

Combined Non-Financial Statement

Fundamental Aspects

Reporting system

Software AG's Combined Non-Financial Statement relates to the fiscal year from January 1 to December 31, 2020. The report has been published in this format as part of the Combined Management Report since fiscal 2017.

The Combined Non-Financial Statement contains the information required by section 289c of the German Commercial Code (HGB) to enable readers to understand the Company's business growth, financial results, its situation and the effects of its activities on the aspects stated in the section 289c (2) of the HGB. When preparing this report and thus when analyzing the requirement to report, Software AG made use of the option provided by section 289d of the HGB to prepare the Combined Non-Financial Statement based on the Global Reporting Initiative (GRI), an international standards framework, as well as the industry standards of the USA's Sustainability Accounting Standards Board (SASB).

The contents of the Combined Non-Financial Statement relate to Software AG and the Group. The Software AG Group's non-financial indicators are based on data that generally correspond to the scope of consolidated financial reporting. Any deviations are explained accordingly. The measures presented for the individual aspects are ongoing, unless stated otherwise.

External audit of the Combined Non-Financial Statement

Software AG's Combined Non-Financial Statement is audited by the auditing firm BDO AG Wirtschaftsprüfungsgesellschaft (BDO), Hamburg, Germany. Auditing was conducted with the goal of attaining a limited level of assurance, based on the International Standard on Assurance Engagements (ISAE) 3000 (revised).

Explanation of the business model

For more information on Software AG's business operations and [business model](#), please refer to Fundamental Aspects of the Group in the Combined Management Report. The [materiality analysis](#) is presented in the Key Topics section.

Corporate social responsibility and sustainability

Responsible conduct and sustainability are guiding principles for Software AG. Software AG defines sustainability not only as the creation of long-term values for its stakeholders, but its customer relationships, its technology, its partnerships, its investments in the Company and its employees' expertise as well. These have been its core values for many years. Software AG will continue developing these for the benefit of its shareholders and the Company as a whole.

Software AG's nonfinancial reporting encompasses the aspects listed in section 289c (2) of the HGB: combating corruption and bribery, respect of human rights, employee concerns, social matters and environmental matters. In addition, the aspect of customer concerns is also taken into consideration.

Software AG ensures its accountability by assigning non-financial matters to the roles and responsibilities of its Management Board members accordingly. The topics of environment, social and governance (ESG; including combating corruption and bribery) are assigned to the CEO and therefore have the highest level of priority. For more information on the responsibilities of the members of the Management Board, please refer to [Note \[38\]](#) in the Notes to the Consolidated Financial Statements.

To Software AG, responsible conduct means:

- Playing a role in customers' long-term success
- Continually improving standards
- Being a long-term and therefore reliable partner
- Ongoing staff development
- Adding value to society
- Pursuing the highest social standards in daily activities
- Promoting education and innovation globally and locally at Software AG locations

The Management Board of Software AG believes that diversity and inclusion contribute significantly to an open and innovative corporate culture, and are a key factor for business success. Values such as trust, respect, open-mindedness and transparency shape Software AG's global operations. Software AG is a multinational corporation with operations in more than 70 countries. This means many different cultures and legal systems converge. The Company therefore instituted a global Code of Conduct in 2011, which is updated on a regular basis. It describes the values shared by all employees worldwide that form the basis for Software AG's conduct as a company—with customers, partners and employees alike.

Stakeholders

Software AG has internal and external stakeholders. The internal stakeholder groups comprise the employees, the Management Board, the Supervisory Board, the Compliance Board and the Works Council. The external stakeholder groups include the customers, investors, partner network, suppliers and service providers, graduates and (potential) future employees, universities and research institutions, social actors in local communities, government and associations, non-governmental organizations (NGOs) and key multipliers such as analysts and the media.

Key topics

Materiality analysis

Software AG began conducting a materiality analysis involving its internal and external stakeholders in order to identify the non-financial issues that were of relevance to the Company in fiscal year 2017. In February 2019, Software AG announced a new medium-term strategy—Helix—to accelerate revenue growth. In order to reflect the resulting changes, Software AG updated the materiality analysis again in fiscal 2020.

To update the materiality analysis, Software AG worked with an external consulting company from Frankfurt, Germany, which specializes in implementing sustainable concepts.

A materiality analysis was conducted in two steps to identify key issues for the Non-Financial Statement. During the first step, selected internal stakeholders from sustainability-relevant areas at Software AG participated in qualitative interviews. Furthermore, external stakeholders were also surveyed regarding Software AG's sustainability challenges. The second step was a preliminary materiality analysis at Software AG. This preliminary analysis included an evaluation per the GRI's sustainability reporting standards, the industry recommendations for software companies from the SASB, and the non-financial statements from other companies in the industry. The potentially relevant topics identified in this process were summarized into 26 important concerns taking into account the key issues from the 2019 Non-Financial Statement. During a joint workshop, Software AG's leaders validated the already identified issues and evaluated them regarding their materiality. A stakeholder survey is planned for 2021 to validate and prioritize these results like the one conducted online in 2018.

List of key topics

As part of the materiality analysis conducted in fiscal year 2020 per GRI, Software AG identified the topics

listed in the table as highly relevant. The 26 key topics are categorized into five areas defined by Software AG: Leadership and Governance, Employees, Customers and Technology, Society and Environment.

Key Topics	Reporting Standard	Minimum Content (According to HGB) and Other Aspects Deemed to be Material	Page
Leadership and Governance area of action			
Information security	SASB TC-SI-230a	Customer concerns	91, 92
Compliance, ethical conduct and competitive behavior	GRI 205/206, SASB TC-SI-520a	Combating corruption and bribery (section 289c (2) no. 5)	91, 93
Business performance and growth	n/a	Not a key topic pursuant to HGB, because there is no impact relevance in the sense of section 289c (3) HGB	-
Intellectual property protection	n/a	Combating corruption and bribery (section 289c (2) no. 5)	91, 93
Sustainable supply chains and human rights	GRI 412/414	Respect of human rights (section 289c (2) no. 4)	91, 93
Brand visibility and reputation	n/a	Not a key topic pursuant to HGB, because there is no impact relevance in the sense of section 289c (3) HGB	-
Employees area of action			
Employee satisfaction	GRI 401, SASB TC-SI-330a	Employee concerns (section 289c (2) no. 2)	94, 95
Transparent and trusting corporate culture	GRI 401, SASB TC-SI-330a	Employee concerns (section 289c (2) no. 2)	94, 95
Diversity and inclusion	GRI 405	Employee concerns (section 289c (2) no. 2)	94, 96
Work/life balance	n/a	Employee concerns (section 289c (2) no. 2)	94, 97
Occupational health	GRI 403	Employee concerns (section 289c (2) no. 2)	94, 97
Recruiting global, diverse and qualified teams	n/a	Employee concerns (section 289c (2) no. 2)	95, 98
Personal and professional development	GRI 404	Employee concerns (section 289c (2) no. 2)	95, 98
Employer-employee relations	GRI 402	Employee concerns (section 289c (2) no. 2)	95, 98
Customers and Technology area of action			
Protection of customer data	GRI 418, SASB TC-SI-220a	Customer concerns	99, 101
Innovation	n/a	Customer concerns	99, 101
Customer satisfaction and loyalty	n/a	Customer concerns	99, 101
Product and service quality	n/a	Customer concerns	99, 101
Adding value for customers	n/a	Customer concerns	100, 101
Product support	SASB TC-SI-550a	Customer concerns	100, 101
Tech for good	n/a	Customer concerns, social matters (section 289c (2) no. 3)	100, 101
Society area of action			
Employee engagement and local communities	GRI 413	Social matters (section 289c (2) no. 3)	102, 103
Value for society	n/a	Social matters (section 289c (2) no. 3)	102
Government relations and stakeholder dialogue	n/a	Social matters (section 289c (2) no. 3)	102, 103
Environment area of action			
CO ₂ footprint	GRI 302/305, SASB TC-SI-130a	Environmental matters (section 289c (2) no. 1)	105, 106
Resource efficiency	GRI 301/306, SASB TC-SI-130a	Environmental matters (section 289c (2) no. 1)	105, 108

Moreover, the topics were assigned to the aspects listed in section 289c (2) of the HGB: respect of human rights, combating corruption and bribery, employee concerns, social matters and environmental matters. In addition, the aspect of customer concerns is also taken into consideration.

