1&1 DRILLISCH

SUSTAINABILITY REPORT 2019

KEY FIGURES

Details on the key figures below can be found in the individual sections of the report.

Table 1

	2017	2018	2019
FINANCIAL/BUSINESS KPIS			
Revenue in €m	2,812.3	3,634.5	3,674.9
EBITDA in €m	504.0	721.9	683.5
Earnings per share (EPS) in €	2.28	2.30	2.12
Free cash flow in €m	278.6	142.6	355.4
RESPONSIBLE CORPORATE MANAGEMENT			
Number of confirmed incidents of corruption	0	0	0
Participation rate for Code of Conduct e-learning course in %	n. a.	91.8	93.2
CUSTOMER-RELATED MATTERS AND PRODUCT RESPONSIBILITY			
Number of customer contracts in millions	12.6	13.5	14.3
thereof Mobile Internet contracts in millions	8.3	9.2	10.0
thereof Broadband contracts in millions	4.3	4.3	4.3
Number of shipments by 1&1 Logistics in million units	5.1	5.4	6.9
CORPORATE DIGITAL RESPONSIBILITY			
Number of reports of data privacy violations under the GDPR	n. a.	n. a.	52
1&1 DRILLISCH AS AN EMPLOYER			
Number of employees	3,194	3,150	3,163
Employee turnover rate in %	n. a.	6.9	7.5
Management positions filled internally in %	n. a.	65	75.3
Women in management positions in %	n. a.	n. a.	10
Absence due to illness in %	n. a.	6.9	7.1
CLIMATE AND ENVIRONMENTAL PROTECTION			
Energy consumption in MWh	n. a.	11,920.2	10,822.7
thereof electricity consumption in MWh	n. a.	3,820.0	3,520.8
Business travel and company cars trips in km million	n. a.	12.7	12.5
CO_2 equivalents in tonnes (data capture expanded in 2019)	n. a.	3,506.8	5,986.9
1&1 DRILLISCH AS A BUSINESS PARTNER			
Cost of purchased services in €m	1,397.0	1,655.4	1,679.4
Cost of purchased goods in €m	368.1	678.3	701.4

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Key

	Internet link
	Glossary, definition
	Page reference
GRI [number]	Reference to a GRI disclosure, see “GRI Content Index and CSR-RUG Disclosures“ on page 70

FOREWORD

Dear readers, GRI 102-14

For more than 25 years, we have been active as one of the major German telecommunications providers. Our work goes hand in hand with corporate and social responsibility, a topic that we take seriously.

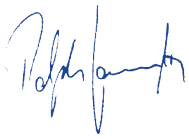
This is the third year for the publication of our Sustainability Report in which we describe, transparently and in detail, our measures to secure sustainable added value. As we strive to meet the increasing demands of our internal and external stakeholders, we remain in constant dialogue with customers, business partners, shareholders, investors and our employees. We would otherwise be unable to optimise our products and services and further specify our action areas relating to sustainability.

As in previous years, the core areas of "service, performance and safety" represent important elements of our sustainability efforts. From this year onwards, however, they are assigned to newly created action areas that we have developed on the basis of, among other things, an in-depth analysis of the requirements of the capital markets and ESG (environmental, social and governance) ratings as well as new frameworks and standards in the area of sustainability. The innovations include, for example, the expanded reporting on "Climate and Environmental Protection" as well as the action area "1&1 Drillisch as a Business Partner"; this area will concentrate more closely on the supply chain and value chain. In addition, the third edition of our report includes the United Nations Sustainable Development Goals (SDGs) for the first time and shows how we as a telecommunications company are contributing to the achievement of these goals.

The integration of 1&1 Telecommunication SE into our Company has not only created synergies in hardware purchasing and logistics; it has also noticeably expanded the range of services offered to our employees. Besides a wide range of training and communication services, an external and independent family service has been introduced.

Overall, we can draw a clearly positive conclusion when we look at our development in the area of sustainability over the last three years. We are determined to maintain this course in the coming years and to continue to improve steadily. We are committed to meeting our social and environmental responsibilities as well as to achieving our goal of economic success, especially now as we launch our project for the construction of a state-of-the-art, high-performance mobile communications network.

Best regards,



Ralph Dommermuth

Markus Huhn

Alessandro Nava

ORGANISATIONAL PROFILE

GRI 102-1
GRI 102-3
GRI 102-4
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GRI 203-1

In view of its more than 14 million customer contracts, 1&1 Drillisch AG is beyond question one of the largest network-independent telecommunications providers in Germany. The listed company, headquartered in Maintal, is one of the leading providers of services and products in the broadband and mobile communications sectors. Along with its two wholly-owned subsidiaries 1&1 Telecommunication SE and Drillisch Online GmbH, 1&1 Drillisch pursues a strong marketing approach that addresses the market comprehensively and in a target group-specific manner. The Company's strong brands include yourfone, winSIM and smartmobil.de as well as 1&1, among others.

1&1 Drillisch AG belongs to the United Internet AG group of companies and is the only virtual network operator in Germany with long-term secured access to the Telefónica network via an MBA MVNO contract. In June 2019, Drillisch Netz AG – a wholly-owned subsidiary of 1&1 Drillisch AG – successfully participated in the 5G auction conducted by the Federal Network Agency and is in a position to set up its own state-of-the-art mobile communications network based on the acquired frequencies and the conclusion of a national roaming agreement.

As of the end of fiscal year 2019, 3,163 active employees[1] – including the three Management Board members – worked for 1&1 Drillisch (2018: 3,150). They realised revenues of €3,674.9 million (2018: €3,634.5 million).

BRIEF HISTORY OF 1&1 DRILLISCH AG

The predecessor companies of 1&1 Drillisch AG were active in the field of communications telecommunications technology as early as 1957. 1&1 Drillisch AG has been operating as a service provider in the mobile services sector since 1994, i.e. as an intermediary provider of communications services from various network operators – on its own behalf and for its own account. The former Drillisch AG was established in 1997 and listed on the stock exchange as of 1998. In 2017, the mobile and fixed network division of 1&1 – 1&1 Telecommunication SE – became a wholly-owned subsidiary of Drillisch AG. In 2019, Drillisch Netz AG acquired the frequencies required for the construction of its own powerful mobile services network during the 5G auction conducted by the Federal Network Agency.

Table 2

Structure of 1&1 Drillisch Group(1)

		Held by no.
1	1&1 Drillisch AG, Maintal	
2	Drillisch Online GmbH, Maintal	1
3	IQ-optimize Software AG, Maintal	1
4	Drillisch Netz AG, Krefeld	2
5	Drillisch Logistik GmbH, Münster	1
6	Blitz 17-665 SE, München	1
7	Blitz 17-666 SE, München	1
8	Mobile Ventures GmbH, Maintal	2
9	1&1 Telecommunication SE, Montabaur	1
10	1&1 Logistik GmbH, Montabaur	9
11	1&1 Telecom Sales GmbH, Montabaur	9
12	1&1 Telecom Service Montabaur GmbH, Montabaur	9
13	1&1 Telecom Service Zweibrücken GmbH, Zweibrücken	9

(1) Figures refer to active core employees by headcount, excluding inactive employment contracts (mainly employees on parental leave) and excluding interns, student workers, school students, thesis students and temporary staff.

14	1&1 Berlin Telecom Service GmbH, Berlin	9
15	1&1 Telecom Holding GmbH, Montabaur	9
16	1&1 Telecom GmbH, Montabaur	15

(1) All companies listed under 1&1 Drillisch AG are wholly-owned subsidiaries of 1&1 Drillisch AG.

OWNERSHIP STRUCTURE

GRI 102-5

1&1 Drillisch AG is a listed stock corporation headquartered in Maintal. Its stock was included in the indices TecDAX and MDAX or SDAX of the Frankfurt Stock Exchange during the reporting year. On 31 December 2019, United Internet AG held 75.10% of the stock (2018: 73.29%). Free float amounted to 24.62% (2018: 23.18%) of the shares.[2] upervisory Board members held 0.16% of the shares; the 1&1 Drillisch AG Management Board did not hold any stock directly, so there was no change over the previous year. As of 31 December 2019, Ralph Dommermuth, CEO of 1&1 Drillisch AG and United Internet AG, indirectly held 43.96% of the share capital (as reduced by own shares) of United Internet AG through holding companies (2018: 40.95%).

MOBILE SERVICE PROVIDERS

MNO

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

MBA MVNO

Mobile bitstream access mobile virtual network operator: telecommunications 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.

GRI 102-7

1&1 Drillisch Group generated revenues of €3,674.9 million in fiscal year 2019 (2018: €3,634.5 million). Investments in the amount of €20.3 million[3] (2018: €13.2 million) were made. In 2019, 1&1 Drillisch disbursed €8.8 million (2018: €282.8 million) in dividends to its shareholders for fiscal year 2018. At the same time, loans were repaid in the amount of €32.0 million (2018: €0 million).

BUSINESS MODEL

GRI 102-2
GRI 102-6

The Company 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 fields of broadband and mobile services

GRI 102-7
GRI 102-10

Besides mobile-only and broadband-only products, 1&1 Drillisch offers to its customers attractive bundled products comprising mobile and fixed network 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.

(2) Details can be found on the website "Shareholder structure".

(3) Excluding 5G frequency acquisition.

As it is a so-called Mobile Bitstream Access Mobile Virtual Network Operator (MBA MVNO), 1&1 Drillisch does not have its own physical network, but instead obtains network capacities from the established network operators Vodafone and Telefónica. 1&1 Drillisch has guaranteed long-term access to up to 30% of the capacity of the Telefónica network in Germany. This gives 1&1 Drillisch a special position on the German market.

In 2017, 1&1 Telecommunication SE – the mobile services and fixed network division of United Internet – was fully incorporated into Drillisch AG; the companies have merged today into 1&1 Drillisch AG. Since that time, the Company has been offering fixed network (broadband) as well as mobile services and has increased the size of its clientele to approximately 14.3 million contract customers as of 31 December 2019 (2018: 13.5 million). Moreover, the Company has access to one of Germany's largest fibre optic networks, which is operated by 1&1 Versatel Group[4], a member of United Internet Group; it also purchases standardised network services from various wholesale service providers such as Deutsche Telekom or municipal operators.

MVNO

Mobile virtual network operator: a 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 added-value 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 wholesale 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 network that sells on its own behalf and for its own account mobile services, mobile devices and added-value services such as text messages or MMS on the basis of service packages structured by MNOs.

OUTLOOK

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. Steadily improving network quality and the availability of fast data connections reinforce the demand from consumers for increasingly powerful and individually tailored products and services.

Development of the telecommunications market will remain dynamic in future, especially in anticipation of 5G. General conditions and content will be subject to rapid changes. 5G is more than just a new mobile services standard. 5G will lay the foundation for further advances in digitisation and networking in Germany. There is enormous potential for corporate development here for 1&1 Drillisch.

1&1 Drillisch laid the cornerstone for the construction of its own mobile network and for the Company's profitable future by successfully participating in the 5G auction conducted by the Federal Network Agency in 2019.

The establishment of its own state-of-the-art network infrastructure not only ensures greater independence from network operators, but also enables even better product differentiation and the development of new business areas. With its large customer base, access to one of the largest fibre optic networks in Germany and a strong brand portfolio, 1&1 Drillisch has established an excellent position for the next chapter of its story as a network operator.

Important trends in the telecommunications industry at this time still include the virtually full-area availability of fixed network-based and mobile high-speed internet, the growing use of high-end smartphones, the further dissemination of cloud applications,

(4) For simplicity's sake, when we talk about 1&1 Versatel in the following, we mean 1&1 Versatel Group.

IPTV or photo and music streaming services as well as 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, strengthening 1&1 Drillisch’s solid position on the German telecommunications market and maintaining its sustainable growth.

In addition to 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 are:

- A clear focus of marketing and sales activities on mobile internet products;
- The effective utilisation of scaling effects;
- Continuous improvement of the user-friendly service concept;
- The utilisation of the exclusive access to the Telefónica network without any performance restrictions until at least 2030;
- The continuation of creative and innovative services and products through additional cooperative activities and new content;
- The ongoing optimisation of the purchase of broadband wholesale services by using the Layer 2 platform in conjunction with the fibre optic 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. With the construction of its own mobile communications network, the value chain that even now has a broad base ranging from product development and data centre operation to effective marketing and powerful sales down to active customer service will be further deepened in the future.

RESPONSIBLE CORPORATE MANAGEMENT

THE BASIS FOR ACTING RESPONSIBLY

CORPORATE GOVERNANCE

GRI 102-16
GRI 102-18

1&1 Drillisch AG's Management Board and Supervisory Board consider it their responsibility to ensure the Company's continued existence and create sustainable value through responsible corporate management that takes a long-term perspective. For 1&1 Drillisch, running a business involves more than pursuing economic goals – it also has an obligation to society and the environment.

See section entitled "Corporate Governance" on 1&1 Drillisch's website

The corporate management of 1&1 Drillisch AG is governed first and foremost by German Company Law (Aktiengesetz – AktG) and the German Corporate Governance Code (the "Code"), and we publish an annual Corporate Governance declaration in accordance with section 161 of the AktG.

Diversity of the Management Board and Supervisory Board

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. Accordingly, the Company 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.

It is in the Company's own interest to ensure diversity with regard to age, gender or professional experience (e.g. knowledge of the industry or international experience) etc. in the composition of the Management Board and the Supervisory Board. There should be at least one female member of the Supervisory Board (proportion of women: 16.66%); this target is currently met. The proportion of women on the Management Board is currently to remain at 0%. In addition, the selection and appointment of persons to governing body positions should be based on objective factors such as qualifications and professional suitability and should be in line with the individual competence profile of the potential executives, whereby the Company strives to give priority to female candidates whenever the qualifications of multiple candidates are equivalent.

See the "Corporate Governance" section and the "Reports" section on 1&1 Drillisch's website

See the "Articles of Association" section of 1&1 Drillisch's website (German only)

For further information, please see the „Statement on Corporate Management/Corporate Governance Report". The compensation paid to the Management Board and the Supervisory Board is set out in the Remuneration Report, which is included in the annual report. Basic information can be found in the Articles of Association.

OUR VALUES AND GUIDELINES

GRI 102-16

Our corporate values, which apply throughout the organisation, our management guidelines, and our Code of Conduct are at the heart of what we do every day. All employees are made aware of these basic documents when they join the Company, and must abide by them. Our values and guidelines, and the Code of Conduct, can be accessed at any time on our intranet.

CORPORATE VALUES

Our values strengthen our self-image and provide a framework for how to act. Only a set of common beliefs enable us to think and act together. Our values apply in our dealings with one another and with customers and business partners.

- A commitment to success
- Agility
- A sound approach
- Fairness
- Openness
- Responsibility

LEADERSHIP PRINCIPLES

Our leadership philosophy is based on making people successful. Our leadership guidelines define the following characteristics for our managers:

- We take responsibility and display courage
- We are co-entrepreneurs
- We act as role models
- We empower staff and motivate them to do their best
- We lead through active dialogue
- We promote a strong team culture

CODE OF CONDUCT

Our Code of Conduct links our corporate values with our internal guidelines. It sets out shortly and succinctly how to act in compliance with our values, the law and our guidelines. It uses examples to illustrate key principles and make concrete recommendations on how to deal with colleagues, business partners, investors, competitors, customers and the media.

RISK MANAGEMENT

GRI 102-11

If the Company's success is to be assured over the long term, it is essential to identify and analyse the risks of business actions effectively and to eliminate or restrict their effects by means of the appropriate steering mechanisms. The 1&1 Drillisch Group's risk and opportunities management policy aims to preserve and sustainably enhance the organisation's values by exploiting opportunities and identifying and managing risks at an early stage. By "walking the talk" in this way with our risk and opportunity management, we ensure that 1&1 Drillisch can do business in a controlled organisational environment. The risk and opportunities management sets out a responsible approach to dealing with the uncertainties that are an inevitable part of doing business. The system is the subject of constant further development and adaptation to changing circumstances. It also reflects the basic idea behind the United Nations' precautionary principle, i.e., a forward-looking approach to (environmental) risks and the mitigation of any negative impacts.

See the "Risks, opportunities and forecast report" in the Annual Report

See "About this Report" on page 75

Organisations are also increasingly being required to take a differentiated approach to risk in the context of sustainability and ESG topics. This is taken into account during our identification of the material topics.

COMPLIANCE AND ANTI-CORRUPTION

MATERIALITY, IMPACT AND RISKS

GRI 102-11
GRI 102-16
GRI 103-1
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 AG, conduct that is legally and ethically beyond reproach lays the groundwork for all long-term company success

GOALS AND MEASURES

GRI 103-2

To this end, the Management Board has implemented a compliance management system that has at its core a central Code of Conduct. The Code of Conduct applies to all of the directors and employees of 1&1 Drillisch Group and ensures that the values system is consistently and continuously practised throughout the group.

For information on compliance in the field of human rights, please see "1&1 Drillisch as a Business Partner" on page 62

Key elements of the Code of Conduct relate to 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 Code of Conduct unambiguously backs up this position through relevant 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. Whenever any incidents are confirmed, they are immediately rectified and, if necessary, strictly sanctioned by appropriate actions.

GRI 205-2
GRI 205-3

No incidents or events of corruption have ever become known at 1&1 Drillisch Group, nor has even the suspicion of any such incidents ever arisen. A systematic and complex review of all areas and locations that was not prompted by a specific incident has therefore never been carried out. 1&1 Drillisch has further adapted the compliance management system and harmonised the guidelines within the 1&1 Drillisch Group in response to the changes in the corporate structure and size of the Company in recent years. The actions include detailed information for employees on combating corruption, dealing with incentives[5] and conflicts of interest and further topics. This information is also available at any later time on the Group's own intranet.

RESULTS AND ASSESSMENT

GRI 103-3

In fiscal year 2018, our Compliance department launched an e-learning course on our Code of Conduct in a large part of 1&1 Drillisch Group in order to give employees an interactive way of familiarising themselves with the Code's contents and to communicate its rules effectively. As of 31 December 2019, 2,568 employees had completed the e-learning course on the Code of Conduct (2018: 2,466 employees). This corresponds to a participation rate of 93.2% (2018: 91.8%). A rollout of the e-learning programme for the few areas at 1&1 Drillisch Group that have not yet participated is scheduled for the current year. Participation in e-learning courses about the Code of Conduct is also an integral part of the Welcome Day for new employees.

(5) Incentives are any inducements aimed at rewarding a company's own employees, or those of business partners, for their work and/or to motivate them to do more/better in future. This includes performance bonuses and customer events, among other things.

SUSTAINABILITY STRATEGY AND MANAGEMENT

APPROACH

Definition of Sustainability

"Sustainability" – which can be defined in simple terms as ensuring that the needs of both current and future generations can be met – is now a more or less integral part of the social, political and economic sphere. Associated social developments and "megatrends" such as digitisation and climate change, and the transformation processes these are causing, are being discussed across all sectors, be it in connection with data protection, the changing world of work or the transition to a low-carbon economy. Companies can often have a material impact on these topics – both positively and negatively. And in turn, these issues also influence companies, e.g., due to changes in expected behaviour (such as those triggered by the "Fridays for Future" movement), consumer and customer wishes, regulatory requirements and increasing investor awareness of ESG aspects. This report shows how these and other sustainability topics relate to 1&1 Drillisch and how the Company deals with the resulting challenges and opportunities.

Our sustainability strategy and sustainability management activities are designed to address material current sustainability topics, challenges and opportunities – in other words, the relevant impacts that our Company has on our stakeholders, the environment and society and the impacts that the environment and society has on it. We ensure this is in fact the case by basing the action areas for our sustainability strategy on a materiality analysis.

New Developments

Following Drillisch AG's acquisition of 1&1 Telecommunication SE in the autumn of 2017, the sustainability strategy and sustainability report of 1&1 Drillisch AG were also harmonised and, in part, restructured. In consequence, there are changes in numerous places in the report compared to the previous year's report, encompassing even the material topics and action areas.

