

Remuneration Report

The Remuneration Report is prepared in accordance with the recommendations of the German Corporate Governance Code from February 7, 2017 (hereinafter referred to as GCGC) and the provisions of the German financial reporting standard in its revised 2017 version no. 17 (DRS 17). It contains the information required and/or recommended by the German Commercial Code (HGB), the GCGC and International Financial Reporting Standards (IFRS). The Remuneration Report is part of the Combined Management Report and provides details on the compensation

system for the Management and Supervisory Boards as well as the amounts and structure of their compensation. As required by the new GCGC, remuneration of Board members is presented as individual members' total amounts, broken down into non-performance-based components and one-year and multi-year performance-based components with long-term share-based incentive components. Furthermore, as recommended by the GCGC, the allocation of different compensation components is shown.

Allocation (1)

in €		Sanjay Brahmawar Chief Executive Officer Joined Aug. 1, 2018		
		2019	2020	
Non-performance-based components	Fixed compensation (base salary)	999,999.96	999,999.96	
	Additional benefits ¹	59,086.27	9,675.13	
	Total	1,059,086.23	1,009,675.09	
Performance-based components	One-year variable remuneration	1,003,333.33	1,178,956.67	
	Multi-year variable remuneration			
		Performance Phantom Shares – PPS ²	11,544.60	25,155.24
	with long-term share-based incentive	Management Incentive Plan 2019 – (MIP 2019)	0.00	0.00
		Management Incentive Plan 2020 – (MIP 2020)	0.00	0.00
Total allocation		2,073,964.16	2,213,787.00	
Service cost		555,192.12	707,037.37	
Total allocation (GCGC)		2,629,156.28	2,920,824.37	

¹ Additional benefits include provision of a company car, family home travel, voluntary social security and accident insurance premiums, rent reimbursements and severance payments. Mr. Brahmawar's additional benefits included €3 thousand in family home travel.

² The allocations from the PPS plan refer to payments on Management Board members' PPS balance as of the Annual Shareholders' Meeting equal to the approved dividend per share for each PPS and partial exercise of existing PPS balances. Payments made to Dr. Sigg in the amount of €18 thousand were dividends on his balance (as shown above) and in the amount of €282 thousand was the scheduled payment under that plan. Payments to Mr. Zinnhardt resulted from €46 thousand in dividends on his balance (as shown above) and a consideration corresponding to 38,313 PPS valued at €1,275 thousand.

Dr. Wolfram Jost was a member of Software AG's Management Board until January 8, 2019. Allocations and benefits granted in 2019 equaled zero because he received payment for all outstanding remuneration in his contract in 2018. A table depicting allocations and benefits granted was therefore not necessary.

Allocation

The following tables show the allocation of fixed remuneration, additional benefits and one-year variable remuneration for and in the year under review and the partially prolonged amounts of multi-year variable remuneration with long-term share-based incentive paid during fiscal 2020.

		Dr. Elke Frank Chief Human Resources Officer Joined Aug. 1, 2019	Dr. Matthias Heiden Chief Financial Officer Joined July 1, 2020
	2019	2020	2020
	208,333.35	500,000.04	300,000.00
	504,704.33	16,706.19	12,226.40
	713,037.68	516,706.23	312,226.40
	167,222.24	471,582.67	235,791.33
	0.00	1,070.08	0.00
	0.00	0.00	0.00
	0.00	0.00	0.00
	880,259.92	989,358.98	548,017.73
	211,996.67	301,810.53	233,421.00
	1,092,256.59	1,291,169.51	781,438.73

Allocation (2)

in €		John Schweitzer Chief Revenue Officer Joined Nov. 1, 2018		
		2019	2020	
Non-performance-based components	Fixed compensation (base salary)	625,324.64	614,293.79	
	Additional benefits ¹	88,596.13	53,738.55	
	Total	713,920.77	668,032.34	
Performance-based components	One-year variable remuneration	839,422.49	1,687,995.68	
	Multi-year variable remuneration			
		Performance Phantom Shares – PPS ²	5,261.37	20,525.17
	with long-term share-based incentive	Management Incentive Plan 2016 – (MIP 2016)	0.00	0.00
		Management Incentive Plan 2019 – (MIP 2019)	0.00	0.00
		Management Incentive Plan 2020 – (MIP 2020)	0.00	0.00
Total allocation		1,558,604.63	2,376,553.19	
Service cost		0.00	0.00	
Total allocation (GCGC)		1,558,604.63	2,376,553.19	

¹ Additional benefits include provision of a company car, family home travel, voluntary social security and accident insurance premiums, rent reimbursements and severance payments. Mr. Brahmawar's additional benefits included €3 thousand in family home travel.

² The allocations from the PPS plan refer to payments on Management Board members' PPS balance as of the Annual Shareholders' Meeting equal to the approved dividend per share for each PPS and partial exercise of existing PPS balances. Payments made to Dr. Sigg in the amount of €18 thousand were dividends on his balance (as shown above) and in the amount of €282 thousand was the scheduled payment under that plan. Payments to Mr. Zinnhardt resulted from €46 thousand in dividends on his balance (as shown above) and a consideration corresponding to 38,313 PPS valued at €1,275 thousand.