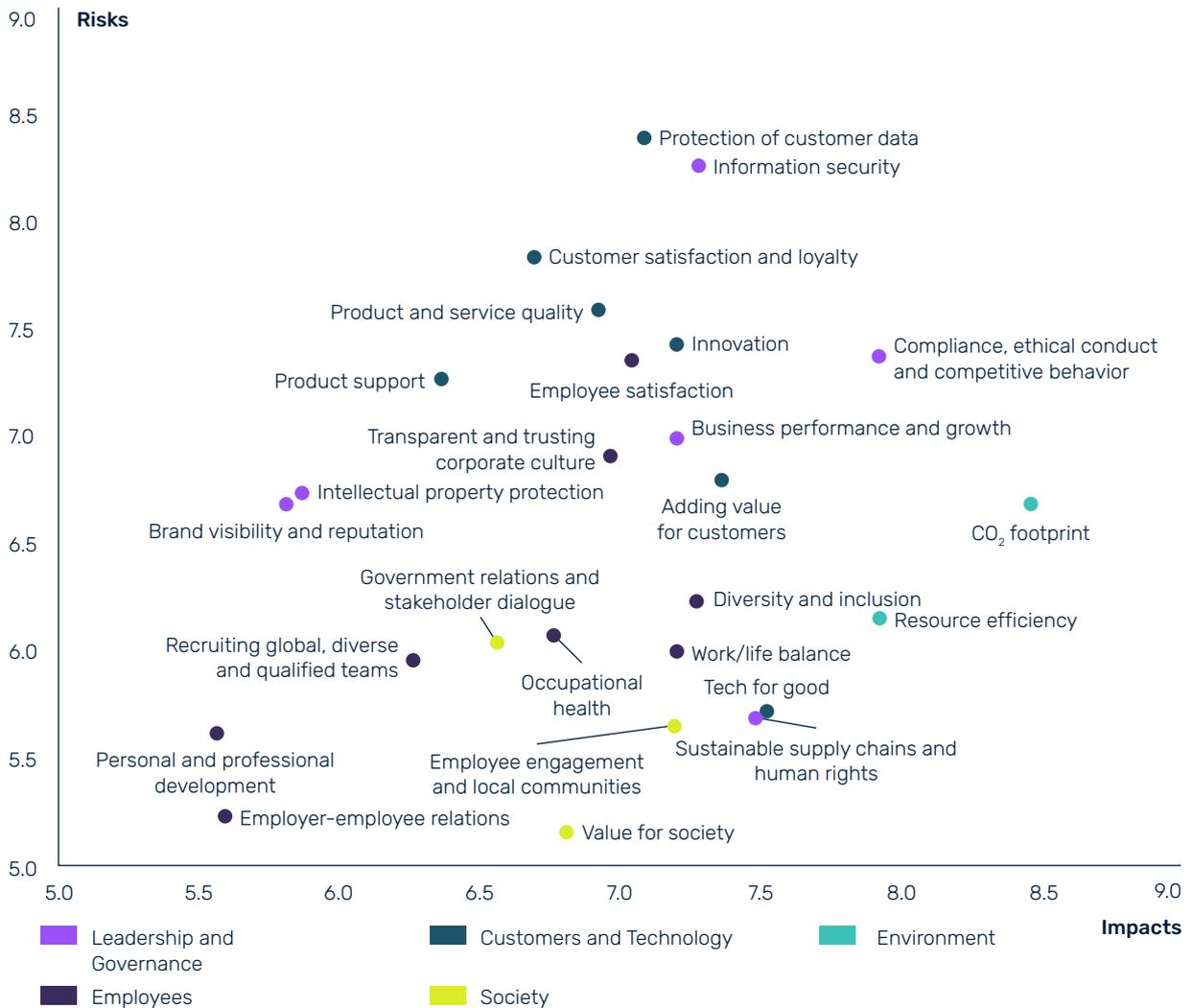
Prioritization of key topics

The impact risk map visualizes how Software AG’s management prioritizes the issues listed under the key topics. For Software AG, topics that the Company’s business activities have a significant positive or negative economic, environmental or social impact

on (prioritization illustrated in the impact risk map on the Impacts axis) are considered key along with topics that have a significant impact on the understanding of business development, business performance or the Company’s position (prioritization illustrated in the impact risk map on the Risks axis).

The issues of purely economic relevance, economic performance and growth, as well as brand visibility and reputation are considered by stakeholders to be key, but are not included in the previously mentioned aspects and do not have a relevant impact in accordance with section 289c(3) of HGB.

Assessment of Key Topics: Impact-Risk Map



General Aspects

At a minimum, the Non-Financial Reporting Statement must refer to the aspects environmental matters, employee concerns, social matters, respect of human rights, and combatting corruption and bribery according to section 289c (2) of the HGB. Software AG has established concepts for all of the aspects defined in the HGB, and these are covered in the Company's specified areas of action. respect of human rights and combating corruption and bribery are addressed in the area Leadership and Governance. The aspects environmental matters, employee concerns, and social matters are covered in the areas Environment, Customers and Technology, and Society areas. In addition to the aspects stated in the HGB, Software AG has also defined Customers and Technology as well as Leadership and Governance as key areas of action.

Code of Conduct and Conventions and Recommendations of International Organizations

The majority of Software AG's concepts and due diligence processes regarding the aspects listed above are described in detail in the Company's various Codes of Conduct. For that reason, they are summarized below:

Global Code of Business Conduct and Ethics

The Global Code of Business Conduct and Ethics (Code of Conduct) contains policies for sound and responsible corporate governance. It sets out what Software AG considers to be ethically correct conduct in its day-to-day business. The relationships of Software AG employees to customers, partners and competitors follow these guidelines. All employees must read and understand the contents of the Code of Conduct. To this end, all new employees attend mandatory, online training programs and receive certification upon completion of the programs. The Code of Conduct is currently available in eight languages. In addition, the Company has other specific guidelines for conduct with partners and suppliers.

The Code of Conduct covers the following topics, among others:

- Software AG's values and professional conduct
- Staff health and safety
- Equal treatment and anti-discrimination
- Environmental protection
- Data protection and trade secrets
- Fair competition and antitrust law
- Compliance and anti-corruption
- Protection of Company property
- Conduct in the event of conflicts of interest and for clarification of ethical issues

Compliance with the Code of Conduct

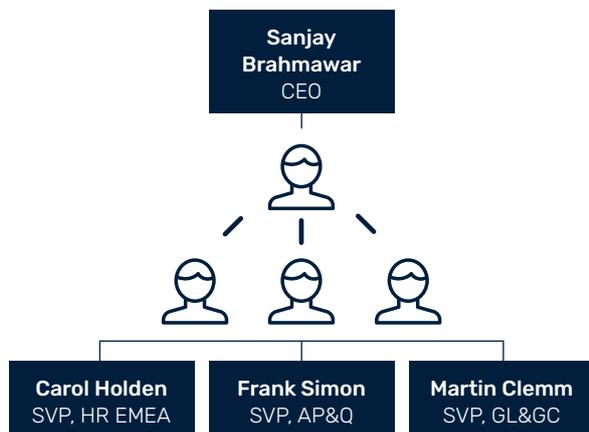
Software AG has introduced various mechanisms to help its employees comply with the Code of Conduct. For example,

- All new employees must complete an online training program, which integrates hands-on examples, to familiarize them with the different aspects of Software AG's Code of Conduct.
- The online training is offered through Software AG's learning management system, which checks that employees complete the training. The duration of the training program varies, depending on the employee's individual speed, and is therefore not documented.
- At the end of the online training program, they complete a multiple-choice test; after passing the test, they are issued a certificate.
- The Compliance Board can be contacted (also anonymously) regarding all questions and approvals. Software AG has set up an email-based reporting system at complianceboard@SoftwareAG.com for reporting incidents.

Software AG established a Compliance Board, which is responsible for introducing, implementing and monitoring the Compliance Program. This Board reviews and assesses compliance issues and concerns and ensures that employees behave in compliance with the law, that internal rules and processes are followed, and that conduct complies with Software AG's Code of Conduct.

The Compliance Board reports directly to the CEO and consists of the following members:

Compliance Board



During the reporting year, the Compliance Board was comprised of:

- Through May 2020: Stefan Langolf (Senior Director, Human Resources), starting June 1, 2020: Carol Holden (Senior Vice President, HR EMEA excl. DACH)
- Frank Simon (Senior Vice President, Audit, Processes & Quality)
- Martin Clemm (Senior Vice President, Global Legal & General Counsel)

The essential duties and responsibilities of the Compliance Board include:

- Further developing, regularly reviewing and updating the Code of Conduct to ensure its sustainable application worldwide
- Monitoring the implementation and application of the Code of Conduct
- Conducting training programs on compliance issues and on the Code of Conduct
- Advising employees on compliance issues and on the Code of Conduct
- Investigating compliance violations and making recommendations for appropriate measures in response to non-compliance
- Confidential, anonymous handling of whistleblowers, if necessary
- In the event of non-compliance, the Compliance Board examines whether the compliance rules (including the Code of Conduct), procedures, training and organizational framework conditions need to be adjusted.

In reporting year 2020, the Compliance Board received a total of 52 (2019: 36) inquiries from Software AG employees.

Illegal intentions or intentional misconduct on the part of employees cannot be completely ruled out. Violations of the Code of Conduct can be sanctioned by disciplinary measures (in addition to possible legal penalties).

Scope

The Code of Conduct applies to Software AG worldwide, including but not limited to, employees and agents acting on behalf of Software AG.

Partner Code of Conduct

Software AG's business relationships with its partners are regulated by its Partner Code of Conduct, which includes a compliance self-assessment. It requires partners to provide information and commit in writing to comply with Software AG's Code of Conduct. The Compliance Board plays a regulatory and auditing role.

Supplier Code of Conduct

There are also conduct guidelines for suppliers: Software AG's binding Supplier Code of Conduct must be confirmed in writing by all suppliers of the Software AG Group. An enforcement guideline regulates the process for existing and new suppliers. The Compliance Board reviews compliance on a regular basis.

