software AG

Remuneration system of the Management Board

Pursuant to the Act Implementing the Second Shareholder Rights Directive (ARUG II), a new § 120a AktG was enacted. Section 120a para. 1 AktG provides that the shareholders' meeting of any publicly listed company shall deliberate and decide on the remuneration system presented by the supervisory board for members of the management board whenever there is a significant change, but at least every four years. The Personnel Committee and Supervisory Board of Software AG had extensively addressed the remuneration system of its Management Board members in fiscal year 2020 and enacted changes as of January 1, 2021. These changes are intended to ensure that there is conformity with the German Corporate Governance Code (GCGC) and the AktG, as amended by the Act Implementing the Second Shareholder Rights Directive of December 12, 2019.

The following changes should be specifically highlighted:

AktG and GCGC requirements	Current state	Actions
§87 AktG [...], the remuneration structure is to be oriented towards the promotion of a **sustainable development** of the enterprise. [...]	No sustainable performance criteria (ESG) are considered	ESG (Environmental, Social and Governance) considered in the STI
§87a AktG This remuneration system shall contain [...] the **determination of a maximum remuneration** for the Management Board members.	Caps are only expressed as percentages on variable remuneration. No maximum remuneration amount (incl. all remuneration elements) defined	Definition of maximum remuneration on individual basis. In this context, the maximum payout from the Long-Term Incentive Plan (LIP) is capped at 200% of the target amount. The maximum compensation for the Chairman of the Management Board is EUR 5,900,000, and for the ordinary members of the Management Board EUR 2,900,000 each. Also, the pension scheme will be changed to a cash contribution scheme and reduced to a level that ensures a market appropriate maximum remuneration.
G.10 GCGC: [...] Granted long-term variable remuneration components shall be accessible to Management Board members only after a **period of four years**.	Performance period is shorter than recommended by DCGK	Plan period for long-term variable remuneration extended to four years
G.11 GCGC: The Supervisory Board [...] shall be permitted to **retain (malus) or reclaim (clawback) variable remuneration**, if justified.	There are no clawback / malus clauses included in the remuneration system	Malus and clawback clauses included in contracts
G.14 GCGC: Change of control clauses that commit to benefits in the case of early termination of a Management Board member's contract due to a change of control **should not be agreed upon**.	Application of change of control clauses	Change of control clauses excluded from contracts

Market/investor/proxy advisor requirement: Requirement that management board members significantly invest into shares of the company**.**	No share ownership requirements	Management Board members are required to hold the equivalent of 100% of their net base salary in Software AG shares (accumulated within four years)
D&I requirement: Comparable positions should receive equal or comparable remuneration.	Mrs. Dr. Frank's total target remuneration as CHRO is about EUR 250.000 lower than Mr. Dr. Heiden's total target remuneration as CFO	Due to her increased responsibilities and experience in the Management Board role, Mrs. Dr. Frank received together with the new remuneration system the offer to adjust her remuneration to the same level as for the CFO, retroactively effective from January 1st, 2021.

The remuneration system for the members of the Management Board presented below was approved by the Annual Shareholders' Meeting on May 12, 2021, with a majority of 94.83 % of the valid votes cast.

a) Basic features of the remuneration system

The Management Board compensation system ("remuneration system") has been designed to be simple, comprehensible and clear. It complies with the requirements of the German Stock Corporation Act as amended by the Act Implementing the Second Shareholders' Rights Directive of December 12, 2019 (Federal Law Gazette Part I 2019, No. 50 of December 19, 2019).

The remuneration system applies to potential contract extensions and to new service contracts to be concluded with Management Board members beginning January 1, 2021. With respect to current contracts contractual modifications would be required which are subject to the individual consent of each Management Board member.

b) Details of the remuneration system

(1) Maximum Remuneration (§ 87a para. 1 s. 2 no. 1 AktG)

The total remuneration to be granted for a fiscal year (total of all remuneration amounts expended for the fiscal year in question, including fixed annual salary, variable remuneration components, pension provision expenses and fringe benefits) of the members of the Management Board - irrespective of whether it is paid out in this fiscal year or at a later date - is capped in absolute terms ("Maximum Remuneration").

The maximum remuneration for the Chief Executive Officer (*Vorstandsvorsitzenden*) is set at EUR 5,900,000, the maximum remuneration for each of the Management Board Members is set at EUR 2,900,00.

Should the total remuneration calculated for a fiscal year exceed the Maximum Remuneration, then the amount paid out from the Long Term Incentive ("LTI") should be reduced to the extent necessary to adhere to the Maximum Remuneration level. If necessary, the Supervisory Board may reduce other remuneration components in its due discretion or demand repayment of remuneration that was already granted.

