

Performance.

Service.

Security.

Sustainability Report
of 1&1 Drillisch Group 2018

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Key

“GRI + number” Reference to a GRI disclosure, see also GRI content index, page [30](#)

PART I

1. PERFORMANCE INDICATORS
IN 1&1 DRILLISCH GROUP

Table 1

	2017	2018
ECONOMIC PERFORMANCE (IN €M)		
Sales	2,812.3	3,662.5
EBITDA (earnings before interest, taxes, depreciation and amortisation)	504.0	721.9
EBIT (earnings before interest and taxes)	439.9	567.2
EBT (earnings before taxes)	431.3	562.6
Stock market value (market capitalisation) per 31/12	12,166	7,866
DISBURSEMENTS TO STAKEHOLDERS (IN €M)		
Taxes (society)	121.0	156.5
Interest (financial market)	-8.6	-4.7
Dividends (shareholders)	282.8	n/a ⁽¹⁾
EMPLOYEES & CUSTOMERS		
Employees ⁽²⁾	3,194	3,150
Number of customers (millions)	12.57 ⁽³⁾	13.54
ENERGY & EMISSIONS⁽⁴⁾		
Energy consumption in gigajoules (GJ)	30,294	68,443
CO ₂ emissions from operations in tonnes (t)	2,355	2,680
In kg per customer	0.59	0.20

(1) The General Meeting decides about the amount of the dividend and its distribution

(2) Active employees per 31 December of the pertinent fiscal year

(3) Value for previous year was restated

(4) Database has been expanded, please see details and explanatory comments in Table 3 and Table 4 on pages 23 and 25; values for the previous year have been restated

2. FOREWORD

GRI 102-14 Dear Readers,

This is the second report we have prepared for you containing information about sustainable business practices at 1&1 Drillisch Group. Even in the past, 1&1 Drillisch oriented its business activities strictly to criteria of sustainability and of corporate and social responsibility.

At the same time, we strive to maintain a balance between the interests of the Company and of other stakeholder groups. With this in mind, 1&1 Drillisch maintains an ongoing dialogue with customers, shareholders, business partners, employees and other stakeholders. What we learn from this dialogue serves as the basis for the ongoing development of our product portfolio and our Company as a whole.

Our sustainability approach for us as a telecommunications service provider focuses on three aspects: performance, service and security. Our goal is to offer to our customers innovative products and services featuring the best value for money on the mobile and landline network market.

Our understanding of sustainability has enabled us to lay a solid foundation, operationally and technologically, for profitable growth in the future. Building on this foundation, we merged with United Internet AG in the second half of 2017 and brought its subsidiary 1&1 Telecommunication SE into our Company. From this merger has arisen a powerful full-service telecommunications provider with significant potential for growth that now operates under the name 1&1 Drillisch.

In 2018, we devoted intense efforts to integrating the two companies so that we could exploit to the full the enormous synergy potential for our corporate Group. One of our major concerns was on the harmonisation of processes and systems relating to the topic of sustainability. Today, we profit not only from a strong brand portfolio, but from the synergies realised during procurement of hardware and advance network services as well as in the area of logistics.

Sustainable business practices are, and will remain, a fixed component of our corporate management. This is the outlook that will enable us in the long term to continue the further improvement of performance, service and security for our customers.

Best regards,



Ralph Dommermuth



Martin Witt



André Driesen

PART II

3. 1&1 DRILLISCH GROUP: BUSINESS MODEL

1&1 Drillisch AG is a listed stock corporation whose registered office is in Maintal, Germany. The corporation is one of the major network-independent telecommunications providers in Germany. The Group has been operating on the market for over 25 years and provides to its customers a comprehensive portfolio of services and products from the field of mobile voice and data services.

A so-called mobile bitstream access mobile virtual network operator (MBA MVNO), 1&1 Drillisch does not possess its own physical network, but can use the networks of other mobile network operators (MNO) for its own products and services (see also below "Mobile service providers"). 1&1 Drillisch holds a special position on the German market as it is the sole virtual network operator in Germany that has an access right to 30% of the used network capacity of Telefónica.

In 2017, Drillisch AG acquired 1&1 Telecommunication SE, the mobile and landline network division of United Internet. Since that time, the Company has been offering landline service (broadband) as well as its mobile services and increased the size of its clientele to approximately 13.6 million contract customers per 31 December 2018. Moreover, the Company has access to Germany's second-largest optical fibre network that is operated by its fellow subsidiary 1&1 Versatel and also purchases standardised network services from various advance service providers such as Deutsche Telekom or municipal operators.

The cooperation with a range of advance service providers makes it possible to utilise various access technologies so that products and services can be tailored to meet the needs of our customers. Besides mobile-only and broadband-only products, 1&1 Drillisch offers to its customers attractive bundled products comprising mobile and landline services in combination with additional content such as home networks, online storage, video on demand or IPTV. While 1&1 covers the premium segment, the established online brands of the Group under the umbrella of Drillisch Online GmbH such as smartmobil.de, yourfone, maXXim, PremiumSIM, winSIM, DeutschlandSIM or simply address a target group that is highly price-conscious. The breadth of this product and customer segment secures a strong market position for 1&1 Drillisch.

BRIEF HISTORY OF 1&1 DRILLISCH AG

The predecessor companies of 1&1 Drillisch AG became active in communications and telecommunications as early as 1957. Since 1994, 1&1 Drillisch AG has been operating as a service provider in the mobile services sector, i.e. as a broker and provider of communication services from various network operators, but on its own behalf and for its own account. 1&1 Drillisch AG as it exists today was established in 1997 and has been listed on the stock exchange since 1998. In 2017, the mobile and landline division of 1&1 – 1&1 Telecommunication SE – became a wholly-owned subsidiary of Drillisch AG.

CURRENT DEVELOPMENT OF 1&1 TELECOMMUNICATION SE

Since merging with 1&1 Versatel, 1&1 has had access to Germany's second-largest optical fibre network with a length of about 47,000 km (previous year: about 44,900 km), and 1&1 can now provide reliable high-speed connections in 250 German cities, including 19 of the 25 largest cities. Since the middle of 2016, 1&1 Versatel has been providing more and more VDSL/vectoring building connections on the basis of Telekom Layer 2 advance services. This is being achieved by the successive connection of the optical fibre network with the BNGs (broadband network gateways) of Deutsche Telekom. Moreover, 1&1 Drillisch is tying its optical fibre network to the optical fibre networks operated by well-known municipal carriers and can now offer optical fibre home connections from wilhelm.tel, M-net, NetCologne and R-KOM in addition to its own network.

As of the end of fiscal year 2018, 3,150 active employees – including the three Management Board members – worked for 1&1 Drillisch (previous year: 3,194). They realised sales of €3,662.5 million (previous year €2,812.3 million).

The primary driver of our operating success is the total number of contract customers. Despite the intense competition typical of developments in the sector, this figure rose by 0.97 million to 13.54 million in fiscal year 2018.

Mobile internet as well as high-performance broadband lines will continue to be the most important growth segments for 1&1 Drillisch AG in future as well. Steadily improving network quality and the availability of fast data connections reinforce the demand from consumers for increasingly more powerful and individually tailored products and services.

Development of the telecommunications market will remain dynamic in future, especially in view of the new mobile standard 5G. General conditions and content will be subject to rapid changes. This situation confronts even successful providers such as 1&1 Drillisch with demanding tasks.

Important trends are still the virtually full-area availability of landline-based and mobile high-speed internet, the growing use of high-end smartphones, the further dissemination of cloud applications, IPTV or photo and music streaming services and the growing connectivity among machines, electronic devices and other “things”.

The Company will continue to invest in new customers and new products in the future, thus strengthening 1&1 Drillisch’s good position on the German telecommunications market and maintaining its sustainable growth.

While not neglecting organic growth, 1&1 Drillisch continuously examines as well possible corporate acquisitions, holdings and cooperative ventures as further methods for the expansion of competencies and product portfolios. The important building blocks for this model:

- » A clear focus of marketing and sales on mobile internet products
- » The effective utilisation of scaling effects
- » Continuous improvement of the user-friendly service concept
- » The determined utilisation of the exclusive access to the Telefónica network without any performance restrictions until at least 2030

MOBILE SERVICE PROVIDERS

MNO

Mobile network operator: mobile service company with its own physical network (radio masts, exchanges, complete technical equipment)

MBA MVNO

Mobile bitstream access mobile virtual network operator: telephone company that does not have its own physical network, but can utilise the network of an MNO in a defined scope and independently bill customers for its services. An MBA MVNO operates on equal footing with the network operator and has unlimited access to all current and future technologies.

MVNO

Mobile virtual network operator: provider of telecommunications services that does not have its own mobile network and instead utilises the network of at least one MNO; it sells mobile services, mobile devices and value-added services such as text messages or MMS on its own behalf and for its own account. Services are based on the procurement of standardised, unbundled advance services from at least one MNO, allowing an MVNO significantly greater room for activities in the product and sales areas in comparison with an MSP.

MSP

Mobile service provider: private telephone company without its own mobile network that sells on its own behalf and for its own account mobile services, mobile devices and value-added services such as text messages or MMS on the basis of service packages structured by MNOs.

- » The continuation of creative and innovative services and products through additional cooperative activities and new content
- » The ongoing optimisation of the purchase of broadband advance services by using the Layer 2 platform in conjunction with the optical fibre network of 1&1 Versatel

The core competencies at 1&1 Drillisch include the ability to recognise customer wishes, trends and the related new business fields at an early stage. The breadth of the value-added chain from product development and data centre operation to effective marketing and an efficient sales force to active customer care makes it possible for 1&1 Drillisch to introduce innovations on the market quickly and to market them intensely in the existing business fields.