Conventions and recommendations of international organizations

In addition to the laws and regulations in the countries where Software AG operates, there are several conventions and recommendations by international organizations. They are primarily addressed to the member states and not directly to individual companies. However, they are a very important guideline for the conduct of a multinational company and its employees. Software AG therefore attaches great importance to compliance with these guidelines worldwide. The most important agreements of this kind are listed below:

- Universal Declaration of Human Rights of the United Nations, 1948
- European Convention for the Protection of Human Rights and Fundamental Freedoms, 1950
- Tripartite Declaration of Principles of the ILO (International Labor Organization) on Multinational Enterprises and Social Policy, 1977
- ILO Declaration on Fundamental Principles and Rights at Work, 1998 (especially regarding the following topics: elimination of child labor, abolition of forced labor, prohibition of discrimination, freedom of association and right to collective bargaining)
- Convention of the Organization for Economic Cooperation and Development (OECD) on Combating Bribery of Foreign Officials in International Business Transactions, 1997
- OECD Guidelines for Multinational Enterprises, 2000

Protection of data

The protection of personal data is a fundamental right of all individuals. Article 8 of the Charter of Fundamental Rights of the European Union (EU) defines the protection of personal data as a fundamental right; the protection of personal data is also part of the EU data protection laws in accordance with the EU Data Protection Regulation (GDPR). Software AG respects the privacy of its customers' and their customers' personal data and therefore takes appropriate measures.

Software AG has appointed a Data Protection Officer and formed a data protection team to advise the business lines on data protection. The Data Protection Officer as well as the data protection team participate in regular training regarding the latest regulations, court rulings and the reasonable and customary implementation of data protection. An integrated data protection management system (DMS) was implemented in accordance with the requirements of the GDPR. The system documents, monitors and, if necessary, adapts the data protection aspects. The general processes for handling data protection incidents and violations are integral components of the DMS, and thus include incidents and violations that affect data from Software AG customers or other business partners. Software AG has implemented this DMS with its own products ARIS, ARIS Risk & Compliance Manager, Alfabet and webMethods AgileApps.

The effectiveness of the data protection processes is reviewed within the scope of the ISO 9001 and ISO-27018 (for cloud) audits. The results and findings are documented, and progress is measured in a central audit system. Management is regularly informed in relevant meetings.

Since the third quarter of 2020, Software AG has been focusing comprehensively on implementing the new data protection requirements resulting from the Schrems II decision handed down by the Court of Justice of the European Union. According to the decision, the personal data of EU citizens can only be transferred to third countries outside the European Economic Area if this country provides protection essentially equivalent to that of the EU. Third-country transfers of personal data can be performed with respective additional measures in compliance with data protection regulations after a legal analysis and risk/benefit analysis.

Data protection (SASB TC-SI-230a)

Due to the cyber incident in October 2020, Software AG informed a total of 78 affected parties in accordance with article 33 of the GDPR by December 31, 2020. The investigation into the incident will be continued in 2021, especially with regard to inspecting the published documents. It can be assumed that further notifications will be required per article 33 of the GDPR, which will be sent out directly in relation to the discovery of relevant content. The Company aims to have the investigation concluded in the first half of 2021.

Leadership and Governance

The Leadership and Governance area of action encompasses the key topics of information security (includes the customer concerns aspect deemed to be material in addition to the HGB), compliance, ethical conduct and competitive behavior, intellectual property protection (including the aspect combating corruption and bribery per section 289c (2) no. 5 HGB), as well as sustainable supply chains and human rights (includes the aspect respect of human rights per 289c (2) no. 4 HGB).

Concepts and due diligence processes

Information security

With its comprehensive information security management program, including various information security management systems (ISMS), Software AG aims to manage information resources in a holistic way so they are secure and protected. The ISMS for cloud services is certified for compliance with ISO/IEC 27001, 27017 and 27018. The independent audit by third-party auditors confirms compliance with the standard and certifies that the Software AG Cloud ISMS is comprehensive and reflects best practices in the industry. In addition, the independent external investigation reports on service organization (SOC) audits give Software AG customers detailed information about which controls have been defined for the safety and availability of cloud services from third-party providers.

Compliance, ethical conduct and competitive behavior

Software AG aims to ensure that all employees act with integrity and in a responsible, ethically correct manner as well as in accordance with legal regulations—especially with regard to competition and antitrust laws. The relevant principles are defined in Software AG's Code of Conduct. The topics covered by the Code of Conduct can be found in the Fundamental Aspects of the Non-Financial Statement. The goal is for all employees to know the Code of Conduct and follow it in their day-to-day work. To further improve the effectiveness of Code of Conduct training, a new training concept will be rolled out at every location worldwide in 2021.

Likewise, the Compliance Board, which is responsible for reviewing and assessing all compliance issues within Software AG, helps ensure that employees behave in compliance with the law and follow internal rules and procedures as well. Employees with questions about competition and antitrust can consult the Legal department responsible for the region or the Compliance Board. If potential compliance violations are suspected, the Compliance Board can commission internal audits. These are approved by the CEO and carried out by Internal Audit. The results of the audit and the resulting corrective measures are reported to, reviewed and evaluated by the Compliance Board and the CEO.

Software AG's Senior Vice President for Audit, Processes and Quality regularly reports to the Supervisory Board's Audit Committee on the results of internal audits as well as audits requested by the Compliance Board, and about the ongoing improvement of compliance instruments and the effectiveness of internal controls.

Intellectual property protection

Software AG regularly files patent applications to protect innovations arising from its research and development and currently holds a broad collection of intellectual property (IP) rights, including patents and design patents in Europe, the United States and China as well as trademarks in various countries of the world where Software AG does business. Copyrights are established by the products per se. To avoid litigation, a defined intellectual property process monitors infringement of product features by any third party. Trademarks are also monitored to protect their uniqueness in the market.

Although Software AG believes the ownership of such intellectual property rights is an important factor in its business and its success, the Company relies primarily on the innovative skills, technical competence and marketing abilities of its employees. No single intellectual property right is solely responsible for protecting the Company's products.

Sustainable supply chains and human rights

Software AG is an international company with locations, suppliers and partners all over the world. To ensure that the supply chain respects and protects human rights, Software AG introduced a Code of Conduct for both suppliers and partners. All of Software AG's business partners are required to sign Software AG's Supplier Code of Conduct. The Compliance Board assesses and rules upon exceptions to this rule. Software AG's comprehensive Code of Conduct ensures that its business partners adhere to ethical principles of conduct that go beyond the legislation of the respective countries.

Every new supplier is obligated to accept the conditions of the Supplier Code of Conduct before any orders are placed. There is a guideline that defines how it should be applied with a checklist to ensure compliance with all requirements. As a comprehensive management approach, the Code of Conduct refers to major international agreements and recommendations of international organizations, and defines the following points:

- Interaction with employees (includes child labor, discrimination, forced labor, employee rights, compensation and working hours, health protection and occupational safety)
- Environmental laws, standards and policies
- Conduct in business situations (includes combating corruption, avoiding conflicts of interest, and complying with the rules of free competition)

Software AG and its subsidiaries buy goods and services necessary for internal processes from a large number of suppliers in different countries according to clearly defined guidelines. Operational purchasing is handled locally by the relevant subsidiary. The cen-

tral Purchasing department analyzes all procurements in the Group and verifies compliance with the defined guidelines such as having all new suppliers sign the Supplier Code of Conduct. In turn, internal audits review the effectiveness of this governance process. The goal is to ensure that all procurements are preceded by a corresponding approval. The ethical and economic aspects are evaluated equally for the approval.

The provisions of the procurement process are defined in Software AG's Investment and Expenditure policy. This policy describes purchasing principles, rules for ordering and selecting suppliers and the global approval process.

Global Sourcing Process



Results of the applied concepts and performance indicators

Information security (SASB TC-SI-230a)

For Software AG, implementing a comprehensive security strategy means proactively ensuring the security of business-critical data and important information resources. As a provider of maintenance and support, cloud services, Professional Services as well as product delivery, Software AG works with confidential customer data and thus acts as a processor. Software AG also manages sensitive information about his own business, employees and customers, prospective customers, partners and suppliers and is responsible for that data in this role. A variety of security measures are utilized throughout the entire Company. These include training employees on IT security, phishing and data protection.

In October 2020, Software AG was the target of a malware attack. The Company has defined further measures to additionally minimize the risk of such events.

- External audits of critical IT systems based on the investigation results for the event and the recommendations derived from them
- Involving external specialists in ongoing monitoring of the IT landscape
- Review of the security architecture and network security at Software AG
- Implementation of additional tools, measures and employee training to increase IT security and raise awareness about information security
- Review of the process that is activated for security incidents
- Reevaluation and continuous improvement of readiness during a security incident

Some of these measures have already been implemented, and the rest are primarily scheduled for fiscal 2021.

Compliance, ethical conduct and competitive behavior (GRI 205/206, SASB TC-SI-520a)

Completed training on the Code of Conduct

The clear rules of the Code of Conduct and mandatory training promote integrity and fair business practices at Software AG. In fiscal 2020, a total of 622 (2019: 670) new Software AG employees completed the training on the Code of Conduct and received the required certification. Software AG completely revised the training concept during the reporting year and added interactive elements such as role-play. Training conducted according to the new concept starting in 2021 should provide even better support for employees to conduct themselves with integrity and in accordance with laws and internal guidelines—even in difficult situations.

