Combined Non-Financial Statement

FUNDAMENTAL ASPECTS

REPORTING SYSTEM

Software AG's Combined Non-Financial Statement (hereinafter referred to as the Non-Financial Statement) relates to the fiscal year from January 1 to December 31, 2022. The report has been published in this format as part of the Combined Management Report since fiscal 2017.

The 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 development, financial results, its situation, and the effects of its activities at a minimum on the aspects stated in section 289c(2) of HGB. Per section 289d of HGB, Software AG prepared the 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 Non-Financial Statement relate to Software AG and the Software AG Group. The 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 Non-Financial Statement

Software AG's Non-Financial Statement is audited by the auditing firm Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). 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

As a global technology provider, Software AG delivers software solutions and services to its customers. The Company's founders laid the groundwork for Software AG's value-oriented actions, ultimately forming its corporate culture. To this day, Software AG is the innovative, independent force guiding some of the world's best brands on their digitalization journey. 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.

DISCLOSURE REQUIREMENTS PER THE EU TAXONOMY REGULATION

Software AG is required to provide information about non-financial interests per regulations set forth in sections 289b et seq./sections 315b et seq. of HGB that are based on Directive 2013/34/EU. In this context, the Company must explain in its Non-Financial Statement in accordance with Article 8 of Regulation (EU) 2020/852 from June 18, 2020 (Taxonomy Regulation), how and to what extent it carries out economic activities that could be characterized as environmentally sustainable in the sense of the Taxonomy Regulation.

An economic activity is defined as taxonomy-eligible if it is listed in the Taxonomy Regulation or in one of the delegated legislative acts and contributes on its merits after realization to at least one of the following environmental objectives:[1]

[1] The Climate Delegated Act, which was formally adopted in June 2021, establishes technical screening criteria for the first two of the six environmental objectives and serves to define and identify sustainable activities. The technical screening criteria for objectives three through six are slated to be adopted in 2023. Subsequently, only the first two environmental objectives are applicable in fiscal year 2022.

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

An economic activity is considered taxonomy-aligned if it meets the technical screening criteria, meaning that it contributes substantially to one of the environmental objectives and does no significant harm (DNSH) to any of the other environmental objectives. Furthermore, compliance with a minimum safeguard must be observed to ensure taxonomy alignment regarding alignment with frameworks for respecting human rights as well as social and labor standards.

The Taxonomy Regulation defines the three performance indicators required to be reported—revenue, capital expenditure (CapEx), and operating expenditure (OpEx)—that demonstrate the scope of economic activities that are classified as environmentally sustainable in the sense of the Taxonomy Regulation.

The European Commission established the Delegated Regulation (EU) 2021/2139 (Climate Delegated Act) to define the screening criteria for taxonomy eligibility and alignment for the first two of the six environmental objectives.

Software AG must apply the requirements of the Taxonomy Regulation in fiscal 2022 for the second time. For the Company's first-time reporting per the EU taxonomy in fiscal 2021, simplified requirements were imposed. First, economic activities were only considered with regard to the first two environmental objectives—climate change mitigation and climate change adaptation—and second, key performance indicators—revenue, CapEx, OpEx—were only disclosed for taxonomy-eligible economic activities. Thus, taxonomy alignment was not taken into consideration. Software AG made use of these simplifications.

In reporting for fiscal year 2022, once again only the first two environmental objectives were taken into consideration. However, information on taxonomy alignment must be disclosed. Furthermore, the tables from Annex II (2021/2178/EU) must be used for reporting of taxonomy quotas for the first time.

Determining taxonomy-eligible economic activities

To collect the mandatory information for reporting, Software AG initiated an EU taxonomy project that involved the participation of relevant internal units and an external service provider. In the first step, the portfolio was screened with regard to the economic activities listed in Annexes I and II of the Climate Delegated Act.

The screening results showed that there were no revenue-relevant economic activities that are fundamentally taxonomy-eligible with regard to the environmental objective of climate change mitigation (Annex I of the Climate Delegated Act). This assessment is based on the following supplemental considerations:

- With regard to the first environmental objective, climate change mitigation, classification of activity 8.1. "Data processing, hosting, and related activities" by Software AG as taxonomy-eligible is precluded for the following reasons in particular: Although Software AG operates its own data center at its headquarters in Darmstadt, Germany, this center as well as backup servers at other locations are used exclusively to provide internal services. Generating external revenue with these data centers and servers is not part of Software AG's business model. Rather, the provision of cloud infrastructure services is subcontracted with the sale of Software as a Service (SaaS). It is imminent that the provision of SaaS is a case of single performance obligations in the sense of IFRS 15, meaning that a potential third-party hosting component is not separable from the software provided for use as well as supplemental services (for instance, maintenance and support).
- Regarding the first environmental objective, climate change mitigation, classification of activity 8.2 "Data-driven solutions for GHG emissions reductions" by Software AG as taxonomy-eligible is precluded for the following reasons: Software AG provides software solutions and services for its customers, who then utilize the products and services accordingly for their own business activities. Software AG's products distinguish themselves by enabling companies to integrate IT systems and data, optimize business processes, and make better decisions in order to operate more efficiently and save resources. However, whether Software AG's activities in detail are in fact taxonomy-eligible is measured by how the Company's customers use its products and services, which is not in Software AG's scope of responsibility, influence, or knowledge.

The screening results showed that there were potentially existing CapEx and OpEx in specific economic activities that are fundamentally taxonomy-eligible with regard to the environmental objective of climate change mitigation (Annex I of the Climate Delegated Act):

- 6.5. Transport by motorbikes, passenger cars, and light commercial vehicles
- 7.7. Acquisition and ownership of buildings

The taxonomy-eligible CapEx concerns additions to the Group's vehicle fleet and buildings. The taxonomy-eligible OpEx includes spending for short-term leases as well as servicing and maintenance for the vehicle fleet and buildings. Software AG does not generate any revenue from economic activities 6.5. and 7.7. Rather, they cover the purchase of products or investments in economic activities that are taxonomy-eligible or aligned.

With regard to the second environmental objective, climate change adaptation, Software AG's economic activities cannot be subsumed under any of the economic activities in Annex II of the Climate Delegated Act. The reason here is the same: Software AG's products and services do not implement physical solutions, for instance, that can be used to significantly reduce the most important climate risks. Furthermore, there are no expenditures (CapEx or OpEx) in fiscal 2022 to be reported for business activities with regard to climate risks.

Reviewing the substantial contribution as well as doing no significant harm

Next, Software AG reviewed the previously identified taxonomy-eligible economic activities within the scope of consolidation. The goal of this review was to determine the type and extent of relevant CapEx and OpEx regarding taxonomy-eligible economic activities for each company in the consolidated Group.

Per the Taxonomy Regulation, the technical screening criteria as well as compliance with minimum safeguards must be reviewed to assess taxonomy alignment for each of Software AG's economic activities that were determined to be taxonomy-eligible.

After Software AG's taxonomy-eligible economic activities were assessed with regard to their substantial contribution to climate change mitigation, the subsequent DNSH assessment was conducted for the remaining environmental objectives. For this task, Software AG performed an alignment survey of the identified suppliers regarding confirmation of DNSH criteria and minimum safeguards. The information requested from suppliers could not be provided or compliance with the criteria could not be confirmed. That demonstrates that there is insufficient comprehension of Taxonomy Regulation requirements along Software AG's entire supply chain. Due to the lack of direct supplier and service relationships with upstream manufacturers, Software AG exhausted its possibilities for confirming the presence of DNSH criteria for fiscal 2022. For this reason, Software AG's CapEx and OpEx are simply categorized as taxonomy-eligible.

Reviewing the minimum safeguards

As the final step, taxonomy alignment must be reviewed with regard to compliance with minimum safeguards. As previously mentioned, compliance with minimum safeguards could not be demonstrated for fiscal 2022 regarding Software AG's upstream supply chain due to a lack of relevant statements by the suppliers. Please refer to the alignment survey conducted on this matter. Company-wide compliance with the minimum safeguards in the sense of the Taxonomy Regulation is currently undergoing a broad review at Software AG. Since Software AG has not previously had distinct, original taxonomy-eligible economic activities, this is considered of secondary importance to its suppliers' compliance with the minimum safeguards. Completion of the internal review will be followed by a corresponding revision of Software AG's Codes of Conduct for Suppliers and Partners in 2023. There were no violations in the form of final judgments regarding the minimum safeguards during the reporting period. There were no incidents in the areas of human and labor rights, bribery, corruption, taxation, and fair competition.

Calculating the taxonomy-eligible and taxonomy-aligned percentages

Based on the process steps conducted and knowledge gleaned, no taxonomy-aligned amounts were determined for CapEx and OpEx of Software AG's identified taxonomy-eligible economic activities. For this reason, the calculation of the quotients is limited to determining the denominators. All key performance indicators are found in the reporting sheet per the Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021, as an appendix to the Non-Financial Statement.

SUSTAINABILITY MISSION STATEMENT

Software AG developed a sustainability strategy in 2021 and adopted the following sustainability mission statement:

Sustainability and responsible action are guiding principles that are central to our mission at Software AG. We are certain that moral principles and economic success belong together. To protect future generations and our planet, we are committed to creating not only economic, but also ecological and social value.