GRI 102-48
GRI 102-49

For this report, the previous assessment of the relevance of topics was supplemented in the reporting year by a comprehensive analysis of the current sustainability-related requirements that the capital markets as well as regulatory framework conditions and initiatives impose on 1&1 Drillisch. This resulted in a number of new points of reference being included in this report.

See "About this Report" on page 75

Based on these innovations, we have reviewed and prioritised the key topics and the result is a modification of our action areas. The core areas of "performance," "service" and "safety" as presented in the previous report, as well as the related topics are classified in the following action areas:

Table 3

Core area from previous report	Topics	Classification in new action areas
Performance	Customer-related matters	Customer-related Matters and Product Responsibility
	Transparency	
	Access for a broad clientele	Corporate Digital Responsibility
Service	(Measuring) customer satisfaction	Customer-related Matters and Product Responsibility
Security	Customer-related matters/product responsibility, health	
	Data protection	Corporate Digital Responsibility
	Information security	

The action area “Corporate Digital Responsibility” also includes the new topic “access to digitisation.” Furthermore, in the action area “Climate and Environmental Protection” (previously: environmental matters), we are placing a stronger focus on the topics of energy, emissions and climate in response to their growing relevance. To address the growing interest in the area supply and value chain,[6] we have added the action area “1&1 Drillisch as a Business Partner” (previously: human rights and social matters). The action areas are completed by “1&1 Drillisch as an Employer” (previously: employee-related matters). The topic “compliance and anti-corruption” can be found in the chapter “Responsible Corporate Management.”

MATERIALITY ANALYSIS: TOPICS AND ACTION AREAS

See “Annex“ on page 70

We provide details of the processes we use to determine our material topics, including our definition of materiality, the criteria examined and our materiality matrix in the section entitled “About this Report”.

GRI 102-44
GRI 102-46
GRI 102-47

We enhanced our sustainability action areas on the basis of the results of our materiality analysis. To do this, we analysed the topics identified to determine where their impacts arise and what areas of 1&1 Drillisch offer suitable starting points for their management. In line with the CSR Directive Implementation Act (CSR-Richtlinien-Umsetzungsgesetz – CSR-RUG), we perform a risk assessment of these aspects with respect to our own business activities, our products and services, and our business relationships[7]. The following overview provides supplementary information on how the topics relate to the aspects contained in the CSR-RUG. The action areas are reflected in the structure of the report.

(6) The supply or value chain represents the activities and actors through which a product or service is developed, manufactured, distributed, delivered and supported. As a rule, this is not a linear process in the sense of a “chain”; instead, it is a complex network of actors and suppliers, which in turn are interconnected. In the following, we will primarily use the term value chain as a simplification.

(7) German Accounting Standard (GAS) 20 specifies that business relationships relate “in particular to the supply and subcontracting chains.”

Material sustainability topics and identification of action areas

Table 4

Non-financial aspects from the CSR-RUG	Material topics identified	Action areas: Where do impacts arise? Where are the starting points in the Company?		
		Own business activity	**Products/ services**	**Business relationships**
ENVIRONMENTAL MATTERS	Energy	Climate and Environmental Protection		1&1 Drillisch as a Business Partner
	Materials			
	Emissions			
	Transport			
	Supplier environmental assessment, environmental responsibility in the value chain			
	Environmental impact of our products and services		Customer-related Matters and Product Responsibility	
EMPLOYEE-RELATED MATTERS	Employment	1&1 Drillisch as an Employer		1&1 Drillisch as a Business Partner
	Occupational health and safety			
	Training and education			
	Diversity and equal opportunity			
	Equal pay for men and women			
	Equal treatment			
	Evaluation of suppliers by working conditions, social responsibility in the value chain			
RESPECT FOR HUMAN RIGHTS	Human rights	1&1 Drillisch as an Employer, Corporate Digital Responsibility		
ANTI-CORRUPTION AND BRIBERY	Compliance and anti-corruption (including in accordance with competition law, legally compliant marketing)	Corporate Digital Responsibility		
SOCIAL MATTERS/ CUSTOMER-RELATED MATTERS	Customer health and safety	Customer-related Matters and Product Responsibility[1]		
	Labelling of products and services[2]			
	Protection of customers' privacy	Corporate Digital Responsibility		
	Information security			
	Access to digitisation			

(1) Action area includes the topic of "customer satisfaction".

(2) This topic is also partly included in the chapter entitled "Climate and Environmental Protection", e.g. with regard to customer hardware.

See "New Developments" on page 12

The core areas of the previous report – "performance," "service" and "safety" – that constitute the strategic approach to sustainability management of 1&1 Drillisch Group have been integrated into the new action areas:

» First, 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 digitised 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.

SUSTAINABILITY STRATEGY: ACTION AREAS AND GOALS

Action Areas

We identified the following action areas by combining the material topics with the 1&1 Drillisch Group's structures and activities:

OVERARCHING ACTION AREA: RESPONSIBLE CORPORATE MANAGEMENT

(Core strategic elements of corporate management such as Corporate Governance, our Values and Guidelines, Compliance und Anti-corruption etc. plus the Sustainability Strategy and Sustainability Managment)

Customer-related Matters and Product Responsibility	Corporate Digital Responsibility	1&1 Drillisch as an Employer	Climate and Environmental Protection	1&1 Drillisch as a Business Partner

See page 20

» **Customer-related Matters and Product Responsibility:** Customer demands in relation to telecommunications and Internet access are increasing all the time, and we can only hope to persuade customers to stay loyal to us and our products in the long term if they are satisfied. This is why customer feedback and satisfaction are particularly critical for us: We put our customers at the heart of everything we think and do, and aim to provide compelling products and services. We use numerous initiatives to improve our customer satisfaction, including new products and tariffs, transparency, and an even more powerful and comprehensive offering. 1&1 Drillisch constantly works on improving the efficiency of its business processes so that it can offer the best price-benefit ratio based on current demand and changing user behaviour.

» **Corporate Digital Responsibility:** As digitisation gathers pace, so do both the opportunities and risks for users, such as improved, customised services on the one hand and the danger of data theft and vulnerabilities on the other. We aim to enable society to participate in digitisation, and to ensure that this is done safely. We build on our usage of our own data centres as well as those we rent from third parties, all of which are certified according to international security standards, to constantly extend data protection and information security on the internet.

See page 27

» **1&1 Drillisch as an Employer:** We also operate in a dynamic, fast-growing, and highly innovative environment in our role as an employer, and face a highly competitive market for specialists. We aim to be a fair and attractive employer and to help our employees grow. To do this, we want to create a working environment that enables each and every one of our staff to contribute what they know and to take advantage of development opportunities and the freedoms they have in their work. Our corporate culture is built on mutual support and flat hierarchies that facilitate fast decision-making.

See page 37

» **Climate and Environmental Protection:** As a telecommunications and internet specialist, our offering revolves around our usage of network infrastructure and data centres, which together are responsible for a significant part of the energy used within 1&1 Drillisch Group. Most of these services are provided by wholesale service providers and companies belonging to the United Internet AG corporate group and only to a small extent by the Company itself. Nevertheless, this energy consumption and the resulting CO_2 emissions caused by 1&1 Drillisch have an impact on the environment and the climate. We therefore aim to use resources efficiently and contribute to climate protection. For example, investments are being made in a wide range of measures to increase energy efficiency, and renewable energy is purchased for the data centres leased by 1&1 IONOS Group[8], which is part of the United Internet AG corporate group.

See page 51

» **1&1 Drillisch as a Business Partner:** We work with a large number of business partners in our capacity as a telecommunications and internet provider. In addition to 1&1 Versatel, which is part of the United Internet AG corporate group and provides one of the largest fibre optic networks in Germany, they include other providers of network services and IT hardware as well as sales and shipping service providers. We aim to create value together with our business partners through strong, fair partnerships. The integrity of our business partners is extremely important for us – it is necessary on the one hand in order to avoid risks that could result from business relationships and on the other to establish the trust that is needed for long-term business relationships and for taking responsibility together.

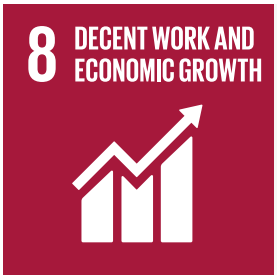
See page 62

Relevance to the UN Sustainable Development Goals (SDGs)

We refer to the UN SDGs in a number of appropriate places in this report. The 17 SDGs for sustainable development aim to end poverty, protect the Earth and ensure prosperity for all. They were resolved in 2015 by the United Nations (UN) member states, with the goal being to implement them by 2030. We use the SDG symbols to indicate the action areas in which we can contribute the most to reaching specific SDGs. 1&1 Drillisch's sustainability strategy focuses on SDGs 8, 9, 12 and 13.

See UN SDGs

(8) For simplicity's sake, when we talk about 1&1 IONOS in the following, we mean 1&1 IONOS Group.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Ensure sustainable consumption and production patterns.

Take urgent action to combat climate change and its impacts.

Enhancements to the Action Areas

We have identified starting points for the individual action areas and topics so as to develop goals and measures, and achieve progress.

In some action areas, e.g., for 1&1 Drillisch as a Business Partner, we need first of all to draw up a comprehensive overview of the status quo. This first step aims to map our supply and value chain – including the relevant actors and topics – as comprehensively as possible. The results are also included in the Climate and Environmental Protection action area: Our aim here is to calculate our carbon footprint (also known as a CO_2 footprint or greenhouse gas footprint), an area in which emissions along the value chain play a key role. We then aim to use these analyses to identify substantive steps that need to be taken.

SUSTAINABILITY MANAGEMENT

Organisation of Sustainability Management

GRI 102-20

The Management Board of 1&1 Drillisch AG has commissioned United Internet Corporate Services GmbH to organise the Group-wide sustainability management. The tasks involved include development, reporting, and answering ESG rating agency queries, along with ensuring and optimising the quality of the data needed for this. The Sustainability Team liaises with core functions and relevant units in the 1&1 Drillisch Group, and supports these in assessing non-financial topics in their various business activities, providing information, and ensuring that the entire Group complies with its business responsibilities.

The Chief Financial Officer (CFO) of 1&1 Drillisch AG is responsible for the area of sustainability and also prepares the sustainability report (or ensures that it is prepared). In addition, 1&1 Drillisch's Management Board addresses current sustainability-related topics and decisions in the course of the fiscal year. 1&1 Drillisch's Supervisory Board discharges its responsibility of oversight by independently examining the sustainability report ("non-financial statement") for compliance with the law, propriety, and appropriateness.

Stakeholder Dialogue

GRI 102-12
GRI 102-40
GRI 102-42
GRI 102-43

Our ability to do business depends on our successful cooperation with a wide range of stakeholders. We liaise with these groups using a variety of different platforms and formats, with the aims of reinforcing communication and cooperation, and taking our stakeholders' interests into account. 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.

- **Customers:** We focus systematically on customer needs and satisfaction. We collect feedback in numerous areas and liaise with customers via surveys and during service calls, among other things. Test users and test buyers provide valuable feedback on new products.

See "Customer-related Matters and Product Responsibility" on page 20

- **Investors:** Investors are a key stakeholder group for 1&1 Drillisch. Our Investor Relations department and our Management Board are in regular contact with them in the form of one-on-one discussions and road shows. We repay investors' trust in us by ensuring open, transparent reporting.

See the Annual Report and 1&1 Drillisch's website

- **Employees:** Our employees are the key to our success. Only by leveraging their knowledge, skills and dedication, can we continue to develop and to achieve long-term success. Employee feedback is important for us, which is why we regularly perform employee surveys, identify measures to be taken from these, and inform staff of the progress made. In addition, the Management Board is in regular direct contact with employees, e.g., in the course of internal roadshows and "Ask the Board" events.

See "1&1 Drillisch as an Employer" on page 37

See "1&1 Drillisch as a Business Partner" on page 62

» **Business partners:** Our business requires us to work together with a large number of business partners and suppliers. This includes wholesale service partners, hardware suppliers, call centre service providers and shipping partners. Among other things, we conduct one-on-one discussions with these partners and help call centre service providers to train their employees.

GRI 102-13

» **Politicians and associations:** We aim to maintain a dialogue with political decision-makers and government authorities so as to create a framework for a successful digital economy in Germany. One particular issue for us is ensuring competition, which acts as a driver for innovation, investments and consumer benefits. This is why we are a member of associations such as VATM[9], where Martin Witt, CEO of 1&1 Telecommunication SE, functions as president, as well as Bitkom[10]. In addition, specialist departments are active in relevant associations and bodies.

» **Local communities:** We welcome dialogue with local communities and the population at large at our locations. Since we are a telecommunications and internet provider, our operating locations do not have a significant impact. On the contrary: We create jobs outside major German cities at locations such as Maintal, Krefeld, Montabaur or Zweibrücken.

See "About this Report" on page 75

In addition, our stakeholders' opinions and decisions are a key factor both in shaping our sustainability management activities and in determining what goes into our sustainability report. We have conducted a separate analysis of selected stakeholders for this.

(9) Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e. V.

(10) Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.

CUSTOMER-RELATED MATTERS AND PRODUCT RESPONSIBILITY

MANAGEMENT APPROACH

MATERIALITY, IMPACT AND RISKS

GRI 103-1

As an internet and telecommunications provider, we operate in an extremely dynamic market environment. The 1&1 Drillisch Group's success is based on its core competency: the ability to identify and systematically develop customer wishes, trends and hence new markets at an early stage. Since we already have business relationships with millions of customers and users, we have our ear close to the ground. In addition, our in-house product development capability, highly flexible approach and strong marketing and sales operations help us to launch innovations on the market independently of, and often more quickly than, other players.

We focus on our customers in everything we think and do, and aim to provide compelling products and services.

Thanks to 1&1 Drillisch's many years of operation on the telecommunications market, the Company has established a position of trust among customers and network providers. Data protection, information security and responding to customer feedback at all stages of product development are the building blocks that make us a reliable partner at all times. The significant customer benefits are secured by service of above-average quality, highly customised rate plans and high network availability and stability. Customer satisfaction is a unique selling proposition on the market. This is why we give the continuous assessment and management of customer satisfaction an extremely high priority, since it is not just important to our customers but is also relevant to our investors and employees.

Potential risks in connection with customer satisfaction and the sales market include the need to make any adjustments to our business model or our pricing policy (political or legal risks). In addition, new developments might hit the market too late or might not find the expected acceptance among the intended target group. Equally, new competitors entering the market could pose a risk to our market share, growth objectives or margins (technology, market or reputational risks). What is more, 1&1 Drillisch occasionally enters upstream or downstream markets when diversifying its business model or expanding its value chain. One example is its purchase at auction of mobile frequencies during the reporting period and its plans to build its own 5G mobile network.

GOALS AND MEASURES

GRI 103-2

The purpose of our management approach is to focus on our customers in everything we think and do, and to provide them with compelling products and services. By doing this, we aim to systematically and permanently increase customer satisfaction. 1&1 Drillisch's aspiration is to offer customers transparent service at the best price-benefit ratio.

1&1 Drillisch manages more than 14 million customer contracts. Since customers of the different brands have different requirements, customer satisfaction, measured mainly using the customer sentiment score, is managed by dedicated teams using specifically tailored structures and processes for the individual brands. We use regular customers

surveys and closely and constantly monitor market, products and competition to obtain customer feedback. The results are incorporated immediately into improvement of the product and service portfolio and contribute decisively to ensuring that the services offered by 1&1 Drillisch are in line with current and future customer needs. They include, for instance, the possibility to change from one rate plan to another at any time, equal treatment of new and current customers, the decoupling of the mobile service contract from the device, active complaint management or the acceptance of the return of old devices for recycling free of charge and without hesitation. Our customer satisfaction figures are used in our managers' performance reviews and to determine their variable compensation components, with the relevant board members being involved regularly and in detail.

In addition, customer service is extremely important to us. This function is not only strongly represented within the organisation itself in the form of 1,200 relevant employees, but is also supported by approximately 3,500 external service agents who assist in customer care. These external employees are trained regularly and extensively at 1&1 Drillisch and can be reached via the 1&1 Drillisch phone lines.

Other customer-related matters apart from customer satisfaction include health questions relating to mobile frequencies. Details of this can also be found in this chapter.

RESULTS AND ASSESSMENT

GRI 103-3

Please see the following sections for details of how we measure and manage customer satisfaction and other customer topics.

CONTRIBUTION TO THE SDGS

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Ensure sustainable consumption and production patterns.

CUSTOMER SATISFACTION

MANAGING CUSTOMER SATISFACTION USING THE CUSTOMER SENTIMENT SCORE

The 1&1 Drillisch Group had 14.3 million contracts as of the 2019 year-end (2018: 13.5 million). Of this number, 10.0 million (2018: 9.2 million) were attributable to the mobile internet business and 4.3 million (2018: 4.3 million) to broadband connections. The topic of customer sentiment is firmly anchored in our company and a key part of our daily work, both for our 1&1 premium brand and for Drillisch Online's discount brands.

We capture and measure customer sentiment using the customer sentiment score. Key units involved in managing customer satisfaction are Customer Experience, which establishes customer needs by conducting customer surveys and observing the market and competitive environment, and then actively makes the results known within the organisation (1&1), along with Business Process Management (BPM) and Quality Management (QM Development) (Drillisch Online).

These are more than mere figures for us: They are core values that we use to guide our daily work. Satisfied, enthusiastic customers are the basis for our success and spur us on to do our best every day. Our core goal is to increase customer satisfaction and create compelling customer experiences.

Measuring Customer Satisfaction

We constantly measure customer sentiment for all relevant customer contact points and customer journeys throughout the customer life cycle. These measurements are mostly event-driven, i.e., they are made immediately after a customer journey (e.g., a change in tariffs) or following some other form of contact with the organisation (e.g., Customer Service). In total, roughly 75,000 customer feedback items per month are received for 1&1 and 16,000 or so for Drillisch Online's brands. We use this information to identify potential for improvement and to develop measures designed to specifically increase customer satisfaction.

Customer journey: The customer's experience when contacting and dealing with the organisation

We also monitor external assessments and awards such as the Service Champions prize awarded by German newspaper "Die Welt" and analysts and consultants ServiceValue. In 2019, our 1&1 brand won the "Number 1 customer service experience" prize in the telecommunications sector. In addition, our network quality received another "very good" rating: 1&1 took third place among the nation's "big players" in the well-known broadband and fixed network test run by specialist magazine "connect", scoring 872 out of a maximum of 1,000 possible points.

Information about other awards can be found in 1&1 Drillisch's annual reports.

Drillisch Online commissions TÜV Saarland every two years to perform customer surveys to obtain satisfaction ratings. In the most recent TÜV survey, which was conducted in 2018 for all Drillisch Online brands, roughly 90% of respondents said they were "satisfied" or "very satisfied" with the service quality offered by Drillisch Online's brands in the areas of friendliness, specialist expertise and understandability. This was the same average percentage as in the previous survey.

In addition, smartmobil.de took first place in the review of discount mobile providers that was also run by "connect", based on an examination of tariffs and network quality and a test of the hotline and service app. yourfone followed in second place. 1&1 ("very good") and the Drillisch Online brands yourfone and smartmobil (both "good") also all did well in the hotline test conducted by "connect". Criteria examined during test calls

included accessibility, hold times, friendliness and the quality of the statements made by hotline staff.

Managing and Enhancing Customer Satisfaction

Customer satisfaction doesn't stop at departmental boundaries, which is why our teams from different areas work together to permanently enhance it.

Clear responsibilities for improving customer sentiment exist for all customer journeys and contact points. Measures designed to enhance customer experience are developed together with 1&1's Customer Experience unit, and their impact on customers is then assessed. Drillisch Online includes our customers' ideas and suggestions in the ideas management activities of the quality management and project management units, and both units work to enhance customer satisfaction and enable customers to get even stickier with their Personal Service World. Suggestions are reviewed and then introduced, and modifications to IT projects are documented and implemented.

Trends in customer sentiment, the status of the measures identified and new ways of enhancing customer satisfaction are discussed in a range of regular group meetings at 1&1 Drillisch, up to and including at Management Board level.