Independent of the fixed Maximum Remuneration, the amounts of each of the individual variable remuneration components that are to be paid are also limited.

(2) Contribution of the remuneration to promoting the business strategy and the long-term development of Software AG (§ 87a para. 1 s. 2 no. 2 AktG)

The remuneration system promotes Software AG's business strategy and long-term interests and thus contributes to Software AG's long-term development. Strengthening the profitable and sustainable growth of Software AG's business divisions is the focus and basis for the structure of the remuneration system for the members of the Management Board.

In this context, the remuneration system is adjusted to different targets aiming at profitability (in terms of profit margin), at growth (in terms of revenue and annual recurring revenue), at the development of company value (in terms of the stock price) and at environmental and social sustainability (in terms of ESG targets). These targets include, in particular, the long-term goals set out in the Helix strategy. The financial and non-financial criteria have different, but mostly perennial, terms, in order to support the strategic success of the Company permanently. Particular attention is paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and of the Management Board remuneration.

(3) Overview of the fixed and variable remuneration components and their respective relative proportion of the remuneration (§ 87a para. 1 s. 2 no. 3 AktG)

The revised remuneration system of the Management Board members comprises fixed and variable components. The fixed components of the remuneration for the Management Board members are the fixed annual salary, the pension provision expenses and fringe benefits. The variable components are the short-term variable remuneration ("STI") and the long-term variable remuneration. The long-term variable remuneration is comprised of the Performance-Phantom-Share (PPS) program and the Long-Term Incentive Plan ("LIP")

The proportion of the long-term variable remuneration to the total remuneration exceeds the proportion of the short-term variable remuneration. This applies to the target remuneration as well as the maximum remuneration.

i. Determination of the target total remuneration and the relative proportion of the respective remuneration components to the target total remuneration

The Supervisory Board determines a target total remuneration for the individual Management Board members. The target total remuneration comprises the total of all of the remuneration components which are relevant for the total remuneration. For STI and LTI, the respective target amounts upon 100% fulfilment of the targets for the budget ("Target Amounts of the Variable Remuneration Components") are decisive. The Supervisory Board determines the Target Amounts of the Variable Remuneration Components for each fiscal year. The Supervisory Board resolves, on the basis of the results determined for the previous fiscal years, in the course of planning the budget for the ongoing fiscal year, targets which the Company should achieve with regard to the performance criteria set forth in section (4).

For the fiscal year 2021 and with respect to the Chief Executive Officer, the expected proportion of the fixed remuneration (fixed annual salary, pension expenses and fringe benefits) is approximately 32% of the target total remuneration and the proportion of the variable remuneration is approximately 68% of the target total remuneration. The proportion of the STI (target amount) is approximately 25% of the target total remuneration, the proportion of the LTI (target amount) is approximately 43% of the target total remuneration. In the case of ordinary Management Board members with respect to the fiscal year 2021, the expected proportion of the fixed remuneration (fixed annual salary, pension expenses and fringe benefits) is between approximately 38% and approximately 40% of the target total remuneration and the proportion of the variable remuneration is between approximately 60% and approximately 62% of the target total remuneration. The proportion of the STI (target amount) is between approximately 16% and approximately 20% of the target total remuneration the proportion of the LTI (target amount) is between approximately 42% and approximately 44% of the target total remuneration.

For the Chief Executive Officer, the proportion of the STI (target amount) is approximately 37% of the variable remuneration, the proportion of the LTI (target amount) is approximately 63% of the variable remuneration. In the case of ordinary Management Board members, the proportion of the STI (target amount) is between approximately 27% and approximately 32% of the variable remuneration, the proportion of the LTI (target amount) is between approximately 68% and approximately 73% of the variable remuneration.

ii. Fixed remuneration components

The fixed components of the remuneration for the Management Board members are the fixed annual salary, fringe benefits and the pension provision.

a. Fixed annual salary

The Management Board members receive a fixed annual salary in twelve monthly equal instalments, each to be paid at the end of a given month. The amount of the fixed annual salary is based on the tasks and the strategic and operative responsibility of the individual Management Board member.

b. Pension payments

Management Board members who are domiciled in Germany receive an additional annual cash payment to support their private pension provision. The payment is fixed at EUR 250,000 for the Chief Executive Officer and at EUR 150,000 for the ordinary Management Board members.

c. Fringe benefits

Additional (fringe) benefits consist of the provision of an appropriate company car for business and private use or, alternatively, the provision of a monthly car allowance and group accident insurance coverage. Furthermore, the Management Board members are covered by the D&O insurance of Software AG.