MANAGING SUSTAINABILITY AND TRANSPARENCY

Sustainability is an integral part of Software AG's DNA. Its sustainability strategy is anchored with the Chief Executive Officer (CEO). Software AG's internal Sustainability Steering Committee (SSC) guides, monitors, and advises the Company on implementing the sustainability strategy. The strategy and SSC are led by the Corporate Communications department, which reports to the CEO. The ultimate objective is transparent communication both inside and outside of the Company. This enables Software AG to ensure that its stakeholders are proactively, continuously, and efficiently informed about the topic of sustainability, its goals, and progress.

SUSTAINABILITY MISSION STATEMENT

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Our Sustainability Program 2025 guides us in achieving our ambitions in five key action areas.

Leadership & Governance

We are committed to anchoring sustainability as an integral part of our business activities and delivering on our environmental, social, and governance (ESG) commitments. Through responsible corporate management and governance, we target long-term goals geared towards growth and best-in-class external ESG recognition. As a software company, we commit to the highest level of information security and data protection—entirely in the interests of our customers and partners. We firmly believe that our employees are the key to our success as a sustainable company.

Our Employees

We aspire to promote and role-model a corporate culture based on people, passion, and products, and the core values of inclusion, integrity, and innovation. We continue to focus on attracting and retaining the best talent for Software AG, nurtured through employee engagement and an inclusive and equitable working environment in which all employees can thrive and unleash their potential.

Customers & Technology

We are committed to being a reliable partner for our customers in providing high-quality and individually adjustable software solutions. Our services support digital transformation. Digital transformation can help to mitigate or even reverse the consequences of climate change. We want to play an active part in this with our solutions, enabling and helping our customers to operate sustainably.

Value for Society

We aspire to effectively assist people in building expertise in the area of modern technologies. Our focused involvement in universities and schools is aimed at supporting the IT experts of the future. We offer new learning opportunities and meaningful development prospects for students and young professionals. Since technological advancement plays a crucial role in developing a sustainable world, we participate in collaborative research projects that promote the global sustainable development goals (SDGs).

Impact on Environment

We are working to keep our environmental footprint as small as possible. To reduce the impact of our business activities on the planet, we are preparing to become climate neutral as quickly as possible. With the help of our technology and our solutions, we will join forces with our customers and partners to tackle significant environmental challenges and help shape a more sustainable future.

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, governments and associations, non-governmental organizations (NGOs), and key multipliers such as analysts and the media.

MATERIAL NON-FINANCIAL TOPICS

Determining material non-financial topics

Software AG comprehensively updated its materiality analysis most recently in fiscal year 2021. The result was a clearer focus on topics that have the strongest effects on the economy, environment, and society as well as the highest business relevance for Software AG. Software AG's sustainability strategy that was drafted in 2021 builds on this foundation. There was no need to conduct a reevaluation in fiscal 2022. No new or divergent topics were identified as material.

A multi-phase process was conducted in fiscal years 2020 and 2021 to identify material non-financial topics and 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. In a second step, a preliminary analysis was performed that included an evaluation per the GRI sustainability reporting standards, the industry recommendations for software companies from the SASB, and the non-financial statements from other companies in the industry. During a joint workshop, Software AG's leaders subsequently validated and evaluated the identified issues.

Prioritizing material topics by business relevance and impact analysis

In fiscal year 2021, the 26 material topics defined in the previous year were once again comprehensively validated and prioritized. Initially, a blind spot analysis was conducted to ensure that all of the topics relevant to Software AG's stakeholders were being taken into consideration. Related topics were summarized and the remaining 18 topics categorized into Software AG's five action areas. Finally, a business relevance and impact analysis was conducted. Software AG worked on this process with an external consulting company specialized in materiality analyses and sustainability strategies.

Results of the materiality analysis

The materiality analysis conducted by Software AG in fiscal year 2021 follows the understanding of the GRI as well as the requirements of the CSR Directive Implementation Act (CSR-RUG). As in the previous year, the eight topics listed in the following table were classified as material for the Company:

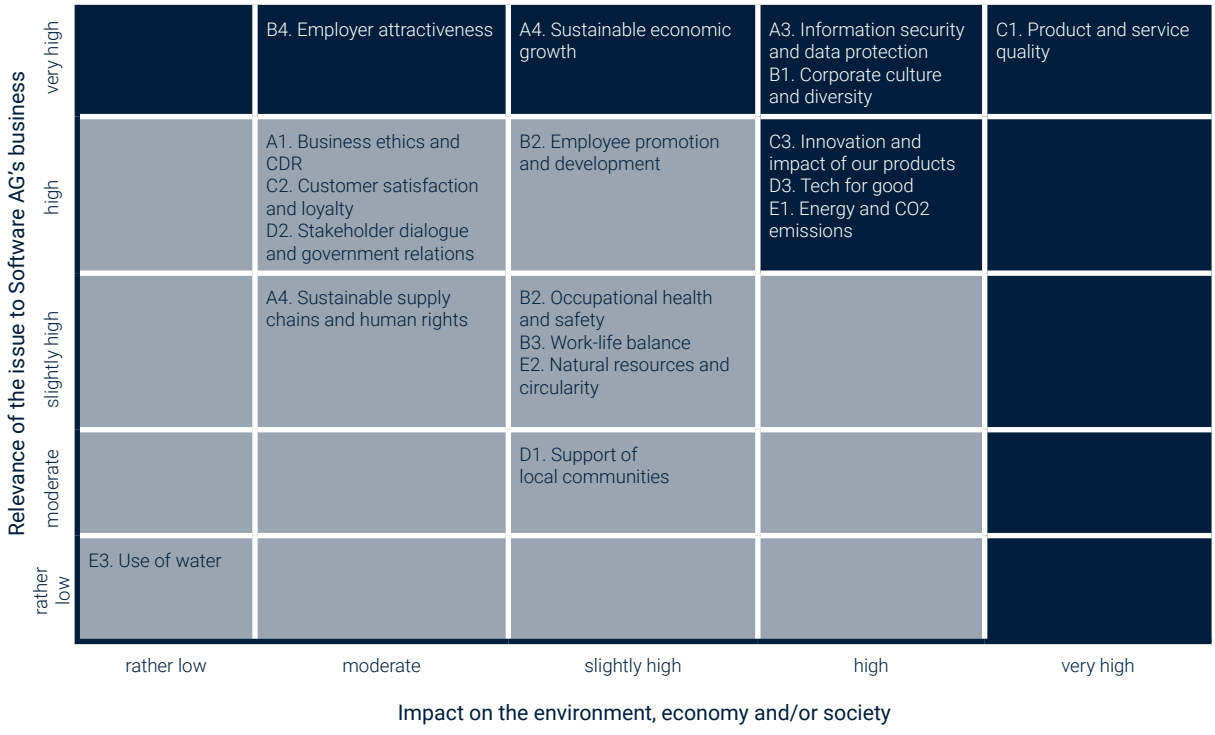
Action area	Material topic
Leadership and Governance	• Sustainable economic growth • Information security and data protection
Our Employees	• Corporate culture and diversity • Employer attractiveness
Customers and Technology	• Product and service quality • Innovation and impact of our products
Value for Society	• Tech for good
Impact on Environment	• Energy and CO_2 emissions

In addition to the eight material topics, Software AG reports on two additional topics, respect of human rights and combating corruption and bribery, which result from the requirements in section 289c of HGB. Topics that are classified as not material for Software AG in the context of the materiality analysis will not be addressed in this Non-Financial Statement. In addition to the material topics, the Non-Financial Statement Index and the Non-Financial Key Indicators provide a full overview by including selected topics that are not discussed further as well as key indicators relevant for some stakeholder groups.

Minimum aspects (according to HGB) and other aspects deemed to be material

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

Business Relevance and Impact Analysis



A: Leadership and Governance; **B**: Our Employees; **C**: Customers and Technology; **D**: Value for Society; **E**: Impact on Environment

NON-FINANCIAL STATEMENT INDEX

The following Non-Financial Statement (NFS) Index highlights Software AG's eight material topics by color. All other topics were classified as non-material and are reported voluntarily.

