

Corporate Governance

Statement on Corporate Governance/ Corporate Governance Report

All information contained in this Statement on Corporate Governance reflects the situation as of February 12, 2014.

Basic understanding

Good corporate governance is a core component of management at Software AG. The Management Board and the Supervisory Board are committed to it, and all business lines guide themselves by it. Responsible, qualified and transparent corporate governance focuses on a company's long-term success. It includes both compliance with the law and extensively following generally accepted standards and recommendations. The focus is on values such as sustainability, transparency and value orientation.

The Management Board and Supervisory Board

Management Board

The Management Board is responsible for leading the Company with the goal of sustainable value creation. The members of the Board share responsibility for managing the Company. The guidelines for the work of Software AG's Management Board are elaborated in the Rules of Procedure of the Management Board. Above all, they define the members' individual responsibilities, the tasks assigned to the Board as a whole, adoption of resolutions and the rights and obligations of the Chairman/Chief Executive Officer. The Management Board of Software AG currently consists of three members: Karl-Heinz Streibich, Arnd Zinnhardt and Wolfram Jost.

Karl-Heinz Streibich

Born in 1952, degree in communications engineering, Chairman of the Management Board/Chief Executive Officer of Software AG since September 2003. His term is in effect until 2018. In addition to chairing the Group Executive Board, his corporate responsibilities include: Corporate Communications, Global Legal, Global Audit, Processes&Quality, Global Partner Management, Corporate Office and Top Management Development.

He is a member of the supervisory board of Deutsche Telekom AG, Dürr AG, Deutsche Messe AG and MANN+HUMMEL GMBH (until April 1, 2014). He serves on a volunteer basis on the steering committee of the German BITKOM IT association. He also co-chairs the German Chancellor's National IT Summit's working group 3, "Innovative State IT Offerings." Mr. Streibich is also a co-founder of the German cluster of excellence for software and a member of the Council of the Economy and Future of the Hessian state government.

Arnd Zinnhardt

Born in 1962, degree in business administration, member of the Software AG Management Board since 2002. In this function he is responsible for Finance, Controlling, Human Resources, Taxes, Treasury, Mergers&Acquisitions, Business Operations, Investor Relations and Global Procurement. He has also served as labor director of Software AG since December 14, 2010. His term is in effect until 2016.

Mr. Zinnhardt is a member of the advisory board of the Hessian Landesbank (Helaba) and serves on a volunteer basis as vice president of the Darmstadt Chamber of Industry and Commerce (IHK).

Dr. rer. nat. Wolfram Jost

Born in 1962, degree in business administration, member of the Software AG Management Board since August 2010. Dr. Jost is responsible for Research and Development. His term is in effect until 2018.

Group Executive Board

The Group Executive Board is an extension of management and enables the Management Board to implement the corporate strategy throughout the entire Company by direct or collaborative channels. The following people left the extended management team in fiscal year 2013: Tönnies-Hilmar von Donop on March 31, 2013, Mark Edwards on April 30, 2013, Robin Gilthorpe on October 24, 2013 and Darren Roos on December 31, 2013. New members were Arno Theiß as of April 1, 2013 and Dr. John Bates as of October 15, 2013. As of the end of the year under review, the Group Executive Board consisted of seven people: the members of the Management Board plus Dr. John Bates, John (Jay) Johnson, Arno Theiß and Ivo Totev.