4. MATERIAL SUSTAINABILITY TOPICS FOR 1&1 DRILLISCH

1&1 Drillisch defines sustainability as actions oriented to a balance of the interests of everyone involved in operating business or who are affected by operating business – the stakeholders.

GRI 102-40 1&1 Drillisch took especially into account suggestions and opinions from financial market participants and customers in determining the relevance of topics for sustainability in this report. In considering these two groups of interested parties, 1&1 Drillisch covers the majority of the stakeholders involved in or affected by operating business.

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Customers are continuously and comprehensively integrated into this process via (satisfaction) surveys (see also Chapter 7: Core area of sustainability: service). Financial market participants – i.e. primarily shareholders, analysts and the financial/professional press – express their assessments of 1&1 Drillisch Group in regular discussions related to specific events. In addition, we regard our employees and business partners as important stakeholder groups, and their concerns and interests are directed (for instance) to the appropriate positions in HR, purchasing and carrier management.

GRI 102-44 Today's customer generations, for example, have the need for mobile communications that cannot be satisfied without the expenditure of energy and raw materials. This is countered by the equally important interests of future generations who would also like to have sufficient energy and raw materials to fulfil their needs. This gives rise to 1&1 Drillisch's goal of using these resources sparingly and as efficiently as possible.

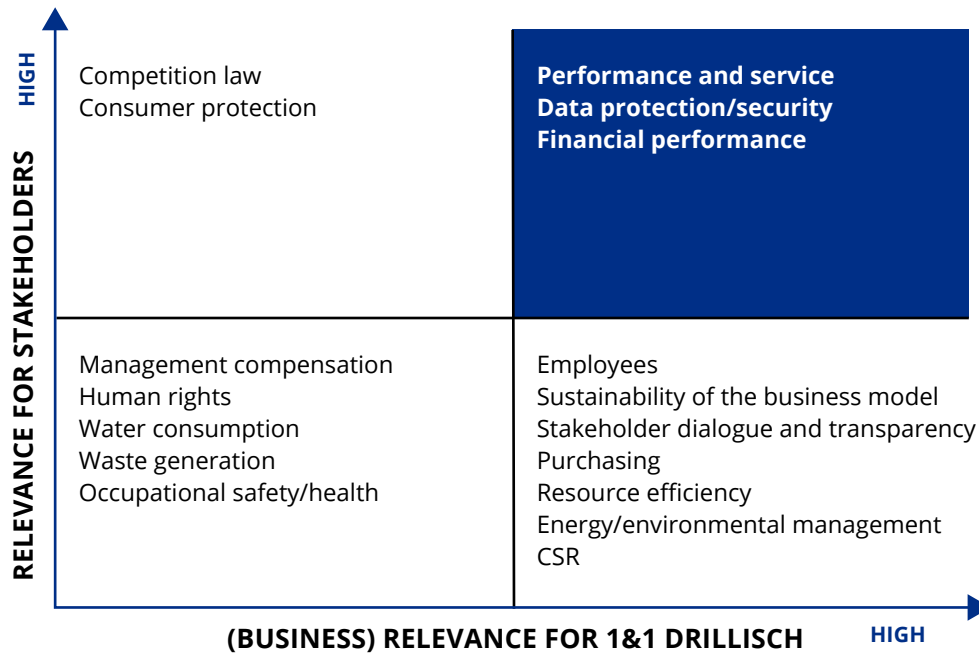
Another important aspect of sustainability is the fair treatment of all stakeholder groups such as customers, employees and business partners. One example of this aspect is finding a way to reconcile the interest of employees in secure jobs and reasonable salaries with the desire of shareholders to receive a fair share of the Company's business success.

1&1 Drillisch maintains this balance of interests through its regular review and optimisation of business processes. At the hub of business operations are the services related to mobile and landline communications that combine the corporate and sustainability strategies with each other. 1&1 Drillisch Group offers transparent operations characterised by first-class service, high network availability and stability, high security standards and rate plans that can be tailored to individual needs with the aim of delivering the greatest possible benefit to customers. Continuous employee development is also essential for 1&1 Drillisch to ensure that service quality is maintained permanently at a high level and even improves in the future.

GRI 102-46 1&1 Drillisch is a company that operates solely and exclusively in Germany and also pays taxes here. All its locations are in Germany and all its services are performed here as well with the consequence that the Group's activities are by and large governed by the laws of Germany. These legal statutes include the "German Act to Strengthen Non-Financial Reporting by Companies in their Management and Group Management Reports" (German CSR Directive Implementation Act, CSR-RUG), which requires 1&1 Drillisch to disclose its position on material non-financial aspects. These are topics that represent the most important impact of a company on non-financial aspects and that are simultaneously relevant for business.

Moreover, an analysis of whether a topic presents the significant economic, environmental and social impacts of 1&1 Drillisch's business activities and whether it influences the assessments and decisions of the stakeholders served to determine the material topics for the reporting in compliance with the standards of the Global Reporting Initiative (GRI). These constellations and standards describe the material sustainability issues for 1&1 Drillisch ("Materiality analysis").

MATERIALITY MATRIX: SUSTAINABILITY TOPICS AT 1&1 DRILLISCH



Beyond the core topics "performance and service", "data protection/security" and "financial performance", however, 1&1 Drillisch places great value on consideration of additional sustainability aspects that do not exercise any direct influence outside the Company for customers or shareholders. The range of these topics includes such diverse subjects as showing respect in dealing with employees or resource and energy management oriented to efficiency and environmental friendliness. 1&1 Drillisch has been steering consumer protection and observance of fair competition, topics that are important in the eyes of our stakeholders, for many years. While this does not by any means imply that other areas of sustainability are not important, they are not the subject of intense discussion in this report. Detailed information about the financial performance of 1&1 Drillisch Group can be found in the Annual Report.¹

(1) <https://www.1und1-drillisch.de/investor-relations/reports>

Viewed in this setting, the business approach at 1&1 Drillisch:

- » Services at attractive conditions offering high benefits to customers

is supplemented by the sustainability approach:

- » Above-average and consistent quality of performance, excellent service and the highest level of (data) security for customers.

GRI 102-47 The table below provides an overview of the material and supplementary sustainability topics at 1&1 Drillisch that are the subject of this report and classifies the topics in accordance with the non-financial aspects from the German CSR Directive Implementation Act (CSR-RUG).

Table 2 **Material and Supplementary Sustainability Topics**

Non-financial aspects from the CSR-RUG	Topics included in the report
MATERIAL TOPICS FOR 1&1 DRILLISCH (PART III)	
Customer matters	Core area of sustainability: performance
	Core area of sustainability: service
	Core area of sustainability: security
SUPPLEMENTARY TOPICS (PART IV)	
Environmental matters	Section "Environmental matters"
	Material use
	Energy consumption
	Emissions
Employee matters	Economic performance (including Precautionary Principle, risks from climate change)
	Section "Employee matters"
	Training and education
Social matters / Respect for human rights	Diversity and equal opportunity
	Governance (diversity in the governance bodies)
Anti-corruption and bribery	Section "Human rights and social matters"
	Sustainability assessment of suppliers
	Section "Compliance and anti-corruption"

5. THE STRATEGY: CONCENTRATION ON PERFORMANCE, SERVICE, SECURITY

As a telecommunications provider, 1&1 Drillisch offers its own added value that does not involve any critical factors in terms of sustainability. In this respect, the sustainability performance specific to 1&1 Drillisch is in maintaining product features and in the sustainability of the accompany services. In terms of aspects such as material use, emissions or effluents that are typically of high relevance for internationally operating industrial companies, for instance, 1&1 Drillisch has frequently already exploited any existing optimisation potential for what is in any case a low total volume. The same is true for energy consumption, although the Company continuously seeks to reduce this factor.

There are essentially three areas that shape 1&1 Drillisch's sustainability profile and that must be developed continuously in the future as well:

- » First of all, 1&1 Drillisch defines itself by **performance** and seeks to adapt the price-benefit ratio to current needs and changing user behaviour at all times by developing new, innovative products.
- » Second, 1&1 Drillisch places high value on the best possible **service** in customer care. Customer service elements are subject to a constant optimisation process and are the target of our search for continuous improvement. 1&1 Drillisch also calls in independent third parties from outside the Company for regular reviews of the customer care processes.
- » Third, 1&1 Drillisch ensures the greatest possible **(data) security**. As the world becomes increasingly digitalised and more difficult to control, people's need for correct handling of their personal data and for security from access by third parties and misuse is also growing.

The combination of these three focal points of sustainability results in the strategy that has been conceived for the long term. 1&1 Drillisch not only wants to maintain the current customer level, but to increase its numbers steadily – through an extremely competitive price-benefit ratio, above-average customer care and the warranty of (data) security. The employees at 1&1 Drillisch are an important success factor here, which is why the Group emphasises its dealings with employees to such a high degree.

PART III

6. CORE AREA OF SUSTAINABILITY: PERFORMANCE

One of the three core elements of 1&1 Drillisch's sustainability strategy is the Company's aspiration to offer to customers transparent performance with the best value for money. One prerequisite for achieving this is the constant review and optimisation of business processes. Additionally, this goal requires parallel sustainability measures such as the precise addressing of customer needs (determined by regular customer surveys) and motivated employees (supported by employee-oriented personnel policies).