Material topics and other topics	Summarized significance of topic content for Software AG	Aspects per HGB (section 289c(2))	Assignment to reporting standards (GRI & SASB)
Leadership and Governance action area			
Sustainable economic growth	Business performance and growth, brand visibility and reputation, management of non-financial risks and opportunities	n/a	n/a
Information security and data protection	Information and data security, protection of employee and customer data, privacy, prevention of malware attacks	Employee concerns (section 289c(2), no. 2), customer concerns	SASB TC-SI-230a
Business ethics and digital responsibility	Responsible, moral, ethical, fair, and sustainable behavior, compliance, combating corruption and anti-competitive behavior, protection of intellectual property	Combating corruption and bribery (section 289c(2), no. 5)	GRI 205, GRI 206, SASB TC-SI-520a
Sustainable supply chains and human rights	Respect and protection of human rights (human rights due diligence), environmental laws/standards/policies, Code of Conduct, global sourcing process, supplier assessment	Respect of human rights (section 289c(2), no. 4)	GRI 412
Our Employees action area			
Corporate culture and diversity	Transparent, respectful, trusting corporate culture, diversity, equity, and inclusion, combating discrimination, support of women, flat hierarchies, codetermination, freedom of association and collective bargaining	Employee concerns (section 289c(2), no. 2)	GRI 405, SASB TC-SI-330a
Employer attractiveness	Recruiting global, diverse, and qualified teams, active sourcing concept, war for talent	Employee concerns (section 289c(2), no. 2)	GRI 401
Additional topics in the NFS key indicator table	Work-life balance, employee promotion and development, staff attrition	Employee concerns (section 289c(2), no. 2)	GRI 404
Customers and Technology action area			
Product and service quality	Certified management systems; regular software releases, updates and improvements, adding value for customers (efficient use of resources, better process results, competitive advantages)	Customer concerns	n/a
Innovation and the impact of our products	Monitoring of competitors and disruptive trends, innovation capacity, research & development, impact of products on society, environment, and businesses	Customer concerns	n/a
Value for Society action area			
Tech for good	Develop digital competencies, mentoring/seminars for students and future IT managers, engagement in research projects, foster education	Customer concerns, social matters (section 289c(2), no. 3)	n/a
Additional topics in the NFS key indicator table	Employee engagement and support of local communities	Social matters (section 289c(2), no. 3)	n/a
Impact on Environment action area			
Energy and CO_2 emissions	Energy management, energy efficiency, CO_2 emissions, expansion of renewable energies, carbon footprint, climate strategy	Environmental matters (section 289c(2), no. 1)	GRI 302, GRI 305, SASB TC-SI-130a
Additional topics in the NFS key indicator table	Natural resources and circularity	Environmental matters (section 289c(2), no. 1)	GRI 306

CODE OF CONDUCT AND INTERNATIONAL CONVENTIONS AND GUIDELINES

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:

Code of Conduct

Software AG's 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 with 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. The Code of Conduct is currently available in eight languages and is updated on a regular basis. In addition, the Company has established other specific guidelines for conduct with partners and suppliers, and has made a voluntary commitment to respecting human rights.

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

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

Compliance with the Code of Conduct and the Compliance Board

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 strives to ensure that employees behave in compliance with the law, that internal rules and processes are followed, and that behavior complies with Software AG's 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 as well as its voluntary commitment to respecting human rights.
- The online training is offered through Software AG's learning management system, which checks that employees complete the training.
- At the end of the online training program, employees 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 reporting system[1] at complianceboard@SoftwareAG.com for reporting incidents.

The essential duties and responsibilities of the Compliance Board include:

- Refining, 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, if necessary, anonymous handling of those who report on non-compliance (whistleblowers)
- In the event of non-compliance, the Compliance Board also examines whether the compliance rules (including the Code of Conduct), procedures, training, and organizational framework conditions need to be adjusted.

In fiscal year 2022, Software AG's Compliance Board received and processed a total of 82 (2021: 43) inquiries from employees. Seven of those referred to potential compliance violations, and 75 were general compliance inquiries. For more information on the Compliance Board, please refer to the Statement on Corporate Governance.

[1] This process will be replaced by a reporting platform pursuant to the legal requirements of the German Whistleblower Protection Act (HinSchG) in 2023.

Scope

The Code of Conduct applies to Software AG worldwide, including, but not limited to, external staff and agents acting on behalf of Software AG. Violations of the Code of Conduct can be sanctioned by disciplinary measures (in addition to possible legal penalties).

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 business and sales partners to provide information and commit in writing to comply with Software AG's Code of Conduct. In this context, 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 with the Code on a regular basis.

International conventions and guidelines

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 allots high 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

LEADERSHIP AND GOVERNANCE

The Leadership and Governance action area comprises the material topics **Sustainable economic growth** and **Information security and data protection**. In addition, this area also covers the aspects Combating corruption and bribery (required aspect per section 289c(2), no. 5 HGB) and Respect of human rights (minimum aspect per 289c(2), no. 4 HGB). These aspects were not defined as material in the context of the Software AG's materiality analysis. Reporting on these topics is supplementary.

Software AG aims to anchor sustainability as an integral component in its business activities and to meet its obligations in the ESG (environmental, social, and governance) areas. With its responsible management approach, Software AG is pursuing long-term goals that target growth and external recognition for first-class ESG achievements. As a software company, it is committed to information security and data protection at the highest level—entirely in keeping with its customers and partners. Furthermore, the Company leadership is firmly convinced that Software AG's employees are essential for its success as a company that embraces acting sustainably.

SUSTAINABLE ECONOMIC GROWTH

Basic understanding

Software AG considers sustainability core to its business strategy and aspires to be a leader with regard to ESG topics. Sustainable economic growth is extremely relevant to Software AG's business because it contributes to the Company's stability by having a positive impact on employees, investors, and customers. Software AG's leadership is convinced that having a sustainable business strategy not only promotes economic growth, but is also essential in order to live up to the Company's own requirements pertaining to the environment, social matters, and corporate governance. For more information on Software AG's strategy, please refer to the Strategy and Goals section in the Combined Management Report. For more information on corporate strategy risks and opportunities, as well as ESG-related opportunities and risks, please refer to the Opportunity and Risk Report.

Targets and management

Sustainable economic growth is essential to Software AG's ability to realize its ambitions. Accordingly, the Company controls long-term economic growth with its corporate strategy. At the conclusion of its transformation phase, Software AG will realign its corporate strategy in 2023. Software AG reports on financial targets and strategic KPIs in the Strategy and Goals section of the Combined Management Report.

Software AG's ESG strategy is a cornerstone of its sustainable economic growth. Based on feedback from its shareholders, Software AG has identified the ESG ratings from MSCI and ISS as most relevant for investors and has set itself the following targets:

- Achieve an ISS ESG Rating of C by 2023 and B by 2025
- Achieve an MSCI Rating of AA or better by 2025

Software AG manages the ISS ESG Rating results through the ISS Quality Score. With the help of this management tool, the collected data is reviewed and updated continuously.

Progress and actions

The newly constituted Supervisory Board, particularly the election of a Supervisory Board chair who is classified as independent, was assessed as a significant improvement by MSCI in its ESG Rating update in October 2022. MSCI's ratings are heavily weighted towards corporate governance and social issues. Software AG's cleantech product range, employee engagement strategy, and solid data protection and data security initiatives continued to earn strong scores. As a result, Software AG's rating was raised to the top score of AAA (2021: AA). The target level for 2025 was therefore met ahead of schedule in 2022—and is intended to be retained.

Sustainability initiatives in 2021 also had a positive impact on Software AG's ISS Corporate ESG Rating with its score improving from D+ to C- (max. A+) in 2022 after the regular update in February. The approach used for the ISS Corporate ESG Rating is, however, heavily based on emissions data compiled by the Carbon Disclosure Project (CDP). Because Software AG assessed its carbon footprint for the first time in the first half of 2022 and participated in the CDP survey for the first time in July 2022, its CDP participation could not yet be factored into the 2022 ISS ESG Rating. It can, however, be assumed that this rating will improve when assessed in early 2023; the target is a solid C with which Software AG would achieve prime standard. Regarding the ISS Quality Score (min. 10, max. 1), Software AG showed a year-on-year improvement, significantly in two areas: governance improved to 1 (2021: 6), environment to 4 (2021: 5), and social to 1 (2021: 3).

As part of its strategic risk and opportunity management, Software AG started reporting on the strategic ESG risk separately in the 2022 fiscal year. The corresponding opportunities and risks are thus assessed on a half-yearly basis. The risks comprise potential negative impacts such as the loss of or inability to acquire employees and customer orders, increased costs of capital, decreased market value, and penalty fees for not meeting legal requirements.

Software AG expanded its ESG website which provides investors and interested parties with current ESG-related data and information. In addition to reports on the Company's social engagement, the ESG website presents products and sustainable IT solutions that were realized using Software AG products. It also showcases research projects that are aligned with the United Nations' SDGs. Furthermore, visitors to the site will find Software AG's Human Rights Commitment Statement which was drafted in 2022, its updated Code of Conduct, and articles on health programs and initiatives for greater diversity, equality, and inclusion at the corporate level.

INFORMATION SECURITY AND DATA PROTECTION

Basic understanding

As a software company, Software AG delivers information security and data protection at a very high level—entirely in keeping with customers and partners. 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.

According to the report on IT security in Germany for 2022 from the Federal Office for Information Security, the risk situation in cyberspace once again reached an all-time high.

To best protect itself from the severe effects of such attacks, Software AG assesses the existing risk for the Company, its customers, and society and conducts appropriate risk minimization. This includes continuously measuring information security, making the necessary improvements mentioned below, and keeping it up to date in order to successfully defend itself against cyberattacks and reduce the risk accordingly. For more information on legal risks associated with information security, please refer to the Opportunity and Risk Report.

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. Overall, and specifically with respect to measures implemented for the protection of customer data, the Company classifies the risk situation as low.

Targets and management

Software AG aims to continuously manage information resources and data in a holistic way, so they are secure and protected. A variety of security measures are utilized throughout the entire Company. Software AG's security awareness program addresses issues including IT security, phishing, security incident training, and data protection. These include, for instance, annual employee training on information security and biannual training on data protection. The Company defined the following objectives:

- At least 85[1] percent of employees trained on information security
- At least 85[1] percent of employees trained on data protection

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, customer cloud services, professional services as well as product delivery, Software AG processes personal and confidential customer data in the role of processor. In the role of data controller, the Company processes personal data, in particular about employees, customers, prospective customers, partners, suppliers, and other business partners.

Software AG has appointed a Data Protection Officer and formed a Data Protection team to advise the business lines on data protection. The Management Board receives comprehensive information in the annual data protection report. The Data Protection Officer as well as the Data Protection team participate in regular training sessions regarding the latest regulations and court rulings as well as the reasonable and customary implementation of data protection measures.