The Internal Audit department's auditing program was developed further in 2020. The program was supplemented with additional auditing content for countries that exceed a certain value in Transparency International's Corruption Perceptions Index (CPI), the world's most well-known corruption indicator. This identifies and prevents corruption and fraud in countries with high corruption risk even more effectively.

No significant violations of competition law were found in 2020.

Intellectual property protection

The number of new patent filings rose slightly in fiscal 2020 in line with the trend in recent years.

Sustainable supply chains and human rights (GRI 412/414)

Software AG employs targeted methods to rule out human rights violations and child labor. Software AG mitigates the risks arising from working with partners and suppliers by requiring them to commit to excluding child labor and respecting human rights in the Partner Code of Conduct and Supplier Code of Conduct, respectively.

Software AG is not aware of any cases in the reporting year or previous years where products or product components have been linked to human rights viola-

tions or child labor. For this reason, Software AG has not implemented any additional internal procedures or control indicators to exclude human rights violations and child labor other than those set forth in the Code of Conduct and the procedures implemented in the purchasing process and partner business.

Significant risks

The number of cyberattacks against companies in Germany reached an all-time high in 2020 according to the Federal Office for Information Security (BSI). While, at the same time, complex and targeted attacks on critical IT infrastructures called "advanced persistent threats" are able to circumvent many conventional security mechanisms. The measures described above reduce the risk. Information on legal risks in the [information security](#) area can be found in the Opportunity and Risk Report.

Risks from corruption and anti-competitive behavior arise in international business activities due to differences in understanding regarding ethical and moral business practices from one country to the next. This risk is curbed through the measures described above. In addition, adherence to compliance provisions is ensured through the activities of the Compliance Board as well as the Internal Audit department. Information on legal risks in the area of [compliance](#) (includes the aspect combating corruption and bribery per section 289c (2) no. 5 HGB) can be found in the Opportunity and Risk Report.

Information on risks for Software AG in the [intellectual property protection](#) area can be found in the Opportunity and Risk Report.

Software AG believes that its worldwide operations do not pose a significant risk of its activities having a serious negative impact on human rights. Since its business partners are obligated through the comprehensive Code of Conduct, Software AG believes that the risk of its business partners violating human rights and infringing on the rights of children and young people is very low. An academic background or several years of training are an absolute prerequisite for people working in the IT industry and in turn, for the vast majority of Software AG employees. The Company therefore sees no risk of child labor within its own business operations or in connection with the use of Software AG's products and services.

Employees

The Employees area of action includes the key topics of employee satisfaction, transparent trusting corporate culture, diversity and inclusion, work/life balance, occupational health, recruiting global, diverse and qualified teams, personal and professional development, and employer-employee relations. The area of action corresponds to the employee concerns aspect per section 289c (2) no. 2 HGB.

Concepts and due diligence processes

Transparent and trusting corporate culture

Software AG attaches great importance to fostering a transparent, respectful and trusting corporate culture. Since corporate culture, employee satisfaction and engagement are mutually supporting, Software AG has implemented a variety of initiatives to better understand the correlations and to positively impact the Company's culture. Ultimately, corporate culture plays a decisive role in the implementation of the Helix transformation growth strategy.

The #MyVoice employee survey evaluates employee satisfaction and engagement. A defined set of questions serves to update the index on an annual basis on topics including corporate culture, respect and staff development. In addition, current topics in 2020 such as the COVID-19 pandemic and the resulting internal regulations and measures are addressed. The survey results are communicated internally and taken into consideration in companywide activities in the People & Culture area. Managers are responsible for discussing the results in their teams and implementing measures for improvement.

Diversity and inclusion

The Management Board considers diversity and inclusion to be a fundamental component of an open and innovative corporate culture and strives to maintain a work environment that encourages employees to contribute their different perspectives. Every employee should contribute to the Company's success with their individual personality and strengths, and in so doing develop their full potential.

As a comprehensive management approach, the Code of Conduct sets out what Software AG considers to be ethically correct conduct in its day-to-day business, and addresses the topics of equal treatment and anti-discrimination among others.

Another of Software AG's objectives is hiring women and promoting their professional development. Software AG participates in diverse projects as a certified "MINT-Minded Company" to boost women's interest in IT professions and their appeal as a career. Likewise, Software AG supports its female employees in Germany by participating in the Women into Leadership Initiative. Software AG India developed the SoftwareAGain program specifically for women who have temporarily left the workforce—for personal reasons, for example. The initiative aims to support women in computer science and software engineers with a phased return to the professional world. With these initiatives, internal networks were created in 2020 specifically for women to share their experiences in India and the DACH region. These initiatives are slated to be continued in fiscal 2021.

Work/life balance and occupational health

Employee health is a top priority for Software AG. For that reason, the Company is implementing measures to promote employee health in Germany that aim to motivate employees to adopt a healthy lifestyle and strengthen their personal responsibility in health issues. A successful company health management program improves the health of employees, reduces physical and mental strain from work, prevents disease, enables a smooth reentry for employees previously unable to work, reduces the duration and cost of health-related absences and increases employee satisfaction and commitment. Moreover, it increases Software AG's appeal as an employer to existing and potential employees.

To achieve the goals of its Company health promotion program and allow its effectiveness to be assessed by experts, Software AG is working together with public health insurance companies in Germany. Sick leave at Software AG in Germany is evaluated based on regular reports and comparisons with data published by health insurance companies. The department collaborates with the Management Board to determine the necessary individual and collective measures.

For instance, health management measures at Software AG in Germany include the Company physician, ergonomic workspace design, and vocational rehabilitation management along with a wide range of health initiatives like COVID-19 tests, flu shots, massage, company sports groups, health checkups and counseling.

For many employees, having the opportunity to balance personal life, family and work is a crucial aspect in assessing physical and mental strain from work. The need for flexible working hours and models varies from one Software AG location to the next. Software AG offers employees in Germany flexible work hours, diverse part-time models, and a 50-plus initiative with special offerings for employees over the age of 50. Flexible work hours and work models are also a competitive factor for recruiting the best talent. Software AG works to continually adapt its programs to meet its employees needs and improve the high ratings it receives on employer evaluation platforms like Glassdoor and Kununu.

Recruiting global, diverse and qualified teams

The expertise and personal skills of Software AG employees are a crucial factor in customers', investors' and business partners' decision to choose Software AG—and thus a key factor for the Company's success.

The Talent Sourcing department introduced a new active sourcing concept in mid-2020 to identify qualified external candidates and proactively approach them about open positions.

Furthermore, Software AG provides targeted promotional and educational measures for students in high school and university as well as for future talent to support young people in their development early on. In Germany, the Company offers a variety of educational and training programs in the areas of office management and computer science as well as dual studies degree programs.

Personal and professional development

For Software AG, regular performance reviews and career development meetings are a key tool for employee motivation and loyalty. In these reviews, employees and their supervisors find out together how they can further their professional and personal development.

Software AG's Global Corporate University supports employees and managers in developing both their personal and professional expertise through numerous online and in-person training offerings that cover topics ranging from soft skills to leadership and technical/product skills.

The new Leadership Learning Journey format was developed in 2020 for Software AG's managers to help them continue to develop on an individual basis and network throughout the Company. In the Future Talents Program that was developed specifically for rising talent at the Company, participants receive training in areas such as change management or influencing skills and share their experiences with other participants.

Employer-employee relations

Flat hierarchies, codetermination and an open relationship between corporate leadership and employee representatives characterize the corporate culture at Software AG. In Germany, the main bodies for codetermination are the Supervisory Board, which has two elected employee representatives, and the local Works Councils, General Works Councils, the Economic Committee and a variety of technical committees.

Results of the applied concepts and performance indicators

Employee satisfaction and transparent and trusting corporate culture (SASB TC-SI-330a)

In 2020, 82 percent of employees took part in #MyVoice, the Company's global employee survey. The Q12 Engagement Score, which measures employee commitment based on 12 standardized questions, improved over the previous year by 0.29 points to a value of 3.92 (2019: 3.63). The Accountability Index is an indicator for the future development of commitment and was surveyed for the first time in 2020. The value for 2020 came in at 3.71 points.

In 2020, in addition to the global employee survey, different departments at Software AG conducted approximately 20 (2019: 30) other surveys related to topics including employee and customer satisfaction. The number of topic-related surveys came in lower than the previous year due to the effort involved in pandemic-related adjustments and the internal system outage after the malware attack.

Software AG achieved a score of 3.9 (2019: 4.2) on the global employer rating platform Glassdoor on a scale from 0.0 (very dissatisfied) to 5.0 (very satisfied). On Kununu, Germany's rating platform, Software AG achieved a score of 3.74 (2019: 3.84) on a scale from satisfactory (1–2) to very good (4–5). Software AG India took part in the "Great Place To Work" survey in 2020 and was recognized as one of the top 75 IT-industry companies in the area of "IT & IT-BPM, 2020."

To ensure that corporate culture, talent management and continuing education and training are driven strategically and across teams, a global Competence Center for Human Resources was implemented at the beginning of 2020. Furthermore, Software AG found a circle of employees with its Change Network who act as multipliers within the Company to support and strengthen the cultural transition at all of its locations around the world.