Remuneration Report

Dr. Stefan Sigg
Chief Product Officer
Joined April 1, 2017

Arnd Zinnhardt
Chief Financial Officer
Joined May 1, 2002
Resigned March 31, 2020
Employment contract ended Sept. 30, 2020

	2019	2020	2019	2020
	558,333.35	699,999.96	441,715.32	110,428.83
	33,449.71	29,194.79	37,905.67	12,679.04
	591,783.06	729,194.75	479,620.99	123,107.87
	309,361.09	412,634.83	1,351,251.61	808,968.83
	103,355.12	300,297.08	1,277,947.37	1,321,321.55
	0.00	0.00	1,161,303.78	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	1,004,499.27	1,442,126.66	4,270,123.75	2,253,398.25
	474,290.82	591,862.02	214,541.70	275,633.04
	1,478,790.09	2,033,988.68	4,484,665.45	2,529,031.29

Benefits Granted (1)

		Sanjay Brahmawar Chief Executive Officer Joined Aug. 1, 2018			
in €		2019	2020	2020 (min.)	2020 (max.)
Non-performance-based components	Fixed compensation (base salary)	999,999.96	999,999.96	999,999.96	999,999.96
	Additional benefits ¹	59,086.27	9,675.13	9,675.13	9,675.13
	Total	1,059,086.23	1,009,675.09	1,009,675.09	1,009,675.09
	One-year variable remuneration ²	1,003,333.33	1,178,956.67	0.00	1,666,666.67
	Multi-year variable remuneration				
Performance-based components	Performance Phantom Shares – PPS ³	571,729.79	829,261.72	25,155.24	2,993,730.46
	with long-term share-based incentive				
	Management Incentive Plan 2019 – (MIP 2019) ⁴	1,216,744.78	0.00	0.00	3,600,000.00
	Management Incentive Plan 2020 – (MIP 2020) ⁵	0.00	1,668,522.54	0.00	3,600,000.00
Total (DRS 17)		3,850,894.13	4,686,416.02	1,034,830.33	12,870,072.22
Service cost		555,192.12	707,037.37	707,037.37	707,037.37
Total (GCGC)		4,406,086.25	5,393,453.39	1,741,867.70	13,577,109.59

¹ Additional benefits include provision of a company car, family home travel, voluntary social security and accident insurance premiums, rent reimbursements and severance payments. Mr. Brahmawar's additional benefits included €3 thousand in family home travel.

² The one-year variable remuneration depends, firstly, on the achievement of the Company's bookings and earnings targets communicated to the capital market for the respective fiscal year and, secondly, on the achievement of individual strategic, qualitative or quantitative objectives specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. One-third of over achievement (greater than 100 percent) of an objective is not paid in cash, but rather must be invested in phantom shares. The highest attainable one-year variable remuneration decreases accordingly.

³ Members of the Management Board invest a portion of their variable compensation in phantom shares, which have a vesting period of one, two and three years for each third of the phantom shares respectively. The investment amount depends on the achievement of the Company's revenue and earnings targets communicated to the capital market for the respective fiscal year and of individual strategic, qualitative or quantitative objectives, specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. When performance is greater than 100 percent, the conversion amount increases by one-third of the outperformance amount of the one-year variable remuneration, which is not paid out but invested in phantom shares. Conversion to PPS is based on the average price of Software AG's share in February of the following year less 10 percent. When the vesting period is over, members of the Management Board can choose if they want to receive payment of the due amount or to reinvest it partially or entirely in phantom shares. The term of this reinvestment is limited to a maximum of six years and four months after the term of the Management Board member's contract has ended. Members of the Management Board can request to receive payment at any time during defined windows of time.

Dr. Elke Frank
Chief Human Resources Officer
Joined Aug. 1, 2019

	2019	2020	2020 (min.)	2020 (max.)
	208,333.35	500,000.04	500,000.04	500,000.04
	504,704.33	16,706.19	16,706.19	16,706.19
	713,037.68	516,706.23	516,706.23	516,706.23
	167,222.24	471,582.67	0.00	666,666.67
	46,836.44	181,775.45	1,070.08	749,839.08
	253,481.63	0.00	0.00	750,000.00
	0.00	834,277.19	0.00	1,800,000.00
	1,180,577.99	2,004,341.54	517,776.31	4,483,211.98
	211,996.67	301,810.53	301,810.53	301,810.53
	1,392,574.66	2,306,152.07	819,586.84	4,785,022.51

⁴ MIP 2019 was launched in March 2019. The first allocation of rights under MIP 2019 to members of the Management Board occurred in June 2019. The plan differentiates between two types of stock appreciation rights (SARs): retention shares (RSARs) and performance shares (PSARs). Provided specific conditions are met, both types grant entitlement to payment of a monetary amount equal to the volume weighted share price on the 20 trading days up to and including March 24, 2023. The number of RSARs allocated was determined as part of the award. The number of PSARs relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The Nasdaq 100 was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as $[(\text{the difference between the volume weighted average settlement price and the base price of } \text{€}31.14) \text{ divided by the base price}] \text{ minus } [(\text{the final reference index price minus the original reference index price}) \text{ divided by the original reference index price of } \$7,539.286]$. Both the original and final reference index prices were and are calculated as the arithmetic mean of the daily closing prices during the periods of 20 trading days from February 27, 2019 and March 24, 2019 and on the 20 trading days up to and including March 24, 2023. Dividend payments are not taken into account when calculating the performance factor. The value at the time of award was calculated by an external auditor using the Monte Carlo method.