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 those 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 customer cloud services) external certifications. The results and findings are documented, and progress is measured in a central audit system. Management is regularly informed in relevant meetings.

[1] The 85 percent target accounts for expected attrition through hires and leavers as well as long-term absences.

Progress and actions

In fiscal year 2022, the employee training rate for information security reached 81 percent (2021: 86 percent). The employee training rate for data protection reached 80 percent (2021: 53[1] percent).

Software AG implemented appropriate measures to minimize the probability of security incidents and further improve its ability to react:

1. An outside assessment of IT security is an integral component of the security program.
2. Internal organizational and technical measures for security monitoring were established and are continually improved by the globally operating Security Operation Center.
3. Software AG's IT strategy enhanced the focus on IT security as the top priority, with the core "Security by Design" approach reflected in both daily operations as well as in future projects and services.
4. The Company-wide security awareness program was supplemented with regular anti-phishing campaigns.
5. The information security strategy program was revised to improve the coordination and tracking of security projects.
6. Moreover, the security incident process is continually reviewed, tested, and improved.

The ISMS for the customer 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 Customer Cloud ISMS is comprehensive and reflects best practices in the industry. In addition, the independent audit reports on service organization audits (SOC 2) give Software AG customers detailed information about how the Company audits the security and availability of the cloud services as well as regulatory compliance.

Software AG received the Trusted Information Security Assessment Exchange (TISAX) certification label and established a central ISMS in 2022. The TISAX certification further confirms that the Company's information security management system meets the defined security levels. Common use of the TISAX assessment results is enabled via the corresponding platform.

Relevant certifications and in-depth information about cloud security can be found on the corporate website.

Since the third quarter of 2020, Software AG has been focusing comprehensively on implementing the requirements for data protection 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 (EEA) 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 assessment.

On June 4, 2021, the European Commission released updated standard contractual clauses (SCCs) for data transfers from companies or contractors responsible for processing data that are located in the EU/EEA to others located in third countries that do not offer an appropriate level of data protection. These updated SCCs replace the three SCCs passed under Data Protection Directive 95/46. For that reason, Software AG has changed its processes and contract agreements to align with the new SCCs. In accordance with the deadlines defined by the European Commission, Software AG uses the new SCCs as the mechanism for transferring (or forwarding) personal data to third countries that do not provide a suitable level of data protection.

In this context, Software AG conducted a review of existing contracts for data processing both with customers as well as data processors in 2022. Contracts that did not yet include the relevant modules of the new SCCs were updated accordingly or new contracts were concluded, or new contracts were provided to customers to sign.

[1] The new data protection training was introduced in September 2021 and had a completion rate of 53 percent by the end of 2021.

COMBATING CORRUPTION AND BRIBERY

Basic understanding

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 law.

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. All employees need to know the Code of Conduct, understand its contents, and follow it in their day-to-day work.

The aspect Combating corruption and bribery was identified as a relevant topic in the Business ethics and digital responsibility area as part of Software AG's materiality analysis, but is not defined as material in direct comparison with other topics in the business relevance and impact analysis.

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 described measures and is therefore not considered material.

In addition, adherence to compliance provisions is reviewed and their effectiveness monitored through the activities of the Compliance Board as well as the Internal Audit department. For more information on legal risks associated with compliance, please refer to the Opportunity and Risk Report.

Governance

Software AG's Compliance Board helps ensure that all employees behave in compliance with the law as well as follow internal rules and procedures. Employees with any relevant questions can consult the Legal department responsible for the respective region or the Compliance Board. If potential compliance violations are suspected, the Compliance Board can commission audits. These are approved by the CEO or, depending on the subject, by the entire Management Board and carried out by Internal Audit. External resources are consulted depending on the focus of the audit. The findings of the audit and the resulting corrective measures are reported to, reviewed, and evaluated by the Compliance Board and the CEO or the full Management Board.

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

Progress and actions

The clear rules of the Code of Conduct and mandatory training anchor integrity and fair business practices at Software AG. In fiscal 2022, a total of 712 (2021: 790) new Software AG employees completed the training on the Code of Conduct and received the required certification.

No significant violations of competition law were identified in 2022.

RESPECT OF HUMAN RIGHTS

Basic understanding

Software AG is a global software company that is active in many different countries and thus cultures as well. Gaining the trust of customers, partners, and shareholders is of key importance for Software AG's work. This can only succeed with a shared obligation to handle that trust responsibly. Software AG is aware of the great responsibility it bears in relation to preserving human rights mutually with and for its employees, customers, business partners, suppliers, and the community.

The Company values of inclusion, integrity, and innovation emphasize Software AG's clear affirmation of protecting human rights in keeping with the following international human rights standards, among others:

- International Bill of Human Rights of the United Nations
- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work

In 2022, Software AG also signed the UN Global Compact and announced its clear commitment to respecting human rights.

To ensure that the supply chain respects and protects human rights, Software AG introduced a Code of Conduct for both suppliers and partners respectively.

The aspect Respect of human rights was identified as a relevant topic as part of Software AG's materiality analysis, but is not defined as material in direct comparison with other topics in the business relevance and impact analysis. Software AG currently believes that its worldwide operations cannot and do not pose a signifi-

cant risk, nor that its activities have a serious negative impact on human rights. Since both its suppliers as well as business partners are committed through the respective Codes 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 to be considered within its own business operations or in connection with the use of Software AG's products and services.

Governance

All of Software AG's Supplier Code of Conduct's suppliers are required to sign the Company's Supplier Code of Conduct, or in exceptional cases they may provide evidence of their own comparable code of conduct. The Compliance Board assesses and decides on the exceptions to this rule on a case-by-case basis. A corresponding guideline defines application and a checklist serves to ensure compliance with all requirements. This enables Software AG to ensure that its suppliers adhere to ethical principles of conduct that go beyond the legislation of the respective countries.

In the context of 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
- Conduct in business situations (includes combating corruption, avoiding conflicts of interest, and complying with the rules of free competition)

Software AG and its subsidiaries purchase 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 central 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 Audit reviews the effectiveness of this process. The goal is to ensure that all procurements are preceded by a corresponding approval. 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.

Progress and actions

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 violations. In 2022, Software AG began preparing for compliance with the requirements of the German Supply Chain Act (LkSG), which will become mandatory for the Company on January 1, 2024.

Global Sourcing Process

OUR EMPLOYEES

The action area Our Employees includes the material topics: **Corporate culture and diversity** and **Employer attractiveness**. The action area corresponds to the employee concerns aspect per section 289c (2), no. 2 of HGB.

Software AG's leadership aspires to promote and role-model a corporate culture based on people, passion, and products, and the core values of inclusion, integrity, and innovation. The Company strives to attract and retain the best talent for Software AG, nurtured through employee engagement and an inclusive and equitable working environment in which all employees can thrive and unleash their potential.

CORPORATE CULTURE AND DIVERSITY

Basic understanding

A company's values and norms—its corporate culture—is the glue that holds it together. Corporate culture drives performance and enables business targets to be met. It is supported by a framework that sets direction in terms of individual behavior, beliefs, actions, and decisions. Software AG launched its Culture Framework in March 2022 around three core Ps: people, passion, and products. These determine how Software AG operates. The Culture Framework defines inclusion, integrity, and innovation as the core values that guide leadership practices, which unite the Company and provide practical guidance on communication, interaction, and decision-making. Diversity, equity, and inclusion (DE&I) is an integral part of Software AG's Culture Framework. Because corporate culture, employee satisfaction, and engagement are mutually supportive, Software AG has implemented a variety of initiatives to better understand the correlations and to positively impact the corporate culture.

The commitment shown by Software AG's employees, paired with their professional and personal skills, all contribute decisively to the Company's success. Therefore, ignoring employee concerns poses a fundamental risk of (generally indirect) negative impacts on business performance. Examples of this include situations when low employee satisfaction leads to attrition and a loss of company-specific expertise, or when a lack of diversity in the corporate culture leads to reduced innovation. For this reason, Software AG deploys a variety of initiatives that contribute to high employee satisfaction and an innovative and diverse corporate culture while measuring employee engagement. For more information on personnel risks and opportunities, please refer to the Opportunity and Risk Report.

Targets and management

The Management Board considers DE&I 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.

Since 2020, Software AG has been a member of The Valuable 500, a global business collective of companies innovating for disability inclusion. In Germany, Software AG is a signatory to the Charta der Vielfalt confirming its commitment to promote the recognition, appreciation and integration of diversity into Germany's business culture.

Another of Software AG's objectives in this context is hiring women and promoting their professional development. The Company is a member of the Initiative Women into Leadership (IWiL), a non-profit association that facilitates long-term mentoring and promotion of women at the top level, and regularly nominates participants for the program.

Software AG has set itself the following targets:

- Maintain or improve the Q12 Engagement Score in the annual employee survey compared to the previous year
- Maintain or improve the results from the question on DE&I in the annual employee survey
- Promote DE&I awareness throughout the Company: 85[1] percent of employees should complete a global DE&I training program by 2025

Software AG conducts an annual employee survey (MyVoice) to evaluate employee engagement and satisfaction. It uses a standardized set of questions to assess corporate culture, employee engagement, accountability, and staff development. The Q12 Engagement Score consists of a questionnaire that is evaluated annually allowing Software AG to compare its results with those of industry peers. For Software AG, the Q12 Engagement Score is a strategic KPI that is reflected in the Management Board's targets and at business

[1] The 85 percent target accounts for expected attrition through hires and leavers as well as long-term absences.

line level. Additionally, current topics can be addressed and included in the annual employee survey, e.g., DE&I, leadership, wellbeing, and sustainability.