iii. Variable remuneration components

The variable components are the short-term variable remuneration (“STI”) and the long-term variable remuneration. The long-term variable remuneration is comprised of the Performance-Phantom-Share (PPS) program and the Long-Term Incentive Plan (“LIP”). The amount of the fixed annual salary is based on the tasks and the strategic and operative responsibility of the individual Management Board member as well as on the short- and long-term success of the Company. The payout amounts are based on the achievement of performance targets by the Company.

a. Short-term incentives

The short-term variable compensation of the Management Board members is based on the financial and non-financial results of the respective fiscal year. In the fiscal year 2021, 70% is dependent on corporate financial targets, 20% on individual financial or non-financial targets of the respective Management Board members and 10% on ESG targets, which may be defined individually or collectively for one or all Management Board members. The short-term incentive is payable only if certain thresholds are exceeded or reached.

The amount payable under the STI is limited to a maximum of 200% of the target amount (Payout Cap).

Target achievement is determined by the Supervisory Board each year before payment of the STI. The average target achievement is calculated from the respective target achievement of the financial, individual and ESG targets and the stated weighting of the targets. More detailed information on the performance criteria is presented under (4). The amount paid out generally corresponds to the target amount multiplied by the average target achievement. In case of a target achievement above 100%, one-third of the target overachievement is not paid out directly, but transferred to the PPS program (see b., also see Figure 1).

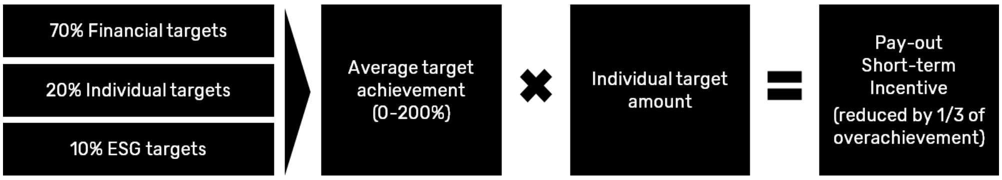

Figure 1

Should the Management Board service contract begin or end in an ongoing fiscal year, then the amount payable will be reduced *pro rata temporis* in relation to the fiscal year.

Should any extraordinary events or developments arise, e.g. the acquisition or sale of a part of the undertaking, then the Supervisory Board shall be entitled to adjust the terms of the STI plan temporarily and in a reasonable way. General negative market developments do not qualify as extraordinary events or developments. The same applies analogously if changes in the accounting rules applicable for the Company have a material effect on the relevant parameters for the calculation of the STI, as well as in the event that a fiscal year has less than twelve months (short fiscal year).

b. Performance-Phantom-Share (PPS)-Program

The long-term variable remuneration of the Management Board members under the PPS program is based on the sustainable growth of the Company. The remuneration is granted on share basis annually to members of the Management Board of Software AG in the form of performance phantom shares.

Each tranche has a term of four years tracking into the future.

The grant amount of the PPS program is determined by the individual target amount of the Management Board member multiplied by the target achievement of the STI. At the time the PPS program is granted, the individual grant amount for the PPS program plus the amount transferred from the STI is converted into virtual (phantom) shares on the basis of the reference share price of Software AG stock and awarded to the Management Board members as a calculated value. The reference share price is determined as the average share price of Software AG stock in the February preceding the granting, less 10%.

At the end of the four-year term, a cash settlement takes place on the basis of the average price of Software AG stock in February as of the end of the term (see Figure 2). The amount payable under the PPS program is limited to a maximum of 200% of the target amount.

Figure 2

If, due to the Management Board member's own personal reasons, the Management Board service contract ends during an ongoing fiscal year, then all payable amounts of the granted or to be granted tranches will lapse except those tranches that will be paid out in the next fiscal year.

All claims to payout under the PPS program from an ongoing fiscal year and claims from prior years that are not yet due will be forfeited without reimbursement or compensation if the Management Board service contract ends due to a termination for cause by the Company ("*wichtiger Grund*") pursuant to § 626 of the German Civil Code (BGB)).

Should any extraordinary events or developments arise, e.g. the acquisition or sale of a part of the undertaking, then the Supervisory Board shall be entitled to adjust the terms of the PPS program temporarily and in a reasonable way. General negative market developments do not qualify as extraordinary event or development. General negative market developments do not qualify as extraordinary events or developments. The same applies analogously if changes in the accounting rules applicable for the Company have a material effect on the relevant parameters for the calculation of the PPS payout, as well as in the event that a fiscal year has less than twelve months (short fiscal year).

c. Long-Term Incentive Plan (LIP)

The long-term variable remuneration of the Management Board members under the Long-Term Incentive Plan is geared toward the Company's sustainable growth. The LIP program replaces the Management Incentive Plan (MIP) that also had long-term focus. Remuneration is granted annually to members of Software AG's Management Board in the form of virtual options.