⁵ The first allocation of rights under the new MIP 2020 to members of the Management Board, executives and employees in key positions occurred in June 2020. The plan differentiates between three types of stock appreciation rights (SARs): two types of performance shares, PSARs (1) and PSARs (2), and retention shares (RSARs). The number of PSARs (1) relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The MDAX was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as follows: $[(\text{Average settlement price for PSARs (1), minus base price}) \text{ divided by base price}] \text{ minus } [(\text{final reference index price minus beginning reference index price}) \text{ divided by beginning reference index price}]$. Dividend payments are not taken into account when calculating the performance factor. The value on the date of award was calculated by an external auditor using the Monte Carlo method.

Benefits Granted (2)

		Dr. Matthias Heiden Chief Financial Officer Joined July 1, 2020		
in €		2020	2020 (min.)	2020 (max.)
Non-performance-based components	Fixed compensation (base salary)	300,000.00	300,000.00	300,000.00
	Additional benefits ¹	12,226.40	12,226.40	12,226.40
	Total	312,226.40	312,226.40	312,226.40
	One-year variable remuneration ²	235,791.33	0.00	333,333.33
	Multi-year variable remuneration			
Performance-based components	Performance Phantom Shares – PPS ³	196,055.61	0.00	714,679.64
	with long-term share-based incentive			
	Management Incentive Plan 2019 – (MIP 2019) ⁴	0.00	0.00	0.00
	Management Incentive Plan 2020 – (MIP 2020) ⁵	417,140.69	0.00	900,000.00
Total (DRS 17)		1,161,214.03	312,226.40	2,260,239.37
Service cost		233,421.00	233,421.00	233,421.00
Total (GCGC)		1,394,635.03	545,647.40	2,493,660.37

¹ Additional benefits include provision of a company car, family home travel, voluntary social security and accident insurance premiums, rent reimbursements and severance payments. Mr. Brahmawar's additional benefits included €3 thousand in family home travel.

² The one-year variable remuneration depends, firstly, on the achievement of the Company's bookings and earnings targets communicated to the capital market for the respective fiscal year and, secondly, on the achievement of individual strategic, qualitative or quantitative objectives specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. One-third of over achievement (greater than 100 percent) of an objective is not paid in cash, but rather must be invested in phantom shares. The highest attainable one-year variable remuneration decreases accordingly.

³ Members of the Management Board invest a portion of their variable compensation in phantom shares, which have a vesting period of one, two and three years for each third of the phantom shares respectively. The investment amount depends on the achievement of the Company's revenue and earnings targets communicated to the capital market for the respective fiscal year and of individual strategic, qualitative or quantitative objectives, specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. When performance is greater than 100 percent, the conversion amount increases by one-third of the outperformance amount of the one-year variable remuneration, which is not paid out but invested in phantom shares. Conversion to PPS is based on the average price of Software AG's share in February of the following year less 10 percent. When the vesting period is over, members of the Management Board can choose if they want to receive payment of the due amount or to reinvest it partially or entirely in phantom shares. The term of this reinvestment is limited to a maximum of six years and four months after the term of the Management Board member's contract has ended. Members of the Management Board can request to receive payment at any time during defined windows of time.

John Schweitzer
Chief Revenue Officer
Joined Nov. 1, 2018

	2019	2020	2020 (min.)	2020 (max.)
	625,324.64	614,293.79	614,293.79	614,293.79
	88,596.13	53,738.55	53,738.55	53,738.55
	713,920.77	668,032.34	668,032.34	668,032.34
	839,422.49	1,687,995.68	0.00	2,701,491.32
	659,812.82	20,525.17	20,525.17	20,525.17
	540,162.32	0.00	0.00	1,466,873.12
	0.00	834,277.19	0.00	1,800,000.00
	2,753,318.40	3,210,830.38	688,557.51	6,656,921.95
	0.00	0.00	0.00	0.00
	2,753,318.40	3,210,830.38	688,557.51	6,656,921.95

⁴ MIP 2019 was launched in March 2019. The first allocation of rights under MIP 2019 to members of the Management Board occurred in June 2019. The plan differentiates between two types of stock appreciation rights (SARs): retention shares (RSARs) and performance shares (PSARs). Provided specific conditions are met, both types grant entitlement to payment of a monetary amount equal to the volume weighted share price on the 20 trading days up to and including March 24, 2023. The number of RSARs allocated was determined as part of the award. The number of PSARs relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The Nasdaq 100 was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as [(the difference between the volume weighted average settlement price and the base price of €31.14) divided by the base price] minus [(the final reference index price minus the original reference index price) divided by the original reference index price of \$7,539.286]. Both the original and final reference index prices were and are calculated as the arithmetic mean of the daily closing prices during the periods of 20 trading days from February 27, 2019 and March 24, 2019 and on the 20 trading days up to and including March 24, 2023. Dividend payments are not taken into account when calculating the performance factor. The value on the date of award was calculated by an external auditor using the Monte Carlo method.