The great customer benefits are secured by service of above-average quality, highly customised rate plans and high network availability and stability. The sustained support of this performance is carried out with the lowest possible consumption of resources – achieved by ongoing optimisation of all processes within the Company.

The mobile networks used by 1&1 Drillisch feature very high technological stability and in 2018 provided coverage in the LTE standard to about 88% and in the 3G standard to more than 95% of the German population. When deciding on their individual demand for the network capacity they use, customers at 1&1 Drillisch can choose from a broad range of innovative and creative rate plans that are simultaneously highly transparent. Innovation and creativity become apparent, for example, in the choice of contract terms that are offered – one day, one month or 24 months – and the different focal points of telephony, text messaging and data transmission.

OWN SOFTWARE DEVELOPMENT TRANSLATES INTO GREAT FLEXIBILITY

The broad range of services offered by 1&1 Drillisch is possible only because of its own intense, ongoing development work in the software sector. 1&1 Drillisch is consequently in a position to perform telecommunications services at the level of state-of-the-art technology. IQ-optimize Software AG, the Group's own IT service provider, has the know-how and the competence necessary to ensure this high level. This company performs technical services in 1&1 Drillisch Group, including the optimisation of work processes and information security. More than 80% of the application software in use has been developed or adapted under licence for 1&1 Drillisch by IQ-optimize and is maintained by IQ-optimize. IQ-optimize also provides both organisational and technological support to the Data Protection unit at 1&1 Drillisch AG (see also Chapter 8: Core area of sustainability: security).

What is more, the company is the interface on the technical side to the network operators so that disruption-free use by 1&1 Drillisch customers can be guaranteed. 1&1 Drillisch is therefore independent of any third-party service providers and can respond quickly and flexibly whenever adaptations are required, including the fast and efficient integration of acquired companies.

The service provided by IQ-optimize is supplemented by the technical infrastructure of 1&1 Telecommunication SE and United Internet Group. A number of synergy effects result, among them the exchange of knowledge and the joint analysis of requirements, along with a stronger position from the united front in dealing with business partners (e.g. suppliers).

AWARENESS OF CUSTOMERS' WISHES ENHANCES PERFORMANCE CAPABILITY

1&1 Drillisch has set itself the goal of repeatedly initiating new trends when fulfilling customers' wishes and needs (see also Chapter 7: Core area of sustainability: service). The response to surveys is of material significance in achieving this goal. It is reflected in the adaptation or restructuring of rate plans and makes a decisive contribution to ensuring that the services offered by 1&1 Drillisch are in line with current and future customer needs.

7. CORE AREA OF SUSTAINABILITY: SERVICE

DIALOGUE WITH CUSTOMERS PRIMARILY UNDER THE COMPANY'S OWN DIRECTION

The portfolio we offer addresses a broad clientele, and we have the right product and service for the particular needs of any and all customers. When 1&1 Drillisch speaks of good customer service, it means the reachability of the service staff and the accuracy of the information they provide. In addition to telephone contact, we offer a broad spectrum in the Service World and the 1&1 Control Center on the internet where customers can process various matters relating to the contracts themselves (using a PC or the mobile app).

1&1 Drillisch sets very high standards for its own customer service and works continually on improving it even further. 1&1 Drillisch has established several different channels for establishing contact and communicating with its customers. They include the direct contact to the 1&1 Control Center, a telephone call to the customer service phone line, the sending of an email or a conversation using a chat function in the 1&1 Drillisch Service World. Telephone contact is possible 24/7. The "1&1 Principle" applies: The service team is available 24 hours a day, the cost-free "Overnight" service delivers orders by the next workday, customers can test the delivered products for one month without obligation and defective equipment is generally replaced at the customer's location within one workday.

At the end of the reporting period, 1&1 Drillisch employed about 1,200 employees in customer service. Another approximately 3,500 external employees work for our customer service. These external employees are trained regularly and extensively at 1&1 Drillisch and can be reached via the 1&1 Drillisch telephone lines.

The computer magazine *Chip* awarded a rating of "Excellent" to the yourfone and smartmobil.de brands in its hotline test in December 2018. The outstanding reachability, the friendliness of the service employees, the accuracy of the legal information and the transparent presentation were among the factors leading to this excellent overall result. The *Deutsches Institut für Service-Qualität (DISQ)* also awarded first place for service to smartmobil.de in March 2018. The respected professional journal *connect* rated the 1&1 Drillisch call centres for the brands yourfone and smartmobil.de, which are also competent for other 1&1 Drillisch brands, as "Good" on the basis of a test in 2018. The assessment criteria were the quality and accuracy of the information as well as friendliness, reachability and response times.

As in previous years, the German newspaper *Die Welt*, in cooperation with ServiceValue, systematically examined the quality of German companies from the customer perspective. ServiceValue is an analysis and consulting company that specialises in relationship management between companies and stakeholders. The service ranking is based on a scientifically sound "Service Experience Score" (SES) and is supported and guided scientifically by the Goethe University Frankfurt, Germany. As part of the study "Service Champions 2018" (publication in October 2018), the companies offering the best service experience were determined from among a total of 3,016 enterprises in 327 different industries on the basis of customer reviews. The 1&1 brand was able to capture the award for "No. 1 in Customer Service Experience" in both the "Telecommunications" and the "Internet Provider" (DSL) sectors.

Regarding network quality, 1&1 scored 441 out of a maximum 500 possible points nationwide and – after taking first place in the previous year – took second place this time in the highly respected broadband and landline test of the journal *connect* (published in August 2018). 1&1 was the only nationwide provider – apart from Deutsche Telekom – to score an overall result of “Excellent” and placed ahead of competitors such as Unitymedia, O2/Telefónica and Vodafone, all of which were ranked as “Good”. *connect* conducts this test annually and in 2018 tested the categories “Voice”, “Data”, “Web Services” and “Web TV” on test connections of all well-known providers.

SERVICE QUALITY A HIGH PRIORITY

GRI 102-43 1&1 Drillisch continuously conducts its own analyses of customer wishes and customer satisfaction. The data are collected during surveys conducted by the Company itself as well as in surveys conducted by third parties engaged for this purpose. For instance, 1&1 Drillisch contacts a six-figure number of customers every year. The examinations include overall customer satisfaction, satisfaction with specific process steps in the processing of customer requests and the perception of the price-benefit ratio. The surveys, based on more than 20 separate criteria, are carried out, for example, 48 hours after the customers’ most recent contact to 1&1 Drillisch.

In addition, 1&1 Drillisch engages TÜV Saarland to conduct customer surveys every two years to obtain an assessment of satisfaction. In the most recent survey conducted by TÜV in 2018 regarding all 1&1 Drillisch brands, an average of about 90% of the respondents rated their satisfaction with the 1&1 Drillisch service quality in the areas friendliness, professional competence and understandability as “Satisfied” or “Very satisfied”, just as in the previous survey.

A major contribution to this high level of satisfaction is a consequence of the Company’s goal to have customer service employees answer all customer questions directly and for the customer to have a solution when the contact is finished. As a matter of principle, calls are not transferred. This so-called first-call resolution rate at 1&1 Drillisch is well above 90%.

The representative surveys are conducted with respondents from all age groups. The customers surveyed by 1&1 Drillisch itself are chosen after the contact with the service centres while TÜV Saarland selects the respondents at random. The findings from the analyses are incorporated directly into actions for improvement of the products and service portfolio. They include, for instance, the possibility to change rate plans at any time, equal treatment of new and current customers, the decoupling of the mobile service contract from device, active complaint management or the acceptance of the return of old devices for recycling free of charge and without hesitation.

In addition, the Company was once again certified for its implementation and effective application of a Quality Management System in accordance with DIN EN ISO 9011:2015 (latest standard) in 2018.

8. CORE AREA OF SUSTAINABILITY: SECURITY

In view of well over 13 million customer contracts, data security and protection are of the highest importance for 1&1 Drillisch. That is why the Company maintains the highest security standards and minimises risks for the Company itself as well as for its customers. It goes without saying that the Company complies with legal requirements and responsibly manages customer data. 1&1 Drillisch is regularly audited by external institution such as data protection authorities in 2015 and the Federal Network Agency in 2016 and 2017. In addition, 1&1 Drillisch itself engages external companies on a rotating basis to carry out penetration tests to ensure the security of the 1&1 Drillisch environment.

Reliability in the so-called grey areas is important for 1&1 Drillisch as well. This means that 1&1 Drillisch does not use its customer data for marketing purposes and does not sell any customer data to third parties. This is ensured by both technical and organisational measures such as the blocking of uploads, operating and work procedures for employees and regular audits of service providers.

The analysis of customer data for the improvement of the offered services and products is handled at 1&1 Drillisch on an aggregated and anonymised basis. Customers' telephony connection data are stored for only a brief period of time for the purpose of billing in compliance with statutory regulations. Creditworthiness checks are conducted with the consent of the customers or on the basis of legal authorisations.

Another important aspect for 1&1 Drillisch is the security at all times of performance measurement and accurate billing of customers, and this is also a component of the annual audit of compliance with the German Telecommunications Act (TKG). 1&1 Drillisch has initiated precautionary measures to prevent the misuse of customer contacts – for instance, the downloading of data in other countries. The 1&1 Drillisch security systems issue an alert whenever larger data volumes are downloaded in other countries without prior notice. The billing statements of network operators are monitored and reviewed for plausibility by comparing them with customer behaviour.