The survey results are communicated internally and taken into consideration in company-wide activities within the People & Culture area. Managers are responsible for discussing their results with their teams and implementing measures for improvement.

All employees should be able to contribute to the Company's success with their individual personalities and strengths, and in doing so, develop their full potential. The Change Network supports leaders in this and anchors the cultural shift at all locations worldwide. It was established in 2020 and consists of a diverse team of employees across different regions and functions. It is aimed at promoting employee engagement and reinforcing change management and the Culture Framework.

In the context of 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, among others, the topics of equal treatment and anti-discrimination. The Code of Conduct is complemented by the Culture Framework that highlights Software AG's three core principles (people, passion, and products) and values (inclusion, integrity, and innovation).

With the Company's HR Engagement Model, the Human Resources department has committed to supporting and handling strategic and operational personnel matters and concerns as effectively as possible. Managers receive consultation and support on issues regarding the development of individual employees as well as the organization. HR programs, processes, and initiatives are being developed and revised to address and drive a range of local and global topics. Establishing a relationship with employees and managers based on trust is a priority targeted by these efforts.

Progress and actions

In 2022, 86 percent (2021: 82 percent) of employees took part in the annual global MyVoice survey. The Q12 Engagement Score, which measures employee engagement based on twelve standardized questions, improved over the previous year by 0.07 points to 4.21 (2021: 4.14). Employee satisfaction once again increased over the previous year.

Software AG continues to foster a DE&I Ambassador Network, orchestrated and managed by a global DE&I contact person for the continued success of the Company's global DE&I strategy. In addition, a comprehensive, needs-based DE&I training course and concept for raising awareness was developed for Software AG in collaboration with a global DE&I consulting firm. In 2022, the focus was on key stakeholder groups, including the Management Team, Executive Leadership Team, the DE&I Ambassador Network, and HR employees. For employees and managers, customized training is planned to be rolled out in 2023. A series of DE&I awareness campaigns likewise highlighted and promoted various facets of diversity in the year under review.

The results from the questions on DE&I in the annual employee survey improved by 0.03 over the previous year to a DE&I score of 4.56 (2021: 4.53).

Software AG participated in various projects to boost the interests of women and young talent in IT professions and their appeal as a career path. Software AG hosted Girls' and Boys' Day events in 2022. In addition, Software AG India continued with the SoftwareAGain program that specifically supports women who have temporarily left the workforce and want to return. Internal women's networks in India and the DACH region continued to provide a space where experiences could be shared.

Software AG's own Give Back to the World initiative engaged in 15 projects (2021: 8), which due to the COVID-19 pandemic, took place in small groups in the year under review. Under the Software AG#StandsWithUkraine motto, colleagues from Slovenia, Bulgaria, and Germany supervised nine aid projects, focusing on supporting people experiencing extreme war crisis. The Longridge Activity Centre in Marlow (UK) received donations contributing to efforts in restoring their organization. The 1,000 trees that were planted by Software AG employees in the Darmstadt Forest (Germany) in 2019, were further maintained in 2022 through environmental and forestry protection programs. In Derby (UK), colleagues collected trash and debris, clearing up the local park and adjoining rivers. In India, the Software AG Cares employee volunteering initiative raised donations from which in 2022 the school fees for 14 students were sponsored and the family of a deceased employee was supported.

Software AG's MoveYourFeet campaign is building a bridge between Company sports, team spirit, and charitable and athletic commitment. Software AG, the employee representatives of the Supervisory Board, and

the Software AG Foundation donate a fixed amount of money for each kilometer completed by employees at official competitions. In 2022, staff members covered a total distance of 6,865 kilometers (2021: 10,177) and raised a donation of €28,500 (2021: €22,000).

EMPLOYER ATTRACTIVENESS

Basic understanding

The expertise and personal skills of Software AG's employees are a key factor in the Company's success. For that reason, the Company always seeks to attract and retain the best talent.

The race for talent has become one of the biggest challenges for companies everywhere—and Software AG is facing the same obstacle. Risks emerge when succession planning is neglected and the Company is unappealing to rising talent and qualified professionals, or when it neglects continuing education and training for employees in a competitive market. Employee recruiting and retention are therefore crucial aspects of securing Software AG's business activities and success. Promoting young talent and hiring innovative employees are also promising criteria that lead investors and business partners to choose Software AG. Ultimately, employer attractiveness and branding play an important role in retaining talent. Today's applicants take a holistic view of a company and its perspectives when it comes to deciding whether to join an organization. For more information on personnel risks and opportunities, please refer to the Opportunity and Risk Report.

Targets and management

Software AG seeks to attract and retain the best talent over the long term. For that reason, Software AG has set itself the following target:

- By the year 2023, the Company aims to achieve an average global minimum rating of 4.2 out of 5 points on the international Glassdoor platform, and 4.3 by the year 2025.

In addition to outside evaluations, Software AG observes and assesses further internal key indicators including employee satisfaction, attrition, and tenure to take appropriate measures where necessary. The attrition rate is a key metric for measuring employee satisfaction and Software AG's appeal for young talent and trained professionals. It is calculated as the number of leavers in the past fiscal year in relation to the average number of employees and analyzed regularly for different departments and regions. The numbers of voluntary and non-voluntary employee leavers are also analyzed.

The Talent Acquisition department has used its own active sourcing concept since mid-2020 to manage activities for identifying qualified external candidates and approaching them about open positions.

As a founding member of the Allianz der Chancen (Alliance for Opportunities), Software AG champions a transformation in the labor market as well as sustainable employment prospects to counter a shortage in trained professionals. Furthermore, Software AG provides targeted promotional and educational measures for high school and university students as well as for rising talent to support young people early in their professional development. In Germany, the Company offers a variety of educational and training programs in the areas of office management and computer science as well as cooperative study programs in computer science and business administration.

Progress and actions

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. Software AG achieved a score of 4.2 (2021: 4.11) on Glassdoor, a global employer rating platform, on a scale from 0.0 (very dissatisfied) to 5.0 (very satisfied) in the year under review. On Kununu, Germany's rating platform, Software AG achieved a score of 3.8 (2021: 3.8) on a scale from satisfactory (1–2) to very good (4–5).

The total attrition rate at Software AG in fiscal 2022 was 16 percent (2021: 14 percent). Of that, the involuntary attrition rate was 3 percent. While the increase in total attrition rate is still below the industry benchmark of 20 percent, it is also a result of the "great resignation," which has hit many companies globally, presenting them with an urgency to attract and retain good talent. On the one hand, Software AG addressed this challenge with various initiatives. On the other, Software AG is also managing involuntary attrition, which is beneficial to the organization in that it offers the possibility to bring in new talent.

[1] 2021 score of 4.1 corrected due to rounding differences (previously: 4.0).

Software AG continued to offer its Employee Assistance Program (EAP) which provides employees with around-the-clock and free-of-charge professional counseling. To prevent virtual fatigue and support employees in handling mental strain and stress, the Company continued Meeting-Free Mondays as well as no-cost access to a meditation and mindfulness app. Furthermore, Software AG introduced Virtual Office Mobility programs, for exercise and relaxation on the job. To further accommodate employee wellbeing and to ensure maximum flexibility, the hybrid work model is still in place, empowering all staff members to make the best use of time and location. The 2022 MyVoice work-life balance score was up by 0.08 and reached 4.70 (2021: 4.62).

CUSTOMERS AND TECHNOLOGY

The action area Customers and Technology includes the material topics: **Product and service quality** and **Innovation and the impact of our products**. Software AG has defined the customer concerns aspect as material beyond the aspects specified in section 289c of HGB.

Software AG aims to be a reliable partner delivering high-value, individually customizable software solutions for its customers. The Company supports the digital transformation with its services. Digital transformation can help to mitigate or even reverse the consequences of climate change. Software AG wants to actively help people and the planet with its solutions by enabling its customers to create the conditions for doing business sustainably. The Company aims to implement its technology with the best possible use of resources for its customers in every way.

PRODUCT AND SERVICE QUALITY

Basic understanding

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. Since Software AG products are primarily built-in solutions that design, inform, analyze, or manage business-critical processes, the high quality of products and services is essential. Thus, aside from innovative capability, quality is the crucial topic in the development of products and delivery of services.

For Software AG's customers, smooth operation of products is the key prerequisite for successful business operations. Software is becoming increasingly important in the context of digitalization and is indispensable in day-to-day work. Nearly all operational processes are managed by software solutions. For that very reason, secure, flawless operation of solutions without downtime is of the utmost importance. Every downtime event has an immediate impact on the processes of Software AG customers or their customers, depending on the scenario in which Software AG's solutions have been deployed.

Targets and management

Software AG introduced the net retention rate (NRR) metric in 2021. This key indicator is helpful in the subscription and Software as a Service (SaaS) business model because it expresses whether the annual recurring revenue (ARR) within the same customer group has increased or decreased over a specified twelve-month period. At the same time, NRR is an indicator of the successful implementation of solutions purchased by customers. The implementation and adoption process is closely monitored by a Customer Success Manager (CSM) to ensure that customers can reap the anticipated benefit and value from the delivered software. Fast execution and implementation can significantly improve a solution's success with the customer. To this end, the Professional Services team has developed 30 Fast Track Services that customers can access upon their CSM's recommendation by using success credits they have purchased.