Each tranche has a term of four years tracking into the future.

The LIP consists of two equally weighted parts. At the time the LIP is granted, 50% of the individual target amount of the respective Management Board member is converted to virtual options for Part 1 and Part 2 each and is awarded to the Management Board members as a calculation value. The value of the virtual option allocated for Part 1 and Part 2 are each 50% of the individual target amount for the LIP, based on the fair value calculation.

The number of virtual options at the end of the four-year term is determined by the number allocated and the performance factors.

The performance factor applied to the Part 1 is determined on the basis of the relative outperformance of the Software AG share price against the MDAX index during the four-year term, in accordance with the schedule shown in Figure 3. The outperformance is determined as the difference of the value increase of the Software AG stock price and the value increase of the MDAX index. The performance factor attains the minimum of 0 at an outperformance below 0%. The performance factor attains the maximum of 2 at an outperformance of at least 20%. The value of a virtual option for Part 1 is determined as the product of outperformance and initial Software AG stock price (see Figure 4). The amount payable for Part 1 of the LIP is limited to a maximum of 200% of the target amount for Part 1 of the LIP.

	Performance Faktor
Outperformance ≥ 20 %	200 %
20 % > Outperformance ≥ 18 %	190 %
18 % > Outperformance ≥ 16 %	180 %
16 % > Outperformance ≥ 14 %	170 %
14 % > Outperformance ≥ 12 %	160 %
12 % > Outperformance ≥ 10 %	150 %
10 % > Outperformance ≥ 8 %	140 %
8 % > Outperformance ≥ 6 %	130 %
6 % > Outperformance ≥ 4 %	120 %
4 % > Outperformance ≥ 2 %	110 %
2 % > Outperformance ≥ 0 %	100 %
0 % > Outperformance	0 %

Figure 3

The Performance Factor applied to Part 2 is determined based on the target performance of revenue, profit margin and annual recurring revenue (“ARR”) during the four-year term. The Supervisory Board determines a minimum performance (“threshold achievement”), target performance (“target achievement”) and maximum performance (“maximum achievement”) for each target for each tranche of the LIP for the next four years. The achievement factor for each target is 0% at threshold achievement, 100% at target achievement and 200% at maximum achievement. Between threshold and target achievement and between target and maximum achievement, linear interpolation is used. The maximum achievement is the thereby limited per target and in total to 0 – 200%. The Performance Factor applied to Part 2 is determined as the average of the achievement factors for revenue, profit margin and annual recurring revenue growth each target equally weighted with 1/3. The value of each virtual option for Part 2 is defined as the difference of the Software AG stock price between at the beginning and at the end of the four-year term (see Figure 4). The amount payable for Part 2 of the LIP is limited to a maximum of 200% of the target amount for Part 2 of the LIP.