For more detailed information on the members of the Group Executive Board and their specific areas of responsibility, please visit: www.softwareag.com/de/company/



[people/geb/](http://www.softwareag.com/de/company/people/geb/)

Supervisory Board

The Supervisory Board appoints, monitors and advises the Management Board. The Management Board reports to the Supervisory Board regularly, in a timely manner and comprehensively on the Company's performance, strategy, planning, risk situation, risk management and compliance. The Supervisory Board determines the remuneration of the members of the Management Board in accordance with the proposal of the Committee for Compensation and

Succession Issues, decides on the Management Board's remuneration system and reviews it regularly. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, leads its meetings and maintains contact with the Chairman of the Management Board between Supervisory Board meetings to discuss strategy, planning, business performance, the risk situation, risk management and compliance. The Chairman of the Management Board informs him without delay of any important events, which are relevant to the assessment of the Company's position and performance and to the leadership of Software AG. Transactions that require the approval of the Supervisory Board are listed in the Rules of Procedure of the Management Board. If necessary, the Supervisory Board meets without the Management Board.

In fiscal year 2013, the following were shareholder representative members to the Supervisory Board: Andreas Berezcky (CEO, production director at ZDF), Willi Berchtold (businessman), Heinz Otto Geidt (Director of asset management at Software AG Foundation), Hermann Requardt (member of the management board of Siemens AG, CEO of Healthcare, director of Corporate Technology), Anke Schäferkordt (member of the management board of Bertelsmann AG; CEO, RTL Group) and Alf Henryk Wulf (independent consultant).

The employees of Software AG and its subsidiaries in Germany elected their representatives to the Supervisory Board on August 27, 2010. In the year under review, the following were employee representative members to the Supervisory Board: Peter Gallner (trade union secretary of Vereinte Dienstleistungsgewerkschaft VERDI), Dietlind Hartenstein (employee of Software AG), Monika Neumann (Dep. Chairwoman of the Supervisory Board, employee of SAG Deutschland GmbH and Chairwoman of the Software AG General Works

Council), Roland Schley (employee of Software AG), Martin Sperber-Tertsunen (trade union secretary of IG Metall) and Karl Wagner (employee of Software AG).

The guidelines for the work of the Supervisory Board of Software AG are described in the Rules of Procedure of the Supervisory Board. In addition to the duties and powers of the Chairman of the Supervisory Board, they define the structure of meetings, the adoption of resolutions and the formation of committees. In order to efficiently carry out its duties, the Supervisory Board has four committees in addition to the Mediation Committee, which is mandatory in accordance with the Codetermination Act.

The Committee for Compensation and Succession Issues prepares personnel-related decisions made by the Supervisory Board to the extent that they affect the appointment, reappointment or dismissal of the members of the Management Board. It has four members. The Audit Committee deals with issues related to financial reporting standards, financial auditing, risk management and compliance. The Strategy Committee focuses on the preparation of and success monitoring of acquisitions, partnerships and joint ventures. Both committees each have six members. The Nominating Committee nominates qualified candidates for election to the Supervisory Board by the Annual Shareholders' Meeting. It consists of three shareholder representatives. With the exception of the Nominating Committee, all other committees are composed based on parity.

In the past fiscal year, the Committee for Compensation and Succession Issues met three times, the Audit Committee twice and the Strategy Committee once. The Nominating Committee did not convene in 2013. The Management Board, Supervisory Board and committees work together closely with the objective of sustainably enhancing Software AG's value.

The members of the Supervisory Board evaluate the efficiency of their work annually. Members complete a questionnaire to assess all areas of the Supervisory Board's work. They discuss the results of the annual efficiency audit in detail and, if necessary, agree on measures to increase efficiency.

For more detailed information on the Supervisory Board's work and resolutions, please refer to the most recent **Report of the Supervisory Board**. For more detailed information, including curricula vitae, on the members of the Supervisory Board and their committee membership, please visit www.softwareag.com/uk/company/people/svb/.

The Supervisory Board defined the following goals for its membership composition: Members should be actively engaged in their careers and should not exceed the age of 65; they should work in the fields of ICT/media or enterprise IT and, as, an R&D board member of a large technology company, they should know the needs of medium-sized enterprises or possess in-depth knowledge in financial reporting and/or financial auditing. Moreover, 25 percent of the members should be female; members of the Supervisory Board should be familiar with the requirements and duties associated with the two-tier governance structure of German Stock Corporation Law. The composition of the Supervisory Board reflects these goals.