Accordingly, Software AG has set itself the following target:

- Achieve an NRR of at least 105 percent by the year 2025

Additionally, Software AG measures customer satisfaction in support cases based on the Net Promoter Score (NPS). For Software AG, NPS represents a strategic performance indicator, which is reflected in the Management Board targets and broken down into business lines.

Furthermore, 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. The entire development process is monitored through product standards. These include qualitative requirements for the products and services being developed, which are also used as a basis for release decisions. Whether these requirements have been met is reviewed as part of quality gates and serves as the foundation for the release process.

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 quality management system (QMS). Customer feedback is systematically captured and processed in the QMS. Thus, the QMS is the basis for an ongoing improvement process and high customer satisfaction.
- Software AG's ISO 22301-certified business continuity management system enables the Company's excellent support services. Continuity management permits—through important infrastructure redundancies, for instance—that systems and services needed by customers remain available in crisis situations.
- The ISO 27001-certified cloud ISMS includes comprehensive, holistic security management for Software AG's cloud services and 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.

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, ensuring 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. Depending on business criticality, other support models with fewer services can be selected (standard support), especially regarding regional coverage and response times. Every customer who 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 incorporated in product development.

In addition to Global Support, there are other teams (New Product Introduction Teams) that specialize in supporting customers with introducing new products and reporting feedback gathered during the product introduction process to the development department.

Moreover, the different aspects of product and service quality are measured and tracked with the help of performance indicators by means of an internal management reporting system. Using the performance indicators—which measure the number of support notifications per customer or processing time, for example—it is possible to identify internal problems early on and resolve them. Software AG has established Escalation Management to ensure that targeted solutions are developed as quickly as possible in critical customer situations. This team intervenes temporarily to identify all kinds of challenges and find a solution. These can include project, organization, and product problems as well.

Progress and actions

NRR was first introduced as a key indicator in fiscal 2021 to measure the extent to which Software AG's software products are deployed by customers over the long term and deliver the anticipated optimization contributions. Software AG achieved an NRR of 100 percent in 2022 (2021: n/a). With an NPS of 61 (2021: 56[1]), the Company reached an all-time high in 2022. The NPS goal for the reporting year was 52. Software AG has set an NPS goal of 60 for 2023. For years, the NPS has been determined after closing a support incident.

Meanwhile, Software AG has also been measuring the NPS at other points during the product life cycle. NPS surveys are now conducted and followed up on during product usage directly from end users as well. These are captured and reported as separate values.

[1] The NPS value for 2021 covers the period from March to December 2021.

INNOVATION AND IMPACT OF OUR PRODUCTS

Basic understanding

Software AG's goal is to support its customers with innovative products to help them solve problems for the long term and achieve their objectives. Extremely fast innovation cycles are the norm in the software industry because the realities of life in diverse national economies continue posing new challenges for companies. For that reason, it is essential to recognize customer needs—meaning the business problems and challenges facing Software AG's customers—to be able to offer technological solutions. To that end, the Company monitors current developments and disruptive trends in different industries. For more information on market trends and monitoring as well as on Software AG's differentiators, please refer to the Competitive Situation section in Fundamental Aspects of the Group in the Combined Management Report.

Software AG's products support customers in making decisions based on various data that can lead to more efficient use of financial or natural resources. Using process images, data provisioning and exchange, 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.

Software AG believes that technological innovations are a key means of solving the social challenges of our time. Real-time data provision and analysis are essential to optimize resource usage, detect process errors, and quickly realize improvements. If Software AG's customers are not successful in improving their resource usage, they are exposed to both competitive and environmental risks. Consistent use of existing and new data is the only way to learn efficiently and make the best possible decisions for the benefit of society. Software AG could not identify any significant risks with regard to the Customers and Technology action area. For more information on the product portfolio and innovation risks, please refer to the Opportunity and Risk Report in the Combined Management Report.

Targets and management

As a software company, Software AG believes innovations are key to attracting new customers. Furthermore, the Company wants its solutions to help its customers establish more efficient and sustainable business processes. To make certain this happens, Software AG has set itself the following targets:

- The percentage of R&D investments will remain—at a minimum—at 15 percent of total revenue through 2025.
- Software AG will set its sales focus on new customers and successively gather information about the impacts that the solutions, which customers implement with its technology, have on sustainability. By 2025, the Company aims to know what the long-term impacts of its technology are for at least 50 percent of new customers with regard to efficiency improvements and resource savings.

Progress and actions

Software AG was able to exceed its goal of a minimum of 15 percent of R&D investments of total revenue with a percentage of 18.9 (2021: 18.1 percent) in the year under review. For more information on R&D expenditures, please refer to the Research & Development section in the Combined Management Report.

Software AG's technological innovations are expanding its customer portfolio and improving efficiency for itself and its customers. For instance, the Company succeeded in 2022 in increasing the number of deals closed to 1,810 (2021: 1,792) through better sales management and a programmatic qualification of business opportunities.

Moreover, Software AG evaluates the success of its innovations based on revenue growth and the number of new customers. During the year under review, Software AG signed 293 (2021: 312) new customers for its solutions. In 2022, independent market research firms once again confirmed Software AG's innovative power, market success, and product and service quality. For more information about their assessments, please refer to the Industry Recognition section in Fundamental Aspects of the Group in the Combined Management Report.

As an initial step to better understand the long-term impacts of Software AG's technology on its customers, a sustainability data gathering roadmap was developed by the Global Customer Success Management (CSM) community in 2022. They focused on primary research methodologies and followed a five step approach:

- 1. Develop knowledge within the CSM team on what sustainability is and how to start sustainability discussions with customers.
- 2. With customers, identify from secondary research what the customer is doing for sustainability.
- 3. Identify individuals and/or teams at customers with a sustainability focus.
- 4. With digital tools, assess and record customers who are using Software AG services to measure or improve their sustainability goals.
- 5. Analyze and record feedback from customers on a quarterly basis.

In 2022, Software AG signed 293 logos and completed ESG surveys with 223 customers (76 percent).

VALUE FOR SOCIETY

The Value for Society action area corresponds to the social concerns aspect per section 289c(2), no. 3 of HGB and includes the material topic **Tech for good**.

Software AG aspires to effectively assist people in building expertise in the area of modern technologies. The Company's targeted involvement in universities and schools focuses on the IT experts of the future. It opens up new learning opportunities and meaningful development prospects for students and young professionals. Since technological progress plays a key role in developing a sustainable world, Software AG participates in collaborative research projects that promote the UN's global SDGs.

TECH FOR GOOD

Basic understanding

Digitalization is a comprehensive economic and social topic, and a central field for action in the German government administration's agenda for education. Software AG addresses Tech for good primarily at a regional level. Across the entire Group, the Company pursues the goals of networking with the different communities where it operates and contributing to their well-being as a good corporate citizen.

Software AG aims to counter the shortage of IT professionals and managers in Germany. For that reason, the Company fosters digital expertise at universities and educational institutions at both the national and international levels.

Software AG is aware of the transformative power and positive impact of technologies and therefore wants to contribute to achieving the UN SDGs through participation in collaborative research projects. In this respect, the Company is involved in projects that contribute to innovation and to social, environmental, or economic improvement—with a focus on Germany and Europe.

Software AG could not identify any significant risks with regard to the Society action area. 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.

Targets and management

Software AG has set itself the following targets in the Tech for good area:

- For many years, participating in publicly funded joint research projects has been a matter of course for Software AG. In the past, the technological direction and level of innovation regarding Software AG's business lines was the deciding factor for project selection. In the future, the focus of research projects and their contribution to fulfilling the SDGs will be another key criterion. Software AG's goal is for at least 80 percent of its research projects to support accomplishing the SDGs by 2025.
- Software AG aspires to expand its University Relations Program worldwide and increase its reach to 250,000[1] students by 2025.

The University Relations Program promotes the development of digital competencies by providing software and teaching materials free of charge in education packages, including the opportunity to earn a free certification for the knowledge gained.

[1] Students who have benefited from the University Relations Program during their studies, primarily in the form of free use of software provided by the program. The figures have been collected cumulatively on an ongoing basis since the program's induction in 2007.

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 from 2016, 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.

By the same token, 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.

In addition, the Company is driving further social initiatives—such as the SoftwareAGain program in India—at its international locations. Regional corporate governance works to develop measures for local issues. In addition, the Company supports local associations and initiatives through donations and sponsorships.

Progress and actions

In 2022, 13 research projects out of 22 in total contributed to the SDGs, which corresponds to 59 percent (2021: 52 percent). REIF (Resource-Efficient, Economic and Intelligent Food chain) is one example of Software AG's participation in a project. This project investigates the potential of artificial intelligence (AI) for optimizing the planning and control of value creation in the food industry. The goal is to establish an AI ecosystem that integrates stakeholders from all stages of the value chain to reduce food waste sustainably and holistically with the help of AI. For more information about Software AG's engagement in research projects, please refer to the Research & Development section in Fundamental Aspects of the Group in the Combined Management Report.