HIGH STANDARDS FOR DATA PROTECTION

GRI 418 Data protection at 1&1 Drillisch is always completely up to date from both technological and regulatory perspectives. 1&1 Drillisch stores its customers' data on servers in certified data centres operated by the Company itself and in leased facilities. The data are handled in conformity with extensive legal requirements. The Company is aware of its immense responsibility and both places a high value on and pays especially close attention to data protection.

The Company continually invests in the improvement of its data protection standards by employing the latest technologies, constantly reviewing data protection and other legal requirements, conducting an extensive training programme on data protection laws for employees and integrating privacy aspects and requirements in product development at the earliest possible stage. A company Data Protection Officer has been appointed for 1&1 Drillisch AG and its subsidiaries; in accordance with legal statutes, this person works independently of any instructions and reports directly to senior management.

Employees have access to customer data solely and exclusively within the context of

their jobs, i.e. only of the type and in the scope necessary for customer care and for performance of the contractually agreed service. With this in mind, a number of technical and organisational “barriers” have been erected within 1&1 Drillisch Group for protection of (customer) data to ensure that no unauthorised employees have access to customer data.

The Federal Network Agency audits the implementation of a security concept required for the performance of publicly available telecommunications services every two years as a minimum. The audit devotes especially close attention to aspects of IT security and data protection within the context of risk analysis and presentation of the technical precautions and other protective measures.

GRI 418-1 The reporting of substantiated complaints concerning breaches of customer privacy and the loss of customer data is a component of the requirements of the EU General Data Protection Regulation (GDPR) and the German Telecommunications Act (TKG). The sub-groups submit these reports to the Federal Network Agency or to the Federal Commissioner for Data Protection and Freedom of Information (BfDI) and respond to such incidents within the Group by adapting regulations and sensitisation measures for employees as necessary.

SYSTEM SECURITY: PROTECTION FROM HACKER ATTACKS

Hacker attacks aimed at obtaining data or information or at manipulating a system take place almost daily, but such attacks are seldom target-oriented and directed specifically and exclusively against 1&1 Drillisch. Attacks of a highly dispersive character carried out simultaneously against many companies are far more frequent. 1&1 Drillisch maintains a high level of protective instruments and has always been able to ward off any such attacks.

To ensure this protection, 1&1 Drillisch always designs its information technology systems, components and processes in line with state-of-the-art technology. In keeping with this principle, the Company constantly works on technological improvements such as procedures for the recognition and prevention of attacks and on organisational measures. Security precautions include as well the location of the 1&1 Drillisch servers exclusively in Germany, their organisation as a redundant system and the quality of their comprehensive storage and security functions.

SECURITY IN ONLINE TRADE

Customer trust is a decisive factor in online trade. In addition to concerns regarding the security of their personal data, consumers also pose questions about the reliability of online transactions, delivery capability and online services. As we are one of the major network-independent telecommunications providers in Germany, we take the necessary steps to allay these concerns and to build up consumer trust.

This is why (among other measures) we ask the highly respected assessment organisation TÜV SÜD to audit regularly the online shops of our Drillisch brands. This annual certification and audit satisfy the requests of our customers to whom security and quality are just as important as the price of our products and services. The requirements for obtaining the quality seal s@fer-shopping include inter alia aspects of data security and system security, data protection and online contents and processes. The multi-stage

review process to obtain the TÜV SÜD quality seal includes an on-site audit. At this time, the processing of orders is examined to determine its reliability, but there is also an audit of how customer service handles queries from our customers, whether our customers' personal data are protected and how secure the payment transactions are.

After successful completion of the certification process, we are allowed to use the s@fer-shopping quality seal in our online shops. This is how we signal our sense of duty to offer to our customers a secure and satisfying online shopping experience and our determination to have our compliance with this duty assessed thoroughly and systematically.

SPECIAL ATTENTION TO PRODUCT RESPONSIBILITY

With mobile internet as an example, 1&1 Drillisch offers the technical possibilities for wireless telephony, the digital sending of messages and the transmission of data in the use of its products. The use of these opportunities does not per se involve any risks for customers and consumers and is socially non-controversial.

GRI 416-1 Mobile services utilise high-frequency electromagnetic fields for the transmission of information. Mobile devices generate these fields in immediate proximity to the user's head when he or she makes phone calls without a hands-free feature. In the estimation of the Federal Office for Radiation Protection (BfS), however, there is no scientific proof of any harmful effects to human health when internationally regulated maximum values are not exceeded (status at end of 2016).

GRI 417-1 Furthermore, the use of mobile devices may cause harm in special cases; both the manufacturers of the devices and 1&1 Drillisch point out these risks. Such cases for which appropriate behaviour or the use of additional technical devices is advisable include people with implanted pacemakers or who wear hearing aids and the use of mobile devices in the proximity of medical equipment, in aeroplanes and in the car. There are extensive recommendations for behaviour, warnings and legal regulations covering these cases.

Possible unfavourable effects from the use of the services and devices described here may occur in the event of excessive and improper use, but they are not inevitable. In its overall assessment of all these aspects, 1&1 Drillisch has come to the conclusion that no special management approach related to product responsibility is necessary with respect to the mobile services offered by the Group. 1&1 Drillisch will continue to monitor the use of mobile services for negative effects and respond in full awareness of its responsibility if any such actions appear necessary.

GRI 416-2 This approach is substantiated all the more because, just as in the previous year, 1&1 Drillisch does not know of any incidents occurring during the reporting period in which the violation of regulations or voluntary rules of conduct for the prevention of negative effects of products and services on health and safety played a role.

PART IV

9. OVERVIEW OF ECONOMIC, ENVIRONMENTAL AND SOCIAL TOPICS

ORGANISATIONAL PROFILE

- GRI 102-1** 1&1 Drillisch AG is a listed German stock corporation whose registered office is in Maintal. Its stock is included in the indices TecDAX and CDAX of the Frankfurt Stock Exchange; in addition, 1&1 Drillisch was accepted into the MDAX in September 2018. Per 31 December 2018, United Internet AG held 73.29% of the shares. Supervisory Board members held 0.16% of the shares (273,333 no-par shares); the 1&1 Drillisch AG Management Board held 0 (previous year 208,333) no-par shares directly. Per 31 December 2018, Mr Ralph Dommermuth as CEO of 1&1 Drillisch AG and United Internet AG indirectly held 40.95% of the share capital (as reduced by own shares) of United Internet AG through holding companies. Free float amounted to 23.18% (previous year: 26.55%) of the shares.²
- GRI 102-2** 1&1 Drillisch AG and its wholly-owned subsidiaries are service providers for voice and data communications on the German landline and mobile services market. The 1&1 Drillisch brands are 1&1, smartmobil.de, yourfone, winSIM, PremiumSIM, Deutschland-SIM, maXXim, simply, eteleon, discoTEL, sim.de and M2M-mobil. Customers are almost exclusively end consumers. 1&1 Drillisch maintains locations in Maintal, Montabaur, Karlsruhe and Krefeld (including the data centres located there) and in Berlin, Dresden, Düsseldorf, Munich, Nuremberg and Zweibrücken. Customer service is handled by the facilities in Karlsruhe, Krefeld, Maintal, Montabaur and Zweibrücken.
- GRI 102-7** In fiscal year 2018, 1&1 Drillisch realised sales of €3,662.5 million (previous year: €2,812.3 million) and employed a workforce of 3,150 employees³ (previous year: 3,194), 9.7% of them in part-time relationships, as of the end of the year. 1&1 Drillisch does not have any employees covered by collective bargaining agreements. During the reporting period, the ongoing integration of 1&1 Telecommunication SE led to the merger of the Logistics units (among other effects). Other important changes in the organisation and its supply chain can be found in the chapter "General information about the Company and Group" in the Annual Report of 1&1 Drillisch Group.
- GRI 102-8**
- GRI 102-41**
- GRI 102-10**
- GRI 102-13** 1&1 Drillisch is a member of the Association of Telecommunications and Value-Added Services Providers (VATM). Martin Witt, Management Board member and COO at 1&1 Drillisch AG since October 2017, has been president of VATM since 2014. In addition, Martin Witt has been vice-chairman of the European Competitive Telecommunications Association (ECTA) since 2016.

(2) Detailed information can be found on the website "Shareholder Structure" at <https://www.1und1-drillisch.de/investor-relations/shareholder-structure>

(3) Active employees per 31 December of the pertinent fiscal year

GOVERNANCE STRUCTURE

- GRI 102-18** Business decisions for 1&1 Drillisch Group are the responsibility of Management Board and Supervisory Board. These two governance bodies also evaluate the economic, environmental and social effects of their decisions. 1&1 Drillisch always oriented its action to a high degree to the principles for good and responsible corporate management and supervision of the German Corporate Governance Code in the past and largely anchored these principles in the Company's corporate constitution. Extensive information on this subject can be found in the chapter "Corporate Governance" in the Annual Report of 1&1 Drillisch Group.
- GRI 102-16** 1&1 Drillisch orients its actions to written values, principles, and standards and rules of conduct that have been set forth in the Group's Code of Conduct and Ethics. Every employee receives with his or her employment contract a statement of obligation in which he or she declares that he or she will read the Code of Conduct and relevant regulations upon entering the service of the Company and will confirm his or her acceptance on the Company's own intranet. The Code of Conduct can be viewed at any time on the intranet.
- GRI 405-1** Diversity aspects are always given consideration when appointing the members of the Management Board and the Supervisory Board. The Company regards diversity as more than simply a desirable element; it is decisive for the success of the Company. The Supervisory Board remained committed in fiscal year 2018 to a target for the share of women pursuant to Section 111 (5) first sentence AktG [Company Law] of 16.66% on the Supervisory Board and of 0% on the Management Board and set for itself 30 June 2022 as a new deadline for the achievement of these targets. These targets have already been reached as of this time. Independently of these decisions, the selection of members of the Supervisory Board, while taking these targets for the share of women into account, should always be based on the individual competence profiles of the potential members of the body; nevertheless, the Supervisory Board will strive to give preference to women candidates whenever the qualifications of multiple candidates are equivalent. Additional information about the membership of Management Board and Supervisory Board can be found in the Annual Report of 1&1 Drillisch Group, chapter "Statement on Corporate Management/Corporate Governance Report".