Staff turnover¹ (GRI 401)

Staff turnover rate is a key metric for measuring employee satisfaction and Software AG's appeal for young talent and trained professionals. For that reason, it is analyzed regularly for different departments and regions in order to implement appropriate countermeasures in case of high numbers.

The attrition rate at Software AG in 2020 was 10.1 percent, which corresponds to a decrease of 1.5 percentage points compared to the previous year. The attrition rate is calculated as the number of leavers in the past fiscal year in relation to the average number of employees. The number of voluntary and non-voluntary employee leavers is also analyzed. Software AG's aim is to minimize the negative impact of leavers on its business.

Diversity and inclusion

An initiative to promote diversity, equity and inclusion was introduced at the end of 2020. Over 200 employees shared their ideas, experiences and suggestions in global workshops. The results from these workshops will be considered in the drafting and implementation of global and regional diversity concepts and activities.

In 2020, Software AG joined The Valuable 500 initiative, an organization that places inclusion for people with disabilities on the daily agenda of company managers. The Company has been a member of the Initiative for Women into Leadership (IWIL), a nonprofit organization that facilitates long-term promotion of women at the top level, since 2019. Software AG received an excellent rating as a "Great Place to Work for Women" in 2020 and ranks in the top 50 employers for women in India.

Management Board, Supervisory Board and employees by gender and age group (GRI 405)

The numbers are based on data from Software AG's (workday) personnel information system as of December 31, 2020, and data from its SAP system (information about dormant employee contracts):

Supervisory Board by Gender and Age Group

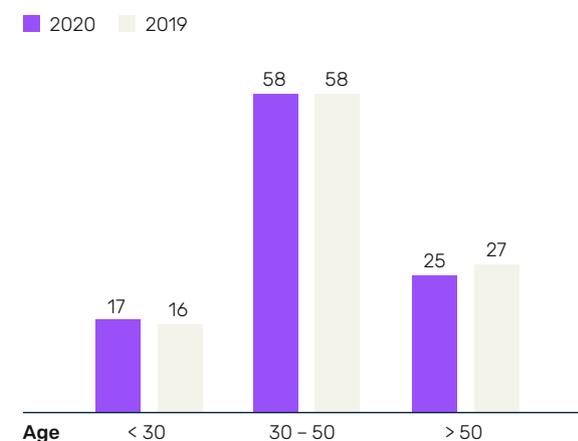
as %, as of Dec. 31, 2020	<30	30–50	>50	Total
male	0.0	0.0	83.3	83.3
female	0.0	0.0	16.7	16.7
diverse	0.0	0.0	0.0	0.0
Total	0.0	0.0	100.0	100.0

Management Board by Gender and Age Group

as %, as of Dec. 31, 2020	<30	30–50	>50	Total
male	0.0	40.0	40.0	80.0
female	0.0	20.0	0.0	20.0
diverse	0.0	0.0	0.0	0.0
Total	0.0	60.0	40.0	100.0

¹ Most significant performance indicator (see Non-Financial Performance Indicators in the Combined Management Report)

Age Group Trend

Employees¹ by Gender and Age Group

as %, as of Dec. 31, 2020	<30	30-50	>50	Total
male	10.6	41.1	19.0	70.7
female	6.1	16.7	6.4	29.2
diverse	0.0	0.0	0.0	0.0
Total	16.7	57.8	25.5	100.0

Total number of employees by gender, region and employment type (GRI 405)

Total Number of Employees¹ by Gender

Full-time employees	Dec. 31, 2020	Dec. 31, 2019	+/- as %
male	3,273	3,422	-4
female	1,354	1,429	-5
diverse	1	2	-50
Total	4,628	4,853	-5

Total Number of Employees¹ by Region

Full-time employees	Dec. 31, 2020	Dec. 31, 2019	+/- as %
EMEA	1,271	1,645	-23
DACH	1,314	1,268	4
thereof at HQ (Darmstadt)	881	862	2
thereof in DACH, excluding HQ	433	406	7
APJ	1,282	1,230	4
NAM	643	601	7
LATAM	118	109	8
Total	4,628	4,853	-5

Total Number of Employees¹ by Employment Type and Gender

	Dec. 31, 2020	Dec. 31, 2019	+/- as %
Full-time	4,390	4,544	-3
thereof male	3,202	3,327	-4
thereof female	1,187	1,215	-2
thereof diverse	1	2	-50
Part-time	238	309	-23
thereof male	71	95	-25
thereof female	167	214	-22
thereof diverse	0	0	0
Total employees	4,628	4,853	-5

Work/life balance and occupational health (GRI 403)

Employees gave Software AG a very high score of 4.55 on work/life balance in the #MyVoice global employee survey for 2020.

Software AG has a management system for workplace safety and health protection that covers all employees of the Company and its subsidiaries in Germany. A vocational rehabilitation management program that aims to help employees overcome incapacitation as much as possible and prevent renewed incapacitation is a firm component of the Company's health management program. Software AG's number of days absent due to illness is below the average for German companies. The Workplace Safety Committee meets on a regular basis. The Workplace Safety Officer is the con-

¹ FTEs, adjusted for dormant employment contracts. Not including employees of FACT AG. There were no significant changes or seasonal fluctuations in the number of employees during the year.

tact for employees about any issues on workplace safety and health protection, and advises departments accordingly. Moreover, the departments receive advice on ergonomic workspace design. The Workplace Safety Officer conducts regular risk evaluations of workspaces.

Since the start of the COVID-19 pandemic, all employees who can do their job from home have had the opportunity to work remotely part-time or full-time if the laws at their location allow it. In addition, there is a COVID-19 task force to enable the Company to react immediately to global developments, establish necessary safety measures and inform employees.

During this challenging time of limited contact due to the pandemic, Software AG prioritized protecting its employees' health and work/life balance as well as helping them make working from home as pleasant as possible. For instance, the Company introduced "Meeting-Free Mondays" worldwide along with a meditation and mindfulness app for employees. The goal is to support employees in handling mental burdens and stress. In addition, Software AG offered employee assistance programs (EAPs) in some countries free of charge, in which employees could receive psychological support or professional advising on caring for children and family members.

Recruiting global, diverse and qualified teams

Software AG hired 653¹ new employees in 2020. As a reaction to the COVID-19 pandemic, the Company changed the application process on short notice to holding job interviews online.

Software AG has been expanding the dual-studies computer science degree program and launched the new Adabas & Natural Academy in winter semester 2020. In that program, students spend four semesters at the Darmstadt University of Applied Sciences and three practical semesters in different departments at Software AG. During 2020, Software AG's German locations had 65 trainees and dual-studies students (2019: 55), 51 interns and degree candidates (2019: 36) and 51 student employees (2019: 41).

Personal and professional development (GRI 404)

The process for employee development meetings was completely revised in 2020, so starting in 2021 there will be a new, standardized global format for annual employee development meetings. Data collection on regular performance evaluations and feedback will begin in fiscal 2021 to provide reporting on this key indicator.

The Corporate University continuously monitors the satisfaction of course participants, which involves evaluating the training offered and adapting it as needed. In 2020, the Company offered approximately 1,700 courses (2019: 1,800), mostly as e-learning courses. Employees can schedule online training for themselves and complete it at any time. Average satisfaction with the courses was 86.6 percent in 2020.

Since 2019, Software AG also measures the indicator "growth days," which is defined as the time that employees invest in their continuing education. The objective is to promote employees taking the initiative to further their training, especially in topics that go beyond their current job requirements. All topics are relevant that are of interest to employees and promote their personal growth at Software AG. Accepted learning formats include external seminars, offerings from recognized learning platforms, attending conferences, utilizing mentoring and coaching, and reading specialized literature. Employees have the opportunity to enter the time they spent in their iLearn learning account.

Growth Days

Year	Registrations	Learning Time (hours, net)	Learning Time/EMPL (hours, net)
2020	59,000	175,000	38.1
2019	45,000	147,000	30.5

Employer-employee relations (GRI 402)

The cooperation between employee committees and Software AG is close and based on trust. In fiscal 2020, their collaboration concentrated foremost on measures needed because of the COVID-19 pandemic. The Company was able to respond very quickly to the constantly changing risk level in close consultation with the committees.

As in previous years, another focal point of the committee's work in Germany was the implementation of new IT systems. Negotiations on these topics were concluded as planned and the respective systems were implemented.

Significant risks

The commitment shown by Software AG's employees paired with their professional and personal skills all contribute decisively to the Company's success.

¹ FTEs: not including temps, dual studies participants, trainees, student employees, interns or degree candidates.

Therefore, ignoring employee concerns poses a fundamental risk of—generally indirect—negative impacts on business performance. Examples of this include when low employee satisfaction leads to high turnover and a loss of company-specific expertise, when a lack of diversity in the corporate culture leads to weak innovation, when employees get sick and miss work due to a lack of exercise or psychological stress, when succession planning is neglected and unappealing for rising talents and qualified professionals, or when the Company neglects continuing education and training for employees in a competitive market. Employee recruiting is a crucial aspect of securing Software AG's business activities. Promoting young talent and hiring innovative employees are also criteria that lead investors and business partners to choose the Company.