Since 2007, Software AG has provided software free of charge for teaching and research purposes to more than 2,100 universities in 104 (2021: 101) countries through its University Relations Program. The offering covers the needs of more than 1,750 educators and is integrated into curricula on a recurring basis. Since the program began in 2007, more than 247,682 (2021: 225,349) students have benefited from it, the majority with free licenses. These numbers are based on an updated data collection system, which in 2022 led to an adjustment of the target value by the year 2025 as well as a correction of the collected key indicators. Software AG has been offering students free online certifications as part of the University Relations Program since 2017. More than 4,500 young experts can document their knowledge with this certificate when applying for jobs.

IMPACT ON ENVIRONMENT

The Impact on Environment action area includes the material topic of **Energy and CO_2 emissions**, and corresponds to the environmental matters aspect per section 289c(2), no. 1 of HGB.

Software AG is working to keep its environmental footprint as small as possible. To minimize the effects of its business activities on the planet, the Company is preparing to become climate neutral as quickly as possible. With the help of its technology and solutions, Software AG will join forces with its customers and partners to tackle significant environmental challenges and help shape a more sustainable future.

ENERGY AND CO_2 EMISSIONS

Basic understanding

The Environment action area focuses on reducing CO_2 emissions since these represent Software AG's most significant environmental impact. Software AG takes responsibility for the environmental impact of its own business operations. The Company is determined to become climate neutral and reduce its impact on the environment.

In Software AG's industry, CO_2 emissions are generated in particular via energy consumption of buildings, operating data centers, and employee mobility. Accordingly, the environmental impacts of Software AG's business model come largely from energy consumption and the associated emissions.

Targets and management

Software AG has set the following target for itself in the energy and CO_2 emissions area:

- Development of a reduction path to net zero CO_2 emissions by the end of 2022

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. As part of its IT strategy, Software AG has adopted the two strategic goals, Move to Cloud and Application Harmonization. Both objectives contribute to optimized use of resources through standardizing applications and improving usage efficiency in the cloud.

In the area of mobility, Software AG offers employees in Darmstadt a public transportation pass as well as leasing opportunities for bikes and e-bikes. Likewise, it also has charging stations for electric and hybrid vehicles.

Progress and actions

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

All in all, Software AG reduced its energy consumption at the locations under review from last year to 7,662,965 kWh (2021: 7,827,925 kWh[1]). Energy consumption per employee (EMP) decreased accordingly to 1,969 kWh/EMP (2021: 2,132 kWh/EMP). Energy consumption per square meter of floor space was 90 kWh/m^2 (2021: 90 kWh/m^2). Here it must be taken into consideration that the Munich and Nuremberg locations changed from leased office space to need-based external office solutions (serviced offices) and thus were no longer recorded.

To move closer to its goal of net zero CO_2 emissions, a project team that was launched at the end of 2021 determined the Company's global carbon footprint for 2021 in collaboration with an external partner. These results were disclosed in July 2022 as part of the CDP survey. However, the Scope 3 emissions under the heading “Use of sold products” could not be determined for Software AG's customers, so the planned reduction path to net zero emissions could not be developed during the reporting year. At the time the report was prepared, the decision on how the Company would deal with the set goal was still outstanding.

Software AG consistently pursued its IT strategy during the reporting year. This included measures for consolidating its data centers, reducing the on-premises footprint, and a smart transition of the workload to the cloud while taking efficiency perspectives into consideration.

[1] 2021 energy consumption numbers were corrected retrospectively due to a transmission error.

Non-Financial Key Indicators

LEADERSHIP AND GOVERNANCE

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Sustainable economic growth				**SDG 8**
ESG ratings				
MSCI (target: at least AA by 2025)	AAA	AA	AA	
ISS ESG (target: at least C by 2023, at least B by 2025)	C-	D+	D+	
Information security and data protection				
Information security training rate				
Number of employees who participated in information security training	4,152	4,458	n/a	
Percentage of employees trained on information security (target: at least 85%)	81	86	n/a	
Data protection training rate				
Number of employees who participated in data protection training	4,099	2,743	n/a	SASB TC-SI-230a.2
Percentage of employees trained on data protection[1] (target: at least 85%)	80	53	n/a	
Data protection				
Number of data breaches[2]	0	0	1	SASB TC-SI-230a.1
Number of data breaches[3] involving personally identifiable information	0	0	1	
Percentage of data breaches involving personally identifiable information	0	0	100	
Number of users affected[3]	0	0	403	
Business ethics and corporate digital responsibility, sustainable supply chains and human rights				**SDG 8, 16**
Code of Conduct				
Number of (new) employees trained on the Code of Conduct[4]	712	790	622	GRI 205-2, GRI 412-2
Percentage of new employees trained[5]	102	112	96	
Number of available languages	8	8	8	
Year of last update	2022	2015	2015	
Competitive behavior and corruption				
Total number (and nature) of confirmed incidents of corruption	0	0	0	GRI 205-3
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	0	0	0	
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	0	
Number of pending or concluded litigation cases for anti-competitive behavior and violations of antitrust and anti-monopoly law in which the Company was identified as a participant during the year under review[6]	1	1	1	GRI 206-1, SASB TC-SI-520a.1

[1] Training introduced in September 2021.
[2] As per Article 33 GDPR.
[3] As per Article 34 GDPR.
[4] Training on Code of Conduct includes topics such as anti-corruption and human rights.
[5] The total number of confirmed training courses includes repeats from the previous year as well as courses completed voluntarily.
[6] Software AG Spain appealed the decision by the Spanish Antitrust Authority (Comisión Nacional de los Mercados y la Competencia, CNMC) from July 31, 2018. The case has been ongoing since 2018.

OUR EMPLOYEES[1]

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Corporate culture and diversity				**SDG 5, 8, 10**
Number of employees (worldwide)	5,107	5,158	n/a	
Number of FTE (worldwide)	**4,674**	**4,806**	**4,628**	
Nationalities (worldwide)	89	88	n/a	
MyVoice Annual Employee Survey				
Participation (as %)	86	82	82	
Q12 Engagement Score (target: maintain or improve compared to the previous year)	4.21	4.14	3.92	
Q12 Engagement Score (as %)	84	54	n/a	
DE&I score (target: maintain or improve compared to the previous year)	4.56	4.53	4.42	SASB TC-SI-330a.2
Accountability index	4.25	4.10	3.71	
Employees by gender				
Male employees	3,265	3,341	3,273	
Female employees	1,410	1,464	1,354	GRI 405-1
Diverse employees	0	1	1	
Employees by region				
NAM	600	614	643	
LATAM	103	110	118	
DACH	1,353	1,417	1,314	
thereof in Germany	1,304	1,366	n/a	GRI 405-1
thereof in Darmstadt	734	787	881	
EMEA	1,274	1,303	1,271	
APJ	1,345	1,362	1,282	
Employees by employment type and gender				
Full-time employees	**4,437**	**4,553**	**4,390**	
Male employees	3,195	3,268	3,202	
Female employees	1,242	1,284	1,187	
Diverse employees	0	1	1	GRI 405-1
Part-time employees	**238**	**253**	**238**	
Male employees	70	73	71	
Female employees	168	180	167	
Diverse employees	0	0	0	

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

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Gender distribution of employees				
Percentage of women in leadership positions (worldwide)	**22**	**21**	**21**	SASB TC-SI-330a.3
Percentage of women in leadership positions in the second tier of management (worldwide)	14	28	27	
Percentage of women in leadership positions in the third tier of management (worldwide)	18	21	23	
Percentage of women out of total number of employees (worldwide)	**30**	**31**	**29**	
Supervisory Board by gender and age group (as %)				
Male	**40**	**50**	**83**	GRI 405-1
<30	0	0	0	
30-50	20	0	0	
>50	20	50	83	
Female	**60**	**50**	**17**	
<30	0	0	0	
30-50	20	17	0	
>50	40	33	17	
Diverse	**0**	**0**	**0**	
Management Board by gender and age group (as %)				
Male	**100**	**75**	**80**	GRI 405-1
<30	0	0	0	
30-50	60	25	40	
>50	40	50	40	
Female[1]	**0**	**25**	**20**	
<30	0	0	0	
30-50	0	25	20	
>50	0	0	0	
Diverse	**0**	**0**	**0**	
Employees by gender and age group (as %)				
Male	**70**	**70**	**71**	GRI 405-1
<30	10	10	11	
30-50	40	40	41	
>50	20	19	19	
Female	**30**	**31**	**29**	
<30	6	7	6	
30-50	17	17	17	
>50	7	7	6	
Diverse	**0**	**0**	**0**	
Age group trend (as %)				
<30	17	17	17	GRI 405-1
30-50	57	58	58	
>50	26	26	26	
Comparison of CEO's remuneration with worldwide average full-time employee remuneration[2]				
CEO remuneration in € thousands	1,770	2,237	2,214	
Average salary in the second tier of management (worldwide) in € thousands	339	327	312	
Average employee salary (worldwide) in € thousands	89	84	83	
CEO pay ratio (CEO remuneration to average employee salary)	20:1	27:1	27:1	

[1] Reporting date value as of Dec. 31, 2022; the CHRO position on the Management Board was held by a female from Jan. 1, 2022, to Oct. 31, 2022.
[2] For further information, please refer to the Remuneration Report.