ECONOMIC PERFORMANCE AND RISK MANAGEMENT

- GRI 201-1** During fiscal year 2018, 1&1 Drillisch Group generated sales in the amount of €3,662.5 million (previous year: €2,812.3 million).
- Investments were made in the amount of €13.2 million (previous year: €15.8 million). 1&1 Drillisch disbursed €282.8 million (previous year: €98.6 million) in dividends to its shareholders for fiscal year 2017. At the same time, loans were repaid in the amount of €0 million (previous year: €50 million).
- GRI 102-11** The Precautionary Principle of the United Nations is aimed at reducing or preventing negative impacts, especially on the environment. This principle is given consideration in 1&1 Drillisch Group in the corporation's risk and opportunity policy. It is oriented to the objective of maintaining and raising sustainably the Company's value by taking advantage of opportunities and by recognising and managing risks at an early stage. The risk and opportunity management as practised ensures that 1&1 Drillisch can carry out its business activities in a controlled corporate environment. Detailed information can be found in the risk report that is part of the Annual Report of 1&1 Drillisch Group.

GRI 201-2 1&1 Drillisch has reviewed the risks of natural disasters caused by climate change to its business activities. The review indicated that the Group is directly vulnerable to no more than a very low risk from climate change. The organisation does not have any systematic analysis supported by databases of the financial consequences of climate change and does not plan to implement any such analysis. Damage or loss caused by climate change such as flooding is covered in part by insurance policies.

1&1 Drillisch is indirectly affected by climate change because it leads to higher prices for energy and raw materials and confronts 1&1 Drillisch with stricter requirements related to internal energy management. The implementation of a CO₂ strategy has not been planned because of a lack of relevance. 1&1 Drillisch did not participate in voluntary emission trading during the reporting period.

VALUE-ADDED CHAIN

GRI 102-9 1&1 Drillisch offers to its customers a comprehensive portfolio of individually tailored services and products from the sector of mobile voice and data services as well as landline connections (broadband), including mobile-only and broadband-only products as well as bundled products with various product accessories.

The Company uses the landline network of the fellow subsidiary 1&1 Versatel, a member company of United Internet, and its access right to the Telefónica network; it purchases additional network services from various providers of advance services. Moreover, the Company procures devices such as smartphones and routers from international manufacturers. Sales, customer service and logistics are handled in part by 1&1 Drillisch itself, but in part also by downstream business partners such as shipment service providers.

Whenever possible, 1&1 Drillisch wants to provide the services that belong to the Company's core business and for which 1&1 Drillisch has a competitive advantage through its own employees. These services include first and foremost information technology (IT). IT services are therefore procured inter alia from IQ-optimize, a wholly-owned subsidiary of 1&1 Drillisch. This is where all the knowledge and all the competence that an MBA MVNO (mobile bitstream access mobile virtual network operator) requires for successful business are concentrated. The services provided by IQ-optimize are supplemented by the technical infrastructure of 1&1 Telecommunication SE and United Internet Group (see also chapter 7: Core area of sustainability: performance). The integration of 1&1 Telecommunication SE also becomes apparent when we look at logistics: as of the end of 2018, the shipment of hardware, SIM cards and other products was handled completely by 1&1 Logistik GmbH in Montabaur.

1&1 Drillisch itself develops products based on both landline and mobile services, whereby the quality standards demanded from the procured precursors are very high. Owing to these standards of 1&1 Drillisch, important parts of the value-added chain such as the service operations for customers are realised by both internal employees and external service providers. These support employees are trained in a central programme that is managed by an internal company unit. Important components for successfully solving support queries for customers include as well the self-care functions of the app and web interface of the 1&1 Control Center and the Service World.

1&1 Drillisch is a company that operates solely and exclusively in Germany, generates its revenues virtually exclusively in this country and pays its taxes in Germany, with the consequence that the Group's activities are subject to the laws of Germany. 1&1 Drillisch's purchasing activities are as sustainable as possible, and the Company emphasises cooperation with suppliers and service providers lasting for many years. Among other benefits, this improves process security, predictability and consistency of performance and reduces unnecessary risks.

ENVIRONMENTAL MATTERS

As a provider of mobile and landline services, 1&1 Drillisch's business activities result in virtually no noteworthy negative environmental impacts, especially in comparison with manufacturing companies or companies with an intense use of raw materials. When procuring machinery and equipment for the performance of functions required for operations, 1&1 Drillisch Group always takes into account its environmental compatibility and energy efficiency. The greatest effects from the Company's own value generation on the environment result from energy consumption, the material used and the emissions from mail-order trade and the vehicle fleet.

MATERIAL USE

- GRI 301**
GRI 301-1 Measured against the Company's economic performance, 1&1 Drillisch's material use is low. As a major share of communications takes place "online", the Company contributes to the careful use of resources. Moreover, the packaging 1&1 Drillisch uses when shipping equipment to customers is above all cardboard packaging that serves almost exclusively the protection of the phones and routers delivered to the customers. During the reporting period, the choice of the packaging was in part the responsibility of the logistics service providers engaged by 1&1 Drillisch; since the end of the year, it has been completely taken over by the Company's own joint logistics centre in Montabaur. A small part of the packaging material is made of plastic; a significantly greater share consists of paper, paperboard and cardboard (PPC) packaging with a high recycling share of 75% to 80%. A more extensive centralised recording of material use at 1&1 Drillisch does not take place because of the lack of relevance.
- GRI 301-2** 1&1 Drillisch did not use any secondary raw materials in any noteworthy quantity during the reporting period besides the cardboard packaging described above. The Group procures office materials and similar consumables that also include products made of recycled materials in its operations; the share of these materials is not recorded separately, however, because of the lack of relevance.
- GRI 301-3**
GRI 417-1 The Group takes back mobile devices from customers in very small quantities and disassembles them if they cannot be re-used. This produces tiny quantities of lithium-ion batteries and other pollutants.

MAXIMUM ENERGY EFFICIENCY

The years of effort invested by 1&1 Drillisch Group in increasing efficiency in the use of energy is reflected in measurable results. The energy audit in 2015 by the Maintal-Werke GmbH and the Energieversorgung Offenbach AG revealed that further efficiency improvements were not possible at the audited locations of 1&1 Drillisch. This is above all the case for the data centres because 1&1 Drillisch has already implemented numerous electricity-saving measures.

Old devices and all the electronic components within the scope of delivery may not be disposed of in ordinary household waste pursuant to European regulations and the German Electrical and Electronic Equipment Act [ElektroG] and must be disposed of professionally so that they can be recycled. 1&1 Drillisch simplifies the process of finding a suitable recycling centre for customers by maintaining a website on the subject of "recycling and disposal".⁴ We provide this service to ensure that every customer has the opportunity to return his or her old device to the recovery or disposal cycle. 1&1 Drillisch has engaged an external service provider to dispose professionally of returned shipping materials (plastics, cardboard).

ENERGY CONSUMPTION

GRI 302
GRI 302-1
GRI 305-1
GRI 305-2

The primary resources 1&1 Drillisch requires for business operations are electricity (Scope 2) – e.g. for the operation of the data centres – and fuel oil and natural gas for heating in the office buildings and fuel for the vehicle fleet (Scope 1).

The recent fiscal years of 1&1 Drillisch Group have been remarkable for company acquisitions and sales. As a consequence, the companies included in the reports have changed from one year to the next. These changes have led to substantial fluctuations in energy consumption and CO₂ emissions from year to year, and these factors will only now, after fiscal year 2018, settle into levels that will remain constant in future.

Table 3 provides an overview of energy consumption and the related CO₂ emissions of 1&1 Drillisch. In 2018, for instance, a total of 68,443 gigajoules (GJ) of energy was consumed, resulting in emissions of 2,680 tonnes of CO₂. The comparability of these values with the disclosures of the previous years is limited because the scope of application was adjusted during the reporting period.