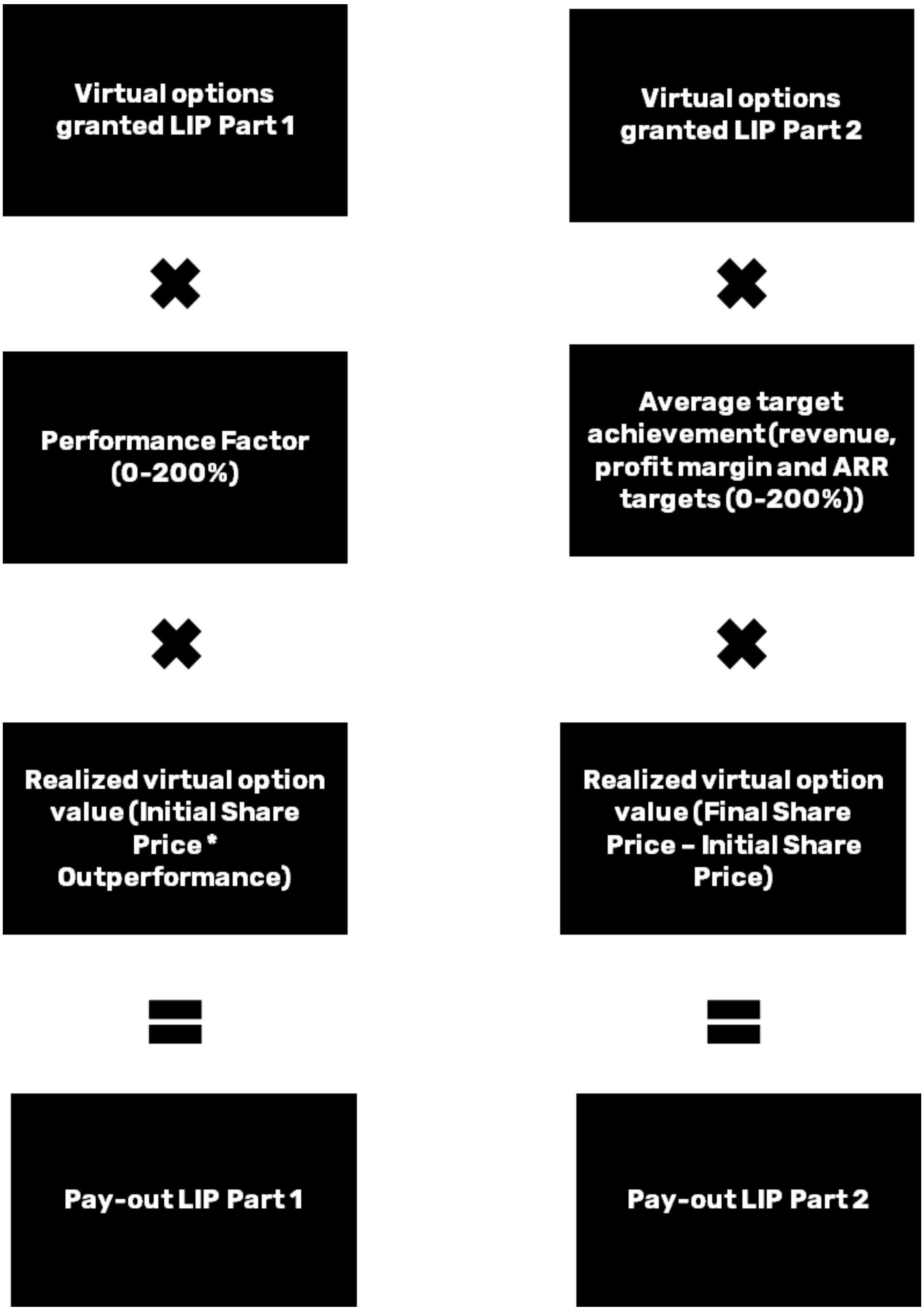

Figure 4

More detailed information on the performance criteria is presented under (4).

Should the Management Board service contract begin or end during an ongoing fiscal year, then the amount payable will be reduced *pro rata temporis* in relation to the fiscal year.

All claims to the LIP from an ongoing fiscal year will be forfeited without reimbursement or compensation if the Management Board service contract ends due to a termination for cause by the Company ("*wichtiger Grund*") pursuant to § 626 of the German Civil Code (BGB).

Should any extraordinary events or developments arise, e.g. the acquisition or sale of a part of the undertaking, then the Supervisory Board shall be entitled to adjust the terms of the LIP plan temporarily and in a reasonable way. General negative market developments do not qualify as extraordinary event or development. The same applies analogously if changes in the accounting rules applicable for the Company have a material effect on the relevant parameters for the calculation of the LIP, as well as in the event that a fiscal year has less than twelve months (short fiscal year).

iv. Share Ownership Guidelines

Under the Share Ownership Guidelines, the members of the Management Board are also contractually obligated to hold Software AG shares worth a net annual base salary permanently during their term of office after a four-year build-up phase.

Compliance with this obligation must be demonstrated for the first time after the four-year build-up phase and annually thereafter. If, as a result of fluctuations in the price of Software AG stock, the value of the stock accumulated falls below the amount to be proven in each case, then the Management Board member will be obligated to make a subsequent purchase.

(4) Performance criteria for the granting of variable remuneration components (§ 87a para. 1 s. 2 no. 4 AktG)

The cited financial and non-financial performance criteria contribute to the promotion of the business strategy and the long-term development of the Company. The achievement of these targets will be measured as follows:

The variable remuneration components are structured in such a way as to create an appropriate incentive system for the implementation of the corporate strategy and a sustainable value creation and increase in value. Particular attention is paid to achieving the greatest possible congruence between the interests and expectations of the shareholders and of the Management Board remuneration. The variable remuneration is linked to the target of a sustainable increase in the corporate value and therefore consists of a short-term and a long-term variable component. The remuneration system developed by the Supervisory Board provides a great deal of transparency by linking the performance figures to clearly defined indicators for profitability, value creation and sustainable development. The sustainable business orientation, as well as the social and environmental responsibility of Software AG, is reflected in the ESG targets, which likewise form the basis of the variable remuneration of the Management Board. The aim of the shareholding obligations and the consistently share-based granted LTI is to align the actions of the Management Board members with the long-term and sustainable value creation of the Company and to further strengthen the alignment between shareholder and Management Board interests.