UNCOMPROMISING CUSTOMER ORIENTATION AT 1&1

We focus squarely on customer needs in order to ensure a high level of customer satisfaction. One way in which we achieve this is to test and evaluate the impact on customers of ideas for new products, campaigns, service concepts and the like before they are introduced using qualitative and quantitative market research. All in all, we conduct more than 50 ad hoc market research studies a year. In addition, we actively engage with our customers on a variety of topics using quarterly customer dialogues and customer focus groups. This allows us to ensure across departmental boundaries that we remain close to our customers and understand their needs even better.

Our **Customer Guidelines** help our staff to think and act in a customer-oriented way in their daily work, and hence to anchor this perspective permanently within the Company:

» **"We recognise and understand customer needs"**
We hear, see and understand our customers and their needs. And we interact with them empathetically.

» **"We implement customer needs"**
We focus on our customers' needs in our daily work and develop appropriate products, services and service offerings for them. We work together as a team and as partners to serve our customers, and are fair and transparent.

» **"We delight our customers"**
We ensure satisfaction by meeting our customers' needs, and delight them by exceeding their expectations. This delight is the driving force behind our daily work and one of the key factors determining our long-term success.

The 1&1 Principle

The 1&1 Principle is another key driver for customer satisfaction, as well as a way of differentiating ourselves in the market. We have made five clear performance promises:

"1 click ... and you've reached us"
Our website is also our shop and how to contact us. We're only one click away and you can contact us on any channel you want – seven days a week, 24 hours a day.

"1 night ... and your order's with you"
Our overnight service guarantees that the products you order will be with you on the next working day.

"1 month ... to test all products"
We give our customers 30 days to test our broadband and mobile products.

"1 call ... and you'll speak to an expert"
Our service specialists are available day and night to provide rapid, solutions-driven answers to your queries – 24 hours a day, 365 days a year.

"1 day ... to replace faulty equipment at your premises"
We offer customers an on-site replacement service for faulty devices the next working day.

Continuous Development Leads to More Customer Experiences

We aim to offer our customers the best possible experience and to do our best for them at all times. This is why we constantly develop new service products that add value for our customers. These include:

» **The 1&1 WLAN Promise**
One call is all it takes for a 1&1 expert to help you with the WLAN installation for all your devices.

» **The 1&1 Replacement Service**
If your smartphone gets damaged, the 1&1 Replacement Service will replace it within 24 hours, no matter how it happened.

UNCOMPROMISING CUSTOMER ORIENTATION AT DRILLISCH ONLINE

Drillisch Online also aims to delight customers with the service it provides: our motto here is “One customer, one contact, one solution”. Even though they are price-sensitive, our customers will not compromise on our first-rate, award-winning customer service that focuses on their needs:

- **Cost-effective online sales:** A tried-and-tested, safe way of making purchases online.
- **Inexpensive network access:** Although we don‘t have our own network, we can always use Telefónica Deutschland’s state-of-the-art technology.
- **Customer recommendations are worth it:** We offer a bonus for recruiting new customers.
- **Customer service:** Available until 10 p.m. every day and round the clock via the Service World.

See “Corporate Digital Responsibility“ on page 27

We tell the world how proud we are of our daily successes and our customer service, and have these confirmed externally by independent auditors – our brands have been tested by TÜV SÜD (“s@fer-shopping”), while our customer service is certified as complying with the ISO 9001:2015 quality management standard.

PERFORMANCE

The mobile networks used by 1&1 Drillisch have a very high technical stability and already provide LTE standard quality as well as 3G standard quality to more than 90% of the German population.

When determining their individual use of network capacity, 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 are demonstrated, for example, by 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.

PRODUCT RESPONSIBILITY

RESPONSIBILITY FOR HEALTH

GRI 416
GRI 416-1

In the summer of 2019, 1&1 Drillisch AG acquired the frequencies needed to build a state-of-the-art, high-performance network in the 5G auction conducted by the Bundesnetzagentur (the Federal Network Agency). Our goals in establishing our own mobile network are to open up new areas of business and to help make Germany a leading 5G market.

This new mobile network standard is considered to be the key to a wide range of forward-looking technologies, such as autonomous driving or the Internet of Things. In addition, private customers will benefit in future from extremely fast data transfer speeds and increased capacity.

Our plans to construct our own network are squarely focused on the benefit to our customers. In line with this, we track the state of the art in mobile network usage – and particularly 5G – continuously and closely. A large number of studies have addressed the question of electromagnetic radiation from mobile networks, meaning that its effects on humans are already well understood.

The Bundesamt für Strahlenschutz (Federal Office for Radiation Protection) has confirmed that, at present, there is currently no reliable information to suggest that the new mobile network standard could impact our health. For 5G, as for all previous mobile network standards, the basic principle is that no impact on health at levels below the applicable limits has been proven.

1&1 Drillisch will continue to closely track research on mobile network usage, and will act responsibly should this be necessary.

CORPORATE DIGITAL RESPONSIBILITY

MANAGEMENT APPROACH

MATERIALITY, IMPACT AND RISKS

GRI 103-1

Customers trust us with the data for their more than 14 million customer contracts with us. It goes without saying that this data must be protected, and its security ensured, if customers are to use our services. In line with this, guaranteeing strict security and systematically preventing unauthorised access to customer data are part of our DNA. However, digitisation brings more than just the risks that we protect customer data and our own data and information from: It also offers new opportunities (e.g. for product development) that we, as an internet and telecommunications company, want to exploit.

Digitisation is transforming both the economy and society. Currently countless initiatives, conferences, studies and charters addressing the framework for digital transformation are being produced at the political, civil society and business levels. Many of those involved stress the need for everyone to be able to participate in digitisation. In addition, members of society need enhanced digital literacy skills if they are to engage with the new opportunities independently and responsibly. The internet and digitisation also play a key role in respect for human rights. After all, topics such as freedom of opinion and information, privacy and the right to participate in cultural life are now inextricably linked with the digital arena.

We aim to enable society to participate in digitisation, and to ensure that this is done safely.

See “Climate and Environmental Protection“ on page 51

In the political sphere, digitisation is often discussed as a means of enabling sustainability and achieving climate goals that can play a decisive role in implementing climate protection measures. The links between digitisation and sustainability can be seen, among other things, from the fact that Germany’s presidency of the EU Council in the second half of 2020 intends to look at them together. The infrastructure provided by the information and communications sector, and particularly data centres and networks, are essential for this sustainability-oriented digitisation process.

For 1&1 Drillisch as an internet and telecommunications company, the ability to leverage the opportunities offered by digitisation in the form of new products and processes for its own benefit and that of its customers is a critical success factor. This creates new challenges that the Company needs to address – especially with regard to data and information security. Our heavy focus on Corporate Digital Responsibility – the reason for numerous measures we are taking – aims to ensure we meet our responsibility to protect customer data and address the process of digital transformation with all its new opportunities and risks.

GOALS AND MEASURES

GRI 103-2

We aim to enable society to participate in digitisation, and to ensure that this is done safely. Data protection and information security at our Group are aligned in all cases with the current requirements of, and strict standards applicable in, European and German data protection, which are fundamental to our business success.

See "1&1 Drillisch as an Employer" on page 37

Due to the importance and multifaceted nature of this topic, responsibility for it has been assigned to different members of management boards. Generally speaking, it is the preserve of the Chief Information Officer (CIO) and CPO of the companies of 1&1 Drillisch Group.

The numerous measures, systems and goals in the Corporate Digital Responsibility area are described in more detail in the following sections.

RESULTS AND ASSESSMENT

GRI 103-3

A large number of KPIs relevant to the specific areas concerned are used to monitor success. Further details can be found in the following sections.

CONTRIBUTION TO THE SDGS

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

DATA PROTECTION

DATA PROTECTION MEANS PROTECTING PRIVACY

GRI 418

As the process of digital transformation increases, so does the information and the number of digital footprints we leave online. The need to protect personal data – and the associated questions of whom the data belongs to and who has what rights in it – is becoming more and more of an issue with the public at large and with individual users.

Our customers are aware of dangers such as data abuse and insufficient data security, and take data privacy factors into account when selecting products. This can also be seen from the large number of customer queries we receive on data privacy (2019: 1,686[11]; 2018: 35,445; 2017: 22,573). Since we aim to enable customers to take free, independent decisions on what to do with their data, protecting personal data is both a basic part of how we see ourselves and a prerequisite for our business. In line with this, our products and services naturally comply with the strict data privacy standards in force in Europe and Germany.

(11) The sharp decline is due to a change in the query. Since 2019, only adjusted data privacy queries are recorded; previously all incoming and outgoing customer queries were logged.

The General Data Protection Regulation (GDPR)

Following the entry into force in May 2018 of the EU's General Data Protection Regulation and the associated revision of the German Data Protection Act (BDSG – Bundesdatenschutzgesetz), companies have to comply with stricter requirements regarding personal data and its processing.

In 2019 – as in the previous year – providing information about and implementing the data privacy requirements contained in the new EU rules and in national standards was a main focus of the work performed by the 1&1 Drillisch Group's data privacy departments. These developed practical solutions for addressing the statutory requirements. Examples here include creating and maintaining records of processing activities and performing data protection impact assessments for processes that are likely to result in a substantial risk to the rights and freedoms of natural persons. In addition, forward-looking provisions of the GDPR are always taken into account by incorporating data privacy at a technical and organisational level when developing new technologies and products ("privacy by design") and by implementing data privacy-friendly user service settings ("privacy by default").

Ensuring data privacy at 1&1 Drillisch

We aim to ensure data privacy throughout the Group and to embed it in our systems and processes. This is of utmost importance for 1&1 Drillisch in view of more than 14 million customer contracts. That is why the Company maintains the highest security standards and minimises risks for the Company itself as well as for its customers. 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. Data protection officers have been appointed for 1&1 Drillisch AG and the Drillisch subsidiaries as well as for 1&1 Telecommunication SE and its subsidiaries; in accordance with the law, these officers are not bound to follow instructions and they report directly to executive management. The data protection coordinators report to the Management Board (CFO) of 1&1 Drillisch AG.

We have embedded data privacy in the enterprise using the following instruments:

» **Inclusion of data privacy experts in the product development process**
The Data Privacy department and data privacy coordinators serve as internal consultants for data privacy questions such as may arise during product design or development (privacy by design) or when entering into contracts.

» **Comprehensive, easy-to-understand rules**
We help make it easy to comply with data privacy requirements using internal guidelines and processes that make them more understandable and more transparent. In the information brochure or a corresponding presentation "Information Security and Data Protection," we explain to our employees in clear, comprehensible language how to deal responsibly with personal data and information. This includes telling them the basic data privacy rules that they must observe, how to use e-mail and the Internet securely, and what to do when there are visitors to the Company.

» Regular data privacy training helps prevent problems

We want each and every employee to help ensure that data is only processed lawfully, that it is not lost, and that it does not fall into the wrong hands. We do this by training staff on data privacy requirements, using both face-to-face and e-learning formats. In 2019, we held a wide range of training events on data privacy and data security, especially in relation to the GDPR. In addition to basic training for employees, we held classroom-based courses for data privacy coordinators, among other people, along with events that focused specifically on managers' responsibilities in this area.

» Regular dialogue with the supervisory authorities

GRI 418-1

The Data Privacy department is in regular contact with the competent supervisory authorities, particularly in relation to customer submissions that these pass on to the Company. We also forward notifications of breaches of GDPR data protection requirements – of which there were 52 in 2019 – to the competent data protection supervisory authorities. The staff in our Data Privacy department also maintain regular contact with the authorities to discuss and agree on topical data privacy issues.

» Complaints procedures ensure effective detection

Customer queries and complaints about data privacy are handled by trained staff in special data privacy departments in close cooperation with the data protection officers for the areas concerned. We respond internally to any incidents by adapting our guidelines and raising employee awareness, if necessary. In addition, our employees can contact the Compliance and Data Privacy departments in confidence to discuss data privacy issues arising in the course of their work.

» Effectiveness checks

The Data Privacy department performs internal ad hoc data privacy checks. In addition, it is involved in ensuring data privacy at service providers, where it performs checks.

» 1&1 Service-PIN offers enhanced security

Customers entrust their data to us for processing. We have enhanced our safety standards and introduced our 1&1 Service PIN at 1&1 Telecom GmbH in mid-December 2019 so as to protect this data even better in future. The Service PIN is a personal five-digit code that our customers can access and modify independently in their 1&1 Control Centre. During calls, customer service staff ask customers for three digits of the PIN but do not know the entire number. The 1&1 Service-PIN replaces the previous "three-factor authentication" method, becoming the central means of authentication.

» Cookie Layer

Like almost all websites and apps, 1&1's applications use cookies – small text files that are stored on a customer's computer or in their mobile device's app cache and that allow the application to recognise users it has seen before. We worked together with the office of the Rhineland-Palatinate Commissioner for Data Protection and Freedom of Information (LfDI) to revise the cookie settings on the 1&1 website and those of the Drillisch Online brands. The multilevel consent procedure allows visitors to protect their privacy as optimally as possible by determining for themselves what information should be stored.

» Use of customer data

Employees have access to customer data solely and exclusively within the context of their jobs, i.e. solely of the nature 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. A review of these "barriers" takes place at regular intervals.

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 (e.g., for billing purposes) for only a brief period of time in compliance with statutory regulations. Creditworthiness checks are carried out on the basis of a statutory authorisation.

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 Telecommunications Act (TKG). 1&1 Drillisch has initiated precautionary measures to prevent the misuse of customer contacts (e.g. 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.

INFORMATION SECURITY

EXPANDING INTERNET SECURITY

For 1&1 Drillisch, information security is a core component of acting responsibly in the digital world. Customer trust in the measures we take to ensure information security is the basis for ensuring that they feel able to entrust us with personal digital information such as photos, documents and e-mails, up to and including traffic and payment data.

The information that is protected includes not only electronic data of customers and employees, but also information about the Company's own processes, systems and products. Our aim is to protect effectively these values from unauthorised access and misuse by ensuring confidentiality, availability and integrity – our security objectives. Our security strategy aims to establish and develop continuously the security objectives at an appropriate and uniform level throughout the Group. Establishing and expanding our efficient, scalable security organisation is particularly important here.

To meet this standard, we have implemented an information security management system (ISMS) in accordance with ISO 27001 in broad areas of the 1&1 Drillisch Group.

1&1 Drillisch has set up numerous protective devices to safeguard customer and company data against hacker attacks or similar incidents. To ensure this security today and in the future, 1&1 Drillisch always maintains the state-of-the-art level of its information technology systems, components and processes. 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.

1&1 Drillisch is regularly audited by external institutions, most recently by the data protection authorities in 2015 and the Federal Network Agency in 2016 and 2017. The Federal Network Agency regularly audits the implementation of security concepts required for the performance of publicly available telecommunications services. 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. 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.

Management Using the Information Security Management System

Apart from ensuring customer data security, the main objective of information security is to maintain 1&1 Drillisch's ability to do business and to reduce negative impacts on its business operations.

The ISMS is organised on behalf of the 1&1 Drillisch Group in the "Information Security" department of the affiliate 1&1 IONOS SE, which is part of the United Internet Group, with the two teams "Organisational Security" and "Technical Security." Among other things, Organisational Security comprises the management of information security guidelines, security instructions, staff training, communication with government authorities and security risk management. Technical Security covers advisory tasks relating to security architectures as well as systems and network security. This unit trains employees in how to ensure secure development and operations, performs security tests, and handles any security incidents together with the departments concerned. The ISMS is annually certified according to ISO 27001.

The "Head of Information Security" of 1&1 IONOS Group reports regularly to the 1&1 Drillisch AG Management Board. Reporting covers the key security trends, any relevant security incidents that have occurred, measures taken, the results of security audits and the information security risk portfolio.

Within the framework of a cyclical meeting, a cross-company exchange of current security topics and developments in the United Internet Group takes place; IT security officers from all areas of the group participate in the meetings. IQ-optimize Software AG, a wholly-owned subsidiary of 1&1 Drillisch AG, operates within 1&1 Drillisch AG as a full-service IT provider. As part of its functions, IQ-optimize also provides the security officer for 1&1 Drillisch and its subsidiaries. The services of IQ-optimize include as well the entire portfolio of technical and organisational information security.

Information Protection Measures

GRI 417
GRI 417-1

Vulnerabilities can have far-reaching consequences, both for 1&1 Drillisch's assets and for customers. 1&1 Drillisch takes the following technical and organisational security measures to prevent them.

Technical Measures

» Secure software development

The best measures are ones that prevent security vulnerabilities from arising in the first place. The Secure Software Development Lifecycle (SSDLC), which consistently includes security in the software development process from a methodological level right from the start, is used for the software development at 1&1 Telecommunication SE. Generally speaking, a number of different measures are an integral part of product development – from threat analyses and dual-control source code reviews through automated checks and wikis of development/security best practices, down to application penetration tests.

» Proxy servers combat DDoSs

For protection against so-called "distributed denial of service" attacks (DDoSs) that are intended to reduce the availability of our services, we rely on a combination of continuous distributed monitoring of externally provided services and close cooperation with the "internet service provider" (ISP) through which services are provided. Ongoing attacks can be filtered semi-manually from the data stream, taking into account the "service level agreements" (SLAs) agreed with the ISP, so that only legitimate customer requests are forwarded by the ISP to the 1&1 Drillisch infrastructure.

» Systematic use of encryption – Transport Layer Security (TLS)

We use TLS, which is also known under its former name of SSL ("Secure Socket Layer"), for encrypted transmission of customer data. We also make TLS functionality available to customers to protect their data traffic, e.g., for entering passwords or payment information such as in online shops. MPSL (multiprotocol service provider) routes across data centres are also protected against unauthorised access or manipulation by means of encryption via a VPN connection in compliance with a recommendation of the German Federal Office for Security in Information Technology (BSI).

» Redundancy

Systems relevant to business processes are operated as highly available clusters. The internet Wi-Fi connections of the specific sites have also been set up redundantly via different ISP connections to ensure availability. This also applies to other infrastructure components. In addition, the data centres operated by 1&1 IONOS, which is part of the United Internet corporate group, are georedundant, which means that all customer data are stored in parallel in at least two physically separate data centres.

Organisational Measures

» Staff training

In addition to the technical measures taken, humans are an important part of all aspects of the security chain. Basic training and refresher courses (both face-to-face and e-learning offerings) are used to provide employees with information. Our previously voluntary e-learning course will become mandatory, and must then be repeated every two years, in the entire 1&1 Drillisch Group in the year 2020. Only employees who have been made aware of the dangers can effectively address the risks arising from e.g., phishing or social engineering. Developers and administrators receive special face-to-face technical training that is tailored to their particular requirements. In addition, managers are given special training on data protection and compliance issues.

Phishing: the attempt to obtain passwords using fraudulent e-mails or websites

Social Engineering: the attempt to obtain access to confidential information or IT systems by pretending, e. g., that a personal relationship exists, or that a superior has issued instructions to this effect

» Information security rules

Our comprehensive rulebook, which is based on ISO 27001, is designed to provide employees in all departments with guidance. Our mandatory information security guidelines serve as the formal basis for this. We use a variety of different communications channels to tailor these rules to different groups and make them easily accessible for employees. In addition to the abovementioned training courses, our intranet provides tips and tricks and explanations of the rules for key employee roles. These include our internal brochure on information security and data protection, which gives clear explanations of the most important rules governing how to handle information and data. This brochure and our intranet also list the contact points to which employees must report potential or suspected security incidents – i.e., violations of the rules or other threats to the Company – without undue delay.

» Security Audits

The Information Secuity unit at 1&1 Drillisch conducts product, process and system audits in order to ensure the effectiveness of the ISMS. These are supplemented by audits and checks within the departments and by external audits. One increasingly common tool here are maturity models. In particular, the technical departments that are responsible for customer data use a security maturity model developed by Information Security. The departments' development activities benefit from clear position finding, while the model also provides a tool for independent, focused, comparable improvements alongside our audits.