Table 3 Energy Consumption and CO₂ Emissions at 1&1 Drillisch Group⁽¹⁾

	2016		2017		2018	
	GJ	CO ₂ in t	GJ	CO ₂ in t	GJ	CO ₂ in t
SCOPE 1: FOSSIL FUELS	15,471	1,033	13,235	943	26,621	1,891
of which for operation of the vehicle fleet ⁽²⁾	8,506	630	10,972	813 ⁽³⁾	20,253	1,529
of which for heating (fuel oil and natural gas) ⁽⁴⁾	6,965	403	2,263 ⁽⁵⁾	130	6,368	362
SCOPE 2: PROCUREMENT OF ELECTRICITY⁽⁶⁾	17,909	1,482	17,059	1,412	41,822	789
of which from renewable energy sources	7,679		7,496		35,923	
of which from non-renewable energy sources	10,230		9,563		5,899	
SCOPE 1 + 2:						
TOTAL ENERGY CONSUMPTION/CO₂ EMISSIONS	33,380	2,515	30,294	2,355	68,443	2,680
of which from renewable energy sources	7,679		7,496		35,923	
of which from non-renewable energy sources	25,701		22,798		23,520	

(4) <https://www.1und1.de/entsorgung/#annahmestellen-finden> (German only)

- (1) Disclosures for 2016 and 2017 relate to 1&1 Drillisch without 1&1 Telecommunication SE and its subsidiaries; please note the scope of application in each case for 2018
- (2) Disclosures for 2018 relate to 1&1 Drillisch Group in its entirety; number of motor vehicles in the fleet per 31 December: 243 (the vehicle fleet declined slightly in numbers over the course of the year); energy content diesel: 0.03492 GJ/l; emissions factor diesel: 0.0741 tonnes CO₂/GJ; energy content petrol: 0.0306 GJ/l; emissions factor petrol: 0.072 tonnes CO₂/GJ; from 2018 on, the disclosures are based in part on the data from the service provider, in part on calculations using the conversion factors of DEFRA 2018
- (3) The CO₂ disclosure for 2017 and the subsequent calculations have been restated
- (4) Disclosures for 2018 relate to the natural gas consumption of the Drillisch companies (complete data were not yet available at the time this report was prepared) and, for 1&1 Telecommunication SE and its subsidiaries, to their share of natural gas consumption at the Montabaur location, calculated on the basis of the share of employees at the location; emission factor natural gas: 0.0575 tonnes CO₂/GJ; emission factor fuel oil: 0.076 tonnes CO₂/GJ
- (5) Value for 2017 was retroactively supplemented and the subsequent calculations were adjusted; disclosures contain solely natural gas consumption
- (6) Disclosures for 2018 relate to the Drillisch companies (complete data were not yet available at the time this report was prepared) and to 1&1 Telecommunication SE and its subsidiaries a) with respect to their share of electricity consumption according to cause for the data centres of United Internet Group (climate-neutral) and b) with respect to the share of the electricity consumption for offices and related infrastructure at the locations that are provided directly from the supplier, calculated on the basis of the share of the workforce in United Internet Group in Germany; the decline in electricity consumption in 2017 resulted in particular from the sale of the yourfone shops; CO₂ disclosures for 2018 have been calculated on the basis of the specific power mix information from the providers

GRI 302-4 Owing to the significance of electricity consumption for the Company's sustainability policy, 1&1 Drillisch places great value on maximum efficiency in the use of energy. The processes themselves are subjects of a continuous optimisation process (unnecessary operations should be avoided without detriment to performance), and issues of energy efficiency are given special attention during the selection of new or replacement equipment for technical systems. This was also reflected in the results of the energy audit most recently conducted in 2015.

1&1 Drillisch is continuing its efforts to realise energy efficiency measures such as improved cooling air ventilation, a more energy-efficient server infrastructure in the data centres and the replacement of current lamps with energy-saving lamps in administrative buildings.

GRI 302-5 The technology standard LTE now in use in mobile telephony consumes significantly less energy than previous standards, and thanks to the steady improvement in transmission technology and the constant further development of the devices, mobile technology continues to grow in performance capability. The next generation in mobile technology, 5G technology, increases data transmission rates many times over and can provide service to more users in one cell with virtually unnoticeable latency (the delay between sender and recipient caused by signal propagation). Another advantage is its lower energy consumption in comparison with predecessor technologies. In consequence, the energy consumption caused by customers and their products has declined, and it is foreseeable that this development will continue; however, this will not have any impact on the related figures at 1&1 Drillisch because these energy quantities are attributable to network operators.

EMISSIONS

- GRI 305** Transport traffic results at 1&1 Drillisch above all from the shipment of customer hardware such as smartphones and DSL routers (which has been handled by a joint logistics centre in Montabaur since the end of 2018) and, to a small extent, from the delivery of typical office materials. 1&1 Drillisch is seeking to optimise further the transport traffic so that these effects can be reduced further.
- GRI 305-1**
GRI 305-2 1&1 Drillisch calculates Scope 1 CO₂ emissions (emissions caused directly in the organisation, e.g. from the vehicle fleet) and Scope 2 emissions (indirect emissions from energy utilisation, e.g. electricity, district heating) primarily on the basis of the conversion factors of DEFRA 2018 (Department for Environment, Food and Rural Affairs UK) and on the information from the Federal Environmental Agency in 2018. The output of emissions is converted to CO₂ equivalents, which also include greenhouse gases such as CH₄ (methane) and N₂O (nitrous oxide) that have been converted to CO₂ as well.
- GRI 305-3** Scope 3 CO₂ emissions (emissions from services provided by third parties and acquired advance services, including travel by employees other than use of the vehicle fleet) have not been recognised by 1&1 Drillisch because of the related expense and the simultaneously low sustainability relevance for the Group.
- GRI 305-4** The intensity of the resulting CO₂ and greenhouse gas emissions is shown in Table 4. The number of 1&1 Drillisch customers as immediate service recipients (measured on the basis of the number of customer contracts, i.e. 13.54 million in 2018) is taken as a reference value for relativisation of the greenhouse gases. 1&1 Drillisch has not undertaken any initiatives for the express purpose of reducing greenhouse gas emissions going beyond the increases in efficiency and energy-saving actions described above.
- GRI 305-5**

Table 4 Intensity of CO₂ Emissions in 1&1 Drillisch Group⁽¹⁾

CO ₂	2016		2017 ⁽²⁾		2018	
	in t	in kg per customer	in t	in kg per customer	in t	in kg per customer
Scope 1	1,033	0.30	943	0.24	1,891	0.14
Scope 2	1,482	0.43	1,412	0.35	789	0.06
SCOPE 1 + 2	2,515	0.73	2,355	0.59	2,680	0.20

(1) Disclosures refer to the values in Table 3 on page 23; please note the ranges of application noted there; in 2016 and 2017, solely the number of Drillisch customer contracts was taken into account while from 2018 the total number of 1&1 Drillisch customer contracts was considered; as a consequence, the figures from the reporting period are not comparable with figures from the previous year

(2) Scope 1 values for 2017 have been restated; see also Table 3

EMPLOYEE MATTERS

- GRI 401** As it is a service-only company, 1&1 Drillisch Group's success depends in great measure on the competence and engagement of its employees. The goal is therefore to offer an attractive working environment and to pay remuneration appropriate to performance

so that employees can optimally contribute and upgrade their individual skills. Although 1&1 Drillisch has grown rapidly in recent years, the personnel policies continue to be characterised by the high flexibility found in the structures of midsize businesses. This ensures that prompt action can be taken in response to the requirements of the Company and the needs of its employees. Working hour models are tailored to the specific organisational unit and are offered and applied above all in customer service. Employee turnover came to 6.9% during the reporting year.⁵

GRI 401-1

TRAINING AND EDUCATION

GRI 404 Owing to the structures described above, executive officers and managing directors of the Group companies have had and have excellent knowledge of the workforce and of individual employees. Communications between Management Board and workforce are also conducted through the use of various formats. The format "Ask the Board" (Management Board members respond directly to employees' questions) was used throughout 1&1 Drillisch Group for the first time in 2018. Against this backdrop, programmes for upgrading employee skills have been and still are initiated individually.

GRI 404-2

Workplace-related training programmes in 1&1 Drillisch Group are initiated by the division and department heads and coordinated by the Company. However, the type and scope of these training programmes have so far not been recorded centrally. The share of internally filled management positions is about 65%.⁶

GRI 404-1

GRI 404-2 There is an above-average need for programmes for upgrading employee skills in customer service. Both new and current employees receive training on the subjects of communications, processing of written documents, sales, handling of objections, complaint management and other specific topics. 1&1 Drillisch supports training programmes requested by employees going beyond these measures on an individual basis by granting paid leave for participation. These actions are also not recorded centrally so far. We are planning to make access to the same learning platforms that are used by United Internet employees available to all employees in 2019.

GRI 403 Specific training programmes deal with the topics of motivation and stress management and are directed at the enhancement of the quality of our customer service as well as the promotion of our employees' health. The absentee rate due to illness during the reporting year came to 6.9%; there were 0 accident reports.⁷

GRI 403-2

GRI 404-3 A regular, formal, quantitative and qualitative performance review of employees is conducted above all in customer service. In total, about 90% of the employees in customer service at 1&1 Drillisch Group received a performance record and review in the reporting year.

GRI 404-2 1&1 Drillisch is a company that offers vocational training and as such traditionally assumes responsibility for young people. As a matter of principle, vocational trainees are hired as employees when they have finished their training programme. As of the end of 2018, Drillisch Online GmbH and IQ-optimize Software AG employed 59 (previous year: 60) vocational trainees in the following training professions:

(5) Based on core employees; so far excluding Drillisch companies because of the ongoing integration in the reporting year

(6) Disclosures are based on core employees and those at the first two management levels

(7) Based on core employees; so far excluding Drillisch companies because of the ongoing integration in the reporting year

- » Merchant for office management
- » Merchant for marketing communications
- » Merchant for wholesale and foreign trade
- » IT specialist – specialisation system integration
- » IT specialist – specialisation application development
- » Media designer in digital and print – specialisation design and technology

In addition, there are more vocational trainees learning their professions in 1&1 Drillisch Group who are employed in a training company of United Internet AG.