⁵ The first allocation of rights under the new MIP 2020 to members of the Management Board, executives and employees in key positions occurred in June 2020. The plan differentiates between three types of stock appreciation rights (SARs): two types of performance shares, PSARs (1) and PSARs (2), and retention shares (RSARs). The number of PSARs (1) relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The MDAX was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as follows: [(Average settlement price for PSARs (1), minus base price) divided by base price] minus [(final reference index price minus beginning reference index price) divided by beginning reference index price]. Dividend payments are not taken into account when calculating the performance factor. The value on the date of award was calculated by an external auditor using the Monte Carlo method.

Benefits Granted (3)

		Dr. Stefan Sigg Chief Product Officer Joined April 1, 2017				
in €		2019	2020	2020 (min.)	2020 (max.)	
Non-performance-based components	Fixed compensation (base salary)	558,335.35	699,999.96	699,999.96	699,999.96	
	Additional benefits ¹	33,449.71	29,194.79	29,194.79	29,194.79	
	Total	591,783.06	729,194.75	729,194.75	729,194.75	
	One-year variable remuneration ²	309,361.09	412,634.83	0.00	583,333.33	
	Multi-year variable remuneration					
Performance-based components	Performance Phantom Shares – PPS ³	360,994.94	546,777.21	18,699.80	1,836,463.70	
	with long-term share-based incentive	Management Incentive Plan 2019 – (MIP 2019) ⁴	608,384.16	0.00	0.00	1,800,000.00
	Management Incentive Plan 2020 – (MIP 2020) ⁵	0.00	834,277.19	0.00	1,800,000.00	
Total (DRS 17)		1,870,523.25	2,522,883.98	747,894.55	6,748,991.78	
Service cost		474,290.82	591,862.02	591,862.02	591,862.02	
Total (GCGC)		2,344,814.07	3,114,746.00	1,339,756.57	7,340,853.80	

¹ Additional benefits include provision of a company car, family home travel, voluntary social security and accident insurance premiums, rent reimbursements and severance payments. Mr. Brahmawar's additional benefits included €3 thousand in family home travel.

² The one-year variable remuneration depends, firstly, on the achievement of the Company's bookings and earnings targets communicated to the capital market for the respective fiscal year and, secondly, on the achievement of individual strategic, qualitative or quantitative objectives specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. One-third of over achievement (greater than 100 percent) of an objective is not paid in cash, but rather must be invested in phantom shares. The highest attainable one-year variable remuneration decreases accordingly.

³ Members of the Management Board invest a portion of their variable compensation in phantom shares, which have a vesting period of one, two and three years for each third of the phantom shares respectively. The investment amount depends on the achievement of the Company's revenue and earnings targets communicated to the capital market for the respective fiscal year and of individual strategic, qualitative or quantitative objectives, specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. When performance is greater than 100 percent, the conversion amount increases by one-third of the outperformance amount of the one-year variable remuneration, which is not paid out but invested in phantom shares. Conversion to PPS is based on the average price of Software AG's share in February of the following year less 10 percent. When the vesting period is over, members of the Management Board can choose if they want to receive payment of the due amount or to reinvest it partially or entirely in phantom shares. The term of this reinvestment is limited to a maximum of six years and four months after the term of the Management Board member's contract has ended. Members of the Management Board can request to receive payment at any time during defined windows of time.

Arnd Zinnhardt
Chief Financial Officer
Joined May 1, 2002
Resigned March 31, 2020
Employment contract ended Sept. 30, 2020

	2019	2020	2020 (min.)	2020 (max.)
	441,715.32	110,428.83	110,428.83	110,428.83
	2,582,647.83	12,679.04	12,679.04	12,679.04
	3,024,363.15	123,107.87	123,107.87	123,107.87
	1,351,251.61	808,968.83	0.00	963,631.73
	707,613.17	46,648.04	46,648.04	46,648.04
	608,384.16	0.00	0.00	900,000.00
	0.00	0.00	0.00	0.00
	5,691,612.09	978,724.74	169,755.91	2,033,387.64
	214,541.70	275,633.04	275,633.04	275,633.04
	5,906,153.79	1,254,357.78	445,388.95	2,309,020.68

⁴ MIP 2019 was launched in March 2019. The first allocation of rights under MIP 2019 to members of the Management Board occurred in June 2019. The plan differentiates between two types of stock appreciation rights (SARs): retention shares (RSARs) and performance shares (PSARs). Provided specific conditions are met, both types grant entitlement to payment of a monetary amount equal to the volume weighted share price on the 20 trading days up to and including March 24, 2023. The number of RSARs allocated was determined as part of the award. The number of PSARs relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The Nasdaq 100 was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as [(the difference between the volume weighted average settlement price and the base price of €31.14) divided by the base price] minus [(the final reference index price minus the original reference index price) divided by the original reference index price of \$7,539.286]. Both the original and final reference index prices were and are calculated as the arithmetic mean of the daily closing prices during the periods of 20 trading days from February 27, 2019 and March 24, 2019 and on the 20 trading days up to and including March 24, 2023. Dividend payments are not taken into account when calculating the performance factor. The value on the date of award was calculated by an external auditor using the Monte Carlo method.