The Supervisory Board sets the performance criteria for the STI and the LTI on a binding basis for the upcoming fiscal year. The respective payout amounts are calculated after the end of the fiscal year on the basis of target achievement. The Supervisory Board has the option to adjust the terms of the STI and LTI in a reasonable way only in the event of extraordinary events; otherwise, the Supervisory Board has no discretion in determining the payout amounts from STI and LTI.

i. Short-Term Incentive

The relevant financial and non-financial performance criteria for calculating the payable amount for the STI are financial, individual, and ESG targets that are selected by the Supervisory Board and determined annually for the grant year.

As financial performance criteria for the fiscal year 2021, the Group revenue and earnings targets that are communicated to the capital market are used. In addition, each member of the Management Board agrees to different quantitative or qualitative targets relevant to the respective area of responsibility, which are in the interest of the medium to long-term strategic development of the Company. The individual targets can, among other things, support the implementation of sales and growth targets, the corporate strategy or a sustainable management (e.g., in the area of diversity, succession planning, innovation performance) in the business area of the respective Management Board member.

ESG targets are defined as targets relating to the environment (Environmental), social welfare (Social) and responsible corporate governance (Governance). The Supervisory Board defines the ESG performance criteria and the methods for measuring performance for the upcoming fiscal year. The possible performance criteria comprise of, for example, ESG ratings, customer satisfaction, employee satisfaction, occupational health & safety. The overall target achievement for ESG performance results from the average of the target achievement of the individual ESG performance criteria.

For an upcoming grant year, the Supervisory Board determines the targets for the STI, their weighting and the criteria for measuring target achievement. As described under (3).iii.a, the target achievement is determined by the Supervisory Board each year before the STI is paid out. The average target achievement is calculated from the respective target achievement for financial, individual and ESG targets and the weighting of the targets. The payout amount corresponds to the target amount multiplied by the average target achievement. If the overall target achievement is 100%, then the payout amount is equal to the target amount. No payout is made if the total target achievement is 0% ("Threshold value"). If the total target achievement is 200% or more, then a payout of 200% of the target amount is made ("Maximum value"). Between threshold and target achievement and between target and maximum achievement, linear interpolation is used. One-third of the overachievement is not paid out in cash, but converted to Performance Phantom Shares (PPS) and paid out at a later date, taking into account the future share price development.

ii. Long-Term Incentive

The relevant criteria for calculating payable amount for the LTI are the development of the Software AG stock price between granting and payout, the relative development compared to the MDAX, as well as revenue, profit margin and annual recurring revenue (ARR) until the end of the vesting period as well as the criteria for the STI (see i.). The consideration of share price development emphasizes the focus on the long-term and sustainable value creation of the Company and reinforces the alignment between shareholder and Management Board interests. Consideration of the profit margin supports the long-term profitability and viability of the Company and thus reinforces the sustainable implementation of the corporate strategy. The long-term incentive is granted in two parallel systems.

a. Performance Phantom Share Program (PPS)

The relevant performance criteria for the PPS program in fiscal year 2021 are the targets for the STI as well as the development of the Software AG share price. The individual target achievement of the STI determines the grant amount. At the time of the LTI grant, the individual grant amount for each Management Board member for the PPS program will be converted into virtual (phantom) shares of the Company (Performance Phantom Shares) on the basis of the initial reference price for Software AG stock and awarded to the Management Board members as a calculated value. The reference share price is determined as the average share price of Software AG stock in the February preceding the granting, less 10 percent. The objective of this criterion is the sustainable development of Software AG shares as well as strengthening the alignment between shareholder and Management Board interests and the commitment of the Management Board members to the Company. At the end of the four-year term, a cash settlement takes place on the basis of the average price of Software AG stock in the February as of the end of the term (see Figure 2). The amount payable under the PPS program is limited to a maximum of 200% of the target amount.

b. Long-Term Incentive Plan (LIP)

The relevant criteria for the LIP program in the fiscal year 2021 are the development of the Software AG stock price between granting and payout, the relative development compared to the MDAX, as well as revenue, profit margin and annual recurring revenue (ARR) until the end of the vesting period. The consideration of share price development, both in absolute terms and also in comparison with the overall development of comparable companies, emphasizes the focus on the long-term and sustainable value creation of the Company and reinforces the alignment between shareholder and board interests.

The profit margin is defined as the ratio of Software AG's profit to revenue. It supports the Company's long-term profitability and viability and thus reinforces the sustained implementation of the corporate strategy.