For this reason, Software AG takes appropriate measures to promote internal talent and win external talent. The Company seizes the opportunities that lie in high employee satisfaction, and innovative and diverse corporate culture, attractive working conditions and employee development.

Software AG could not identify any significant risks with regard to the Employees area of action (corresponds to the employee concerns aspect per section 289c (2) no. 2 HGB). For more information on [personnel risks and opportunities](#), please refer to the Opportunity and Risk Report.

Customers and Technology

The Customers and Technology area of action includes the key topics of protection of customer data, innovation, customer satisfaction and loyalty, product and service quality, adding value for customers, product support and tech for good. In addition to the aspects stated in section 289c HGB, Software AG has also defined the customer concerns aspect as key in the Customers and Technology area of action.

Concepts and due diligence processes

Protection of customer data (SASB TC-SI-220a)

The protection of customer data falls under the areas of [data protection](#) and [information security](#). The Company uses an integrated management system (including DMS & ISMS) to implement appropriate measures for data protection and information security. This includes the protection of customer data.

The quality and effectiveness of data protection and information security processes are reviewed during audits of the integrated management system. Audit results, findings and progress are documented in a central audit system. Management is informed regularly on this topic. For more information, please refer to the [Fundamental Aspects](#) section.

Innovation

Software AG's technological innovations are expanding its customer portfolio and improving efficiency for itself and its customers. Extremely fast innovation cycles are the norm in the software industry. It is essential to recognize customer needs and market trends early on, to explore new directions and technological possibilities and offer relevant, innovative solutions. For that reason, Software AG monitors its competitors and disruptive trends. For more information on market trends and monitoring as well as Software AG's unique selling propositions, please refer to the [Competitive Situation](#) in the Fundamental Aspects of the Group section of the Combined Management Report.

Customer satisfaction and loyalty

Good working partnerships are based on trust, commitment and shared exchange. The three focal points of Software AG's Customer Satisfaction Program are communication, collaboration and co-innovation. To improve processes, products and services and increase customer satisfaction, Software AG surveys and reviews satisfaction and other feedback from customers on a regular basis.

Software AG collaborates closely within its own organization, within its partner network and with its customers. Customers are closely involved in the cycle, starting from the idea through to the product. The Company expects and encourages employees to suggest customer-centric solutions. For that reason, Software AG employees modern tools like the design thinking method in research and development.

Product and service quality

A key objective of Software AG is to promote innovation and competitive differentiation among its customers and to support their successful digital transformation—and thereby make a key contribution to their success. The high quality of Software AG products is a crucial driver here. Clearly documented processes and performance indicators (for example, quality goals, routine quality management reviews) coupled with a quality-oriented corporate culture and certification of management systems ensure

Software AG's high quality standards. Regular software releases, updates and improvements and enhance the Company's operational efficiency and excellence.

Software AG's most important management systems are certified according to ISO standards and centralized in an integrated management system (IMS):

- Software AG secures its first-rate support services and software solutions with its **ISO 9001**-certified QMS. Customer feedback is systematically captured in the QMS. Thus, the QMS serves as the basis for an ongoing improvement process and high customer satisfaction.
- Software AG's **ISO 22301**-certified business continuity management system assures the Company's excellent support services. The system ensures—through important infrastructure redundancies, for instance—that systems and services needed by customers are also available in crisis situations.
- The **ISO 27001**-certified cloud information security management system includes comprehensive, holistic security management for Software AG's cloud services that provides a suite of information security measures—for example, protection from unauthorized access and identification of security risks. Software AG is certified for compliance with ISO/IEC 27001:2013, ISO/IEC 27017:2015, and ISO/IEC 27018:2014.

Adding value for customers

Software AG's products support their customers in making decisions based on data that can lead to more efficient use of financial or natural resources. Using data integration, data analysis, device connectivity and process data analyses, customers can make smart, data-driven decisions that contribute to better process results and enable competitive advantages.

Within the Software AG sales methodology, Engage², each sale generates a value proposition for each customer that lays the foundation for setting a fair price.

Product support (SASB TC-SI-550a)

Software AG provides global 24/7 support to ensure the continuity of its customers' core business systems. The Company's global support is certified according to ISO 9001, which ensures high quality.

With the Enterprise Active Support model, Software AG provides fast, agile and proactive customer support for all of its products. Customers benefit from industry-leading performance and fast response times in any time zone. For more information about Enterprise Active Support services, please refer to the fact sheet at resources.softwareag.com/services/enterprise-active-support-fact-sheet. Depending on business criticality, other support models with fewer services can be selected (standard support), especially regarding regional coverage and response times.

Every customer that uses global support is asked to provide feedback on the service and on Software AG in general. The feedback is used to improve customer service and is incorporated in product development.

Tech for good

Digitalization is a comprehensive economic and social topic, and a central field for action in the German government's digital agenda for education. Since 2007, Software AG has had its own **University Relations program** to develop digital competencies by providing its software free of charge for students in elementary and secondary schools, university students, professors and university employees.

Moreover, Software AG is a founding member of Software Campus. Launched in 2011, the program is supported by ten industry partners and eleven research partners, and funded by the German Federal Ministry of Education and Research. It focuses on outstanding students in computer science and related fields and qualifies them through mentoring and seminars for leadership positions in the IT industry. By participating in the program, Software AG hopes to counter the shortage of IT experts and managers in Germany. For more information about Software AG's engagement in research projects, please refer to the Research and Development section in Fundamental Aspects of the Group in the Combined Management Report.

Results of the applied concepts and performance indicators

Protection of customer data (GRI 418)

Despite comprehensive security measures, Software AG was the target of a malware attack in October 2020. The attackers encrypted different systems at Software AG and were further able to download several hundred gigabytes of data and subsequently make them available on the darknet. This data primarily concerned the Company's email communication; the precise content is currently still being analyzed and systematized. The appropriate data protection authorities and law enforcement agencies were notified about the incident immediately, as were customers, suppliers, partners and employees who were actually affected, and those who could potentially be affected. Any consequences of the incident for customers and other affected parties will be evaluated once the analysis has been fully completed. There were no other incidents in which customer data was violated or lost in 2020. No further incidents were detected in accordance with the provisions of the applicable data protection laws.

Innovation

Software AG evaluates the success of its innovations based on revenue growth and the number of new customers. In 2020, the Company was able to grow its market share. Global revenue from products and services saw positive growth in fiscal 2020. Independent market research firms once again confirmed Software AG's innovative power, market success and quality of products and services in 2020. For more information about their assessments, please refer to the Industry Recognition section in Fundamental Aspects of the Group in the Combined Management Report. For more information on R&D expenditures, please refer to the Research & Development section in the Combined Management Report.

Customer satisfaction and loyalty

Net Promoter Score¹

Software AG measures customer satisfaction in support cases based on the Net Promoter Score (NPS). For Software AG, the NPS represents a strategic performance indicator, which is broken down into business lines. With an NPS² of 54 it reached an all-time

high value in 2020 (2019: 40; 2018: 36). Since 2020, Software AG has also been measuring NPS in the sales process and product usage by end users. This process was still in the initial stages at the end of 2020, so the first results to be evaluated will be available in 2021.

Product and service quality

The different aspects of product and service quality are measured and tracked with the help of performance indicators using an internal management reporting system. Using the performance indicators—which measure the number of support notifications per customer or test coverage, for example—it is possible to identify internal problems early on and resolve them.

Adding value for customers

The Company does not internally evaluate Sales employees or consultants on achieving these goals and there are neither explicit indicators nor a process for ascertainment, except that every customer ideally should be won as a reference customer.

Product support

Software AG measures customer satisfaction with the support process (KPI: satisfaction with handling of support incidents). This KPI reached a record high in 2020 at 78 percent (2019: 69 percent). This value describes how many "5-star" ratings were given on a scale of 1 to 5.

Tech for good

Software AG provides software free of charge for teaching and research purposes to more than 1,700 universities in over 80 countries through its University Relations Program. The offering covers the needs of more than 1,700 educators and is integrated into curriculum on a recurring basis. Since the program began in 2007, more than 25,000 students have benefited from it. Software AG has been offering students free online certifications as part of the University Relations Program since 2017. More than 2,000 young experts can document their knowledge with this certificate when applying for jobs. The University Relations YouTube channel has more than 100 videos available, and has had more than 250,000 views.

¹ Most significant performance indicator (see Non-Financial Performance Indicators in the Combined Management Report)

² The NPS score for 2020 only includes the months of January through September because the numbers could not yet be evaluated for Q4 2020.

The University Relations Program fulfills an important aspect for addressing one of Software AG’s key target groups: the next generation of talent. It stimulates a steady stream of applications, especially for jobs for graduates in technology fields. According to an internal study, half of the Company’s recent graduate hires in Germany can be traced back to a previous contact via the University Relations Program. Finding graduates in the job market with Software AG skills is also very important for Software AG’s partners and customers.

Significant risks

Software AG could not identify any significant risks with regard to the Customers and Technology area of action. For more information about the product portfolio and innovation risks, please refer to the Opportunity and Risk Report in the Combined Management Report.

Society

The Society area of action corresponds to the employee concerns aspect per section 289c (2) no. 3 HGB and includes the key topics of employee engagement and local communities, government relations and stakeholder dialogue, and value for society.