⁵ The first allocation of rights under the new MIP 2020 to members of the Management Board, executives and employees in key positions occurred in June 2020. The plan differentiates between three types of stock appreciation rights (SARs): two types of performance shares, PSARs (1) and PSARs (2), and retention shares (RSARs). The number of PSARs (1) relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The MDAX was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as follows: [(Average settlement price for PSARs (1), minus base price) divided by base price] minus [(final reference index price minus beginning reference index price) divided by beginning reference index price]. Dividend payments are not taken into account when calculating the performance factor. The value on the date of award was calculated by an external auditor using the Monte Carlo method.

Benefits Granted

Fixed compensation

The fixed compensation agreed to by the members of the Management Board is paid monthly, 12 times a year.

Additional benefits

Additional benefits consist of the provision of an appropriate company car, voluntary social security benefits, accident insurance premiums, rent reimbursements, family home travel and severance payments.

One-Year Variable Remuneration

Eighty percent of the one-year variable remuneration depends on achievement of the Group revenue and earnings targets that are communicated to the capital market. In addition, each member of the Management Board agrees to different quantitative and qualitative targets relevant to the respective area of responsibility, which are in the interest of the medium to long-term strategic development of the Company. The bonuses are calculated based on the extent to which targets are achieved. If the level of achievement is zero, no variable remuneration is paid. The maximum achievable level is 200 percent. One-third of any percentage of performance exceeding 100 percent will not be paid in cash, but put aside as PPS and paid out at a later point in time based on future share price performance. The highest attainable one-year variable compensation decreases accordingly.

Multi-Year Variable Remuneration

Performance-based components with long-term share-based incentive

Performance Phantom Share (PPS) plan

A portion of the variable management remuneration is paid out as a medium-term component on the basis of a PPS plan. As in the previous year, the portion accruing for fiscal year 2020 will be converted into virtual (phantom) shares on the basis of the average share price of Software AG stock in February 2021, less 10 percent (reference share price). The resulting number of shares will become due in three identical tranches with terms of one, two and three years. On the due dates in March 2022 to 2024, the number of PPS will be multiplied by the then-applicable share price for February. The remuneration cap recommended by the then-applicable GCGC was first instituted in 2014. Pursuant to this cap policy, neither old PPS balances nor newly issued PPS will be fully included in future share price increases, but only up to a maximum of twice the reference price at issue of the corresponding PPS tranche. This payment cap is determined annually for the balance of PPS allocated to the members of the Management Board based on the average award price.

Company officers will receive an amount per phantom share equal to the dividend paid to Software AG shareholders per share.

Company officers may elect to let the Company dispose of any PPS that have become due after the defined vesting period for up to six years and four months after the term of the respective Management Board contract has ended and thus continue to participate in the success of the Company.

Remuneration Report

The respective disbursement amount is determined on the date of disbursement using the disbursement price per share, multiplied by the number of phantom shares due to be converted. For tranches that aren't renewed, the disbursement share price is equal to the average closing price of Software AG's share in Xetra trading on the Frankfurt stock exchange on trading days during the month of February before phantom share disbursement. For tranches that are disbursed within the extension period, the disbursement share price is equal to the average closing price for Software AG's share in Xetra trading on the sixth to tenth trading days after the decision to exercise the phantom shares. The decision to exercise options can be made during the period from the date of publication of the financial results until the following fifth trading day. This plan led to expenses relating to the members of the Management Board in the amount of €1,827 thousand (2019: €2,358 thousand) in fiscal year 2020. The following table illustrates the PPS to be issued based on the average share price in February 2021 and the effects this remuneration plan had on Software AG's profit/loss in fiscal 2020:

PPS

	PPS granted in 2020 No.	Expense from PPS ¹ granted in 2020 in €
Sanjay Brahmawar (CEO)	22,004	830,902.10
Dr. Elke Frank	4,945	181,839.96
Dr. Matthias Heiden (since July 1, 2020)	5,365	196,055.61
John Schweitzer (until Jan. 13, 2021)	0	21,817.71
Dr. Stefan Sigg	14,450	548,140.55
Arnd Zinnhardt (until Sept. 30, 2020)	0	47,896.01

¹ This expense is due to allocation for fiscal 2020 at a price of €36.54 (2019: €33.27) per PPS at the time of award, disbursement of dividends on the PPS balance in the amount of €112 thousand, and interest expenses for hedging the price of PPS balances amounting to €6 thousand.

Stock option plans

1. Management Incentive Plan 2018 (MIP 2018)

The share-based MIP 2018 was launched in December 2017, whereby members of the Management Board were awarded stock options in four tranches with an average term of 3.3 years ending on August 27, 2021. The base price of these stock options was €45.27, which corresponded to the volume weighted average price (VWAP) of Software AG's share on the 20 trading days from November 15, 2017 onward. A quarter of these stock options became/will become exercisable at the respective average share price on the first 20 trading days in November 2020, in February 2021, in May 2021 and in August 2021. The performance target requires Software AG's share price (including dividends paid out in the meantime) to exceed the base price of €45.27 by 20 percent on ten consecutive trading days in the period from December 1, 2019 to November 30, 2020. These performance targets were not achieved at the end of November 30, 2020. The relevant MIP 2018 stock options therefore expired, and expenses presented for this plan to date were reversed. For that reason, negative expense figures are shown in the following table. The maximum possible compensation under this program was set at €1,313 thousand for Mr. Brahmawar (CEO), due to having joined the Company on August 1, 2018, and at €2,095 thousand for the other entitled members of the Management Board.