» Continuous monitoring

We also continuously monitor various IT systems in order to discover any data vulnerabilities as quickly as possible. In addition to local monitoring, our Security Incident and Event Management System (SIEM), which has been customised and enhanced internally to fit our environment, allows broad areas of the 1&1 Drillisch Group to detect any incidents and can trigger appropriate responses. To ensure continuous improvement, we measure the time taken to distinguish between security incidents (e.g., attacks) and non-security incidents (e.g., interrupted power circuits). We also capture our response times from the point at which we receive notification of a problem to its resolution. In addition, we have defined internal targets for certain security-related goals, such as availability. SIEM is currently not yet in use throughout the entire 1&1 Drillisch Group, but a rollout is in preparation. Other monitored points already ensure automatic and manual recognition of current attacks.

» Security incident handling

There is a standardised process for handling security incidents. Once an incident is detected, rectification of the malfunction and the reporting chain are carried out in accordance with centrally documented processes. Where necessary, the Security Team or external experts are called in.

Integrating Business Acquisitions

We perform a thorough review of existing technical and organisational information security measures before entering into business combinations with other companies, and at key points in the integration process that follows. A maturity analysis based on international standards is used for this. Information Security at the 1&1 Drillisch Group then expands on the level of maturity found by conducting a risk assessment and recommending actions. A variety of integration measures are then resolved and implemented, depending on the results and on our business strategy. Where it makes sense to do so, acquired companies are included in the ISMS. The goal is to establish an appropriate, Group-wide security standard.

SECURE E-COMMERCE

GRI 417-1

Customer trust is a critical factor in e-commerce. In addition to concerns about the security of their personal data, consumers also have questions regarding the reliability of online transactions, on providers' delivery capability and on online services. This is why we take the measures necessary to allay any consumer concerns and to build up their trust.

Among other measures designed to achieve this goal, well-known technical services provider TÜV SÜD regularly audits the online shops run by Drillisch Online's core brands (maxxim, smartmobil.de, simply, DeutschlandSIM, PremiumSIM.de, winSIM, yourfone, galaxy EXPERTE and handyvertrag.de). The annual certification and review process caters to our customers' wishes: Security and quality are just as important to them as the price of our products and services. For us as an online retailer, certification with the well-known s@fer-shopping seal of approval offers an opportunity to reduce aborted transactions, positively impacting online sales. The requirements that have to be met to obtain the seal cover issues relating to data security and systems security, data privacy and online content and processes. The comprehensive, multistage process needed to gain TÜV SÜD's seal of approval includes an on-site audit. Not only is order processing checked for reliability as part of this process, but the way in which customer service deals with customer queries is also reviewed, and the security of customers' personal data and payments processing are verified.

After successfully completing the certification process, we are entitled to use the s@fer-shopping seal of approval for Drillisch Online's online shops. This demonstrates our commitment to offering customers a secure, satisfying online shopping experience and to undergoing thorough, systematic audits to assess whether we comply with this commitment. In addition, this certification helps us implement the GDPR's technical and organisational security requirements.

PARTICIPATING IN AND SHAPING DIGITISATION

The 1&1 Drillisch Group's business model is built on access to communication, information and entertainment. Thanks to the frequencies bought at auction by 1&1 Drillisch AG in summer 2019, we are now able to take the next step and establish our own state-of-the-art, high-performance 5G infrastructure.

See "Customer-related Matters and Product Responsibility" on page 20

Following the successful 5G auction in the reporting period, 1&1 Drillisch AG and the established network operators signed an agreement with the Federal Ministry of Transport and Digital Infrastructure (BMVI) and the Federal Ministry of Finance (BMF) to build mobile phone base stations in "white spaces." In this way, the Company will help close gaps in coverage in rural areas in particular: constructing a large number of masts will improve reception in the country. In return, 1&1 Drillisch can transfer the license fees payable to the federal government in installments until 2030. This step illustrates the benefits of cooperation for both consumers and network operators.

In addition, the 1&1 Drillisch Group enables a wide range of customers to participate in digitisation thanks to its broad portfolio, which covers everything from premium to discount tariffs. These measures contribute to the idea of "digital participation". Today, the availability of affordable internet access options is seen as being vital for achieving economic and social development and even for exercising human rights.[12]

(12) See e.g. Bitkom article, November 24, 2019 (German only).

1&1 DRILLISCH AS AN EMPLOYER

MANAGEMENT APPROACH

MATERIALITY, IMPACT AND RISKS

GRI 103-1

1&1 Drillisch is a telecommunications and internet company, and as such shares the features that are typical for this sector: a rapidly changing environment, short innovation cycles and intense competition. One key factor in mastering these challenges are our dedicated and highly skilled employees and managers.

This means we place great value on a sustainable, balanced strategy encompassing all core human resources areas: from recruitment through customised onboarding and training formats for specific target groups, job-specific qualification programmes and support for individual career paths, down to the development and long-term retention of managers, high potentials and top performers.

1&1 Drillisch aims to be a fair and attractive employer.

Our staff and applicants expect nothing less. Highly qualified, well-trained employees are the cornerstone of 1&1 Drillisch's business success. It is therefore vital for us to meet our short-, medium- and long-term staffing requirements and ensure that our workforce has the necessary specialist skills. If we fail to do this, 1&1 Drillisch might not be able to do business effectively or to achieve its growth targets.

GOALS AND MEASURES

GRI 103-2

In line with this, 1&1 Drillisch aims to be a fair and attractive employer, and its goal is to recruit managers and employees with specialist skills and technological know-how, to support their continuing development and to retain them at the Company.

See "Our Values and Corporate Culture" on page 39

One core principle of our human resources work is always to see our staff as individuals first, and not just as employees. We create a high-performance culture by ensuring our corporate values are reflected in strategic human resources issues such as compensation, continuing education and training and work safety.

See "Training and Education" on page 41

We work constantly to enhance and expand employees' skills and managers' leadership qualities alike. We do this using focused professional development training, mentoring and coaching programmes and special offerings for high potentials, among other things.

See "Diversity and Equal Opportunities" on page 44

We are also convinced that the diversity of our workforce creates the conditions needed for creativity and productivity. We leverage this wealth of potential ideas and innovations by using various formats to promote diversity and equal opportunities.

See "Occupational Health and Safety" on page 48

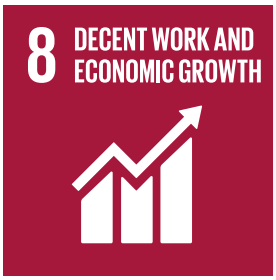
We also aim to use our employee health management programme and our occupational safety and preventive measures to promote staff health.

Personnel issues are the responsibility of the head of Human Resources (HR) at 1&1 Drillisch AG, who reports regularly to the CEO of 1&1 Drillisch AG.

RESULTS AND ASSESSMENT

We use a range of performance indicators to measure the effectiveness of our human resources work in different areas; these are generally calculated by HR Control and reported regularly to the Management Board. Indicators include employee satisfaction with professional development opportunities and measurement of our "return on education". Further details can be found in the following sections. GRI 103-3

CONTRIBUTION TO THE SDGS



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

OUR HUMAN RESOURCES STRATEGY AND HR ORGANISATION

As it is a service-only company, 1&1 Drillisch Group's success depends in great measure on the skills and commitment 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. 1&1 Drillisch has experienced strong growth over the past years and at the same time has developed its human resources policy appropriately. In addition to the continuous optimisation of operational human resources work, an important component of this development has been the establishment of the "Centres of Excellence" and the "Talent Acquisition" and "Talent Development" areas. The aim is to be able to serve optimally the needs of the operating divisions in all personnel matters. This ensures that prompt action can be taken in response to meet the needs of the Company and of its employees. Within the framework of the trust-based working hours, the working methods are tailored to the specific circumstances of each organisational unit. 1&1 Drillisch employed 3,163 people at the end of 2019 (2018: 3,150; 2017: 3,194)[13]. GRI 102-7 GRI 401

Examples of overarching goals and targets are our aim of offering appropriate staff development formats, recruiting managers from within the organisation and retaining employees. Metrics used to track effectiveness include the number of management positions that have been filled internally (2019: 75.3%; 2018: 65%) and staff turnover (2019: 7.5 %; 2018: 6.9 %)[14]. GRI 401-1

(13) Active core employees.

(14) Annual average headcount (active core employees); the figures for 2018 only include the 1&1 Telecommunication SE und its subsidiaries.

OUR VALUES AND CORPORATE CULTURE

GRI 102-16

See "The Basis for Acting Responsibly" on page 9

Onboarding: The induction process for new employees

Our corporate values and management guidelines comprise 1&1 Drillisch's value system. Our Group-wide Code of Conduct shows how to act in line with these values. Every employee is made aware of the values and the Code of Conduct when joining the Company and must take note of these principles.

Our managers act as role models, ensuring that our values are visible in our daily work. This responsibility is also a core component of our management guidelines. The members of our management boards present our values and the management guidelines at our onboarding events for new managers, which take place several times a year. We then build on this with the managers, working together in small groups to elaborate what this means for our daily work.

Our open, proactive feedback culture complements our values and our Code of Conduct to provide a framework for a respectful working environment that helps promote high performance.

We try to create a working environment that encourages inspiration and creativity, enabling our employees to develop and flourish with us. In addition, flat hierarchies permit unbureaucratic communication channels and rapid decision-making. This allows us to be agile and react flexibly to new challenges.

The human resources policy and communication are characterised by a high degree of flexibility, which ensures that the needs of the Company and the requirements of the employees can be given prompt consideration.

Our Feedback Culture

We can only actively practice values such as openness and fairness in an environment in which colleagues provide feedback to one another respectfully and constructively. Only such an environment allows continuous improvements that benefit individual employees, the team and the Company alike. This is why high-quality feedback play a key role for us when establishing an open, supportive and performance-oriented corporate culture.

Since 2016, 1&1 Telecommunication SE and its subsidiaries have aligned their human resources development instruments to focus on this topic and introduced a "360 degree feedback" system. This process revolves around our annual feedback and performance reviews, in which employees and managers alike give each other direct feedback. In the course of harmonising our structures, this feedback tool will be rolled out for the whole 1&1 Drillisch Group in the current year.

Moreover, the Development Zone, which revolves around the topics of employee development and feedback, is to be gradually established throughout the entire 1&1 Drillisch Group in 2020. In addition to mapping the processes for the development dialogue, it is also possible to receive personal and confidential feedback from the entire Company. As a result, each employee receives an individual assessment of development opportunities and can actively plan his or her further development.

Other feedback methods are described on our intranet and can be deployed by teams and individuals as needed in specific situations. We offer training for both employees and managers to assist teams in creating and maintaining a strong feedback culture, increasing the assurance with which they give and receive feedback. In addition, obtaining

feedback from colleagues is a mandatory part of the process employed when employees want to take on positions with greater responsibility.

Employee Communication

Ensuring we listen to our employees and providing them with appropriate communication channels are challenges for a growing company such as 1&1 Drillisch. At the same time, there is a growing need to tell them about our strategy and how the Company is developing. This is why we have developed successful employee communication channels:

- An annual management kick-off at the beginning of the year offers managers and experts information about 1&1 Drillisch's overall development.

- Our "Ask the Board" format facilitates open, direct dialogue between the Management Board members and employees. It permits employees to ask Board members directly and face to face about the Company's current performance, management issues and other important topics in an informal setting. The events take place regularly at all German locations. In 2019, a total of 7 (2018: 3) were held in 1&1 Drillisch Group.

- In many areas, the colleagues from the various companies in 1&1 Drillisch Group already work together as one team with respect to content. We have been practising this cooperation even more strongly in our internal communications since the year under review: a joint group for 1&1 Drillisch has emerged from the groups previously managed separately on the intranet. As a result of this harmonisation, identical information is offered to all 1&1 Drillisch employees. Our aim is to ensure optimal internal networking and communication.

Employee Satisfaction

We started conducting employee surveys at 1&1 in 2009 in order to obtain feedback and identify room for improvement, after which we take appropriate measures to implement our findings. The surveys have been a regular fixture since 2016 and by now have been implemented in the whole 1&1 Drillisch Group.

The most recent survey way performed in October 2019, and internal communication of the results started in December 2019. The findings are now being used to identify action areas for which concrete Group-wide measures will be identified and developed in fiscal year 2020. As in 2018, the measures will primarily focus on the following topics:

- Health
- Human resources development
- Workplace equipment
- Our attractiveness as an employer
- Work-life balance

Employees' survey responses are the most important indicator of whether our human resources work is a success. In order to obtain as objective a view of ourselves as possible, we evaluate not only internal surveys but also assessments by external institutions and independent sector rankings.

TRAINING AND EDUCATION

DEVELOPMENT AND PROSPECTS

GRI 404
GRI 404-2

One of the basic principles for People & Organisational Development is "we make people successful". In our dynamic, constantly changing market, our employees have to take responsibility both for their work and for their personal development. We are convinced that their motivation and determination to succeed depends on their ability to see and pursue individual prospects for themselves. Individual employees' knowledge also grows our organisational knowledge as a whole. For example, keeping up with the state of the art in information security and software development protects our technology lead, while professional and skilled customer care enhances customer satisfaction.

We therefore invest in wide-ranging learning and development measures and help grow our employees in line with the functions they perform. Activities here are based on our employees' individual "development journeys"; these are agreed during annual staff performance reviews and their implementation is then checked over the course of the year.

GRI 404-3

Among other things, staff development plans include acquiring skills needed to perform pending tasks, suitable on-the-job or off-the-job measures and employees' personal development wishes and preferences. This reinforces employees' readiness to take responsibility for themselves and willingness to learn, and ensures they can acquire new skills at every stage of their development. Our proactive feedback culture and 360 degree feedback process supports continuous learning and development. The results of the annual performance reviews are collated centrally.

Success is measured using a mix of satisfaction with development opportunities, by measuring our "return on education", by evaluating how measures have been implemented at the individual employee level during the next performance review and using cost control measures.

Personal Development Opportunities

GRI 404-2

There is a major need for training in the Company's customer care unit. Both new and current employees receive training in the subjects of communication, sales, handling of objections, complaint management and other business-related topics. In addition, 1&1 Drillisch supports training programmes requested by employees by granting paid leave for participation in such programmes. In 2019, the training platform already in use in 1&1 Telecommunication and its subsidiaries was rolled out for the entire 1&1 Drillisch Group, which means that all employees can now access the extensive programme:

» **1&1 Campus**
The central training portal, 1&1 Campus, bundles internal training and e-learning offerings, giving staff quick, easy access to development opportunities within the organisation. 1&1 Campus offers employees from all areas of the organisation a wide range of training options in the areas of methodologies, soft skills and professional knowledge. All courses are assessed for participant satisfaction and recommendation rates to

ensure continual improvement of the offering. These KPIs suggest the courses are of an extremely high quality. In addition to courses provided by People & Organisational Development, the range also includes training designed for customer care units and seminars taken from our technical training catalog, our TEC Campus, and our Online Marketing Campus.

» TEC Campus

Our technical staff have extremely specific, in-depth knowledge. Our goal is to promote information sharing and joint learning, which is why we have expanded our 1&1 Campus to include a platform offering training in tools, processes and methodologies, along with e-learning material and presentations by staff for staff. The TEC Campus focuses on specialist technical training and presentations, including development practices, developer onboarding and agile methodologies. This allows topics such as information security and business process management to reach a broader target audience. The TEC Campus also hosts internal conferences such as the TEC DAY or the PASK (Project/Agile/Scrum/Kanban) conference.

» Talent management (Navigate, Senior+, MyWay+, Women explore and MOVEforward)

We use our talent management programmes to proactively develop entrepreneurially-minded employees. Individual development plans are aligned with the target positions concerned (e.g., experts or managers). Partly as a result of these measures, we were able to fill 75.3% of management positions internally in 2019 (2018: 65%). MOVEforward is a one-year programme in which employees, managers and experts implement projects across departmental boundaries, raising their awareness of end-to-end, innovative corporate development. The Women explore programme gives high-potential female employees an opportunity and a dedicated environment to focus on career issues and their own strengths and development areas, and to network with each other as well as with role models and top management. At the same time, Women explore provides an opportunity to showcase high-performing women in the organisation, to support them in the early stages of their careers, and to retain them within the organisation. Among other things, this has allowed us to identify lessons learned and development areas for the entire organisation in the area of gender diversity.

» Individual offerings

In addition, the corporate people and organisational development unit offers personalised consulting for employees and managers plus a large number of customisable on-the-job measures, and helps staff implement specific activities such as mentoring and shadowing. Since 2019, our revamped internal information sharing platform makes it even easier for staff to find and read up on the entire human resources development offering. This can be done using target group-specific or thematic searches, or simply by consulting the glossary from A–Z.

Outlook

Our training programme aims to meet the training and education needs of the various areas of our organisation. Going forward, we plan to further increase our flexibility in terms of locations, timing and delivery media. We want our staff to be able to take advantage of offerings outside the office, break down courses into small units they can spread across several days, and choose between classroom-based training, online media and apps. By doing this, we hope to be able to offer appropriate lifelong learning options for all learning types, regardless of their previous knowledge or personal circumstances (e.g. if they are undergoing vocational training or working part-time). This is already possible in the case of language learning, for example. In addition, a pilot project for soft skills offerings has already been performed and implemented at 1&1 Drillisch's customer care unit. Digital training options are also being tested at the moment, and we intend to introduce the ones that prove successful.

In future, the training and education hours of our employees will be centrally recorded so that we have an overview of the invested time and can provide these figures to a broader target group. The centralised recording is also intended to facilitate increasingly complete reporting on the extent and nature of the training offerings.

SPECIFIC DEVELOPMENT MEASURES FOR CUSTOMER CARE

Our strong customer focus means we rely on skilled employees to provide a professional service. In keeping with this, we regularly train both our (internal) employees and staff at our (external) service providers on our products and services. The more our employees know, the more confident and self-reliant they will be in dealing with customers, guaranteeing high-quality customer care. This is why our Coach-the-Coach project provides a set development coaching process for all customer care staff, among other things. We introduced a learning objectives matrix for this in 2019. This tool is used to simply and efficiently structure and implement coaching and on-the-job training situations. In addition, transfer management ensures that support staff's knowledge is systematically disseminated within the teams.

RECRUITING AND RETAINING YOUNG TALENT

Despite an extremely competitive market for telecommunications and IT specialists, 1&1 Drillisch is able to recruit top performers to key positions and hence ensure that the Company can grow its business. Our successful recruitment strategy is based on a competitive, applicant-friendly acquisition and selection process, flanked by targeted employer marketing, partnerships with education and training providers and our products' halo effect.

Design your Career – A Wide Range of Opportunities in a Growing Company

As a growing company, we offer our staff secure jobs, exciting projects, personalised training opportunities and attractive prospects. Our motto in this area – Design your Career – puts this promise in a nutshell. It says that each and every employee can have a hand in growing their own development, which can largely be tailored to their personal situation.

Education

Education (apprenticeships) is provided on behalf of the 1&1 Drillisch Group by United Internet Sourcing & Apprenticeship GmbH, which is recognised as a training company by the competent chambers of industry and commerce (IHK). Together with other companies of the United Internet Group, apprentices are qualified in various commercial and technical apprenticeships with the goal of subsequent employment. This will ensure uniformly high training standards and establish training formats across our sites.

University and School Students

We work together with universities and colleges to attract fresh talent at an early stage. We have developed a variety of trainee programmes for dual degree studies or to help fresh graduates find their feet in our corporate environment.

We also have a special responsibility to our interns. We have signed up to the Fair Company Initiative, whose members commit to providing fair conditions such as appropriate compensation and personal support. The interns who join our Company every year for placements in the IT, Product Management, Online Marketing, Finance and HR departments regularly highlight how much they have learned from the time at 1&1 Drillisch.

GRI 102-12

See "Fair Company Initiative" (German only)

We also offer school students short internships that give them a chance to get to know our organisation and the world of work in general. In addition to initial partnerships and events with schools, 1&1 Drillisch provides one-on-one careers advice – something that is becoming increasingly popular with our employees' children.

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 405
GRI 405-1
GRI 406

DIVERSITY STATEMENT

Respect for diversity is a core aspect of 1&1 Drillisch's corporate culture. The reason for this is simple: Only a workforce that mirrors the many different facets of society offers the best possible conditions for creativity and productivity, and makes employees – and the organisation itself – unique. This unique diversity creates an incomparable wealth of potential ideas and innovations, increasing the Company's competitiveness and providing opportunities for all.

