

The logo for 'init' is displayed in a white, lowercase, sans-serif font. The letter 'i' has a dot, and the letter 't' has a horizontal bar that ends in an arrow pointing to the right. The logo is contained within a white rectangular frame with a slightly irregular, hand-drawn appearance.

# Non-financial group report 2018



# 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 cooperation with the Managing Board in order to identify the aspects relevant to our sustainability activities.

The identified key topics of the init group in 2017 were "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. The identified key topics from the materiality analysis in 2017 are still relevant in 2018.

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.

The risk assessment basis is check lists which are developed in risk workshops by the respective person in charge for each area. In 2018, 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, sustainable 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 all 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 the past year, we expanded our group reporting further and standardised the calculation of key figures. This primarily ensures that the key figures employee turnover, participation rate in training and further education as well as sickness rate are available on a monthly basis. We intend to develop this reporting further.

The HR department informs the Managing Board on a monthly basis about key figures as well as measures derived or taken in the area of employees.

## **init as an attractive employer**

In particular in view of the current lack of specialised staff in the IT industry, specifically, but not exclusively, at the headquarter in Karlsruhe, it is essential for init to retain qualified specialists and managers over the long term and to win new talented personnel for init, primarily for software and hardware development. In

view of these developments on the job market, 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 attractiveness for new employees as well as 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. A further measure to cover the requirement for personnel in the area of software development and to mitigate the risk of not finding a sufficient number of skilled people on the domestic job market, in the reporting year, another development location was founded in Maynooth, Ireland (near Dublin), where recruitment has already been started. 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. In the 2018 reporting period, the group-wide turnover rate of permanent employees stood at 8.11 per cent. For the coming reporting period, despite the tense situation on the job market, we have set our goal to keep turnover at least at the same level. Therefore, in the reporting period we emphasised a host of different measures and offers meant to increase further the attractiveness of init as an employer. To achieve this goal, in 2018 we converted the previous voluntary benefits, Christmas and holiday bonuses to fixed components, without removing their voluntary status and allocating them to the monthly salary<sup>1</sup>.

Furthermore, in 2018 as in previous years the company's employees were able to take advantage of attractive voluntary benefits. We would particularly like to highlight the very attractive childcare subsidies we offer, not only for kindergarten children but also for primary school children, supporting our goal to be seen as a family-friendly employer. Besides, init and its employees also assume their social responsibility, which is evident both from the numerous sponsorship activities for local sports and cultural events as well as donations and relief

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<sup>1</sup> Applies to the following companies: init SE, INIT GmbH, initplan GmbH

campaigns. This social commitment contributes significantly towards the employees' identification with the company and therefore to employee satisfaction.

For its continuing commitment, in the reporting period, init SE was honored with the 2nd place at the b-efficient award of Wirtschaftsunioren (Junior Chamber) Baden-Württemberg, the "Germany's best jobs of the future" seal of the Focus Money magazine as well as the Entrepreneur Stars Award of the Bundeverband Mittelständische Wirtschaft (BVMW) (German Confederation of Small and Medium Sized Enterprises). Furthermore, the North American subsidiary INIT Inc. was 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 programs, 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.

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 created an internal init Academy, which was initially established for the Karlsruhe location and which has already produced further targeted measures in the area of training and further education as well as collaborations with universities of applied sciences. For

example, as part of the annual TWIN conference of the international student organisation AIESEC, a workshop day with the topic "mobility of the future" was organised with 36 international students at init in Karlsruhe.

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<sup>2</sup> and completed hours of further education. Further education measures at init comprised employee training with external providers, internal training and attendance at trade fairs and congresses. The topics ranged from specific software training to special management development. Our goal is to raise the average number of hours of further education per active permanent employee<sup>3</sup> to at least 16 hours per year by 2020. Permanent active employee<sup>2</sup> at init attended an average of around 12 hours of training in 2018.

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<sup>2</sup> 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 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 guarantee the corresponding statutory provisions on data protection for personal and confidential data. 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 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 as well as at the locations technically connected. Technical and organisational 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 jointly 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. In addition, each company is advised by a data protection officer to ensure compliance with local data protection regulations.

Data protection agreements are regularly concluded within the scope of our customer and supplier 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 are raising awareness of this topic among our employees in the HR department in particular and in relevant key positions by conducting best-practice training. Furthermore, the internal IT regularly informs about current malware via e-mail.

In advance of and after the implementation of the EU General Data Protection Regulation, in the reporting period init has closely examined the new requirements. The relevant changes identified by the Data Protection Officer have been implemented. In particular, these included the new reporting duty, accountability, obtaining consent and data security. This included the revision of documents ensuring an adequate level of protection for personal data, adapting technical and organisational measures, consent of data subjects and the revision of data workflows in the information security management system. Adjustments will continue to be made within the framework of review and optimisation processes. In addition, in the medium term init aims for further ISO certifications for information security and started to train an internal information security officer for this purpose at the beginning of 2019.

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

# COMBATING 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 init ethical guidelines are published on the website and are handed over to the employees in the group companies in a timely manner, either when they join the company or already at the application stage. Furthermore, employees worldwide are informed about init's ethical guidelines at least once a year, through communication via the Intranet, email or in meetings. The employees of group companies confirm that they have received and acknowledged the information. Moreover, init's Managing Board maintains an active exchange with the management of all the consolidated companies.

Once a year, the Managing Board members meet with the managing directors of the group companies. At this annual management meeting, management is again

made aware of the topic combating-corruption and bribery in particular, and the Code of Conduct in general, in order to establish it at the group companies and among the company's own employees.

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 legal regulations in procurement law 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.

Within the Managing Board of init SE, the Chief Financial Officer is responsible for compliance. Compliance topics are coordinated by the respective Board of directors and Legal departments in the group companies.

Our flat hierarchies enable us to react quickly to compliance issues.

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, an online 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 init compiled a special handbook that defines internal processes, their documentation and the systematic processing of reports. 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.

For the 2018 reporting year, no violations were identified in regard to corruption and bribery within the init group.

Karlsruhe, 15 March 2019

The Managing Board



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