The average fair value on the date of Mr. Brahmawar's award equaled €4.20 and for the other Board members €6.72 per stock option.

The following stock appreciation rights were allocated and expenses incurred under MIP 2018 in 2017 and 2018:

MIP 2018

	Committed MIP 2018 stock appreciation rights in 2019 No.	Balance on Dec. 31, 2020 MIP 2018 stock appreciation rights No.	Expense ¹ from MIP 2018 stock appreciation rights in €
Sanjay Brahmawar (CEO)	70,228	0	-20,023.01
Dr. Elke Frank	0	0	0.00
Dr. Matthias Heiden (since July 1, 2020)	0	0	0.00
John Schweitzer (until Jan. 13, 2021)	0	0	0.00
Dr. Stefan Sigg	100,988	0	-33,621.33
Arnd Zinnhardt (until Sept. 30, 2020)	100,988	0	-50,885.51

¹ The negative expenses result from the expiration of this stock option plan due to non-achievement of the performance target as described above.

2. Management Incentive Plan 2019 (MIP 2019)

MIP 2019 was launched in March 2019. The rights under MIP 2019 were allocated to members of the Management Board in June 2019. The plan differentiates between two types of stock appreciation rights (SARs): retention shares (RSARs) and performance shares (PSARs). Provided specific conditions are met, both types grant entitlement to payment of a monetary amount equal to the VWAP on the 20 trading days before and including March 24, 2023. The number of RSARs allocated was determined as part of the award. The number of PSARs relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The NASDAQ-100 was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as [(the difference between the VWAP and the base price of €31.14) divided by the base price] minus [(the final reference index price minus the original reference index price) divided by the original reference index price of \$7,539.286]. The original and reference index price and the final reference index price were and are calculated as the arithmetic mean of the daily closing prices of the 20 trading days between February 27, 2019 and March 24, 2019, and of the 20 trading days before and including March 24, 2023. Dividend payments are not taken into account when calculating the performance factor.

MIP 2019

	Allocation (balance) on Dec. 31, 2020 MIP 2019 RSARs No.	Allocation (balance) on Dec. 31, 2020 MIP 2019 PSARs No.	Allocation (total balance) on Dec. 31, 2020 MIP 2019 No.	Total expense from MIP 2019 stock appreciation rights in €
Sanjay Brahmawar (CEO)	19,512	29,267	48,779	153,630.31
Dr. Elke Frank	4,065	6,097	10,162	31,059.68
Dr. Matthias Heiden (since July 1, 2020)	0	0	0	0.00
John Schweitzer (until Jan. 13, 2021)	8,662	12,993	21,655	68,201.34
Dr. Stefan Sigg	9,756	14,634	24,390	76,815.09
Arnd Zinnhardt ¹ (until Sept. 30, 2020)	4,878	7,317	12,195	33,392.20

¹ Mr. Zinnhardt's resignation from the Management Board of Software AG as of March 31, 2020 led to a 50 percent reduction in the number of MIP 2019 stock options in his original award in accordance with the resignation policy under this plan. Expenses under this plan relating to Mr. Zinnhardt were spread over time until the expiration of his Management Board contract.

Remuneration Report

3. Management Incentive Plan 2020 (MIP 2020)

The first allocation of rights under the new MIP 2020 to members of the Management Board, executives and employees in key positions occurred in June 2020. The plan differentiates between three types of stock appreciation rights (SARs): two types of performance shares, PSARs (1) and PSARs (2), and retention shares (RSARs). The number of PSARs (1) relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The MDAX was defined as the benchmark index. The resulting factor can be between zero and two. Outperformance is calculated as follows: [(Average settlement price for PSARs (1), minus base price €33.96) divided by base price] minus [(final reference index price minus beginning reference index price) divided by beginning reference index price]. Dividend payments are not taken into account when calculating the performance factor. The settlement price is equal to to the VWAP of Software AG's share on the 20 trading days before and including June 8, 2023. The base

price is equal to to the VWAP of Software AG's share on the 20 trading days before and including June 8, 2020 in the amount of €33.96.

PSARs (2) provide the right to payment of the settlement price less the base price, multiplied by the number of PSARs. These PSARs (2) also require meeting a performance target whereby the knock-in barrier of €32.72 must be exceeded by Software AG's share price on ten consecutive trading days between May 10, 2022 and May 10, 2023 for the shares to be paid out.

Retention shares (RSARs) will be paid out in June 2023 based on the settlement price multiplied by the number of RSARs. Aside from remaining with Software AG, no other exercise thresholds were defined for this part of MIP 2020.

The maximum total exercise amount is capped at three-times the respective value of the instruments on the date of award.

MIP 2020

	Allocation (balance) on Dec. 31, 2020 MIP 2020 RSARs No.	Allocation (balance) on Dec. 31, 2020 MIP 2020 PSARs (1) No.	Allocation (balance) on Dec. 31, 2020 MIP 2020 PSARs (2) No.	Allocation (total balance) on Dec. 31, 2020 MIP 2020 No.	Total expense from MIP 2020 stock appreciation rights in €
Sanjay Brahmawar (CEO)	42,403	53,004	14,134	109,541	328,207.66
Dr. Elke Frank	21,202	26,502	7,067	54,771	164,106.94
Dr. Matthias Heiden (since July 1, 2020)	10,601	13,251	3,534	27,386	75,046.46
John Schweitzer (until Jan. 13, 2021)	21,202	26,502	7,067	54,771	164,106.94
Dr. Stefan Sigg	21,202	26,502	7,067	54,771	164,106.94
Arnd Zinnhardt ¹ (until Sept. 30, 2020)	0	0	0	0	0

¹ No MIP 2020 stock options were awarded to Mr. Zinnhardt due to his resignation from the Management Board of Software AG as of March 31, 2020.