1&1 Drillisch regards diversity as more than simply a desirable element; it is decisive for the Company's success. Accordingly, the Company as a whole strives for a corporate culture in which all employees are appreciated, regardless of their nationality, ethnic origin, religion, ideological beliefs, gender and gender identity, age, disability or sexual orientation and identity. Each employee should be able to find the area of activity and function in which they can make the most of their individual potential and talents.

To underscore the importance of this topic, an interdisciplinary team developed a diversity statement in the course of the reporting period.

Without the strengths of individuals – meaning everything that makes the individual employees unique and distinctive within the Company – 1&1 Drillisch would not have been able to become what it is today. A workforce comprising personalities from all walks of life offers ideal general conditions for creativity and productivity. The resulting potential for ideas and innovation strengthens the Company's competitiveness and enhances its chances on the markets of the future.

Equally, 1&1 Drillisch's customers have a wide range of needs and appreciate a business partner who can match their own diversity. We aim to fulfill customer wishes by offering a variety of product ranges and pricing models.

Diversity is also a factor influencing employee satisfaction and one of the key decision-making criteria used by job applicants when selecting employers. To reflect our approach to diversity, our employee survey asks whether respondents agree with the statement that "The organisation treats all employees equally, regardless of their age, gender, or religion etc." The responses received to this question are very positive and strengthen our commitment to treating one another respectfully.

GRI 406-1

We protect diversity as an innovation factor by refusing to tolerate any form of discrimination, harassment or bullying in the workplace. 1&1 Drillisch has a number of different contacts who can be approached confidentially, such as Human Resources, Compliance and designated persons of trust. We take any indications of discrimination extremely seriously and are committed to clarifying all issues reported to us.

We started a pilot project in 2019 that is testing an interactive online training course from the "Initiative Chefsache" network on the topic of "unconscious bias: how to ensure impartial HR decisions" in conjunction with our onboarding event for managers. Other awareness-raising measures for employees and managers are planned and will be included in our onboarding events and leadership development offerings.

GRI 102-12

In addition, we took the internal communications opportunity offered by the 7th German Diversity Day to further sensitise employees to the importance of diversity.

GRI 102-12

Since 2018, 1&1 has also been a partner in the "Komm, mach MINT." network, Germany's national pact for women in MINT (mathematics, informatics, natural sciences and technology). This initiative, which is sponsored by the Federal Ministry of Education and Research, aims to encourage girls and women to study and have careers in MINT subjects, so as to combat the looming shortage of specialists in these areas. In 2019, we took part in the "meet.me" career kickoff event for female MINT students and graduates in Leipzig. We also organise meet-ups designed to facilitate information sharing and networking at careers fairs aimed specifically at women.

See "Komm, mach MINT" (German only)

DIVERSITY – BEST PRACTICE

The PROUT AT WORK foundation and the Uhlala Group use the "Germany's Top 20 Future Leaders" award to set an example for diversity at work. The award is given to LGBT+ (lesbian, gay, bisexual, transgender, and transsexual plus) staff who act as role models within their companies and who are particularly committed to ensuring equality at work for these groups.

We are very proud that Michelle Thiele, one of our staff members, was among the award winners in 2019. Michelle has had a successful career at 1&1 Telecommunication SE for 11 years. Although born with a man's body, she felt she was female from an early age. Since 2018, she has been an openly transgender woman at work as well as in her private life. Before taking this step, she actively discussed it with selected people within her department. She met with tolerance and respect for her courage, and her superiors supported her plans to come out as transgender in the workplace.

Quote: "It means a great deal to me to be one of 'Germany's Top 20 Future Leaders'. It is a further vindication of my decision to openly and naturally 'be myself' at work as well as outside it. The unqualified support and encouragement that I have received from 1&1 in the past year were extremely important for me. My wish is that people can choose their gender identity themselves, that they can live it openly and – like everyone else – that they can be accepted in all their diversity at work and elsewhere. The Group's clear commitment to diversity makes this possible."

EMPLOYEE DIVERSITY

The following table provides a breakdown of our staff by gender and age. In addition, 11.4% (2018: 9.7%) of our core employees worked part-time in 2019.

GRI 102-8
GRI 401-1
GRI 405-1

Table 5

Employees by gender in %	2018[1]	2019[2]
Women	37.9	37.7
Men	62.1	62.3

(1) Active employees as of December 31, including employees on parental leave.
(2) Active employees as of December 31.

Women accounted for 42.6% of new hires and 30.0% of newly recruited managers in the reporting period.

The average age of our employees as of December 31, 2019, was 38.4 (2018: 39). The breakdown of staff according to age is shown here:

Table 6

Employees by age[1] in %	2018	2019
under 30 years	18.5	21.7
30-39 years	39.1	36.1
40-49 years	27.8	26.2
50 years and over	14.8	16.0

(1) Active employees as of December 31 of the fiscal year concerned.

1&1 Drillisch also regards 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.

POSITIVE ACTION FOR WOMEN

Women are still underrepresented in technology companies. This is why a target was set in 2016 of having 18% women in the top two management levels of the companies below 1&1 Drillisch AG.

In 2018, we established a new function that specifically addresses how to promote diversity in general and positive action for women in particular. Important steps in recent years have been to improve our understanding of organisational drivers and action mechanisms using analyses and reports, to align the measures we take with these and to combine these in an overarching road map.

The Company has taken measures in the following areas to achieve our target quota for women in management:

1. Recruitment

When recruiting employees, we aim to market the diversity topics established by Human Resources, to take part in appropriate events and hence to increase the number of contacts to, and applications from, qualified female candidates.

2. Development

We aim to take positive action for women in relation to, and in, management positions and to support them in their personal development.

3. Networking/information sharing and communication

See "Talent management (Navigate, Senior+, MyWay+, Women explore and MOVEforward)" on page 42

The "Women explore" development programme for high potentials that was launched in 2019 enables women to focus on career issues and on their own strengths and development areas. We also provide specific mentoring support for high-potential female staff and offer a number of networking events to facilitate information sharing and contacts among female managers and employees.

4. Framework

We aim to further enhance diversity by creating appropriate conditions for it to flourish within our organisation. For example, 1&1 Drillisch makes use of the Employee Assistance Programme (EAP), an external, independent family service contributing to achieving a better work-life balance.

As of December 31, 2019, there were seven women in the top two levels of management of the Group companies, corresponding to a quota of 10%. This means we are 6 women short of the 18% target.

Outlook

We are below target with our figure of 10% women in the top two levels of management at Group companies and therefore see further room for improvement in 2020. We shall continue to step up our development measures at the top and second levels of management, and to increase our communications efforts, as well as providing networking and information sharing formats. We aim to introduce a gender-neutral language policy in the organisation as one way of encouraging a successive change in our culture. In addition, we are continuing to work on concepts and policies for improving employees' work-life balance and promoting diversity. Among other things, we shall expand the EAP that was successfully introduced in 2019 as needed.

We will also take part in the German Diversity Day again next year and will continue to raise awareness of this issue within the Company, and of diversity in the corporate context, with our campaigns.

FAIR PAY

GRI 102-41
GRI 405-1
GRI 405-2

Paying our employees fairly and in line with performance is an important part of our human resources strategy. We aim to provide staff with market-driven, fair and transparent compensation and benefits in line with our corporate strategy. Our internal compensation guidelines form the basis for our comparable, fair and legally compliant compensation system. They clearly define the rules and procedures to be observed throughout the Group when making salary adjustments.

Some positions and levels of responsibility offer performance-based variable compensation components. The 1&1 Drillisch Group offers employees a number of additional benefits above and beyond the financial compensation it pays; these include a company pension, capital formation benefits, prevention programmes forming part of our occupational health programme and discounts on our products.

The salaries we pay, and the way in which these progress over time, are independent of employees' gender or other factors that are not related to the position in question or the skills required. We compare positions internally every six months, keep up to date with market developments and analyses and track external benchmarks in order to guarantee fair, appropriate compensation. Changes to the law governing employee compensation, such as minimum wage legislation, are fully implemented in all companies' compensation practice. We ensure that the compensation we pay our employees complies at all times with all statutory requirements.

OCCUPATIONAL HEALTH AND SAFETY

GRI 403

Ensuring health and safety in the workplace is part of our duty of care towards our employees. Our goal as a responsible employer is to minimise accidents, illness and risks as far as possible and to promote the health of our employees. The occupational health management of the 1&1 Drillisch Group is provided by United Internet Corporate Services GmbH on behalf of the 1&1 Drillisch Group. We are mainly concerned with occupational health management including preventive measures designed to reduce the risk of psychological and physical stress.

OCCUPATIONAL HEALTH MANAGEMENT

Our health management activities are largely aimed at prevention and include the following measures:

» We work together with an occupational safety specialist and company medical staff to provide occupational health care. Since many of our employees mainly work sitting down, workplaces are regularly checked and adjusted. In addition, advice on ergonomic seating options is provided at regular intervals. We also aim to reduce employee stress in our call centres by providing anti-stress training, and teaching them how to ensure conversations remain calm and to deescalate.

» Above and beyond this, all sites provide professional health promotion measures that are performed by third parties. These include flu vaccinations, support from our occupational medicine staff, check-ups and a wide range of courses teaching rela-

xation techniques and back-strengthening exercises. 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.

» Since June 1, 2019, 1&1 Drillisch has helped all employees in Germany achieve a positive work-life balance even in challenging situations through the use of the EAP, an external, independent family service. Service provider contacts are available by phone around the clock to provide confidential advice on three core topics: childcare, care for relatives and personal emergencies. Childcare advice covers everything from tips about the German statutory parental allowance through finding age-appropriate vacation childcare down to school counseling and emergency childcare. Advice on caring for relatives addresses financing issues associated with care and other background information on this topic, as well as finding household help and shoppers. The family service also supports employees by finding medical assistance and looking for therapists or clinics in emergency situations, among other things.

» One of the findings to emerge from our employee survey was the wish for even more health promotion offerings. To this end, the health team, with interfaces such as personnel and organisational development, is continuously evolving the concept of occupational health management with the aim of strategically designing and expanding the range of services. Key focal points here are exercise, nutrition, and resilience in coping with stress.

Outlook

We want to continue to live up to our role as a responsible employer in the coming year and are expanding our health protection measures and initiatives. First of all, the expansion of communication plays an important role as it is the means of informing employees about new offers on an ongoing basis. This includes easy access to the information offered via the health portal and other features.

In addition, measures are planned for advice about ergonomic seating and subsidisation of aids for screen work. Health-promoting offers continue to play an increasingly important role for our employees so we will continue to try to facilitate access to sports activities and health campaigns. They include favourable conditions for external sports providers and health courses or the "Cycle to Work" campaign. A group-wide rollout of flu vaccinations is also on the agenda.

EMPLOYEE ABSENCES IN FIGURES

The goal of the measures described above is to reduce stress-related absences and accidents at work. We want to continue analysing the causes of absences and accidents with our occupational medicine specialists to identify any other measures that may be necessary.

GRI 403-2

Table 7

Absentee rate	**2018**[1]	**2019**[2]
Absence due to illness (ratio in %)	6.9	7.1
Number of accident reports	0	6
thereof on the way to and from work (in %)	0	16.7

(1) Figures refer to the core employees of the 1&1 Telecommunication SE and its subsidiaries as of December 31.

(2) Figures refer to the core employees of the 1&1 Drillisch Group as of December 31.

CLIMATE AND ENVIRONMENTAL PROTECTION

MANAGEMENT APPROACH

MATERIALITY, IMPACT AND RISKS

GRI 103-1
GRI 201-2

Our offer of internet and telecommunications services relies on the usage of our company-owned and leased 1&1 Drillisch data centres, which are certified in accordance with international security standards, as well as the data centres of our affiliate 1&1 IONOS, which is part of the United Internet Group, and the use of the fibre optic network of our affiliate 1&1 Versatel, which is also part of the United Internet Group. This accounts for a significant proportion of our Group's energy consumption, and this energy consumption and the resulting CO_2 emissions have an impact on the environment and climate. To a lesser extent, the use of electricity for office buildings, fuel for vehicles, materials (especially in our logistics operations) and our own use of IT hardware also contribute to our energy consumption. Given our plans to build a 5G network, our energy consumption can be expected to increase further in future.

See "Customer-related Matters and Product Responsibility" on page 20

In addition, our business relationships have a material impact on the environment, especially from the use of our business partners' mobile networks and fixed network, and the energy consumption associated with this. Environmental impacts also result from the use of energy and resources, and from potential pollution along the value chain for the devices and products (especially smartphones, tablets and routers) that we offer customers. Factors here range from their manufacture through their shipping to customers down to their eventual disposal.

See "1&1 Drillisch as a Business Partner" on page 62

Above and beyond this, the role of digitisation as an enabling technology for greater climate protection should be emphasised, both in our own business and in relation to products and business relationships.[15] One precondition for such a positive effect is that the additional energy requirements are not met from fossil fuels but from renewable energies, since otherwise the use of digital technologies, algorithms, blockchain and the like would be accompanied by larger carbon footprints. In addition, it can be expected that the new 5G mobile network standard will lead to an increase in electricity consumption, among other things because it offers new technological opportunities, such as ways of networking machinery and vehicles (the "Internet of Things").

See "Corporate Digital Responsibility" on page 27

We aim to use resources efficiently and to contribute to climate protection.

Environmental and climate protection are relevant for a large number of stakeholders. This can be seen both at the level of society as a whole, e.g., in the Fridays for Future movement, and with our employees, whose interest in environmental protection can be seen in many areas of their daily work. The topic is also increasingly being addressed at a political level, e.g., through Germany's Climate Protection Programme, CO_2 pricing, the Paris Agreement and the UN Climate Change Conferences (Conference of the Parties – COP). It is also becoming more and more of an issue for investors and analysts making investments, while customers emphasise the importance of using green energy, as is the case in the majority of the data centres we use.

(15) e.g., Bitkom article, October 2019 (German only).

In addition to the physical risks posed by climate change – especially rising temperatures, which lead to the need to cool data centres more, but also increasingly extreme/poor weather conditions that could cause infrastructure damage – the topic also has an indirect impact on 1&1 Drillisch. As a larger energy user, the organisation needs to reduce its carbon emissions if it is to avoid potential market and reputational risks. In addition, political and technological risks that could increasingly result from the urgency of the topic must be borne in mind; one potential example here is stricter legislation that takes a corresponding level of effort and expense to implement. If the expectations of our various stakeholders are not met, this could negatively impact our reputation or revenues; conversely, positioning ourselves positively here could offer opportunities.[16]

GOALS AND MEASURES

GRI 103-2

The management approach aims to promote the efficient use of resources, enabling us to cut costs and contribute to climate protection. This includes an ongoing optimisation of business processes as well as continuously increasing efficiency. Although a reduction in our absolute consumption would be desirable, this is not a realistic goal given the increasing digitisation of the economy and society. This applies both to data centres, which in their role as the backbone for digital applications are experiencing increasing demand, and to the fibre optic network which, as by far the most powerful transmission technology, is especially sought-after.

The majority of the data centres we use are operated with renewable energy and are therefore climate-neutral. The impact of the fibre optic network or the fixed networks we use is also reduced in part through the use of green electricity. In addition, we aim to minimise the consumption of resources and materials, e.g., in our logistics operations, and to enable our customers to dispose of their products and hardware in an environmentally friendly manner. Please see the following sections for further details.

RESULTS AND ASSESSMENT

GRI 103-3

The consumption of resources and materials is measured in all relevant areas. We aim to use this and other data in future to calculate our carbon footprint that will document and quantify material sources of greenhouse gas emissions (“hot spots”) increasingly comprehensively. Please see the following sections for further details.

(16) Regardless of the importance of climate and environmental protection shown, the EU Guidelines recommend reporting on climate issues even if only one of the two perspectives (either “environmental and social” or “financial”) are material.

CONTRIBUTION TO THE SDGS

Ensure sustainable consumption and production patterns.

Take urgent action to combat climate change and its impacts.

ENERGY CONSUMPTION

GRI 302
GRI 302-1
GRI 302-3
GRI 302-4
GRI 305
GRI 305-1
GRI 305-2
GRI 305-3

The use of network infrastructure server capacity provided by data centres is necessary to supply our internet and telecommunications services to our customers. Since 1&1 Drillisch has not operated its own mobile or fixed line network to date and the relevant data from our business partners are not yet available in detail, we will concentrate in the following on the presentation of our own energy consumption. Further details on the information given in the following tabular overview can be found in the relevant sections.

Table 8

Energy consumption[1]	**2018**	**2019**
Electricity consumption office buildings and own data centres in MWh	**3,820.0**	**3,520.8**
Heating consumption (natural gas) in MWh	**2,474.5**	**2,416.3**
Petrol consumption in MWh	130.2	115.2
Diesel consumption in MWh	5,495.5	4,770.4
Total fuel consumption in MWh[2]	**5,625.7**	**4,885.6**
Total energy consumption in MWh	**11,920.2**	**10,822.7**
Revenue in €million	3,634.5	3,674.9
Energy intensity (ratio of energy consumption to revenue) in Wh/€	3.3	2.9

(1) Data are available only from 2018 onwards.
(2) Conversion factors/calorific values: petrol: 8.5 kWh/l; diesel: 9.7 kWh/l.

ELECTRICITY CONSUMPTION IN THE DATA CENTRES

To make the services for our customers as secure and reliable as possible, the servers at 1&1 Drillisch are organised as a redundant system and are characterised by extensive storage and backup functions. In addition, the 1&1 IONOS data centres we use are operated georedundantly. This approach ensures that applications can be run regardless of restrictions caused by power outages or environmental influences and gives our customers unrestricted, permanent access to them. This added security comes at the cost of increased electricity consumption, which is combated by using renewable energy and constantly improving energy efficiency.

ENERGY CONSUMPTION BY OUR OFFICE BUILDINGS

A significant share of the electricity purchased for our office buildings in the reporting period was certified green electricity, something that reduces the potential environmental impact.

Table 9

Energy consumption and carbon emissions for office buildings	**2018**	**2019**
Electricity consumption MWh[1]	3,820.0	3,520.8
Heating consumption (natural gas) in MWh[2]	2,474.5	2,416.3
Total energy consumption in MWh	**6,294.5**	**5,937.1**
CO_2 equivalents from electricity consumption (Scope 2)	810.8	443.3
CO_2 equivalents from heating consumption (Scope 1)	505.7	493.6
Total carbon emissions in tonnes[3]	**1,316.5**	**936.9**

(1) Figures refer to the offices and associated infrastructure of the 1&1 Drillisch sites in Montabaur, Karlsruhe and, in part, Munich, which are supplied directly by the utility; from 2018, they also refer to the 1&1 Drillisch sites in Maintal, Krefeld, Dresden, Nuremberg and Münster as well as all of Munich. The figures also include the power consumption for the 1&1 Drillisch data centres (not reported separately to date). Complete information was not yet available by the editorial deadline for this report. Data are available only for 2018 and later.

(2) Figures refer to the Montabaur site including the logistics centre and to the 1&1 Drillisch sites in Maintal, Krefeld and Münster. Complete information was not yet available by the editorial deadline for this report.

(3) Calculated using the utilities' data on CO_2 emissions per kilowatt hour, the conversion factors provided by DEFRA (the UK's Department for Environment, Food and Rural Affairs) for 2018 and 2019, and the data provided by the Umweltbundesamt (the Federal Environmental Agency) in 2019 for CO_2 emissions per kilowatt hour in the German electricity mix (forecast for 2018: 474 grammes). Green electricity, which does not result in any CO_2 emissions, was used in some cases.

MATERIAL CONSUMPTION AND LOGISTICS

GRI 301

As an access and applications provider, we use physical products, and especially electronic devices and hardware, to conduct our business. The applications are developed by us or together with partner organisations, and are operated in our own data centres or those we use from 1&1 IONOS. Our customers are primarily provided with information and communications technology hardware in the form of devices such as smartphones and routers, tablets, web surfing hardware and accessories, along with tariffs for using our mobile network and broadband services. In addition, our employees use IT hardware to perform their duties.

