protection of our customers' data very seriously, as their trust in us and our systems is one of the most important aspects of successful and long-term business relationships. The init group manages data during order processing, bid processing, HR management, investor relations support and for marketing purposes. Within the scope of our ticketing projects, some personal ticketing data are permanently maintained in our own IT systems. These dedicated IT systems are operated in certified external data centres, which are linked via managed remote maintenance connections. In this context, our objective is to always protect personal and confidential data to the best of our ability and to comply with the corresponding statutory provisions on data protection. At the same time, we want to detect any potential data leaks, thefts and losses as seamlessly as possible in order to define corresponding corrective actions.

Implementation is based on our internal data protection guidelines, our information security management system and the handbook created for this purpose, which is reviewed in the same frequency as the audits for ISO 9001 certification, amended in line with business needs to correspond with applicable statutory requirements and accessible by all employees on the intranet. The information security management system is part of the ISO 9001 certification and records and documents central processes, guidelines, procedures and responsibilities. Its aim is to ensure the implementation, monitoring, evaluation, maintenance and improvement of IT and information security at the Karlsruhe site in particular. Technical data security measures are ensured by the IT department.

The objective of the data protection officer appointed by init is to ensure compliance with the Federal Data Protection Act (FDPA) and other data protection provisions at the head office in Karlsruhe. He is also responsible for ensuring the highest possible level of compliance with internal standards such as our information security management system. He performs checks at

regular intervals in order to determine whether the data protection and security system meets the requirements under data protection law pursuant to the FDPA and the regulations in the data protection and data security guideline and is effectively enacted, and reports to the Management Board if necessary. Furthermore, he also initiates security measures and advises employees. The data protection officer is also listed as an external contact on the init website.

Data protection agreements are regularly concluded within the scope of our customer relationships. This is done to ensure compliance with the respective country-specific regulations and laws. In order to ensure the best-possible local protection of data, init also maintains antivirus software and firewalls on all computers as well as a four-step security concept for e-mail, which comprises complementary antivirus solutions from various providers and anti-spam filters. These programs are promptly updated upon the release of a new version. In order to reduce the risk of new, as yet unknown malware, we make an effort to increase awareness of this topic among our employees in the HR department in particular and in relevant key positions by conducting best-practice training.

In preparation of the implementation of the EU General Data Protection Regulation, in the reporting period init has closely examined the new requirements that will take effect in May 2018. Within this context, the data protection officer identified the changes relevant to init – in particular the new reporting duty and the increased severity of penalties for serious infringements in the area of data protection – and introduced corresponding measures in coordination with a working group. These include the revision of documents and the expanded documentation of personal data and data workflows in the information security management system.

During the reporting period, no serious infringements were identified in the area of data protection.

# ANTI-CORRUPTION AND BRIBERY

At init, compliance is a fixed component of our corporate values. Our group-wide code of conduct is intended to protect our employees, our company, as well as our customers and our business partners. Within this context, fighting corruption and bribery is a high priority within the init group, as strict compliance with legal regulations and the avoidance of violations in connection with corruption form the basis for our business activities. Our objective is to maintain and continue to establish ethically, morally and legally irreproachable conduct in all areas of the company. Furthermore, init strives to keep all employees up to date on the topic of fighting corruption.

Our ethical guidelines comprise all applicable statutory and company requirements for our employees. They prescribe a specific code of conduct and stipulate that corruption and bribery are not tolerated by our company. They include specific rules, such as ones on the granting or acceptance of benefits, the documentation of business transactions and the comprehensive, truthful and lawful provision of information to employees, shareholders, the capital market, the media and other stakeholder groups. The ethical guidelines form the binding code of conduct for the entire init group and apply without exception to all employees – across teams, hierarchy levels, countries and all individual companies within our group.

The ethical guidelines are provided to employees in group companies early on, either when they start their job or even in the application stage. In most group companies, employees confirm receipt and acknowledgement of the ethical guidelines in writing. Furthermore, employees worldwide are regularly (at least once a year) informed of the ethical guidelines of init via the Intranet, e-mail or in meetings.

As the customers of init are mainly public transport companies or associations in Germany and abroad, public and formalised procurement are of major economic importance. Public procurement is strongly organised and regulated by procurement law and thus protected by its regulations on competition, increased transparency and the plausibility of decisions. These regulations must be observed at all times by public customers as well as by participating tenderers such as init, from needs assessment to the tender phase through to awarding of the contract and order fulfilment. Sensitivity when dealing with public contracting authorities is therefore an essential basis for the business activities of the init group.

There is no centrally managed compliance organisation at init. Instead, compliance topics are coordinated by the respective Board of directors and Legal departments in the group companies. Within the Managing Board of



init SE, the Chief Financial Officer is responsible for compliance. Our flat hierarchies enable us to react quickly to compliance issues. The init group has concluded a series of measures to strengthen the compliance organisation. We require and encourage the reporting of all processes that indicate a criminal offence or a systematic breach of laws or internal rules. To this end, a whistleblower system was created at the end of 2017 and launched as at 1 January 2018 which enables employees as well as customers, business partners and third parties to report improper conduct, either anonymously or not anonymously. The system immediately forwards every report to the Legal department or the Managing Board, where it is reviewed and processed. In addition to this, in December 2017 init began to compile a special handbook that defines internal processes, their documentation and the systematic processing of reports. This handbook is to be finalised in the first quarter of 2018. The company's preventive and control measures also include the dual control principle, which is set out for the companies in a set of signature rules.

No breaches of the code of conduct were recorded at init during the reporting period.

Karlsruhe, 16 March 2018

The Managing Board



Dr. Gottfried Greschner



Dr. Jürgen Greschner



Dr. Hans Heribert Bäsch



Joachim Becker



Matthias Kühn

# INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the group non-financial statement 2017 of init innovation in traffic systems SE. The following text is a translation of the original German Independent Assurance Report.

## To init innovation in traffic systems SE, Karlsruhe

We have performed a limited assurance engagement on the group non-financial statement of init innovation in traffic systems SE according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code) which disclosures are made in the group non-financial report 2017 for the reporting period from 1 January 2017 to 31 December 2017. Our engagement did not include any disclosures for prior years.

### Management's responsibility

The legal representatives of the Company are responsible for the preparation of the group non-financial statement in accordance with § 315c HGB.

This responsibility includes the selection and application of appropriate methods to prepare the group non-financial statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a group non-financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's declaration relating to independence and quality control

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

### Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the group non-financial statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the group non-financial statement of the Company has been prepared, in all material respects, in accordance with § 315c HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between January and March 2018, we performed amongst others the following assurance and other procedures:

- ▶ Inquiries of employees regarding the selection of topics for the group non-financial statement, the risk assessment and the concepts of init innovation in traffic systems SE for the topics that have been identified as material,
- ▶ Inquiries of employees responsible for data capture and consolidation as well as the preparation of the group non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the group non-financial statement,
- ▶ Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. environment and employees in the reporting period and testing such documentation on a sample basis,
- ▶ Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- ▶ Analytical procedures at group level regarding the quality of the reported data,
- ▶ Evaluation of the presentation of disclosures in the group non-financial statement.

#### **Assurance conclusion**

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of init innovation in traffic systems SE for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material respects, in accordance with § 315c HGB.

#### **Intended use of the assurance report**

We issue this report on the basis of the engagement agreed with init innovation in traffic systems SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

#### **Engagement terms and liability**

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (see attachment). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, March 19, 2018

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Jan Kaiser
Wirtschaftsprüferin	Wirtschaftsprüfer
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