Software AG did not grant any advances or loans to Management Board members in fiscal 2020 or in fiscal 2019. It also did not enter any contingent liabilities for these individuals. For further information on total remuneration of the Management Board, remuneration of former members of the Management Board, and pension provisions for former members of the Management Board, please refer to the Notes to the Consolidated Financial Statements and the Notes to the Financial Statements for Software AG (parent company).

Other remuneration components

A member of the Management Board whose employment is terminated within 12 months of a change of control without good cause will receive a severance payment equal to 1.5 annual salaries based on the most recently agreed annual target remuneration (in four Management Board members' contracts), capped at the amount of the target remuneration for the remaining term of the contract. In case of resignation by a member of the Management Board, the above mentioned policy is not applicable if the posi-

tion of the Management Board member has only been altered marginally with the change of control. When an employment contract is terminated prematurely but not by the member of the Management Board, the severance payment is limited to the target compensation for one year, but no more than the remaining term of the contract.

One Management Board member's employment contract contains a post-contractual non-competition clause valid for a period of 12 months from the end of the contract. This Board member shall receive monthly compensation in the amount of the monthly total target remuneration (not including additional benefits) for the duration of the post-contractual non-competition period. The total severance payment by Software AG as described above—consisting of total target remuneration (not including long-term incentive plans, pension benefits or additional benefits) and non-competition compensation—does not therefore exceed the severance cap of two years' annual remuneration as recommended by the GCGC.

In the event of illness, the members of the Management Board will receive full pay based on their annual target remuneration for a period of six (in four Management Board members' contracts) and 12 months (in one Management Board member's contract). Thereafter, the variable remuneration component will be reduced by 1/12 for every month that follows. Salary payments will cease at the end of the term of the contract in any event. Any health insurance benefits received by the Board member must be credited against such payments.

In case of permanent disability, the employment contract of the Management Board member concerned will terminate at the end of the third month in which the permanent disability was determined. When in doubt, permanent disability is determined by an expert assessment. In the case of four Management Board members' contracts, a permanent disability is deemed to be present when the Board member has been unable to work for 12 consecutive months. From the time of departure until completion of their 62nd year of age, two members of the Management Board receive a monthly disability pension of €13.2 thousand (2019: €13.0 thousand/€0), one member €13.6 thousand (2019: €13.4 thousand), one member €15.0 thousand (2019: €14.7 thousand), and the CEO receives €20.1 thousand (2019: €19.8 thousand). The disability pension is increased annually by the percentage by which the consumer price index for Germany published by the Federal Statistical Office has increased in comparison to the previous year.

The Company maintains accident insurance policies for the Management Board members with an insured amount equaling €1,500 thousand in the event of death and €3,000 thousand in the event of disability. Furthermore, Software AG carries director and officer (D&O) insurance which covers members of the Management Board; the deductible is currently 10 percent of the damages but no more than 1.5-times the fixed annual salary of the Management Board member.

Members of the Management Board who reside in Germany receive pensions for life after completing their 62nd year of age, regardless of their age when they join the Company.

The monthly pension for two members of the Management Board is €13.2 thousand (2019: €13 thousand/€0), for one member €13.6 thousand (2019: €13.4 thousand), for one member €15.0 thousand (2018: €14.7 thousand), and for the CEO €20.1 thousand (2019: €19.8 thousand). Claims from the American member of the Management Board to pension or disability are served by the applicable social security system for U.S.-based employees, which stipulates that payments be made to an external insurance carrier. No pension provisions are therefore necessary for this member of the Management Board.

Pensions are increased annually by the percentage by which the consumer price index for Germany published by the Federal Statistical Office has increased in comparison to the previous year. This pension obligation also includes a survivor annuity of 60 percent of the Management Board member's pension. In the event that a Management Board member leaves the Company prior to the age of 62 and before reaching the 15th year as a member of the Company's Management Board, the benefit entitlement is retained, but is reduced on a pro-rated basis for two members of the Management Board. In the event that a Management Board member leaves the Company prior to the age of 62, but after reaching the 15th year as a member of the Company's Management Board, the benefit entitlement is retained in full. As part of increased flexibility of pension benefit policies (in Germany) in fiscal 2015, members of the Management Board (at the time) were granted the option to receive pension benefits as a one-time lump sum instead of pension benefit payments. The amount of the one-time lump sum payment is calculated based on the surrender value of the Company's life insurance policies taken out and pledged to members of the Management Board as reinsurance cover for pension entitlements. Beneficiaries must declare their choice to exercise the option of a one-time lump sum payment no later than three months and one week

before the regularly scheduled beginning of their pension.