CUSTOMER HARDWARE

Device Disposal

GRI 417
GRI 417-1

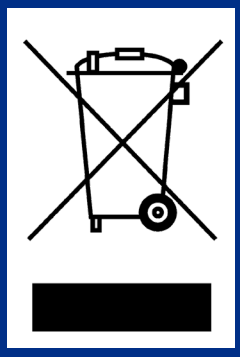
See 1&1 collection points and, e.g., smartmobil collection points (each German only)

Smartphones, routers and other devices that we provide our customers may contain components that cannot be disposed of as household waste. We have to take responsibility for these products' entire life cycle, and to recycle materials professionally after use so that no pollutants are released into the environment. 1&1 Drillisch works together with specialised service providers to ensure the environ-mentally-friendly disposal of the devices we put into circulation. We inform customers about how to dispose of their mobile and fixed network hardware professionally every time we make a delivery, and list collection points on our website. This ensures that all customers have the opportunity to return their old equipment for recycling or disposal.

According to industry association Bitkom, there were roughly 124 million old cellphones and smartphones in circulation in Germany in 2018 that were no longer in use but still worked or could be recycled. The average period of use is not much more than a year. Valuable raw materials such as precious metals and rare earths can be recovered from these devices – if they are recycled.

Reusing Smartphones

1&1 and two Drillisch Online brands launched campaigns during the reporting period to remarket smartphones that still work. 1&1's trade-in campaign offered customers who signed a new contract including a new iPhone up to €700 if they sent in their functioning old one. In addition, Drillisch Online brands yourfone and maXXim added refurbished cellphones to their offerings in 2019. These devices, which come from returns within 30 days, are marketed at a significant discount to the price of new ones. They are in good working order, have been quality assured, and come complete with accessories, original packaging and a 24-month guarantee.



HANDLING OLD EQUIPMENT

European Directives and Germany's Electrical and Electronic Equipment Act (Elektronikgerätegesetz – ElektroG) ban old equipment and all electronic parts included in deliveries from being disposed of as household waste and require them to be disposed of professionally to permit recycling. The goals are to protect the environment and health, and to conserve resources.

HARDWARE IN DATA CENTRES AND OFFICE BUILDINGS

GRI 301-1

For over a decade now, we have ensured used servers and network equipment are recycled in an environmentally appropriate way by passing them on to recycling specialist AfB gGmbH. This organisation recycles them professionally or reclaims them for reuse, prolonging the life of the hardware and conserving resources. AfB is a disability inclusion company; according to its own figures, roughly 43% of its current employees are people with disabilities. This means that not only do we ensure our hardware is dealt with by environmental and recycling experts, but we also improve employment opportunities for people with disabilities.

AfB reclaimed or recycled the following volumes of old IT equipment for us over the past three years: GRI 305-3

Table 10

Old IT equipment[1]	Number of devices		Reclaimed and reused in %		Raw materials recovered through recycling in %	
	2018	2019	2018	2019	2018	2019
PCs	504	311	82.5	87.4	17.5	12.6
Notebooks	444	648	94.4	97.0	5.6	3.0
Flat-screens	600	410	62.5	45.0	37.5	55.0
Mobile devices	331	296	59.1	44.2	40.9	55.8
Servers	446	404	29.4	42.0	70.6	58.0
Printers	9	2	27.8	0.0	72.2	100.0

(1) Figures refer to 1&1 Telecommunication SE and its subsidiaries (approximately determined on the basis of the employee share and the performance share at the data centres of 1&1 IONOS as figures are only available within an overall evaluation for the United Internet Group). Data are available only for 2018 and later.

In 2019, we delivered 87.7 tonnes (2018: 88.5 tonnes) of hardware to AfB, helping to save 70.1 tonnes (2018: 70.8 tonnes) of CO_2 equivalents.[17]

LOGISTICS AND (SECONDARY) PACKAGING

1 NIGHT… AND YOUR ORDER'S WITH YOU

Our 1&1 Principle includes an overnight promise: Customers who place orders by 10 p.m. during the week and by noon on Saturdays will receive their delivery on the next working day.

Part of our business involves providing our customers with products such as smartphones and routers so they can use our services. This task is performed for all 1&1 Drillisch Group brands by our own logistics centre in Montabaur. (Secondary) packaging and information materials are needed to protect and dispatch these products. In addition, we send access data, for example, by post for security reasons. The (secondary) packaging materials that we use largely comprise paper, paperboard and cardboard (PPC) with a high recycled content of 75–80%. We aim to continuously optimise our use of materials, e.g., by reducing transport packaging.

Materials Used for Shipments

The number of shipments made by our logistics centre increased by a clear 28% or so year-on-year (2019: 6.9 million; 2018: 5.4 million; 2017: 5.1 million). At the same time, the use of packaging materials (both plastic and PPC) declined in the reporting period. The main reason for this was a change in the law in the reporting period. GRI 301-1 GRI 305-3

We report the amount of (secondary) packaging used in shipping and selling products both to our waste disposal partner and in parallel to the packaging register, LUCID (an online platform run by the Foundation for the Central Agency Packaging Register

(17) Approximate values determined on the basis of the employee share of 1&1 Telecommunication SE and its subsidiaries.

(Zentrale Stelle Verpackungsregister – ZSVR)). The process was modified compared to the previous year as a result of the introduction of the new German Packaging Act (Verpackungsgesetz – VerpackG). Organisations introducing packaging covered by the system onto the market for the first time on a commercial basis in Germany ("initial introducers") must register with LUCID and report the amounts of packaging involved. As a result of the change in the law, 1&1's logistics operations are now considered to be the initial introducers for fewer packaging materials than was previously the case. Instead, the manufacturers themselves have to pay the packaging fees, and to report the amounts, in a larger number of cases.

As a result, 1&1's logistics operations only reported approximately 0.5 tonnes of plastic in 2019, whereas the comparable figure for 2018 was 2.7 tonnes. PPC consumption also fell to 485.1 tonnes in 2019, down from 575.4 tonnes in 2018. Since the number of shipments rose at the same time, the amount of packaging material per shipment also fell substantially. The volume of materials required depends on, for example, the relative proportions of devices or SIM cards shipped, and can therefore fluctuate over the years.

Table 11

Packaging materials[1]	**2017**	**2018**	**2019**
Total paper, paperboard and cardboard (PPC) consumption in tonnes	446.4	575.4	485.1
Total plastic consumption in tonnes	3.8	2.7	0.5
Number of shipments in millions	5.1	5.4	6.9
Amount of PPC per shipment in grammes	88.2	106.5	70.4
Amount of plastic per shipment in grammes	0.8	0.5	0.1
CO_2 equivalents in tonnes[2] (Scope 3)	9.5	12.1	10.4

(1) The figures for 2017 relate to 1&1 Telecommunication SE and its subsidiaries; from 2018 onwards, the shipment figures also include Drillisch Online and from 2019 they include the entire 1&1 Drillisch Group.

(2) Calculated on the basis of the conversion factors published by DEFRA for 2018 and 2019.

Recycling by our service providers of (secondary) packaging materials led to the equivalent of 210 tonnes of CO_2 being saved in 2018.[18]

What is more, this service is free for all mobile products. Our goal with this and the other measures that form part of our 1&1 Principle is to meet our customers' expectations. Up to 40,000 (2018: 30,000) letters and parcels leave our logistics centre every day. Ensuring same-day processing of express shipments at all times depends on well-oiled procedures at our logistics centre in Montabaur:

In a first step, all incoming orders are sorted by the system so that overnight orders can be given priority. After this, the products concerned – which include routers, smartphones, tablets, mobile accessories and WLAN sticks – are retrieved from the high-bay warehouses and scanned into the system, and the appropriate cover letters and customer information are then added. Among other things, this includes the access data for 1&1 broadband products. In line with data protection legislation, this information is printed and sealed elsewhere to protect it against unauthorised access. Assigning a customer and equipment serial number helps make problem handing in the case of any warranty claims easier. After the products from the warehouse and the relevant customer information have been combined, the shipments are packaged using two large packaging machines. The packages, which are now ready to ship, are then loaded onto large trolleys, which are collected several times a day by a variety of logistics services providers. The latter then transport the packages to depots, from where they are delivered to customers.

(18) The figures for the reporting period were not available by the editorial deadline for this report.

Our logistics operations also aim to reduce the use of transport materials when servicing is required (e.g., when a faulty piece of equipment has to be replaced for a customer). Where rental devices have to be exchanged, customers receive the new device from a selected delivery service, which replaces the device directly on site. The new device is delivered in reusable shipping packaging that was specially developed for this purpose and that can be used to return the old device directly. This method not only reduces material costs but also saves customers time.

Emissions from Shipping Distances

GRI 305-3

In keeping with our aim of reporting more and more of our greenhouse gas emissions, we are including the shipping distances associated with our logistics operations as from this reporting period.

Packages destined for our customers are delivered by our logistics services providers (these include DHL, Hermes and GLS). An internal estimate suggests that, all in all, our packages travelled approximately 875.4 million km in 2019. Based on the information and estimates provided by our logistics services providers, this generated approximately 1,779.0 tonnes of greenhouse gas emissions. These emissions were not generated by our organisation itself, but are the result of our business activity and therefore count towards our Scope 3 emissions.[19]

Table 12

Shipping distances	**2019**
Kilometres travelled for package deliveries in millions(1)	875.4
CO_2 equivalents in tonnes(2) (Scope 3)	1,779.0

(1) Estimate based on the distances between the target locations and the logistics centre in Montabaur; the figures do not include upstream journeys to depots, detours, any multiple deliveries or returns; mean figures were calculated in some cases.

(2) The figures are based on the information and estimates supplied by our logistics services providers.

In addition, we source our packaging and printed materials from local suppliers, avoiding transporting them for long distances and reducing carbon emissions.

Paper Consumption

GRI 301-1
GRI 305-3

The following table shows paper consumption in the 1&1 Drillisch Group. The data captured was expanded substantially in the reporting period to include both additional companies and other types of paper. This led to a sharp rise in the figures. The vast majority of copy paper used in the Group has been certified in accordance with the EU Ecolabel, which is used to denote products and services with a lower environmental impact than comparable options, and partly the FSC label representing sustainable forestry.

(19) The Greenhouse Gas Protocol (2011) requires purchased transportation and distribution services for products sold to be assigned to upstream Scope 3 emissions (category 4).

Table 13

Paper consumption[1]	2018	2019
Total paper consumption in tonnes	153.2	1,623.3
Paper consumption per employee[2] in kilogrammes	57.2	411.2
CO_2 equivalents in tonnes[3] (Scope 3)	139.6	1,479.5

(1) Data for 2018 refer to 1&1 Telecommunication SE and its subsidiaries (approximately determined on the basis of the share of employees, since data are available only within an overall evaluation for the United Internet Group); from 2019 they include the entire 1&1 Drillisch Group. Data are available only for 2018 and later.
(2) Arithmetic average; the figures relate to the employees at the companies and locations listed in (1).
(3) Approximate figure calculated on the basis of the conversion factors published by DEFRA for 2018 and 2019.

EMPLOYEE MOBILITY

ENVIRONMENTALLY AWARE BUSINESS TRAVEL AND FUEL USAGE

GRI 302-1
GRI 305-1
GRI 305-2
GRI 305-3

Our Group is distributed across several locations in Germany – a fact that makes high demands on employee mobility. Carbon emissions are produced when our employees travel.

We aim to reduce travel-related emissions, both by avoiding business trips and by using climate-neutral options such as rail travel.

The services in the area of employee mobility are provided by the purchasing departments of United Internet Corporate Services GmbH and the 1&1 Drillisch Group in cooperation with the personnel departments. Responsibility for this topic ranges from business trip management through vehicle fleet monitoring down to defining the terms on which company cars are awarded and can be used.

We have taken the following measures to promote eco-friendly mobility:

» **Avoiding business trips**
Equipping our meeting rooms with conference call and videoconferencing technology means we avoid the need for many business trips. In addition, instant messaging services improve internal communications and can help reduce trips between locations even further.

» **Climate-friendly travel**
Our approval process is designed to encourage employees to use the train as their preferred means of transportation. This allows climate-neutral travel for long-distance trips. In addition, employees can use the car pool service on our intranet to travel together.

» **Vehicle fleet**
Our company car rules limit the impact our fleet has on the environment, e.g., by restricting the available engine options. In addition, we track the market constantly to ensure our fleet is always state of the art from both an environmental and an economic perspective. We are also examining the use of alternative technologies (e.g., electric drives), with our goal in all cases being to take both economically and environmentally acceptable decisions. Vehicle fleet management is carried out by the procurement units of the United Internet Corporate Services GmbH and 1&1 Drillisch Group.

» Paperless travel expense claims

Following a successful pilot project, the 1&1 Telecommunication SE and its subsidiaries introduced a workflow for submitting paperless travel expense claims that also offers improved transparency as to alternative means of transportation and travel expenses.

FUEL CONSUMPTION AND CARBON EMISSIONS

We work together with external partners on the use of rental and company cars. These partners provide us with regular information on vehicle fleet usage and evaluate fuel cards, enabling us to monitor trends in fuel consumption and associated greenhouse gas and carbon emissions. Air travel is organised by travel agents who also provide us with regular information on carbon emissions, among other things. German rail network operator Deutsche Bahn supplies us with an annual client environmental data report ("Umweltbilanz").

Our employees travelled more than 12.5 million kilometres (2018: 12.7 million kilometres), generating 1,781.1 tonnes of carbon emissions (2018: 2,038.7 tonnes). The following table provides a detailed breakdown of the Group's travel activity.

Table 14

Rail travel[1]	**2018**	**2019**
Passenger kilometres (pkm) for long-distance travel	2,451,958	2,576,816
Pkm for long-distance travel per employee[2]	950.4	814.7
CO_2 equivalents from long-distance travel in tonnes (Scope 3)	0	0
Pkm for local travel	204,609	213,210
CO_2 equivalents from local travel in tonnes (Scope 3)	11.2	11.7
Climate-neutral rail travel in % of total	92.3	92.4

(1) Data for 2018 refer to 1&1 Telecommunication SE and its subsidiaries (approximately determined on the basis of the share of employees, since data are available only as part of an overall evaluation for the United Internet Group); from 2019 they include the entire 1&1 Drillisch Group. The figures are taken from Deutsche Bahn's annual client environmental data report ("Umweltbilanz").

(2) The figures relate to the employees of the companies listed under (1).

Table 15

Rental cars[1]	**2018**	**2019**
Fuel consumption (petrol and diesel) in litres[2]	33,953.9	57,800.8
Fuel consumption per employee in litres[3]	13.2	18.3
Total kilometres driven	458,837	781,092
CO_2 equivalents in tonnes[4] (Scope 3)	58.1	113.2

(1) Data refer to 1&1 Telecommunication SE and its subsidiaries; data are available only from 2018 onwards. The data collection was expanded in the year under review to include another external partner.
(2) Calculated on the basis of the average fuel consumption data for passenger cars and station wagons per 100 km provided by the Umweltbundesamt (the Federal Environmental Agency); 2017: 7.2 l; as from 2018: 7.4 l.
(3) The figures relate to the employees of the companies listed under (1).
(4) The figures are based on service provider data.

Table 16

Company cars[1]	**2018**	**2019**
Fuel consumption (petrol and diesel) in litres	581,868	505,349
Fuel consumption per company car in litres[2]	2,394.5	2,307.5
Total kilometres driven[3]	8,223,864	7,741,490
Total kilometres driven per company car	33,843	35,349
CO_2 equivalents in tonnes[4] (Scope 1)	1,528.9	1,327.5

(1) Data refer to the 1&1 Drillisch Group; in some cases, long-term rental cars and refuelling of rental cars are also included. Data are available only for 2018 and later. Number of vehicles reported as assets as of December 31 of the reporting period in question; 2018: 243; 2019: 219; the number of cars in the fleet may vary over the course of the year.
(2) The figures are based on manual data input by users when refueling.
(3) The figures are partly based on service provider data and partly calculated using the conversion factors published by DEFRA for 2018 and 2019.

Table 17

Air travel[1]	**2018**	**2019**
Kerosene consumed in litres[2]	49,605	40,806
Kerosene consumed per employee in litres[3]	19.2	15.4
Total kilometres flown	1,385,603	1,139,827
CO_2 equivalents in tonnes[4] (Scope 3)	440.4	328.7

(1) Data refer to 1&1 Telecommunication SE and its subsidiaries; data are available only for 2018 and later.
(2) Calculated on the basis of the average kerosene consumption data per passenger and 100 km provided by the Bundesverband der deutschen Luftverkehrswirtschaft (German Aviation Association – BDL); as from 2017: 3.58 l.
(3) The figures relate to the employees of the companies listed under (1).
(4) The figures relate partly to travel agent data and partly to calculations based on the conversion factors published by DEFRA for 2018 and 2019.

1&1 DRILLISCH AS A BUSINESS PARTNER

MANAGEMENT APPROACH

MATERIALITY, IMPACT AND RISKS

GRI 103-1

With business activities exclusively in Germany, 1&1 Drillisch has to comply with strict standards in the areas of environmental protection and labour and human rights. At the same time, expectations are growing that the organisation will use these high standards as the basis for working with its business partners and suppliers. This is required both by frameworks such as the UN SDGs and the GRI Standards and by the German government in its National Action Plan for the Implementation of the UN Guiding Principles on Business and Human Rights ("NAP")[20], and is also being discussed in the context of a possible German Supply Chain Act (Lieferkettengesetz). These initiatives are flanked by proposals to make human rights and the supply chain a focus of Germany's presidency of the EU Council in the second half of 2020. Investors and analysts are joining consumers, civil society players and the media in looking more closely at the issue of value chains.

See the online version of the NAP

In principle, the same topics are relevant in our supply and value chain as in our own business. In other words, they are topics that are included in our sustainability strategy and this report, such as climate and environmental protection and human rights. Human rights comprise not only fundamental rights such as the rights to life, freedom and equality, but also a wide range of aspects from the world of work, such as the prohibition on discrimination and ("modern") slavery and the right to rest. Other rights included relate to the internet and the digital arena, such as freedom of opinion and information and protection of privacy.

See "1&1 Drillisch as an Employer" on page 37 and "Corporate Digital Responsibility" on page 27

We aim to create value together with our business partners through strong, fair partnerships.

As regards business partnerships and supplier relationships, companies in Germany are subject to the same strict statutory requirements as 1&1 Drillisch itself. In addition, telecommunications is largely a regulated market and many suppliers have also introduced voluntary commitments. This means that there is a very low risk of child labour or forced labour for example, in the domestic links in our value chain. However, such risks can take on a different dimension abroad in view of the legal, political and social frameworks there. In addition, business partners' specific activities may give rise to other relevant topics, depending on how far up the value chain an examination goes (it may extend as far back as the extraction of raw materials). This means that other stakeholders may be affected indirectly by the way we behave as a business partner. Among others groups, these may include business partners' employees and those of their suppliers, residents living near production sites, and people or groups affected by potential environmental impacts.

The ability to work together reliably with wholesalers and business partners is crucial for 1&1 Drillisch. For example, collaborating with specialised partners and outsourcers and sourcing wholesale services are decisive for our business success. Successful partnerships are based firstly on partner screening, but above and beyond that on the close cooperative exchanges that come from personal support. Another reason why the

(20) According to the NAP (page 4), "few countries' economies are so internationally entwined as that of the Federal Republic of Germany".

integrity of our business partners is essential for us is that negative events could impact 1&1 Drillisch (market and reputational risk). In addition, due diligence requirements in the value chain are currently attracting political attention (see above), which could result in political and legal risks.

GOALS AND MEASURES

GRI 103-2

The purpose of the management approach is to create value together with our business partners through strong, fair partnerships. On the one hand we want to avoid any liability and reputational risks that could arise from business relationships, while on the other we aim to establish the trust needed for long-term partnerships, and to reinforce our joint assumption of responsibility.