Annual recurring revenue ("AAR") shows the annualized contract value of active contracts with recurring revenue at the end of the reporting period. The ARR is thus an indicator of the expected recurring annualized cash flows if the active contracts of the following contract types continue: Term licenses/subscription licenses, maintenance from term and perpetual licenses, SaaS licenses, and usage-based licenses.

The development of Software AG's share price compared to the MDAX determines the payout of Part 1 of the LIP. Further details are explained under (3).iii.c.

For the upcoming grant year of a tranche, the Supervisory Board determines the targets and the weighting for revenue, profit margin and ARR. The average target achievement for Part 2 of the LIP is calculated on the basis of the relevant target achievement for revenue, profit margin and ARR target. The payout amount equals the number of virtual stock options for Part 2 of the LIP multiplied by the average target achievement for Part 2 of the LIP and the value per option for Part 2 of the LIP. Upon an overall target achievement of 100%, the payout for Part 2 of the LIP will equal the target amount for Part 2 of the LIP (i.e., 50% of the annual individual target amount for the LIP per Management Board member) and the value per option for Part 2 of the LIP. Upon an overall target achievement of 0%, no payout will be made ("threshold achievement"). Upon overall target achievement of 200% or more, there will be a payout of 200% of the number of virtual stock options for Part 2 of the LIP and the value per option for Part 2 of the LIP ("maximum achievement"). Between threshold achievement and the target amount and between target amount and maximum achievement, a linear interpolation is used.

The development of the Software AG share price determines the option value for payment of Part 2 of the LIP. Further details are explained under (3).iii.c.

(5) Ability of the Company to recover variable remuneration components (§ 87a para. 1 s. 2 no. 6 AktG)

The Company is entitled to adjust and recover the payable amounts under the variable remuneration at its due discretion if the audited consolidated financial statements and/or the basis for determining other targets, which serve as a basis for calculating the variable remuneration, must be corrected subsequently because they objectively proved to be erroneous and the errors led to a wrong calculation of the variable remuneration.

The recovery claim exists in the amount of the difference between the actual sums paid out by the Company and the amounts which, according to the rules on the variable remuneration, should have been paid out on the basis of the corrected calculation basis.

In the event that an Management Board member breached one of his material duties of care within the meaning of § 93 AktG or a material principle under the Company's Code of Conduct, the Supervisory Board may reduce (down to zero) or recover all or some of the variable compensation components.

If the correction of the calculation basis for the variable remuneration or the violation of material duties of care or material Code of Conduct principles has an effect on several variable remuneration components already paid out, then the paid-out amounts for all of the variable remuneration components can be recovered. The recovery claim remains enforceable for four years from the date on which the respective relevant variable remuneration component was paid out.

(6) Share-based remuneration (§ 87a para. 1 s. 2 no. 7 AktG)

The LTI in the PPS program and the LIP is share-based granted. Explanations of time periods and conditions of the share-based remuneration can be found under (3).iii.b, (3).iii.c and (4).ii. In addition, the Management Board members are required to hold shares of the Company during their term of office. Details of the associated Share Ownership Guidelines can be found in section (3).iv. The aim of the Share Ownership Guidelines and the consistently share-based granted LTI is to align the actions of the Management Board members with the long-term and sustainable value creation and growth of the Company and to further strengthen the alignment between shareholder and Management Board interests. To this end, the Share Ownership Guidelines and the LTI contribute directly to promoting the objectives of the business strategy mentioned under (2) and the long-term development of Software AG.

(7) Remuneration-related legal acts [*Rechtsgeschäfte*] (§ 87a para. 1 s. 2 no. 8 AktG)

i. Terms and prerequisites for the termination of remuneration-related legal acts

Mr. Brahmawar's Management Board service contract (contract) expires on 31st July 2023. Dr. Frank's contract expires on 31st July 2024. Dr. Heiden's contract expires on 30th June 2023. Dr. Sigg's contract expires on 30th June 2022. The contracts generally have a three-year term for the first appointment, and a five-year term in case of a reappointment. In the event of reappointment, the Management Board service contracts will continue to apply unless the parties agree otherwise. If the appointment to the Management Board is revoked for good cause (*aus wichtigem Grund*) in accordance with § 84 (3) AktG, which is also good cause for termination of the Management Board member's contract without notice in accordance with § 626 BGB, then Management Board service contract will end automatically.

ii. Compensation for dismissal / removal

If the Management Board member's service contract is terminated other than for good cause, then any severance paid to the respective Management Board member will be limited to a maximum of one year's target total remuneration (excluding LIP, pension payments and fringe benefits) and may not exceed the contractually agreed remuneration for the remaining term (Severance Cap).