The change in present value of pension commitments (IFRS) in 2020 and the present value of defined benefit obligations (DBO) as of December 31, 2020 is as follows:

Pension Commitments

in €	Change in present value (DBO) from pension commitments in 2020	Present value of pension commitments as of Dec. 31, 2020
Sanjay Brahmawar (CEO)	558,204.00	1,615,745.00
Dr. Elke Frank	368,579.00	624,259.00
Dr. Matthias Heiden (since July 1, 2020)	234,426.00	234,426.00
John Schweitzer (until Jan. 13, 2021)	0.00	0.00
Dr. Stefan Sigg	524,672.00	2,212,211.00
Arnd Zinnhardt (until Sept. 30, 2020)	680,686.00	5,600,757.00

In addition, a German Management Board member who has served on the board for more than three years can, at the discretion of the Company, be given the opportunity to waive portions of their future variable target remuneration to finance additional supplementary benefits. In such a case, the Company pays an annual amount corresponding to the amount waived, raised to the percentage of the average target performance ratio for the preceding three full fiscal years before the respective waiver, into a pension plan negotiated by the Company for the benefit of the Management Board member. This option has thus far not been granted to any Management Board member.

In addition, all Management Board members are entitled to be provided with a suitable company car or car allowance.

No commitments beyond those outlined above have been made regarding severance pay in the event an employment contract is not extended or a shareholder change occurs, nor regarding continuation of salary payments in the event of early termination of employment or severance annuities. There are also no entitlements to payments based on customary practice.

Remuneration of the Management Board in 2019

The specific components of the Management Board's compensation in 2019 are contained in the complete tables in accordance with the GCGC. These components will therefore not be repeated here. Accordingly, this portion of the Remuneration Report will deal solely with the development of compensation relating to stock options and pension commitments in 2019.

PPS

	PPS granted in 2019 No.	Expense from PPS ¹ granted in 2019 in €
Sanjay Brahmawar (CEO)	16,839	573,037.52
Dr. Elke Frank (since Aug. 1, 2019)	1,408	46,836.44
John Schweitzer	20,689	660,333.02
Dr. Stefan Sigg	10,367	362,906.91
Arnd Zinnhardt	19,561	714,814.51

¹ This expense is due to allocation for fiscal 2019 at a price of €33.27 (2019: €32.43) per PPS at the time of award, disbursement of dividends on the PPS balance in the amount of €90 thousand, and interest expenses for hedging the PPS balances amounting to €11 thousand.

No further expenses were incurred under MIP 2016 fiscal 2019.

The following expenses were incurred under MIP 2017 in fiscal 2019:

MIP 2017

	Balance on Dec. 31, 2019 MIP 2017 stock appreciation rights No.	Income from MIP 2017 stock appreciation rights in €
Sanjay Brahmawar (CEO)	0	0.00
Dr. Elke Frank (since Aug. 1, 2019)	0	0.00
John Schweitzer	0	0.00
Dr. Stefan Sigg	0	-148,800.10
Arnd Zinnhardt	0	-208,023.45

The following MIP 2018 stock appreciation rights were allocated and expenses incurred under MIP 2018 in fiscal years 2017 and 2018:

MIP 2018

	Committed MIP 2018 stock appreciation rights in 2017 and 2018 No.	Balance on Dec. 31, 2019 MIP 2018 stock appreciation rights No.	Expense from MIP 2018 appreciation rights in €
Sanjay Brahmawar (CEO)	70,228	70,228	3,231.97
Dr. Elke Frank (since Aug. 1, 2019)	0	0	0.00
John Schweitzer	0	0	0.00
Dr. Stefan Sigg ¹	100,988	100,988	-11,731.16
Arnd Zinnhardt ²	100,988	100,988	5,533.02

¹ The negative expense for Dr. Sigg resulted from the lower fair values of the stock options due to the decrease in share prices.

² Expenses under this plan relating to Mr. Zinnhardt were spread over time until the expiration of his Management Board contract.

MIP 2019

	Allocation (balance) on Dec. 31, 2019 MIP 2019 RSARs No.	Allocation (balance) on Dec. 31, 2019 MIP 2019 PSARs No.	Allocation (total balance) on Dec. 31, 2019 MIP 2019 No.	Total expense from MIP 2019 stock appreciation rights in €
Sanjay Brahmawar (CEO)	19,512	29,267	48,779	213,076.23
Dr. Elke Frank (since Aug. 1, 2019)	4,065	6,097	10,162	44,389.87
John Schweitzer	8,662	12,993	21,655	94,592.89
Dr. Stefan Sigg	9,756	14,634	24,390	106,539.85
Arnd Zinnhardt ¹	9,756	14,634	24,390	188,361.68

¹ Expenses under this plan relating to Mr. Zinnhardt were spread over time until the expiration of his Management Board contract.

The change in present value from pension commitments (IFRS) in 2019 and the present value of pension commitments as of December 31, 2019 is as follows:

Present Value from Pension Commitments

in €	Change in present value (DBO) from pension commitments in 2019	Present value of pension commitments Dec. 31, 2019
Sanjay Brahmawar (CEO)	783,038.00	1,057,541.00
Dr. Elke Frank (since Aug. 1, 2019)	255,680.00	255,680.00
John Schweitzer	0.00	0.00
Dr. Stefan Sigg	818,516.00	1,687,539.00
Arnd Zinnhardt	1,335,691.00	4,920,071.00