DIVERSITY AND EQUAL OPPORTUNITY

GRI 405
GRI 405-1 1&1 Drillisch pursues overall a corporate culture of appreciation in which individual differences with respect to culture, nationality, gender, age group and religion are desired, and equal opportunity – without regard for age, disabilities, ethnic-cultural origin, gender, religion and philosophy or sexual identity – is encouraged. A workforce comprising personalities from all walks of life offers ideal general conditions for creativity and productivity – and for employee satisfaction as well. The resulting potential for ideas and innovation strengthens the Company's competitiveness and enhances its chances on the markets of the future. Consistent with this thought is the aim of finding the field of activities and the position for every single employee in which his or her individual potential and talents can best be utilised.

GRI 405-1
GRI 405-2 During the hiring of our employees, our primary concerns are the professional qualifications and suitability of applicants. The size and progression over time of our salaries is determined without any regard to gender or other factors unrelated to the position or skills required. Nevertheless, 1&1 Drillisch seeks to offer to women the same opportunities for development as men, and if candidates for management positions have the same qualifications, to give women preference. The share of women in the full workforce is 37.9%⁸, while the share of women in the two management levels below the Management Board is 18.0%⁹.

(8) Disclosure is based on active core employees, including employees on parental leave

(9) Disclosure is based on core employees

GRI 405-1 The average age of the employees at 1&1 Drillisch is 39. The breakdown of staff according to age is shown here:

Table 5 **Age Structure of Workforce 2018⁽¹⁾**

Age groups	Share of workforce (in %)
Under 30 years old	18.5
30-39 years old	39.1
40-49 years old	27.8
50 years and over	14.8

(1) Disclosure based on core employees at 1&1 Drillisch per 31 December

1&1 Drillisch also pays attention to the differing nationalities of its employees as another diversity factor. This makes an especially important contribution to the service quality in customer service because customers of different nationalities can be advised in their native language.

HUMAN RIGHTS AND SOCIAL MATTERS

GRI 102-12 1&1 Drillisch is of course committed to the Ten Principles of the “UN Global Compact”, a voluntary agreement between companies around the world and the United Nations aimed at ensuring more socially just and environmentally viable consequences of globalisation. 1&1 Drillisch is a company that operates solely and exclusively in Germany.

GRI 408-1 There is no reason to believe that there is any significant risk of child labour, especially with respect to the Company’s own value generation. Nor did 1&1 Drillisch become aware of any such incidents with regard to supplier relationships during the reporting period. The same can be said regarding risks of incidents of forced or compulsory labour at either our own business locations or at those of our immediate suppliers. No instances of discrimination in 1&1 Drillisch Group became known during the reporting period. Since no incidents involving violations of human rights have ever been known to occur at 1&1 Drillisch in the Company’s history, no personnel are trained to prevent such incidents. However, every worker has the opportunity to report any such incidents to the offices for Compliance or “persons of trust” so that the required corrective actions can be initiated.

GRI 409-1

GRI 406-1

GRI 410-1

SUSTAINABILITY ASSESSMENT OF SUPPLIERS

GRI 308 1&1 Drillisch procures goods and services primarily from suppliers in Germany who in turn obtain their products and services in part from previous suppliers. Suppliers in Germany are subject to the same strict legal requirements as 1&1 Drillisch itself. There is consequently no reason to believe that the type of services received from our immediate suppliers involves any significant negative social impact. For this reason, a complex systematic review of all suppliers has never been undertaken. The same can be said with respect to environmental and other sustainability criteria; 1&1 Drillisch does, however, screen new suppliers for compliance with these criteria on a test basis. No extraordinary negative environmental impact in the supply chain was determined during the reporting year.

GRI 308-1

GRI 308-2

GRI 414

GRI 414-1

GRI 414-2

COMPLIANCE AND ANTI-CORRUPTION

GRI 205 Compliance is an important element of the management and corporate culture at 1&1 Drillisch Group. For 1&1 Drillisch AG, compliance encompasses the totality of all measures and actions aimed at ensuring conformity with legal statutes and regulations as well as with the Company's own in-house standards, principles and rules. In the eyes of 1&1 Drillisch, conduct that is legally and ethically beyond reproach lays the groundwork for all long-term company success. To this end, the Management Board has implemented a Compliance Management System that begins with, and builds on, a central compliance directive. The compliance directive applies to all members of the governance body and employees of 1&1 Drillisch Group and ensures that the value system is consistently and continuously practised throughout the Group.

Key elements of the compliance directive concern a fair, respectful and trustworthy approach when dealing with colleagues and business partners as well as the conduct displayed toward competitors. Bribery and corruption are not tolerated at 1&1 Drillisch AG; the compliance directive unambiguously supports this attitude through appropriate prohibitions and instructions. Incidents in violation of compliance requirements are unacceptable for the Company. Any reports of any such incidents are rigorously investigated, and the underlying circumstances are clarified. The key point of contact is the Compliance Department. Information about this point of contact is provided to employees as part of the directive as well as centrally via the intranet. Whenever any incidents are confirmed, they are immediately rectified and, if necessary, strictly sanctioned as appropriate.

- GRI 205-1** No incidents or events of corruption have ever become known at 1&1 Drillisch Group, nor has even the suspicion of corruption ever arisen. A systematic and complex review of all divisions and locations that was not prompted by a specific incident has therefore never been carried out. Owing to the changes in the corporate structure and the size of the corporation in fiscal years 2016 and 2017, 1&1 Drillisch has reassessed this aspect. As a result, the Compliance Management System has been adapted to the new profile and developed further. In particular, there has been a harmonisation of the directives between 1&1 Drillisch AG and United Internet AG as part of the integration. Among other elements, this includes comprehensive information for the employees regarding anti-corruption which can be retrieved at any time from the Group's own intranet.
- GRI 205-2**
- GRI 307-1** Just as in the previous year, there were no incidents of non-compliance with environmental laws or regulations and consequently no fines or non-monetary sanctions were paid.

PART V

10. GRI CONTENT INDEX

GRI 102-55 The GRI content index lists all GRI disclosures included in the report, including references to where they can be found in the report. This report has been prepared in accordance with the GRI Standards: Core option. All GRI disclosures are based on the GRI Standards 2016.

Table 6 **General Disclosures (GRI 102)**

GRI Disclosure number	GRI Disclosures title	Reference to report section and other sources/comments	Page
ORGANISATIONAL PROFILE			
GRI 102-1	Name of the organisation	Organisational profile	19
GRI 102-2	Activities, brands, products and services	Organisational profile	19
GRI 102-3	Location of headquarters	Organisational profile	19
GRI 102-4	Location of operations	Organisational profile	19
GRI 102-5	Ownership and legal form	Organisational profile	19
GRI 102-6	Markets served	Organisational profile	19
GRI 102-7	Scale of the organisation	Organisational profile	19
GRI 102-8	Information on employees and other workers	Organisational profile	19
GRI 102-9	Supply chain	Value-added chain	21
GRI 102-10	Significant changes to the organisation and its supply chain	Organisational profile and "General information about the Company and Group" in the Annual Report (AR)	19
GRI 102-11	Precautionary Principle or approach	Economic performance and risk management and "Risk report" in the AR	20
GRI 102-12	External initiatives	Human rights and social matters	28
GRI 102-13	Membership of associations	Organisational profile	19
STRATEGY			
GRI 102-14	Statement from senior decision-maker	Foreword	4
ETHICS AND INTEGRITY			
GRI 102-16	Values, principles, standards and norms of behaviour	Governance structure	20
GOVERNANCE			
GRI 102-18	Governance structure	Governance structure and "Corporate Governance" in the AR	20

STAKEHOLDER ENGAGEMENT

GRI 102-40	List of stakeholder groups	Material sustainability topics for 1&1 Drillisch	8
GRI 102-41	Collective bargaining agreements	Organisational profile	19
GRI 102-42	Identifying and selecting stakeholders	Material sustainability topics for 1&1 Drillisch	8
GRI 102-43	Approach to stakeholder engagement	Material sustainability topics for 1&1 Drillisch	8 , 15
GRI 102-44	Key topics and concerns raised	Material sustainability topics for 1&1 Drillisch	8

REPORTING PRACTICE

GRI 102-45	Entities included in the consolidated financial statements	Scope of application	35
GRI 102-46	Defining report content and topic Boundaries	Material sustainability topics for 1&1 Drillisch	8
GRI 102-47	List of material topics	Material sustainability topics for 1&1 Drillisch	10
GRI 102-48	Restatements of information	<i>Restatements are identified at relevant positions.</i>	-
GRI 102-49	Changes in reporting	Scope of application	35
GRI 102-50	Reporting period	About this report	34
GRI 102-51	Date of most recent report	About this report	34
GRI 102-52	Reporting cycle	About this report	34
GRI 102-53	Contact point for questions regarding the report	Availability and contact information	36
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Frameworks: German CSR Directive Implementation Act and GRI Standards	34
GRI 102-55	GRI content index	GRI content index	30
GRI 102-56	External assurance	Preparation, publication and review of the Sustainability Report	36

Table 7 Topic-specific Standards (GRI 200-400)

GRI Disclosure number	GRI Disclosure title	Reference to report section and other sources/comments	Page
ECONOMIC TOPICS			
GRI 201:	Economic Performance		
GRI 201-1	Direct economic value generated and distributed	Economic performance and risk management	20
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Economic performance and risk management	21
GRI 205:	Anti-corruption		
GRI 205-1	Operations assessed for risks related to corruption	Compliance and anti-corruption	29
GRI 205-2	Communication and training about anti-corruption policies and procedures	Compliance and anti-corruption	29
GRI 205-3	Confirmed incidents of corruption and actions taken	Compliance and anti-corruption	29

