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FOREWORD

The Sustainability Report 2019 presents the important issues and challenges of responsible development for the USU Group. Thinking on a long-term basis, acting in terms of business and being a reliable partner on a sustainable basis – that is our leitmotiv. In all decisions, we take into account the consequences on the environment, society and all our stakeholders. As a software company the focus is developing sustainable innovations.

However, what bonds our activity is our own USU corporate culture. In many discussions in 2019, we formulated basic values and objectives. They serve as a leitmotiv in our daily activities. They underpin the way we deal with each other and with external stakeholders. And they are the foundation for realizing our mission and vision. We are USU.

In our current report, we would like to document the status quo in a transparent fashion. How far have we come within our CR sub-strategies? What successes have we achieved? What new targets have we set ourselves?

Reporting is aligned to internationally recognized standards so as to allow comparability with other sustainability reports on business, social and ecological performance indicators.

Bernhard Oberschmidt
Chief Executive Officer of USU Software AG
GENERAL INFORMATION

This declaration of conformity regarding sustainable development sets out to present in accordance with the German Sustainability Code for the 2019 year under review which considerations and efforts the USU Group has undertaken and will undertake in the economic, ecological and social fields.

— The 20 criteria of the German Sustainability Code, including the related GRI performance indicators, are discussed in the following report. The EU reporting obligation of the USU Group pursuant to the act implementing the CSR Directive is fulfilled with this declaration of conformity. The contents of this report has been checked exclusively by the Supervisory Board.

USU Software AG at a glance
USU stands for knowledge in service. As the largest European solution provider, the USU Group digitalizes the value-adding service processes of its customers.

With efficiency, passion, innovation and knowledge combined with state-of-the-art technologies for the new challenges in the cloud and AI age. Market leading companies from all sectors of international business use USU applications to create transparency, enhance agility, save costs and reduce their risks. In addition to USU GmbH, founded in 1977, USU Software AG – which is listed in the Prime Standard of Deutsche Börse (ISIN DE000A0BVU28) – also includes the subsidiaries Aspera GmbH, Aspera Technologies Inc., LeuTek GmbH, OMEGA Software GmbH, and USU SAS).

USU GROUP
LEGAL STRUCTURE

USU GmbH
Möglingen

Omega Software GmbH
Obersulm

LeuTek GmbH
Leinfelden-Echterdingen

Aspera GmbH
Aachen

Aspera Technologies Inc.
Boston, USA

USU SAS
La Garenne-Colombes, FRA

USU Software s.r.o.
Brno, CZE

USU Austria GmbH
Wien, AUT

In the area of IT management, USU supports companies with comprehensive ITIL®-compliant solutions for strategic, operational IT and enterprise service management. USU solutions give customers an overall view of their IT processes and IT infrastructure and enable them to transparently plan, allocate, monitor and actively manage services. USU is one of the world’s leading manufacturers in the area of software license management.

USU is driving the digitization of business processes with its intelligent solutions and expertise in the area of digital interaction. As a one-stop shop, USU advises on, designs, develops, and delivers solutions along the entire customer journey (“customer-first solutions”), serving all of communications channels and points of customer contact in sales, marketing and customer service. The portfolio in this area is rounded off by system integration, individual applications and software for industrial big data
USU is aware that this is a complex evaluation process and that interdependencies cannot always be fully assessed in advance. However, USU endeavors to continuously challenge itself and develop in order to ensure that its actions make a positive contribution to its stakeholders and to society. Accordingly, USU designs value creation and exchange processes based on the market, the environment and society. The Management Board and the Company’s managers and employees take on their responsibility. Sustainability in combination with socially and ethically aware actions have been implicitly practiced at the USU Group since its formation and are a fixed element of its corporate culture. For USU, this is a continuous improvement process that we can only realize by maintaining a constant dialog with our stakeholders.