If a post-contractual, non-compete covenant is agreed, then any severance payment will be credited toward the post-employment non-compete compensatory payment (*Karenzentschädigung*). Currently, there is only one management board member service contract that contains a post-contractual non-compete covenant, which applies for 12 months following the expiration of that management board member's employment contract. During the period of this post-contractual non-compete covenant, the Management Board member entitled to this payment will receive a monthly non-compete compensatory payment that equals the monthly target total remuneration (excluding fringe benefits). Thus, the sum total of Software AG's aforementioned severance payment consisting of a target total remuneration (excluding LIP, pension payments and fringe benefits) and the non-compete compensatory payment does not exceed the severance payment that is recommended in the German Corporate Governance Code and equals two years of remuneration.

If the Management Board service contract ends in the event of a change of control, then no additional severance payment will be made.

If the Management Board service contract is terminated by the Management Board member herself or himself or for good cause for which she or he is responsible, then no severance payment will be owed.

The key features of the pension and early retirement provisions are explained under (3).ii.b.

(8) Consideration to be given to the employees' terms and conditions of remuneration and employment when determining the remuneration system (§ 87a para. 1 s. 2 no. 9 AktG)

When structuring the remuneration and fringe benefit system for Management Board members, the Supervisory Board took into account the remuneration and employment conditions at Software AG for its senior managers and the workforce as a whole, in particular how remuneration has developed over time and particularly in recent years. In this regard and following the recommendations of the German Corporate Governance Code, the Supervisory Board defined the groups of senior managers and the workforce as a whole consistently for the multi-year evaluation (comparative) period and reviewed in-depth that the remuneration of the Management Board members does not increase more aggressively than the remuneration of the senior managers and the workforce as a whole.

(9) Procedure to determine and implement, as well as to review the remuneration system (§ 87a para. 1 s. 2 no. 10 AktG)

The Supervisory Board adopts a clear and comprehensible remuneration system for the Management Board members. The Personnel Committee is responsible for preparing the resolution and for providing the Supervisory Board at regular intervals with all the information required by the Supervisory Board in order to review the remuneration system. The Supervisory Board reviews the remuneration system in its due discretion, but in any event every four years. The Supervisory Board reviews the level of fixed annual salary every two years in order to ensure it is commensurate. To do so, the Supervisory Board conducts a market comparison and also takes particular account of changes in the business environment, the overall economic situation and strategy of the Company, changes and trends in national and international corporate governance standards, and developments in the employees' terms and conditions of remuneration and employment. If necessary, the Supervisory Board consults external remuneration experts and other advisors. The Supervisory Board thereby pays attention to the independence of the remuneration experts and the advisors to the Management Board and takes the necessary precautions to avoid conflicts of interest. If Management Board members are also members of intra-group supervisory boards, then such remuneration will be taken into account. If supervisory board memberships are assumed at non-group entities, the Supervisory Board decides whether and to what extent the remuneration from such memberships will be taken into account.

The Supervisory Board submits the remuneration system to the Shareholders' Meeting for approval each time there is a substantial change, but at least every four years. Should the Shareholders' Meeting not approve the submitted system, then the Supervisory Board will submit a revised remuneration system to the Shareholders' Meeting for approval at latest at the next annual Shareholders' Meeting.

The remuneration system applies to all potential contract extensions and to all new Management Board service contracts beginning as of January 1, 2021. Any Management Board service contracts existing at the time of enactment will be unaffected thereby. With respect to current contracts contractual modifications would be required which are subject to the individual consent of each Management Board member.

The Supervisory Board and the Personnel Committee take adequate measures to ensure that possible conflicts of interests affecting the Supervisory Board members involved in advising and decision-making on the remuneration system are avoided and, as the case may be, resolved. Each Supervisory Board member is under a duty to notify the Supervisory Board chairman of conflicts of interest. The Supervisory Board chairman discloses to the Personnel Committee and the plenary Supervisory Board any conflicts of interest affecting him. The Supervisory Board decides how to deal with an existing conflict of interest on a case-by-case basis. One option in particular would be for a Supervisory Board member affected by a conflict of interest not to participate in a meeting or in individual consultations and decisions of the Supervisory Board or the Personnel Committee.

The Supervisory Board may temporarily deviate from the remuneration system (procedure and regulations on remuneration structure) and its individual components, as well as with regard to the individual remuneration components of the remuneration system, or introduce new remuneration components if this is necessary for the long-term wellbeing of the Company. The Supervisory Board reserves the right to undertake such deviations for exceptional circumstances, for example to address an economic or corporate crisis. Such deviations may temporarily cause a variance from Maximum Remuneration for the Chief Executive Officers or for other Management Board members.