See Code of Conduct for Business Partners and General Terms and Conditions for Procurement at United Internet Corporate Services GmbH (German only)

Relevant guidelines include our Code of Conduct and, in particular, the Code of Conduct for Business Partners. The latter is a major component of ensuring that partners observe the duties of care that are relevant for compliance, and a key way of reducing compliance risks within the value chain. The Code builds on our corporate values to define minimum social and environmental standards, and lays down rules on how to comply with them. The Code of Conduct for Business Partners has been incorporated into the contracts entered into with business partners by including it in the General Terms and Conditions for Procurement of the United Internet Corporate Services GmbH, which provides a variety of procurement services for 1&1 Drillisch Group.

Significant volumes of wholesale services are sourced in the form of network services and devices. The areas entrusted with procuring these wholesale service also see themselves as “partner managers”. They ensure that the products and services concerned are of a high quality and fit for the future, and manage reliable business relationships on the basis of trust. Carrier Management performs end-to-end management and coordination of the relationships with wholesale telecommunications partners, both for fixed networks and for mobile accounts. Partner Account Management is responsible for hardware procurement (information and communications technology (ICT) products and devices) for our customers in the case of both fixed networks and mobile accounts. Ultimate responsibility lies with the management board members for Product Management and Partner Management. In addition, special areas coordinate the outsourcing of customer care services, among other things.

RESULTS AND ASSESSMENT

GRI 103-3

In connection with our supply and value chain, we would first like to create an increasingly complete presentation of the relevant actors and topics (mapping). As soon as we have meaningful data with which to present them, these topics will be included in the Sustainability Report. In addition, details are given in the following sections.

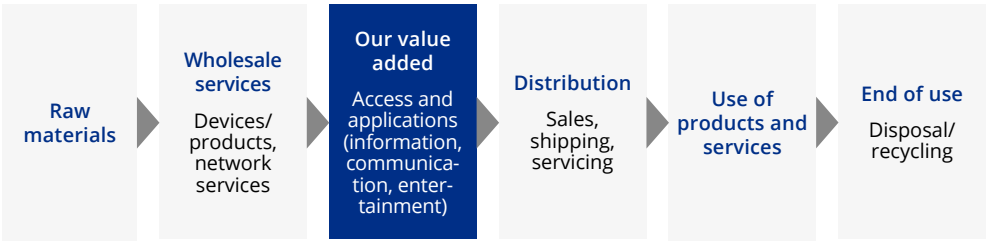
CONTRIBUTION TO THE SDGS

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

DESCRIPTION OF OUR SUPPLY AND VALUE CHAIN

GRI 102-9

1&1 Drillisch offers to its customers a comprehensive portfolio of tailored services and products from the sector of mobile voice and data services as well as fixed network connections (broadband), encompassing mobile-only and broadband-only products as well as bundled products with various product accessories. The following graphic shows a simplified overview of the 1&1 Drillisch Group's supply and value chain:



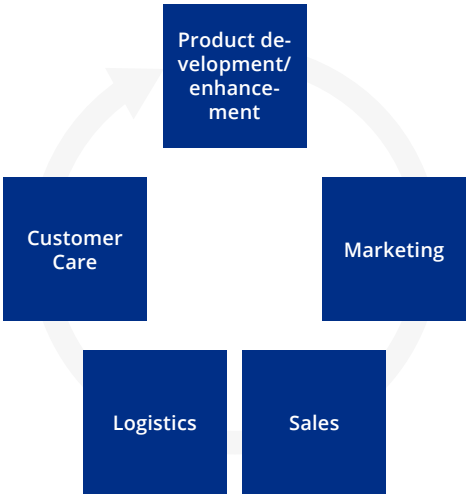
UPSTREAM

1&1 Drillisch mainly sources network services (fixed network and mobile) from the upstream value chain[21]. The Company uses its right of access to the Telefónica mobile network and also purchases fixed network services from 1&1 Versatel, a member company of the United Internet Group, as well as from other wholesale service providers. Moreover, the Company procures devices such as smartphones and routers from international manufacturers. In turn, these wholesale services are based in part on a multistage upstream value chain stretching all the way back to raw materials extraction.

In addition, 1&1 Drillisch sources services provided by specialised partners and outsourcers. Taken together, these items make up the bulk of our procurement volumes. All in all, we sourced revenue-related services and goods worth approximately €2.5 billion (2018: €2.4 billion) from our business partners in 2019. Sourcing wholesale services places high demands on the business relationships involved.

(21) The upstream value chain comprises cradle-to-gate goods and services (Greenhouse Gas Protocol, 2011).

OUR VALUE ADDED



1&1 Drillisch primarily adds value in the areas of product development and enhancement, marketing, sales and customer care; in addition, the organisation has its own logistics capabilities.

1&1 Drillisch itself provides many services that belong to the Company's core business and for which 1&1 Drillisch has a competitive advantage. These services include first and foremost information technology (IT). IT services are procured from IQ-optimize Software AG, a wholly-owned subsidiary. All the know-how and expertise that an MBA MVNO needs for a successful business are concentrated here. 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. So 1&1 Drillisch is independent of any third-party service providers and can respond quickly and flexibly whenever adaptations are required. The services provided by IQ-optimize are supplemented by the technical infrastructure of 1&1 Telecommunication SE. 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 our cooperation with business partners and a united approach to suppliers.

The graphic breaks down the "Our Value Added" link in the earlier value chain in more detail.

DOWNSTREAM

Due to the high quality standards of 1&1 Drillisch, important parts of the value chain such as service operations for customers are carried out by both internal employees and external service providers, whereby the training of these support employees is carried out centrally by an internal corporate unit. Downstream[22] activities can be highly relevant, since in many cases the contractual commitments of our customers can lead to long-term customer relationships which can facilitate growth. This means that the use phase for our products is a material part of our business – including from a sustainability perspective. Other business partners in the downstream value chain are shipping partners, who are responsible for delivering devices to customers, and partners who ensure that waste devices are recycled/disposed of in an environmentally friendly manner.

(22) Downstream activities cover goods and services following their sale/distribution by the reporting enterprise and transfer of control to another unit or organisation.

IMPACTS ON THE VALUE CHAIN

Upstream

We primarily source network services and ICT products from the upstream value chain. These must mainly be seen from the perspective of their environmental impact, since the use of networks involves the consumption of substantial energy and resources.

Servers and devices such as smartphones and tablets have environmental impacts that can be relevant, especially with respect to their electronic components up to and including the extraction of the raw materials concerned. A social perspective is becoming important here, since raw materials in particular are frequently mined in countries in which the standards for working conditions and environmental protection are lower than in Germany, for example. In addition, the issue of "conflict minerals" must be addressed. The extraction of minerals such as tin, tantalum, tungsten, and gold – which are used among other things in smartphones as well as for various applications in the automotive sector – sometimes involves forced labour or helps finance armed conflicts. We address this risk in our Code of Conduct for Business Partners.

GRI 308-2
GRI 414-2

See "Code of Conduct for Business Partners" on page 68

Our Valued Added

Our own value creation – from product development down to customer care – takes place exclusively in Germany. Impacts on the environment and society, such as our energy consumption or our responsibility as an employer, are examined in detail in the various chapters of this Sustainability Report.

Downstream

Services that we commission from specialised partners and outsourcers include parts of our customer service and sales operations and shipping products to customers. Social impacts in the form of data protection, data security and working conditions must be taken into account here, and we expect our service providers to comply with the strict requirements in these areas.

See "Measures and Tools relating to Call Centre Service Providers" on page 69

Equally, environmental topics are relevant. Deliveries by our service providers use fuel and emit greenhouse gases. In addition, recycling or disposing of retired devices and IT equipment in an environmentally friendly manner is a relevant environmental factor, which is why we work with specialised partners in this area.

See "Customer Hardware" on page 55, "Hardware in Data Centres and Office Buildings" on page 55 and "Emissions from Shipping Distances" on page 58

COOPERATION WITH OUR BUSINESS PARTNERS

We aim to ensure our business partners also take responsibility and make this the basis of our cooperation, so as to be able to build reliable, long-term relationships and assume responsibility together. In addition to our existing close cooperation and personal contacts with our business partners, especially in the wholesale area, the contracts we have agreed with major suppliers of smartphones and other ICT devices in particular specify that ethical principles and working standards must be observed. Partner Management is in close contact with our major wholesalers here.

GRI 308-1
GRI 414-1

RESPONSIBILITY FOR HUMAN RIGHTS DUE DILIGENCE

GRI 414
GRI 414-2

The NAP for Business and Human Rights expects large enterprises to take responsibility throughout their value chain, to perform a risk analysis, and then on this basis to introduce an appropriate corporate due diligence process to ensure respect for human rights. The five core elements of the NAP are:

- A human rights **policy statement** (public commitment plus expectations made of employees and business partners)
- **Procedures for the identification** of actual or potential adverse impacts on human rights (relating to the organisation's own activities, supply chains, business relationships etc.)
- Measures to **ward off** potential adverse impacts and to review the effectiveness of these measures
- **Reporting** (on the approach to due diligence and the effectiveness of the measures taken)
- A **grievance mechanism** (provision of and participation in appropriate channels for making complaints, so as to give affected individuals access to remedies)

Policy Statement

See United Nations

See Guiding Principles of the United Nations

For 1&1 Drillisch, respect for human rights is an integral component of its corporate culture. The Company has committed itself to observing the United Nations' Universal Declaration on Human Rights. We have taken measures to prevent, mitigate and redress any potential adverse human rights impacts. In this context, 1&1 Drillisch complies with the UN Guiding Principles on Business and Human Rights. We have included principles designed to ensure respect for human rights in our corporate values and our Code of Conduct.

Procedures for the Identification of Adverse Impacts, and Grievance Mechanism

We have established grievance procedures in the form of confidential reporting channels to enable adverse impacts to be identified at an early stage. By appointing central and local compliance managers and designated persons of trust, the organisation has created confidential points of contact for employees outside their immediate working environments. These grievance mechanisms ensure that 1&1 Drillisch can effectively meet its corporate due diligence requirements with regard to human rights. 1&1 Drillisch takes all perceived injustices extremely seriously. Our overarching goal is to become aware of any incidents at an early stage and to get to the bottom of all complaints regarding human rights violations. There were no indications in fiscal year 2019 of any violations suggesting actually or potentially adverse human rights impacts.

Measures to Ward off Adverse Impacts, Effectiveness Reviews and Reporting

The risk of human rights violations within the 1&1 Drillisch Group is extremely small: All of 1&1 Drillisch Group's employees are located in Germany; no human rights risks were established for these employees.

As regards our business partners, we consider appropriate working conditions – from the remuneration paid through working times down to occupational safety – to be a relevant topic. 1&1 Drillisch Group has commissioned United Internet Corporate Services GmbH to provide purchasing and procurement services. United Internet Corporate Services GmbH has introduced a Code of Conduct for Business Partners that formulates our expectations of our business partners with regard to human rights matters, among other things. Reporting on due diligence with regard to human rights is mainly performed in connection with the Sustainability Report.

GRI 308-1
GRI 414-1

CODE OF CONDUCT FOR BUSINESS PARTNERS

The Code of Conduct for Business Partners builds on our corporate values to define minimum social and environmental standards in the areas of business integrity and compliance, human rights and labour rights, health and safety and the environment. The Code specifies how the requirements are to be met and provides information on suitable channels for reporting any indications of problems. For example, 1&1 Drillisch provides employees at its business partners who want to notify it of potential violations of the law or of the Code of Conduct for Business Partners with a confidential reporting channel. At the same time, its business partners must ensure that employees are aware of this confidential reporting channel and that they can use it without any fear of reprisals.

GRI 308
GRI 414

See Code of Conduct for Business Partners (German only)

Business Integrity and Compliance

The Code of Conduct for Business Partners requires business partners to take appropriate measures to comply with all applicable laws, regulations and orders (compliance). No undue benefits may be requested or offered; anti-corruption laws and regulations and competition law and antitrust regulations must be observed; and sanctions and embargoes that have been imposed must be complied with (fair competition). In addition, suitable technical and organisational measures must be taken to protect the confidentiality, availability and integrity of all information transmitted by 1&1 Drillisch, and in particular of sensitive corporate data and personal data (information security and data protection).

Human and Labour Rights

With respect to human rights, the Code is based on the UN Guiding Principles on Business and Human Rights. The Code of Conduct for Business Partners stipulates that appropriate measures must be taken to prevent, mitigate and, if necessary, redress adverse human rights impacts, and that it also expects business partners to do this.

GRI 408
GRI 408-1
GRI 409
GRI 409-1
GRI 414-2

In concrete terms, the Code contains requirements to comply with the rules governing working times, wages and social security benefits (such as the minimum wage in Germany) (wages and working times). In addition, business partners may not use any form of forced, prison, slave or compulsory labour, and the use of conflict minerals must be examined and prevented, especially during the procurement and manufacture of goods (voluntary labour). Business partners may not employ children under the minimum age specified by the International Labour Organization (ILO) or national legislation (no child labour). Above and beyond this, business partners must ensure working environments that are free from psychological, physical, sexual or verbal abuse, intimidation, threats or harassment, and must undertake to ensure equal opportunities in their human resources decisions. Discrimination on the basis of nationality and national origin, ethnicity, political affiliation, gender, religion or belief, disability, age or sexual identity

See "ILO Conventions and Recommendations"

is prohibited (prohibition on discrimination).

Health and Safety

Business partners must ensure safe, healthy working environments in order to prevent accidents and sickness. Among other things, this includes holding regular training courses and providing suitable protective clothing.

Environment

Business partners undertake to comply with all applicable environmental legislation and to ensure the conservation of natural resources. Business partners whose activities have significant impacts on the environment should have effective environmental management policies in place to reduce the adverse impacts of their products and services on the environment.

MEASURES AND TOOLS RELATING TO CALL CENTRE SERVICE PROVIDERS

In 2018, the reporting channels were expanded, which continued to ensure that employees from external call centres were able to report any cases of fraud of which they became aware in the course of their support and sales activities.

In 2016, 1&1 Telecommunication SE and its subsidiaries introduced a systematic review of the outsourcing service providers with which it interfaces (due diligence outsourcing or DDO). This due diligence is built around self-reporting by the service provider using lists of questions on specific topics, plus a subsequent analysis and assessment. The standardised review focuses on the organisational, financial and legal position of the outsourcing service providers with whom contracts have been signed. This allows information about compliance and the internal control system (ICS), among other things, to be captured.

We have established binding rules to prevent fraud in the support and sales functions at our outsourcing service providers and have agreed them with our partners. We have implemented an internal control function to review conspicuous behaviour by both external and internal call centre employees.

The results are documented in a review report and addressed, in the form of concrete recommendations for measures, to Compliance, Legal and the management responsible for implementing the measures, among other instances. In fiscal year 2019, a total of 10 outsourcing service providers were reviewed. This means that three years after the DDO process was introduced, a large proportion of integrated call centres have been reviewed. There were no material indications of adverse impacts in relation to the social aspects of working practices, human rights and compliance.

ANNEX

GRI CONTENT INDEX AND CSR-RUG DISCLOSURES

The GRI Content Index maps all GRI disclosures made to the relevant sections of this report. This report has been prepared in accordance with the GRI Standards: Core option. All GRI disclosures relate to the 2016 GRI Standards. The topic-specific disclosures in part (II) of the table have been assigned to the aspects in the German CSR Directive Implementation Act (CSR-Richtlinien-Umsetzungsgesetz – CSR-RUG).

GRI 102-54
GRI 102-55

GRI 102: General Disclosures

Table 18

GRI Standard number	GRI Standard titles	Reference to relevant sections of the report / other sources, comments	Page
ORGANISATIONAL PROFILE			
GRI 102-1	Name of the organisation	Organisational Profile	5
GRI 102-2	Activities, brands, products and services	Organisational Profile	6
GRI 102-3	Location of headquarters	Organisational Profile	5
GRI 102-4	Location of operations	Organisational Profile	5
GRI 102-5	Ownership and legal form	Organisational Profile	6
GRI 102-6	Markets served	Organisational Profile	5, 6
GRI 102-7	Scale of the organisation	Organisational Profile; Our Human Resources Strategy and HR Organisation	5, 6, 38
GRI 102-8	Information on employees and other workers	Our Human Resources Strategy and HR Organisation; Employee Diversity	46
GRI 102-9	Supply chain	Description of Our Supply and Value Chain; Human and Labour Rights	64
GRI 102-10	Significant changes to the organisation and its supply chain	Organisational Profile; "General information about the Company and Group" in the Annual Report (AR)	6
GRI 102-11	Precautionary Principle or approach	Risk Management; Compliance and Anti-corruption; "Risks, opportunities and forecast report" (AR)	10, 11
GRI 102-12	External initiatives	Stakeholder Dialogue; 1&1 Drillisch as an Employer (Fair Company Initiative; Diversity Day; Komm, mach MINT)	18, 44, 45
GRI 102-13	Membership of associations	Stakeholder Dialogue	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	The Basis for Acting Responsibly; Our Values and Guidelines; Compliance and Anti-corruption; Our Values and Corporate Culture	9, 11, 39
GOVERNANCE			
GRI 102-18	Governance structure	The Basis for Acting Responsibly; "Statement on Corporate Management/ Corporate Governance Report" (AR)	9
GRI 102-20	Executive-level responsibility for economic, environmental and social topics	Nachhaltigkeitsmanagement	18
STAKEHOLDER ENGAGEMENT			
GRI 102-40	List of stakeholder groups	Stakeholder Dialogue; Process Used to Define Material Topics	18, 77
GRI 102-41	Collective bargaining agreements	Fair Pay	48
GRI 102-42	Identifying and selecting stakeholders	Stakeholder Dialogue; Process Used to Define Material Topics	18, 77
GRI 102-43	Approach to stakeholder engagement	Stakeholder Dialogue; Process Used to Define Material Topics	18, 77
GRI 102-44	Key topics and concerns raised	Materiality Analysis: Topics and Action Areas; Process Used to Define Material Topics	13, 78
REPORTING PRACTICE			
GRI 102-45	Entities included in the consolidated financial statements	About this Report: Reporting Period, Reporting Cycle and Scope of Application	80
GRI 102-46	Defining report content and topic Boundaries	Materiality Analysis: Topics and Action Areas; Process Used to Define Material Topics	13, 75
GRI 102-47	List of material topics	Materiality Analysis: Topics and Action Areas	13
GRI 102-48	Restatements of information	New Developments; In addition, new representations are marked at the respective places.	12
GRI 102-49	Changes in reporting	New Developments	12
GRI 102-50	Reporting period	About this Report: Reporting Period, Reporting Cycle and Scope of Application	80
GRI 102-51	About this Report	About this Report: Reporting Period, Reporting Cycle and Scope of Application	80
GRI 102-52	Reporting cycle	About this Report: Reporting Period, Reporting Cycle and Scope of Application	80
GRI 102-53	Contact point for questions regarding the report	Publication Details	81
GRI 102-54	Claims of reporting in accordance with the GRI Standards	GRI Content Index	70
GRI 102-55	GRI content index	GRI Content Index	70
GRI 102-56	External assurance	About this Report: Preparation, Publication and Examination of the Sustainability Report	80

Topic-specific Standards 2016 (GRI 200 – Economic, GRI 300 – Environmental, GRI 400 – Social) and Management Approach (GRI 103)[23]

Table 19

GRI Standard number	GRI Standard titles	Reference to relevant sections of the report / other sources, comments	Page
SOCIAL MATTERS			
GRI 203	**Indirect Economic Impacts**		
GRI 203-1	Infrastructure investments and services supported	Organisational Profile; "General information about the Company and Group" and further chapters (AR)	5
ANTI-CORRUPTION AND BRIBERY			
GRI 103	**Management Approach**	Compliance and Anti-corruption	11
GRI 205	**Anti-corruption**		11
GRI 205-2	Communication and training about anti-corruption policies and procedures	Compliance and Anti-corruption	11
GRI 205-3	Confirmed incidents of corruption and actions taken	Compliance and Anti-corruption	11
ENVIRONMENTAL MATTERS			
GRI 103	**Management Approach**	Climate and Environmental Protection	51
GRI 201	**Economic performance**		
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Climate and Environmental Protection	51
GRI 301	**Materials**		54
GRI 301-1	Materials used by weight or volume	Material Consumption and Logistics: Hardware in Data Centres and Office Buildings; Materials Used for Shipments; Paper Consumption	55, 56, 58
GRI 302	**Energy**		53
GRI 302-1	Energy consumption within the organisation	Energy Consumption; Employee Mobility	53, 59
GRI 302-3	Energy intensity	Energy Consumption	53
GRI 302-4	Reduction of energy consumption	Energy Consumption	53
GRI 305	**Emissions**		53
GRI 305-1	Direct (Scope 1) GHG emissions	Energy Consumption; Employee Mobility	53, 59
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Energy Consumption; Employee Mobility	53, 59

(23) The description of the management approaches in accordance with GRI 103 covers GRI Standards 103-1, 103-2 and 103-3. In addition to the GRI requirements, the description of the management approaches complies with the statutory requirements for the presentation of the policies pursued in relation to the non-financial aspects.