Concepts and due diligence processes

Value for society

Software AG addresses the Society area of action primarily at the regional level. Across the entire Group, Software AG pursues the goal of networking with the communities where it operates and contributing to their well-being as a good corporate citizen. Regional corporate governance works to develop measures for local issues. In addition, the Company supports local associations and initiatives through donations and sponsorships.

Employee engagement and local communities

Software AG’s social commitment is reflected above all in its employees’ high level of commitment in many local projects at its locations around the world. With its two large global programs, “Give back to the world” and “Move your feet to give a hand,” Software AG has created a Group-wide framework for corporate volunteering.

Social engagement has been a cornerstone of Software AG’s corporate culture since it was founded by Dr. h.c. Peter Schnell. In the 1990s, Schnell established the Software AG Foundation with his shares in the Company. With a shareholding of 33 percent, the foundation is still Software AG’s major shareholder and operates as an independent foundation using the earnings from its assets to promote ongoing human and social development.

Government relations and stakeholder dialogue

Software AG creates opportunities for sharing and exchange with its stakeholders and incorporates their knowledge in various expert and political committees. In so doing, the Company is pursuing the objective of strengthening Germany as a digital hub, boosting the potential of digitalization and shaping it according to the principle of digital sovereignty for the benefit of all.

Results of the applied concepts and performance indicators

Value for society

As an employer and taxpayer, the Company makes significant economic contributions to the locations where it operates. Software AG is one of the largest employers in Darmstadt with 881 employees. The Company employs 4,628 people worldwide.

Monetary Donations and Donations in Kind

in €	2020	2019
Monetary donations in India ¹	96,385	30,120
Monetary donations and donations in kind in other countries ²	160,363	202,478

¹ Mandatory CSR tax, recorded after the actual donation payment date.

² Recorded for: Australia, Bahrain, Belgium, Denmark, Germany, Finland, France, United Kingdom, Ireland, Israel, Italy, Japan, Canada, Luxembourg, Netherlands, Norway, Austria, Portugal, Saudi Arabia, Sweden, Switzerland, Singapore, Spain, South Africa, USA, United Arab Emirates.

Sport sponsorship

In December 2019, Software AG extended its jersey sponsorship agreement with the SV Darmstadt 98 soccer club (the Lilies) through 2024. Software AG has sponsored the Lilies since the 2008/2009 season and is involved with the club’s youth rising talent center as well as its social campaign “Under the Sign of the Lily” to support people with developmental or physical disabilities. In addition, Software AG

has supported the club's e-sports activities as an e-partner for the 2019/2020 e-football season. At the end of 2020, Software AG expanded its engagement and will support the following season as the e-main-sponsor.

Employee engagement and local communities (GRI 413)

Give back to the world

As part of the "Give Back to the World Day" program, Software AG employees can take one work day per year for volunteering. Furthermore, they can submit requests through the program for materials that will be used for the charitable projects. In this age of the COVID-19 pandemic, it is especially important for the Company to continue its social engagement and support society in recovering from the consequences of the pandemic. For that reason, the program's motto in the reporting year was "Software AG cares—connect and restore."

In 2020, 94 (2019: 500) employees in five countries (2019: nine countries) participated in eight projects (2019: 20). The result is lower than the previous year's level since many projects were not implemented and supported as planned because of contact restrictions due to the COVID-19 pandemic and the malware attack in Q4.

Furthermore, Software AG employees in India donated to local COVID-19 aid projects in 2020. 250 employees collected approximately €3,100 to buy protective equipment, ventilators and school bags. In addition, 365 employees in India donated the equivalent of €16,125 to the country's COVID-19 relief fund.

For the German locations, Software AG donated €10,000 to the "Auf Augenhöhe" refugee aid fund to support integration projects in Germany. This funding was carried forward from the 2020 Give Back to the World budget.

Move your feet to give a hand

Software AG is building a bridge with its worldwide "Move your feet to give a hand" campaign between Company sports, team spirit, and charitable and athletic commitment. Software AG, the employee representatives on the Supervisory Board and the Software AG Foundation donate a fixed amount of money for every kilometer run by Software AG employees at official running competitions. In 2020,

staff members covered a distance of 4,341 kilometers (2019: 10,208) and raised a donation of €22,500 (2019: €43,500). Employees can make suggestions on which non-profit organizations the money should go to, so the donations are distributed to those organizations in the following year. A total of €43,500 in donations from the year 2019 went to the following organizations:

- €15,000 to the Black Knights Dreieich power chair hockey team (Germany)
- €10,000 to ARQUE e.V. (Association for Paraplegics with Spina bifida) (Germany)
- €10,000 to ASTHA, an organization that promotes inclusivity for people with disabilities (India)
- €8,500 to Asociación de Amigos del Pueblo Saharaui de Tres Cantos (Spain)

Since the campaign began 13 years ago, Software AG's employees have covered 109,959 kilometers in total, well over two times around the world.

Government relations and stakeholder dialogue

Public affairs

Once again in 2020, Software AG participated in political dialogue and was engaged in a variety of government committees and initiatives. In addition to its work with Germany's Digital Association (Bitkom) and the National Association of German Industry (BDI), the Industry 4.0 Platform and Learning Systems Platform should also be highlighted for 2020. The Industry 4.0 Platform aims to drive the digital transformation in Germany in the dialogue between business, science and unions, while keeping social upheaval to a minimum. The goal of the Learning Systems Platform is to exploit the potential of artificial intelligence for business and society as well as to identify technical, legal and social challenges in an early stage. Political recommendations for action will be drafted based on the findings.

In addition to its ongoing involvement in committees, Software AG concentrated its political work in 2020 primarily on the topic of regulating the digital economy. Software AG champions the creation of framework conditions for platforms and AI that enable innovation while ensuring fair competitive conditions and above all protecting the fundamental values and norms of our society. The Company has engaged in relevant consultations with the EU Commission and submitted comprehensive statements on this topic.

Political Committees in which Software AG is Active (Selection)

Organization	Committee	Role
German National Academy of Science and Engineering (acatech)	HR working group on the Future of Work	Member
National Association of German Industry (BDI)	Committee for research, innovation and technology policy	Member
	National research and innovation policy workgroup	Member
	European research and innovation policy workgroup	Member
	Artificial intelligence workgroup	Member
Germany's Digital Association (Bitkom)	Artificial intelligence workgroup	Member
	Industry 4.0 market and strategy workgroup	Deputy Chair
	Research and innovation workgroup	Chair (starting Q4 2020)
	Platforms workgroup	Deputy Chair (until Q2 2020)
	Economic and innovation policy steering committee	Member
Industry 4.0 Platform	Steering committee	Member
	Industry 4.0 platform research advisory committee	Co-chair
	Digital business models for Industry 4.0 workgroup	Member
Learning Systems Platform	Technology pioneers and data science workgroup	Member
	Business model innovations workgroup	Member

Likewise, Software AG is participating in various [research and innovation projects](#) as a business partner. An overview of Software AG's research projects' contribution to the sustainable development goals (SDGs) of the United Nations can be found online at www.softwareag.com/sustainability. The ongoing digitalization of education has also become a central field for action in the German government's digital agenda—in classrooms, lecture halls, vocational schools and companies. Since 2007, Software AG's [University Relations Program](#) has contributed to developing digital competencies at universities and colleges worldwide.

Stakeholder dialogue

Software AG attaches great importance to fostering an ongoing dialogue with its [stakeholders](#). This is also reflected by the Company's structure, which incorporates numerous departments dedicated to maintaining a dialogue with the most important stakeholder groups. These include Sales, Customer Support, Human Resources, Corporate Communications, Marketing, University Relations and Investor Relations. The main stakeholder groups have a direct voice in the Company, for example through the international user groups, employee representatives, the Supervisory Board, the Annual Shareholders' Meeting and the Scientific Advisory Board. The following table shows a sample selection of the committees.

Significant risks

Software AG could not identify any significant risks with regard to the Society area of action (corresponds to the social matters aspect per section 289c (2) no. 3 HGB). Rather, the Company sees the opportunity here to live up to its corporate social responsibility and make an economic and social contribution—especially to the local communities of its operations.

Committees for Stakeholder Dialogue (Selection)

Stakeholder Group	Committee/Medium	Interval/Meetings
Investors, employees, main shareholder (Software AG Foundation)	Elected representatives on the Supervisory Board	Regular meetings
Investors	Annual Shareholders' Meeting	One general meeting annually
Employees	Works Council (Germany)	Regular general and employee meetings
Employees	Employee survey	One global survey annually, topical surveys
Customers	Global customer survey	One survey annually
Customers	International user groups	One trans-regional conference annually, regular regional meetings
Research & Development	Scientific Advisory Board	Regular meetings

Environment

The Environment area of action includes the key topics of carbon footprint and resource efficiency, and corresponds to the environmental matters aspect per section 289c (2) no. 1 HGB.