The terms of those members of the Supervisory Board elected on May 21, 2010 will end upon completion of the 2015 Annual Shareholders' Meeting, where the actions of the Board in fiscal year 2014 will be ratified. The Supervisory Board will apply the aforementioned guidelines in preparing nominations for those elections—and any other prior elections that may become necessary—as well as conduct regular assessments of the guidelines in the meantime.



Our voluntary commitment to the code of business conduct and ethics provides ethical and legal guidelines for our business activities.

At all times during fiscal year 2013, the Supervisory Board consisted of six independent members, which is the number determined by the Supervisory Board in accordance with point 5.4.2 of the German Corporate Governance Code. Software AG maintains no direct or indirect business relationships with Supervisory Board members. In particular, no mutual consulting agreements or other contracts for work or services exist.

Shareholders and Annual Shareholders' Meeting

The Annual Shareholders' Meeting is one of our main corporate bodies, through which shareholders can exercise their rights and their voting rights. Software AG invites its shareholders to participate in its Annual Shareholders' Meeting. Important decisions are made at the meeting, including ratification of the actions of the Management and Supervisory Boards, election of the Supervisory Board and external auditors, amendments to the Articles of Incorporation and measures that change the Company's capital. Not least, the shareholders decide on profit distribution. As scheduled in the financial calendar, we inform our shareholders of our business developments, financial performance and assets and financial position four times per year. We held our most recent Annual Shareholders' Meeting on May 3, 2013 in Darmstadt. Approximately 71.05 percent of voting shares were present. The next Annual Shareholders' Meeting will convene on May 16, 2014 in Darmstadt. As in past years, Software AG posts the invitation to the Annual Shareholders' Meeting, the legally mandatory reports and documents as well as the agenda well in advance to its website at www.softwareag.com/uk/inv_rel/annualgenmeeting/.



Pursuant to the recommendations of the Corporate Governance Code, we conduct the Annual Shareholders' Meeting

in an expedient manner, preferably within a time frame of four hours. To conduct the Annual Shareholders' Meeting efficiently, the chairperson has the option to cut short speakers who stray from the topic at hand and to refer to detailed information already published on the website. Shareholders who do not wish to exercise their voting rights may authorize a member of the Company to vote by proxy in accordance with the shareholder's instructions. Portions of the Annual Shareholders' Meeting are also broadcast via the Internet. The invitation to the Annual Shareholders' Meeting and related documents and information such as the agenda are published on the Software AG website along with the date of the Meeting. The resolutions adopted by previous shareholders' meetings as well as the quarterly reports of preceding fiscal years can also be found there.

Code of business conduct and ethics

Software AG established a code of business conduct and ethics in fiscal year 2011. It includes ethical standards applicable to the Company worldwide and is available on Software AG's website at www.softwareag.com/uk/inv_rel/csr/code_of_conduct/. The code includes specific regional aspects. The code is binding for all employees of Software AG and its subsidiaries. In the year under review, 297 employees received certificates of successful completion of a course on the subject of the code. The Compliance Board meets monthly and makes decisions about questionable cases. In total, Software AG employees addressed the Compliance Board with 24 inquiries in 2013. The Compliance Board consisted of Ms. Christine Schwab (General Counsel), Mr. Frank Simon (Senior Vice President, Audit, Processes and Quality) and Mr. Hanjörg Beger (Senior Vice President, Human Resources) in the year under review.



Financial reporting standards and auditing

The 2013 Annual Shareholders' Meeting again appointed BDO Wirtschaftsprüfungsgesellschaft, Hamburg (hereinafter referred to as BDO), as Company auditor.

BDO also advises the Company on individual tax matters in connection with tax returns and tax audits. No business, financial, personal or other relationships that could cast doubt on the independence of the audit firm have existed at any time between BDO, its corporate bodies, or audit managers and Software AG or the members of its corporate bodies.