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Employer attractiveness				
Number of new hires	698	707	651	GRI 401-1
Attrition rate (as %)	16	14	10	
External ratings				
Glassdoor (target: 4.2 by 2023 and 4.3 by 2025)	4.2	4.1	3.9	
Kununu	3.8	3.8	3.7	
New hires by region				
NAM	107	106	n/a	GRI 401-1
LATAM	7	12	n/a	
DACH	105	122	n/a	
EMEA	184	198	n/a	
APJ	296	269	n/a	
New hires by region (as %)				
NAM	15	15	n/a	GRI 401-1
LATAM	1	2	n/a	
DACH	15	17	n/a	
EMEA	26	28	n/a	
APJ	42	38	n/a	
Next generation of talent				
Trainees and coop program students	79	79	65	
Interns and degree candidates (Bachelor's and Master's)	97	79	51	
Student employees	61	68	51	
Work-life balance				**SDG 3**
Work-life balance score	4.70	4.62	4.55	
Employee promotion and development				**SDG 5**
Growth Days				
Total number of training courses (iLearn)	2,040	1,800	1,700	
Satisfaction (average) with training courses[1] (iLearn)	90.6	90.1	86.6	GRI 404-1
Growth Days registrations	59,421	76,500	59,000	
Growth Days learning time (hours/net)	276,354	253,500	175,000	
Growth Days learning time/employee (hours, net)[2]	59.1	52.7	38.1	
Employee development discussions (EDD)[3]				
Total EDDs	4,230	4,226	n/a	GRI 404-3
Concluded EDDs	3,458	3,390	n/a	
Completion rate (as %)	82	80	n/a	

[1] Average satisfaction is rated on a scale from 0 (completely dissatisfied) to 100 (completely satisfied).
[2] Employees who left the Company are not taken into account in the calculation of this metric.
[3] EDD forms were automatically rolled out to all employees in February. Exceptions include: a) Employees on maternity or parental leave, those on extended sick leave and semi-retired employees; b) Student interns and trainees; c) Consultants working for Software AG in Israel and for Software AG Government Solutions America who invoice their services.

CUSTOMERS AND TECHNOLOGY

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Product and service quality				
Starting 2022: net retention rate (as %) (target: 105% by 2025)	100	n/a	n/a	
Net Promoter Score in support cases[1]	61	56	54	
Satisfaction with handling of support incidents (number of 5-star ratings on a scale of 1 to 5)	77.6	76.0	78.0	
Innovation and the impact of our products				SDG 9, 12
Ratio of R&D investments to total revenue (as %) (target: at least 17% by 2025)	19	18	17	
Starting 2022: rate of new logos that provide sustainability information (as %) (target: 50% by 2025)	76	n/a	n/a	

[1] The NPS for 2021 includes the months of March through December. The NPS score for 2020 includes the months of January through September 2020.

VALUE FOR SOCIETY

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Tech for good				SDG 4, 9
University Relations Program				
Number of universities, colleges, and vocational schools worldwide	2,126	2,026	1,700	
Number of countries	104	101	80	
Number of students reached in universities, colleges, and vocational schools worldwide (target: 250,000 students by 2025)	247,682	225,349	n/a	
Research projects				
Percentage of research projects that align with the SDGs (target: at least 80% by 2025)	59	52	n/a	
Employee engagement and support of local communities				
Distance in kilometers through "MoveYourFeet"	6,865	10,177	4,341	
Donations raised through "MoveYourFeet" (in €)	28,500	22,000	22,500	
Donation funds				
Monetary donations in India[1] (in €)	55,000	233,000	96,385	
Monetary donations and donations in kind in other countries[2] (in €)	697,603	216,016	160,363	

[1] Mandatory CSR levy, recorded after the actual donation payment date.
[2] Recorded for: Bulgaria, Denmark, Germany, United Kingdom, Israel, Netherlands, Sweden, Spain, South Africa.

IMPACT ON ENVIRONMENT

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Energy and CO_2 emissions[1]				**SDG 12**
Key indicators of energy consumption[2]				
Total number of employees	3,892	3,672	3,584	
Floor area in m²	84,920	86,838	88,145	
Energy consumption in kWh/year	7,662,965	7,827,925	8,303,691	GRI 302-1
kWh/m²/year	90	90	94	
kWh/EMPL/year	1,969	2,132	2,317	
Environmental footprint of the hardware infrastructure: energy				
Total energy consumption (gigajoules)	27,587	28,181	n/a	
Purchased electricity (gigajoules)	13,506	14,099	n/a	
Percentage of electricity	49	50	n/a	SASB TC-SI-130a.1
Consumption of renewable energy (gigajoules)	14,080	14,081	n/a	
Percentage of renewable energy	51	50	n/a	
Scope 1 emissions				
Software AG's direct CO_2 emissions[3] through heating buildings with gas for Darmstadt HQ				
Number of employees	734	787	881	
Gas consumption in m³/year	88,465	117,009	92,532	
m³/EMPL/year	120.5	149.8	105.0	GRI 305-1
t CO_2/year	178	234	185	
t CO_2/EMPL/year	0.2	0.3	0.2	
Scope 2 emissions				
Indirect energy-related CO_2 emissions[3] from energy consumption from Company-owned buildings[2], including energy consumption for Company-owned data centers (scope 2)				
Number of employees	3,892	3,672	3,584	
Floor area in m²	84,920	86,838	88,145	GRI 305-2
t CO_2/year	2,111	1,527	1,622	
t CO_2/EMPL/year	0.5	0.4	0.5	

[1] Due to the limitations imposed by the COVID-19 pandemic in fiscal years 2020 to 2022, the data provided here is only comparable with previous years to a limited extent.
[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] Conversion to tons of CO_2 using the CO_2 calculator from klimaneutral-handeln.de (2020 and 2021) and carbonfootprint.com (2022).

	2022	2021	2020	Assignment to reporting standards (GRI, SASB) and the UN SDGs
Scope 3 emissions[1]				
CO_2 emissions from business travel[2] (scope 3)				
Air travel (t CO_2)	532	52	155	GRI 305-3
Train[3] (t CO_2)	0	0	0	
Rental car (t CO_2)	4	16	22	
Average number of leased vehicles	218	239	240	
Kilometers driven	4,100,000	n/a	n/a	
Total emissions for leased vehicles in t CO_2	809	711	605	
Energy consumption and energy-related CO_2 emissions at external data centers				
Total number of external data centers	2	2	3	
Total energy consumption of external data centers in kWh	609,010	614,274	575,357	
Total emissions for external data centers[4] in t CO_2	235	14	231	
Natural resources and circularity				**SDG 12**
Hardware waste[5] in Germany				GRI 306-3
Number of old devices	n/a	670	313	
Refurbishment rate as %	n/a	69	86	
Recycling rate as %	n/a	31	14	
Savings through remarketing in t CO_2	n/a	111	65	

[1] Due to the limitations imposed by the COVID-19 pandemic in fiscal years 2021 and 2020, the data provided here is only comparable with previous years to a limited extent.

[2] Figures are based on means of transportation booked by all employees in Germany.

[3] Since Jan. 1, 2020, all local and long-distance train travel utilizes 100 percent green energy (zero CO_2 emissions).

[4] For the 2021 financial year, there is proof from the provider that the data center in question was operated with green electricity. This proof was not provided for the 2020 and 2022 fiscal years.

[5] Hardware waste disposal in Germany is handled entirely by certified waste management companies. They are responsible for lawful, audit-compliant and certified deletion of data and destruction of data carriers in compliance with all data protection and security aspects. The process is monitored seamlessly up to recycling or refurbishment. Software AG had not received the waste management company's environmental report for 2022 by the date this report was prepared.

Rounding could lead to deviations in a few cases.

Annex to the Combined Non-Financial Statement

Template Pursuant to the Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021

				Substantial contribution criteria						DSNH criteria (Do No Significant Harm)									
Economic activities (1)	Code(s) (2)	Absolute in thousands €	Proportion as %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion 2022 % (18)	Category (enabling activity) (20) [E]	Category (transitional activity) (21) [E]
Revenue																			
A. Taxonomy-eligible activities		0	–																
B. Taxonomy-non-eligible activities		958,180	100.0																
OpEx																			
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (taxonomy-aligned)		0	–																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																			
Transport by motorbikes, passenger cars, and light commercial vehicles	6.5	1,489	0.8																
Acquisition and ownership of buildings	7.7	5,580	2.9																
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		7,069	3.7																
Total (A.1 + A.2)		7,069	3.7																
B. Taxonomy-non-eligible activities		184,913	96.3																
Total (A + B)		191,982	100.0																
CapEx																			
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (taxonomy-aligned)		0	–																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																			
Transport by motorbikes, passenger cars, and light commercial vehicles	6.5	3,374	1.8																
Acquisition and ownership of buildings	7.7	7,977	4.2																
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned) (A.2)		11,351	6.0																
Total (A.1 + A.2)		11,351	6.0[1]																
B. Taxonomy-non-eligible activities		177,598	94.0																
Total (A + B)		188,949	100.0																

[1] In the previous year, a taxonomy-eligible CapEx ratio of 43.6 percent was reported. The change to this year's ratio of 6.0 percent is mainly due to the fact that intangible assets of €163,675 thousand were acquired as part of the StreamSets acquisition, which had to be included in the total CapEx for 2022 in accordance with the requirements of Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021. Excluding the StreamSets acquisition, the taxonomy-eligible CapEx ratio for 2022 would have been 44.9 percent.