Concepts and due diligence processes

CO₂ footprint

The Environment area of action focuses on reducing CO₂ emissions since these represent Software AG's most significant environmental impact. Software AG takes responsibility for the environmental impact of its own business operations. In Software AG's industry, CO₂ emissions are generated in particular through the energy consumption of buildings, operating data centers and employee mobility. Software AG takes a holistic approach to all aspects of energy management, demand and procurement for all its operations and is working toward reducing its carbon footprint by using more renewable energies. To control power consumption for all its locations, Software AG continually implements energy-saving measures, such as retrofitting lighting systems, replacing motors and upgrading building technology. When planning the construction of new buildings, the Company pays close attention to making use of natural light, installing shading systems and state-of-the-art building technology. Software AG is also looking for ways to improve the energy efficiency and performance of its

data centers and to reduce energy consumption through innovative technologies. In early 2020, Software AG and its subsidiaries in Germany underwent an energy audit per EN 16247-1/ISO 50002. The audit's objective was to identify short-term and medium-term areas for potential energy savings and introduce high-priority measures to reduce CO₂ emissions and have a positive impact on reaching the EU's climate protection goals.

In the area of mobility, Software AG offers its employees at its Darmstadt location a job ticket as well as leasing opportunities for bikes and e-bikes. Likewise, it also has charging stations for electric and hybrid vehicles.

Resource efficiency

Beyond reducing its carbon footprint, Software AG also values conserving natural resources. The Company needs furniture, IT equipment, paper and other materials for its office locations. Moreover, waste is created—especially outdated IT hardware from its offices—that needs to be recycled.

The cafeteria offers the staff at Software AG's headquarters in Darmstadt a wide range of organic meals made with locally sourced products. The Company is deliberately emphasizing the importance of providing employees with healthy, sustainable food.

Software AG technology helps its [customers](#) use their resources efficiently and sustainably as well as improve their energy and CO₂ footprint.

Results of the applied concepts and performance indicators

CO₂ footprint

Energy consumption (GRI 302, SASB TC-SI-130a)

Electricity is the most important source of energy. Software AG contributes significantly to reducing its own emissions by using electricity from renewable sources. The 1,314 employees in Germany are supplied with 100 percent green electricity. In addition, the waste heat from the servers at corporate headquarters in Darmstadt is used to heat the building. All in all, the

Company achieved a reduction in energy consumption at the locations under review from last year. In 2020, energy consumption was reduced per square meter of floor space by 27 percent from 128 kWh/m² to 94 kWh/m² and by 19 percent per employee from 2,843 kWh/EMP to 2,317 kWh/EMP. These reductions were due primarily to the fact that employees worked from home more frequently because of the COVID-19 pandemic as well as the continuous upgrades in building technology, additional insulation and more energy-efficient systems, retrofitting lighting systems with LEDs, modern window shades and air conditioning systems, and more efficient IT components and servers.

Energy Consumption

Key indicators of energy consumption¹ (performance indicators pursuant to GRI 302)

Year	Employee (EMPL)	m ²	kWh/year	kWh/m ² /year	kWh/EMPL/year
2018	3,704	81,468	10,721,426	120	2,895
2019 ²	3,611	80,167	10,265,223	128	2,843
2020 ³	3,584	88,145	8,303,691	94	2,317

¹ Locations for which no separate account data is available are not included. The data collected represents about 90 percent of Software AG's total floor area.

² Because the office in Bracknell, U.K. relocated in 2019, only a limited comparison to the previous year is possible.

³ Due to the limitations imposed by the COVID-19 pandemic in fiscal 2020, the data provided here is comparable only to a limited extent.

Scope 1 CO₂ emissions (GRI 305)

CO₂ Emissions through Gas Consumption at Darmstadt Headquarters

Key indicators of gas consumption: Software AG's direct greenhouse gas emissions¹ through heating buildings with gas (scope 1)

Year	Employee (EMPL)	m ³ /year	m ³ /EMPL/year	t CO ₂ /year	t CO ₂ /EMPL/year
2018	844	104,472	123.8	209	0.2
2019	862	111,400	129.2	223	0.3
2020 ²	881	92,532	105.0	185	0.2

¹ Calculation of gas/m³ in tons of CO₂ (using the CO₂ calculator from klimaneutral-handeln.de)

² Due to the limitations imposed by the COVID-19 pandemic in fiscal 2020, the data provided here is comparable only to a limited extent.

Scope 2 CO₂ emissions (GRI 305)

CO₂ Emissions through Electricity Consumption

Key indicators of energy consumption: Software AG's indirect energy-related CO₂ emissions¹ from energy consumption for Company-owned buildings², including energy consumption for Company-owned data centers (scope 2)

Year	Employee (EMPL)	m ²	t CO ₂ /year	t CO ₂ /EMPL/year
2018	3,704	81,468	2,363	0.6
2019 ³	3,611	80,167	2,204	0.6
2020 ⁴	3,584	88,145	1,622	0.5

¹ Calculation of kW/h in tons of CO₂ (using the CO₂ calculator from klimaneutral-handeln.de)

² Locations for which no separate account data is available are not included. The data collected represents about 90 percent of Software AG's total floor area.

³ Because the office in Bracknell, U.K. relocated in 2019, only a limited comparison to the previous year is possible.

⁴ Due to the limitations imposed by the COVID-19 pandemic, the data provided here for reporting year 2020 is not representative of Software AG's energy consumption.

Scope 3 CO₂ emissions (GRI 305)

Software AG operates three external data centers in Germany, Singapore and the USA. In fiscal 2020, the total energy consumption at these data centers was 575,357 kWh¹, which corresponds to approximately 231 tons of CO₂².

The average fleet of leased vehicles at around 240 vehicles had estimated emissions of approximately 605 tons of CO₂ based on kilometers driven in 2020. Company cars can also be used for personal travel.

CO₂ Emissions from Business Travel

Key indicators by means of transportation¹: Software AG's other indirect CO₂ emissions² through business travel

Year	Air travel (t CO ₂)	Train (t CO ₂)	Rental car (t CO ₂)
2018	1,243	5	84
2019	1,471	6	76
2020 ³	155 ³	0 ^{3,4}	22 ³

¹ Key indicators are based on means of transportation booked by all employees in Germany.

² Key indicator pursuant to GHGP (Green House Gas Protocol).

The factors and calculations used for this calculation are defined for global data (<http://ghgprotocol.org/about-ghgp>).

³ Due to the significant limitations on business travel imposed by the COVID-19 pandemic, the data provided here for reporting year 2020 is not representative of Software AG's CO₂ emissions.

⁴ Since January 1, 2020, all local and long-distance train travel utilizes 100 percent green energy (no CO₂).

¹ Power consumption for Germany and Singapore estimated based on the performance data from individual components.

² Calculation of kW/m³ in tons of CO₂ (using the CO₂ calculator from klimaneutral-handeln.de)

Resource efficiency

Software AG's largest opportunity in the Environment area of action lies in reducing its CO₂ emissions. Beyond reducing its carbon footprint, Software AG also values conserving natural resources. The Company needs furniture, IT equipment, paper and other materials for its office locations. For that reason, outdated IT hardware from its offices is recycled to recover the raw materials that it contains. Software AG is closing the circle here with longer usage life, refurbishing and complete recycling. Household-type waste does not play a significant role in office operations.

At the end of 2018, Software AG introduced a digital workflow for documents that also enables all orders to be processed electronically, for example. From the time it was launched through January 2021, the Company was able to save 5,207 kg of wood, 127,956 liters of water, 12,223 kg of CO₂, and 846 kg of waste. There are also smaller measures that Software AG can also take to promote environmental protection and motivate both customers and employees to save resources and promote sustainability.

Gas consumption

Gas Consumption at Darmstadt Headquarters

Year	Employee (EMPL)	m ³ /year	m ³ /EMPL/year
2018	844	104,472	123.8
2019	862	111,400	129.2
2020 ¹	881	92,532	105.0

¹ Due to the limitations imposed by the COVID-19 pandemic in fiscal 2020, the data provided here is comparable only to a limited extent.

Water consumption (SASB TC-SI-130a)

Water Consumption at Darmstadt Headquarters

Year	Employee (EMPL)	m ³ /year	m ³ /EMPL/year
2018	844	8,609	10.2
2019	862	9,784	11.4
2020 ¹	881	7,948	9.0

¹ Due to the limitations imposed by the COVID-19 pandemic in fiscal 2020, the data provided here is comparable only to a limited extent.

Paper consumption (GRI 301)

Paper Consumption in Germany

Year	Employee (EMPL)	Sheets black	Sheets color	Sheets total	Total sheets/EMPL
2018	1,247	744,724	829,152	1,573,876	1,262
2019	1,268	662,239	776,566	1,438,805	1,135
2020 ¹	1,314	220,950	352,279	573,229	436

¹ Due to the limitations imposed by the COVID-19 pandemic in fiscal 2020, the data provided here is comparable only to a limited extent.

Hardware waste (GRI 306)

Due to regulatory requirements and data protection reasons, outdated hardware was once again collected at the Company's German-speaking locations (DACH region) in 2020 and turned over in its entirety to an IT remarketer and certified waste management company. These companies ensure the audit-proof, certified deletion of data in accordance with legal requirements as well as the destruction of data storage media taking into consideration every aspect of data protection and data security. This process is monitored seamlessly through recycling or refurbishment. In this way, Software AG supports a closed substance waste cycle and saving resources by extending the life cycles of hardware products.

Significant risks

On the whole, Software AG's business model incurs only a very low risk of negatively impacting the environment. The Company also sees the Environment area of action (corresponds to the environmental concerns aspect per section 289c HGB) as risk-neutral with regard to further consideration of its supply chain, products and services.