Pursuant to the Annual Shareholders' Meeting resolution, the Supervisory Board, represented by the Chairman of the Audit Committee, appointed the auditor and agreed on the fee. In connection with the awarding of the contract, the Chairman of the Audit Committee has also agreed with the auditor to comply with the reporting duties pursuant to the German Corporate Governance Code. BDO participates in meetings of the Supervisory Board's Audit Committee concerning the financial statements and consolidated financial statements and reports on key audit findings. The Audit Committee had no doubt as to BDO's independence before it commissioned the firm.

Primary auditors' fees and services

Software AG's general and administrative expenses include expenses for auditors' fees paid to BDO AG, the Group auditor, totaling €921 thousand (2012: €822 thousand). Of this amount, €844 thousand (2012: €714 thousand) relates to the audit of the domestic entities' and the Group's financial statements, €6 thousand (2012: €7 thousand) to tax

advisory services, €71 thousand (2012: €76 thousand) to other testation services and €0 thousand (2012: €25 thousand) to other services.

Open and transparent communication

Software AG communicates openly, transparently, comprehensively and in a timely manner with all market participants. We participated in numerous investor conferences, road shows and other capital market events in fiscal year 2013.

A globally consistent corporate message is required to earn the trust of investors, analysts and journalists. Regulatory bodies and the media review publications and press releases for consistency and to ensure that laws and regulations are upheld. Software AG's communications guidelines define how we handle corporate communication. They are published on the Software AG Investor Relations website under Corporate Governance (www.softwareag.com/corporate/inv_rel/corpgovernance/declaration). Software AG provides information to investors, analysts and journalists in accordance with standard criteria. This information is transparent for all capital market participants.

The Management Board immediately publishes insider information that affects Software AG, unless, after having met waiver requirements in specific cases, it is exempt from the disclosure requirement. In accordance with legal stipulations, we maintain registries of persons with inside information who have been instructed to maintain confidentiality.

We use a suitable service provider for publicizing mandatory disclosures throughout Europe. In addition, we publish all ad hoc releases in German and English.



We also fully comply with the Act on Electronic Commercial Registers, Registers of Cooperatives, and Business Registers (EHUG), which came into force on January 1, 2007, by sending the operator of the electronic version of the Federal Gazette all documents requiring publication in electronic form as prescribed by the Act.

All ad hoc disclosures, press releases, as well as presentations given at press and analysts' conferences and road shows are published promptly to the Investor Relations section on the website of Software AG (www.softwareag.com/corporate/inv_rel/). The corresponding dates can be found in our **financial calendar**, which is also published on our website.

Software AG commissions an independent consulting firm to carry out an annual study evaluating how investors and financial analysts perceive our financial communication. Criticism and suggestions provide motivation for further improvement. The most recent study, conducted in October 2013, resulted in a good overall rating.

Opportunities and risks

Software AG deals with risks and opportunities responsibly, aided by a comprehensive opportunity and risk management process that identifies and monitors all significant risks and opportunities. It is consistently refined and adjusted to correspond to changing conditions. We have presented our risk management concept in the **Risk and Opportunity Report** in this Annual Report. Opportunities that are strategic to the Company are described in the Outlook section of the Management Report. Please refer to the **Notes** for information on our consolidated financial reporting.

Changing voting shares (Disclosure pursuant to Section 26 (1) of the Securities Trading Act [WpHG])

For information on Software AG's shareholder structure, please refer to the section on the **Software AG share**. Disclosures on changes to voting shares in fiscal 2013 pursuant to Section 26 (1) of the Securities Trading Act (WpHG) are published on the Software AG website (www.softwareag.com/corporate/inv_rel/stockinfo/wphg/).

Our business practices are shaped by open and transparent communication.