GRI 305-3	Other indirect (Scope 3) GHG emissions	Material Consumption and Logistics: Hardware in Data Centres and Office Buildings; Materials Used for Shipments; Emissions from Shipping Distances; Paper Consumption; Employee Mobility	53, 56, 58, 59
GRI 308	**Supplier Environmental Assessment**		68
GRI 308-1	New suppliers that were screened using environmental criteria	Cooperation with our Business Partners; Responsibility for Human Rights Due Diligence	66, 68
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Impacts on the Value Chain	66

EMPLOYEE MATTERS

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GRI 401	**Employment**		38
GRI 401-1	New employee hires and employee turnover	Our Human Resources Strategy and HR Organisation; Employee Diversity	38, 46
GRI 403	**Occupational Health and Safety**		48
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	Occupational Health and Safety: Employee Absences in Figures	50
GRI 404	**Training and Education**		41
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	Training and Education; Development and Prospects; Personal Development Opportunities	41
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Training and Education; Development and Prospects	41
GRI 405	**Diversity and Equal Opportunity**		44
GRI 405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunities; Corporate Governance; Employee Diversity; Fair Pay; "Statement on Corporate Management/ Corporate Governance Report" (AR)	9, 44, 46, 48
GRI 405-2	Ratio of basic salary and remuneration of women to men	Fair Pay	48
GRI 406	**Non-discrimination**		44
GRI 406-1	Incidents of discrimination and corrective actions taken	Diversity and Equal Opportunities	45

RESPECT FOR HUMAN RIGHTS

GRI 103	**Management Approach**	Compliance and Anti-corruption; Description of our Supply and Value Chain; Code of Conduct for Business Partners	11, 64, 68
GRI 408	**Child labour**		68

GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	Code of Conduct for Business Partners: Human and Labour Rights	68
GRI 409	**Forced or compulsory labour**		68
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Code of Conduct for Business Partners: Human and Labour Rights	68
GRI 414	**Supplier Social Assessment**		67, 68
GRI 414-1	New suppliers that were screened using social criteria	Cooperation with our Business Partners; Responsibility for Human Rights Due Diligence	66, 68
GRI 414-2	Negative social impacts in the supply chain and actions taken	Cooperation with our Business Partners; Responsibility for Human Rights Due Diligence; Code of Conduct for Business Partners	66, 67, 68
CUSTOMER MATTERS			
GRI 103	**Management Approach**	Customer-related Matters and Product Responsibility; Corporate Digital Responsibility	20, 27
GRI 416	**Customer health and safety**		25
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Product Responsibility	25
GRI 417	**Marketing and Labelling**		33, 55
GRI 417-1	Requirements for product and service information and labeling	Information Protection Measures; Secure E-Commerce; Material Consumption and Logistics, in particular Customer Hardware	33, 35, 55
GRI 418	**Customer Privacy**		28
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Ensuring Data Privacy at 1&1 Drillisch	30

OVERVIEW OF THE RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Table 20

Element	Recommendation	Chapter/section, cross-reference	Page
Governance	Governance around climate-related risks and opportunities	"Climate and Environmental Protection" management approach	51
Strategy	Actual and potential impacts of climate-related risks and opportunities on the business (areas), strategy and financial planning	"Climate and Environmental Protection" management approach	51
Risk Management	How the organisation identifies, assesses and manages climate-related risks	"Climate and Environmental Protection" management approach; "Risk Management" (AR)	51
Metrics and Targets	Metrics and targets to assess and manage relevant climate-related risks and opportunities	KPIs in chapter entitled "Climate and Environmental Protection"	51

ABOUT THIS REPORT

This Sustainability Report is addressed to all 1&1 Drillisch stakeholders. These comprise in particular investors, analysts, customers, employees, business partners, NGOs, political representatives and the general public.

REPORT STRUCTURE, METHODOLOGY AND FRAMEWORKS

This Sustainability Report contains 1&1 Drillisch's consolidated non-financial statement as required by the German CSR Directive Implementation Act (CSR-Richtlinien-Umsetzungsgesetz – CSR-RUG) (sections 315b and 315c in conjunction with section 289c of the German Commercial Code (Handelsgesetzbuch – HGB)). The consolidated non-financial statement and the non-financial statement for the parent company, 1&1 Drillisch AG, have been combined in this separate non-financial report.

The disclosures on diversity required by the CSR-RUG can be found in the Statement on Corporate Management / Corporate Governance Report

This report contains the statutory and supplementary disclosures for the material aspects for 1&1 Drillisch: environmental matters, employee-related matters, social matters, respect for human rights and anti-corruption and bribery matters. This list of minimum aspects required by the CSR-RUG has been supplemented by "customer-related matters". These are material for 1&1 Drillisch and must therefore be reported. In addition to customer satisfaction, customer-related matters include information security, data protection and digital transformation in general – all of which are particularly relevant to the sector. This is why these topics are presented in a separate chapter entitled "Corporate Digital Responsibility."

In addition to the CSR-RUG, our reporting is based on the internationally recognised Sustainability Reporting Standards published by the Global Reporting Initiative (GRI). This report has been prepared in accordance with the GRI Standards: Core option. Both the CSR-RUG and the GRI Standards expect information to be presented on how the material topics and their impacts are managed, and in particular the associated goals and measures and the procedures used for risk identification and mitigation. The CSR-RUG uses the term "policy" ("Konzept") in this context, whereas the GRI talks about the "management approach." The latter term is used in this report, as our objective is to prepare a sustainability report that complies with the GRI Standards and that contains the non-financial statements. Consequently, the "management approaches" in this report include the CSR-RUG's "policies." In addition, we have applied the European Commission's Guidelines on non-financial reporting, which build on Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups – the European Directive underlying the CSR-RUG.

PROCESS USED TO DEFINE MATERIAL TOPICS

GRI 102-46

We applied the Materiality principle when defining the report content and considered the expectations of our stakeholders. The main requirements used to define the material topics were those set out in the GRI Standards, the CSR-RUG and the abovementioned EU Guidelines. We observed the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness during the definition process.

Definition of Materiality

Since these frameworks are based on different definitions of "materiality", the analysis takes a variety of viewpoints into account (see also the figure).

Sustainability reports prepared in accordance with the GRI Standards must define material topics using the following two dimensions:

» Their influence on the assessments and decisions of stakeholders and/or

» The significance of the economic, environmental and social impacts of the organisation's activities

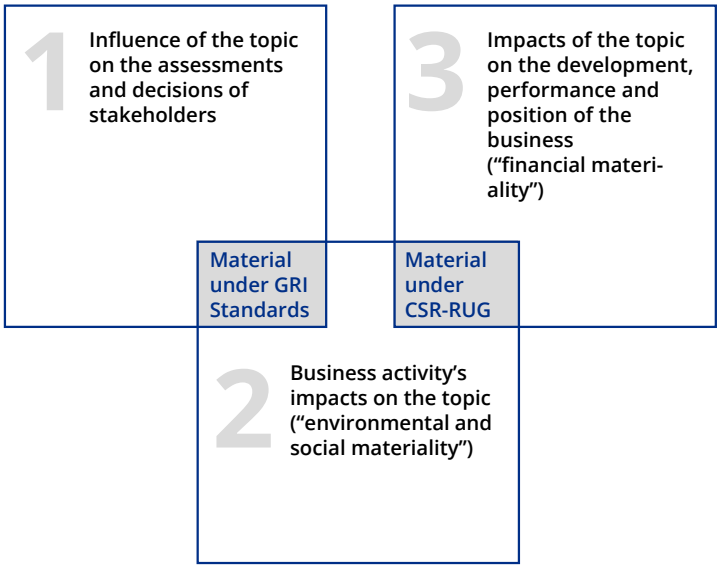
The CSR-RUG and the EU Guidelines require at a minimum disclosures to be made on the non-financial aspects of environmental, social and employee matters, anti-corruption and bribery and respect for human rights that are necessary to understand

» the development, performance and position of the organisation's business and

» the impact of its operations on the abovementioned aspects.

The term "double materiality" is used to describe this combination of financial materiality on the one hand and environmental and social materiality on the other.

Definition of Materiality in the GRI Standards and the CSR-RUG



Translation into Criteria for Defining Materiality

In order to do justice to both definitions, we evaluated the following criteria to define the material topics at the 1&1 Drillisch Group.

1. Influence on the Assessments and Decisions of Stakeholders

Stakeholder Analysis

GRI 102-40
GRI 102-42
GRI 102-43

1&1 Drillisch has given special consideration to the suggestions and opinions of financial market participants and customers for the assessment of the sustainability relevance of topics because these stakeholders are involved in or affected by the operational business in a special way. Customer feedback is continuously and comprehensively collected through (satisfaction) surveys. Financial market participants – primarily shareholders, analysts and the financial/specialist press – express their estimations in regular and event-related discussions. Employees and business partners, which are other important stakeholder groups, direct their concerns primarily to the departments Human Resources, Purchasing and Carrier Management.

The results allowed 1&1 Drillisch to identify topics that internal and external stakeholders consider to be material.

Supplementary Analysis of Capital Market Requirements and Frameworks

In the reporting period, we also analysed what sustainability expectations 1&1 Drillisch currently has to meet to satisfy investors, ESG ratings and analysts, along with recent frameworks, standards and initiatives. Firstly, this ensures that we can meet the requirements of the capital markets – which are becoming increasingly interested in ESG topics and which are a key target group for the Sustainability Report. Secondly, it helps ensure that our materiality analysis remains up to date, since innovations are often rapidly reflected in capital market decisions and in initiatives.

The following new key reference items have been included in this Sustainability Report: a number of ESG ratings, assessments and investor queries; the United Nations' Sustainable Development Goals (UN SDGs, also referred to as the "Global Goals"); the European Commission's revised Guidelines on non-financial reporting, which form part of the EU's Sustainable Finance Action Plan (including the Supplement on reporting climate-related information that was published in 2019); and the 2017 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on linking climate-related reporting with financial information.

As a result, we were able to expand the list of topics derived from our direct stakeholder survey and identify those topics that are particularly relevant at present.

2. Business Activity's Impacts

The GRI Standards, the CSR-RUG and the EU Guidelines all define "impacts" as the economic, social and/or environmental effects that an organisation's activity has on the goal of sustainable development. This represents "environmental and social materiality," which can be of interest to consumers, employees, business partners, municipalities, civil society organisations and society as a whole.

We adopted as broad a social perspective as possible on our organisation and our sector when defining 1&1 Drillisch's potential impacts on society and the environment. To do this, we analysed frameworks, standards, initiatives, agreements, studies and research results, among other things – including materials with a sector-specific focus, where applicable. Examples include the UN SDGs (which we also examined from a sector-specific perspective), the UN Global Compact, the Paris Agreement and studies and discussion papers produced by civil society organisations and research institutions. We comply with the CSR-RUG in the process and examine the potential impacts of our own business activity, products and services and business relationships.

3. Impacts on the Development, Performance and Position of the Business

The main criterion that we used to assess business relevance was whether a particular topic is included in the 1&1 Drillisch Group's financial reporting. We focused primarily on the Report on Risks and Opportunities in this context, although we also looked at other areas of the annual reporting. The sustainability topics identified in this way are considered to be directly relevant to the business.

See TCFD Report

We then widened this analysis by consulting the expanded definition of risk used in the EU Guidelines. Our objective is to ensure a broader time frame along the entire value chain. The risk types included in the TCFD recommendations – which cover political, legal, technological, market and reputational risk in addition to physical risk – can be used for this.

Next, we started the process of identifying such risks by taking a look at regulatory developments. Among other things, these include the EU Sustainable Finance Action Plan, along with Germany's decision to introduce carbon pricing and its National Action Plan to implement the UN Guiding Principles on Business and Human Rights, followed by the federal government's plans to make human rights and the supply chain a core focus of Germany's presidency of the Council of the European Union in the second half of 2020.

See Global Risks Report 2020

We also examined overarching data and research results on risks. For example, the top five global risks in terms of likelihood listed in the World Economic Forum's Global Risks Report 2020 are by now all environmental and climate-related. For the fourth year in a row, the top five risks in terms of severity of impact include four from the environment and society categories (with the number one risk being "failure of climate change mitigation and adaption"). By contrast, economic risks have declined in importance over recent years.

Results: Materiality Matrix

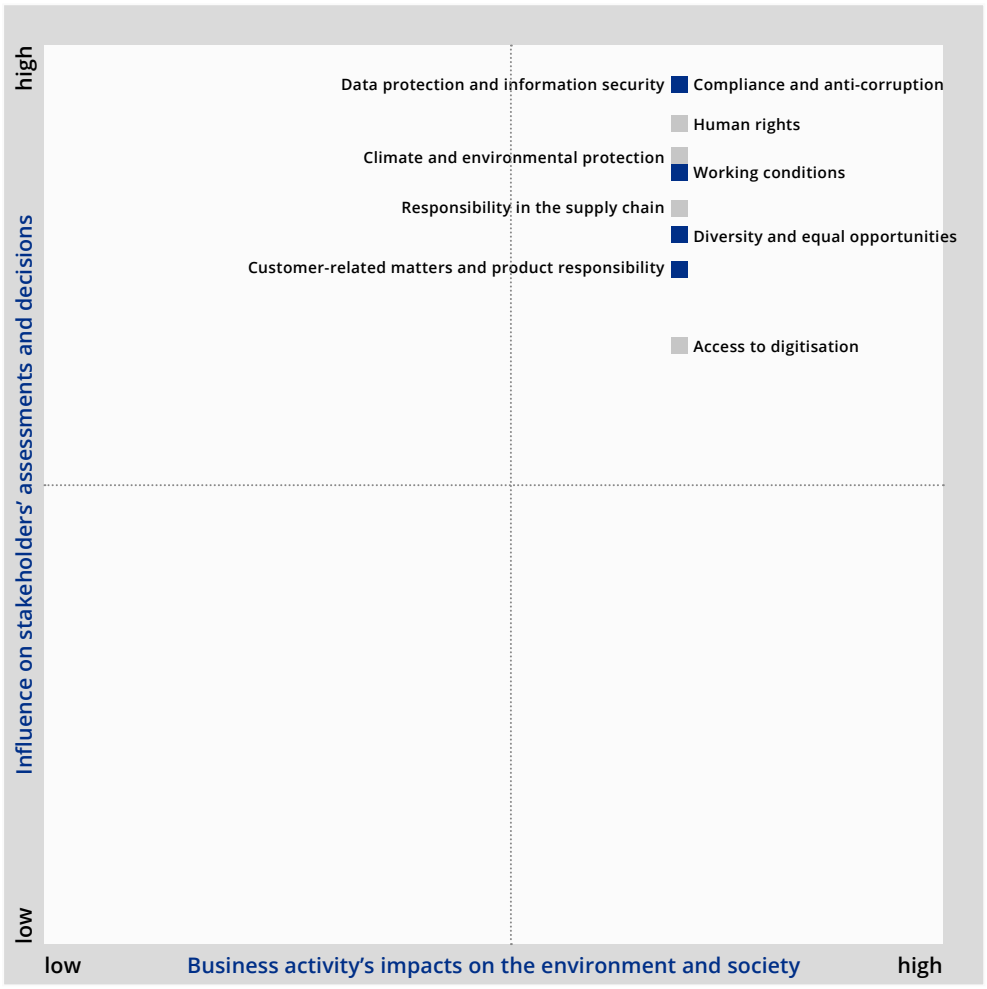
GRI 102-44

The materiality matrix shows the results of the analysis. The horizontal axis shows the impacts of 1&1 Drillisch's business activity on the environment and society; this dimension is common to both the GRI Standards and the CSR-RUG. The vertical axis shows the relevance of topics for stakeholders in line with the GRI Standards. The top right quadrant shows (in descending order) topics that not only represent relevant impacts by 1&1 Drillisch but are also important to our stakeholders. The renewed analysis of capital market players' wishes has led to a particular emphasis on these stakeholders.

The square boxes show the business relevance of the topics as defined by the CSR-RUG. Topics that have been assigned blue boxes are directly relevant to the business, as can be seen from the fact that they are included in financial reporting, e.g., as part of the Risk Report. Grey boxes are used to denote topics that are currently indirectly relevant

to the business if an expanded definition of risk is used (i.e., if regulatory, social and capital market expectations are used as indicators).

Materiality Matrix: 1&1 Drillisch's Sustainability Topics



See "Responsible Corporate Management" on page 9

An overview of how the topics identified are linked to the non-financial aspects under the CSR-RUG and of the action areas they are addressed in is given in the section entitled "Materiality analysis: Topics and Action Areas".

See "GRI Content Index and CSR-RUG Disclosures" on page 70

In addition, the table entitled "GRI Content Index and CSR-RUG Disclosures" links the statutory requirements with the GRI requirements.

OTHER REPORTING REQUIREMENTS

See the 1&1 Drillisch Group's Annual Report

The CSR-RUG also requires the principle risks to be reported that are linked to the Group's operations or to its business relationships, products and services that are highly likely to cause material adverse impacts on the abovementioned aspects, to the extent that these risks are necessary for an understanding of the organisation's development, performance and position and of the impacts on the abovementioned aspects. Please see the Risk Report in the Group's Annual Report, which presents the centrally managed risk management system.

In addition, there are reporting requirements relating to the most important non-financial performance indicators. Please see the chapter of the Group's Annual Report entitled "Significant Non-financial Performance Indicators".

REPORTING PERIOD, REPORTING CYCLE AND SCOPE OF APPLICATION

GRI 102-45
GRI 102-50
GRI 102-51
GRI 102-52

1&1 Drillisch's Sustainability Report is published annually. This report covers the fiscal year from January 1, 2019, to December 31, 2019. Where appropriate, prior-period figures for fiscal years 2017 and 2018 are presented or outlooks are given, as required under the GRI Standards. Such places are specifically indicated.

Since this is the Sustainability Report for the 1&1 Drillisch Group, the statements it contains apply in principle to all divisions and locations and to all subsidiaries. Where individual disclosures do not yet apply to all companies, locations and areas covered by this report, this is indicated. We intend to continuously expand the data pool on which the reporting is based. The previous report was published in April 2019.

PREPARATION, PUBLICATION AND EXAMINATION OF THE SUSTAINABILITY REPORT

GRI 102-56

The non-financial statement taking the form of this Sustainability Report is prepared and published by 1&1 Drillisch AG's Chief Financial Officer on behalf of the Company's Management Board. In the course of its subsequent independent examination, the Supervisory Board addressed the Non-financial Report as a whole in depth and examined it for compliance with the law, propriety and appropriateness. The Supervisory Board critically reviewed the context of the non-financial statement and discussed it with the Management Board, which was available to answer supplementary questions and provide additional information. Following its own examination, the Supervisory Board came to the conclusion that there were no grounds for any objections to the non-financial statement.

See Sustainability Report on 1&1 Drillisch's website

This report will be publicly available in German and English in early April 2020 as a PDF download on 1&1 Drillisch AG'S website.

PUBLICATION DETAILS

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This report is available in German and English. Both versions can be downloaded from www.1und1-drillisch.de. In cases of doubt, the German version shall prevail.

Disclaimer:
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 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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