ENVIRONMENTAL TOPICS

GRI 301:	Materials		
GRI 301-1	Materials used by weight or volume	Material use	22
GRI 301-2	Recycled input materials used	Material use	22
GRI 301-3	Reclaimed products and their packaging materials	Material use	22
GRI 302:	Energy		
GRI 302-1	Energy consumption within the organisation	Energy consumption	23
GRI 302-4	Reduction of energy consumption	Energy consumption	24
GRI 302-5	Reductions in energy requirements of products and services	Energy consumption	24
GRI 305:	Emissions		
GRI 305-1	Direct (Scope 1) GHG emissions	Energy consumption and Emissions	23 , 25
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Energy consumption and Emissions	23 , 25
GRI 305-3	Other indirect (Scope 3) GHG emissions	Emissions	25
GRI 305-4	GHG emissions intensity	Emissions	25
GRI 305-5	Reduction of GHG emissions	Emissions	25
GRI 307:	Environmental Compliance		
GRI 307-1	Non-compliance with environmental laws and regulations	Compliance and anti-corruption	29
GRI 308:	Supplier Environmental Assessment		
GRI 308-1	New suppliers that were screened using environmental criteria	Sustainability assessment of suppliers	28
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability assessment of suppliers	28

SOCIAL MATTERS

GRI 401:	Employment		
GRI 401-1	New employee hires and employee turnover	Employee matters	26
GRI 403:	Occupational Health and Safety		
GRI 403-2	Type and share of injuries, occupational illnesses, lost days and absenteeism	Training and education	26
GRI 404:	Training and Education		
GRI 404-1	Average hours of training per year per employee	Training and education	26
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	Training and education	26
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Training and education	26
GRI 405:	Diversity and Equal Opportunity		
GRI 405-1	Diversity of governance bodies and employees	Governance structure and chapter "Statement on Corporate Management/Corporate Governance Report" in the AR and Diversity and equal opportunity	20 , 27 , 28 ,

GRI 405-2	Ratio of basic salary and remuneration of women to men	Diversity and equal opportunity	27
GRI 406:	Non-discrimination		
GRI 406-1	Incidents of discrimination and corrective actions taken	Human rights and social matters	28
GRI 408:	Child Labour		
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	Human rights and social matters	28
GRI 409:	Forced or Compulsory Labour		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Human rights and social matters	28
GRI 410:	Security Practices		
GRI 410-1	Security personnel trained in human rights policies or procedures	Human rights and social matters	28
GRI 414:	Supplier Social Assessment		
GRI 414-1	New suppliers that were screened using social criteria	Sustainability assessment of suppliers	28
GRI 414-2	Negative social impacts in the supply chain and actions taken	Sustainability assessment of suppliers	28
GRI 416:	Customer Health and Safety		
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Special attention to product responsibility	18
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Special attention to product responsibility	18
GRI 417:	Marketing and Labelling		
GRI 417-1	Requirements for product and service information and labelling	Special attention to product responsibility and Material use	18 , 22
GRI 418:	Customer Privacy		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	High standards for data protection	17

11. ABOUT THIS REPORT

GRI 102-50
GRI 102-52
GRI 102-51

1&1 Drillisch Group has prepared this Sustainability Report as a source of information regarding its sustainable economic performance for its customers, shareholders, business partners, employees and other stakeholders. The information contained in this report covers the fiscal year from 1 January 2018 to 31 December 2018. This is the second Sustainability Report from 1&1 Drillisch; these reports are published annually. The previous report was published on 4 April 2018.

FRAMEWORKS: GERMAN CSR DIRECTIVE IMPLEMENTATION ACT AND GRI STANDARDS

GRI 102-54

While the Sustainability Report for 2017 was prepared in accordance with the G4 Guidelines of the Global Reporting Initiative (GRI), this year's report is based on the "Sustainability Reporting Standards" of the GRI published in 2016. The GRI Standards are the internationally recognised guidelines for the preparation of sustainability reports. This report has been prepared in accordance with the GRI Standards: Core option. At the same time, the Non-Financial Statements from 1&1 Drillisch Group and 1&1 Drillisch AG (consolidated separate Non-Financial Report) in accordance with the "German Act to Strengthen Non-Financial Reporting by Companies in their Management and Group Management Reports" (German CSR Directive Implementation Act, CSR-RUG) (Sections 315b and c in conjunction with Section 289c HGB [German Commercial Code]) have been included in this Sustainability Report.

This report contains the legally required and supplementary disclosures regarding the aspects "Environmental Matters", "Employee Matters", "Social Matters", "Respect for Human Rights" and "Anti-corruption and Bribery" that are material for 1&1 Drillisch.¹⁰ These aspects designated in the CSR-RUG as the minimum scope are supplemented by the aspect "Customer Matters", which is further broken down into the core areas of sustainability of performance, service and security. Among other points, the areas of customer satisfaction and data and information security are described here. These topics are material for 1&1 Drillisch and must therefore be included in the reporting.

When defining the report content, we applied the Materiality principle and took into consideration the expectations of our stakeholders (see chapter 4: Material sustainability topics for 1&1 Drillisch). A listing of the material and supplementary sustainability topics and their link to the non-financial aspects pursuant to the CSR-RUG can be found in Table 2 on page [10](#).

The GRI content index on page [30](#) provides an overview of what GRI disclosures are reported and in what sections the disclosures can be found. In describing the approaches and results for the material and supplementary topics, both the requirements pursuant to GRI 103 ("Management Approach") and the legal requirements for the presentation of the "concepts" followed in relation to the non-financial aspects were taken into account.

Moreover, the CSR-RUG requires reporting of material risks that relate to the Group's business activities or its business relationships, products and services and that will very probably have major impacts on the stipulated aspects insofar as the risks are necessary

(10) The disclosures relating to diversity required by the CSR-RUG can be found in the Management Report of the Annual Report of 1&1 Drillisch Group: <https://www.1und1-drillisch.de/investor-relations/reports>

for understanding the course of business, business results, the position of the stock corporation and the impacts on the aforementioned aspects. Reference is made here to the risk report provided as part of the Annual Report of 1&1 Drillisch Group where the group-wide Risk Management System and the material risks are described.

In addition, there are reporting requirements regarding the significant non-financial performance indicators. Reference is made here in this respect to chapter "2.5 Major non-financial performance indicators" in the business report contained within the Annual Report of 1&1 Drillisch Group.

SCOPE OF APPLICATION

GRI 102-45 Holding company of the Group is 1&1 Drillisch AG; it holds 100% of each of the companies shown below. All the information in this report covers and refers to these Group companies unless expressly noted otherwise. The same organisational units are therefore included in the Group's Consolidated Annual Financial Statements and Sustainability Report.

Table 8 **Structure of 1&1 Drillisch Group**

	Share of capital (%)	Held by no.
1. 1&1 Drillisch AG, Maintal		
2. Drillisch Online GmbH, Maintal	100	1
3. IQ-optimize Software AG, Maintal	100	1
4. Drillisch Logistik GmbH, Münster	100	1
5. Blitz 17-665 SE, Munich	100	1
6. Blitz 17-666 SE, Munich	100	1
7. 1&1 Telecommunication SE, Montabaur	100	1
8. Drillisch Netz AG, Krefeld	100	2
9. Mobile Ventures GmbH, Maintal	100	2
10. 1&1 Logistik GmbH, Montabaur	100	7
11. 1&1 Telecom Holding GmbH, Montabaur	100	7
12. 1&1 Telecom Sales GmbH, Montabaur	100	7
13. 1&1 Telecom Service Montabaur GmbH, Montabaur	100	7
14. 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken	100	7
15. 1&1 Berlin Telecom Service GmbH, Berlin	100	7
16. 1&1 Telecom GmbH, Montabaur	100	11

GRI 102-49 There have been no significant changes in the list of material topics and their Boundaries in comparison with the report of the previous year. In application of GRI Standards, values of the previous years from fiscal year 2016 and 2017 are disclosed at the appropriate points for comparison.

PREPARATION, PUBLICATION AND REVIEW OF THE SUSTAINABILITY REPORT

- GRI 102-56** The Non-Financial Statement in the form of this Sustainability Report was prepared and published by the 1&1 Drillisch AG Management Board. No external assurance is sought for the Sustainability Report; it is reviewed and adopted by the 1&1 Drillisch Group Supervisory Board. During its meeting on 26 March 2019, the Supervisory Board reviewed the Non-Financial Statement for its legality, regularity and appropriateness and came to the conclusion that the Non-Financial Statement did not give any reasons for objection.

AVAILABILITY AND CONTACT INFORMATION

- GRI 102-53** This report (in German and English) will be made available to all interested parties for downloading in PDF format from the 1&1 Drillisch AG website under <https://www.1und1-drillisch.de/corporate-governance/sustainability-report> from 10 April 2019.

Contact point for questions regarding the Sustainability Report:

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Disclaimer:

For mathematical reasons, there may be rounding differences in tables compared to the mathematical precise numbers. This report is available in German and English. Both versions are also available for downloading from the internet under www.1und1-drillisch.de. The German version of the report is legally binding.

Future-oriented Statements:

This report contains certain statements oriented to the future which are based on the current assumptions and projections of the management of 1&1 Drillisch. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the Company to deviate substantially from the assessments shown here. The factors described in our reports to the Frankfurt Stock Exchange are among such factors. The Company does not undertake any obligation to update such future-oriented statements and to adapt them to future events or developments.



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