Directors' dealings (pursuant to Section 15a of WpHG)

We also publish the purchase or sale of Software AG shares or related financial instruments, particularly derivatives, by members of our Management and Supervisory Boards and certain other related parties (directors' dealings). As soon as knowledge of these transactions is acquired, they are publicized on our website.

No transactions subject to mandatory disclosure were announced in the 2013 calendar year.

Stock option plans

For details on our stock option plans and similar equity-based incentive programs, please refer to the complete **Remuneration Report** in the Management Report.



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Shareholdings of the members of the Management Board and Supervisory Board

Management Board

Members of the Management Board:	Number of shares
Karl-Heinz Streibich	5,250
Arnd Zinnhardt	25,353
Dr. Wolfram Jost	0

Supervisory Board

Members of the Supervisory Board:	Number of shares
Dr. Ing. Andreas Berezky	0
Willi Berchtold	0
Heinz Otto Geidt	1,600
Hermann Requardt	0
Anke Schäferkordt	0
Alf Henryk Wulf	400
Monika Neumann	708
Peter Gallner	0
Dietlind Hartenstein	0
Karl Wagner	183
Roland Schley	0
Martin Sperber-Tertsunen	0
Total	2,891

Compliance with the German Corporate Governance Code

2013 declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board hereby declare that in fiscal year 2013 (January 1 to December 31, 2013), all recommendations of the government commission's German Corporate Governance Code dated May 15, 2012 were followed during the period from January 1, 2013 to June 9, 2013, and during the period from June 10, 2013 to December 31, 2013, the code dated May 13, 2013 was followed, with the exceptions described below. The Management Board and Supervisory Board would like to add the following:

The code contains a new recommendation under point 4.2.2, paragraph 2, sentence 3 that when total remuneration for members of the Management Board is being determined, "the Supervisory Board should consider the overall correlation between the remuneration of the senior most managers and that of staff members including progression over time. For the comparison, the Supervisory Board must also define where the line between senior managers and relevant staff members is."

The Supervisory Board defines the members of the Group Executive Board of Software AG as relevant senior management; relevant staff members are employees in Germany. The Supervisory Board's next review of the Management Board's remuneration, which will be in summer 2014

because the latest comparative figures from 2013 will not be available until then, will compare remuneration of these groups of people and its progression over time, so as to be able to declare compliance with this recommendation.

The code also makes a new recommendation under point 4.2.3, paragraph 2, sentence 6 that, "Total remuneration and its variable remuneration components should have a maximum limit."

Current Management Board members' contracts stipulate for short-term variable remuneration a maximum percentage of the respective target amounts, based on which a maximum amount can be calculated. Their long-term share-based remuneration (PPS and MIP) is not subject to a maximum limit. Current Management Board contracts therefore do not stipulate a maximum limit for total remuneration.

A retroactive change to these contracts would be inappropriate due to the principle of contract fidelity and not feasible for the Company. The Management Board and Supervisory Board agree that the code does not require amendments to existing contracts. They intend to apply the code's recommendation accordingly to new Management Board members' contracts.

A further new recommendation of the code stipulates under point 4.2.3, paragraph 3 that, "With respect to pension commitments, the Supervisory Board should determine the relevant target pension level—even after service to the board has ended—and consider the annual and long-term expense incurred to the Company."

The target level of pension in the pension commitments stipulated in the current Management Board contracts

Software AG's policies ensure sound and responsible management in all areas of the Company.

depends upon the length of service on the Management Board. The Supervisory Board will consider the annual and long-term expense incurred to the Company when making future pension commitments so as to be able to declare compliance with this recommendation.

The new code recommends under point 4.2.5, paragraph 3, sentence 2 that remuneration reports from fiscal years beginning after December 31, 2013 should provide additional information through the use of prescribed table templates. The Management Board and Supervisory Board agreed that this will be adopted for fiscal year 2014 so that compliance can be declared.

Darmstadt, January 30, 2014

Software AG

The Management Board

The Supervisory Board