Social responsibility at USU Software AG has many facets and is strongly anchored in our business management and business strategy. USU currently does not have a dedicated sustainability strategy, but rather an overarching overall business strategy from which all the other subareas are derived. One of these sub-areas is the topic of sustainability. The overall strategy encompasses the three business principles of “Company, Customers & Products”, which form the basis for the Company’s corporate values, its commitment to sustainable action and its operational planning. The “Company” principle means that USU strives to be an attractive company for employees, investors and all those in its environment. This means dealing fairly and respectfully with stakeholders and also focusing on ensuring awareness and perception of its ecological and social responsibility. This is the only way for the Company to ensure its long-term success and to become more attractive to employees and investors. The “Customers” and “Products” principles also contribute to ensuring the USU Group’s sustainable success. USU’s actions are geared towards its customers, to whom it offers individual software solutions. This individuality and proximity to the customer helps the Company to

STRATEGY

STRATEGIC ANALYSIS AND ACTION.
The principles of sustainable action are a core element of USU’s business activities. The USU Group defines sustainable action as striking the right balance between the three dimensions of sustainability – economic, ecological and social – and incorporating the interests of stakeholders into its decision-making processes.
establish long-term customer relationships and partnerships. USU’s products also stand for excellent software-based solutions and a high degree of innovation. The quality of its products and the development of new innovations play an important role in the Company’s long-term success.

Due not least to the dynamic growth of the past few years, it had become necessary to develop an identity-forming corporate philosophy for the USU Group. This was developed by USU employees in 2019 on the basis of many individual discussions, surveys and workshops with all stakeholders as part of the internal project “More-U”. In an intensive communication process, the Group’s values as well as its mission and vision were devised, defined, validated and adopted together.

The mission statement defines what USU stands for and what its driving factors are: “We master digital challenges in IT and customer service with efficiency, passion, innovation and knowledge.”

The USU vision emphasizes the direction and goal that USU is moving toward and highlights the goal for consumers, end users and citizens all around the world to come into contact with USU services: “The whole world is touched by USU (em)powered services.”
USU’s economic success as a software company depends to a large extent on the performance and knowledge of its technical and management employees. The Company is reliant on highly qualified personnel in order to continue to satisfy market demands and individual customer requirements in the future. The shortage of technical and management employees within the industry makes it important to remain an attractive employer. The loss of management staff or employees in key positions can be just as detrimental to the Company as the failure to attract new knowledge carriers. In order to counteract this risk, human resources activities focus on the recruitment of technical and management employees as well as the motivation and retention of existing staff. A variable component in the salaries of a substantial number of employees, which acts as an additional performance incentive to reward target attainment, should also be seen in this context. In addition, the Group offers an extensive and flexible company car scheme. The USU Group also consistently invests in the development and further training of its workforce as part of its career model. In addition to specialist training courses and the further development of soft skills, USU offers refresher and consolidation courses. A common system of values, rapid information exchange, a family-like working environment and numerous staff events round off the diverse range of measures in this area. Although the USU Group considers the shortage of technical and management employees to be a significant human resources risk, the acquisition of additional qualified employees and the associated expansion of the Group’s workforce in order to fully exploit the existing growth options in product and service business also represents a major opportunity.

The USU Group is also involved in numerous activities that can be subsumed under its commitment to sustainable action.

This includes

- expanding dual training and promoting new talents in order to secure technical and management employees for the long term
- pronounced social and cultural commitment, with a particular focus on regionality and relevance to the Company’s environment
- ergonomic office furniture for all employees
- the services of a company doctor
- freshly cooked meals every day and free fruit depending on the respective location and free water dispensers for employees in order to reduce resource consumption by reducing the use of disposable bottles
- giving employees the opportunity to use bicycles and Pedelecs leased via the Company
- special support for company cars with a good CO₂ efficiency class
- reducing electricity consumption e.g. by systematically switching to LED technology or virtualizing servers

As a result the Management Board and the Company’s managers intend to create a transparent view of the Company for employees, customers, partners and shareholders of USU Software AG.

The action areas identified in preparing this report are intended to help increase awareness for key issues, record their status and document improvements. In the medium term, this will provide greater guidance for employees and customers and help to secure the Company’s economic success.

Without orienting its efforts in the field of sustainability towards a single international standard for sustainable business activity, the USU Group acts in accordance with statutory provisions as well as the ten principles of the United Nations Global Compact and the core labor standards of the International Labour Organization (ILO).
MATERIALITY

The objective of and requirement for all activities is the sustainable economic success of the USU Group. In addition to highly innovative products and solutions, a wealth of “intangible assets” ensure this economic success. These include not only good, long-established customer relations, strategic partnerships, and cooperation projects with universities and institutes, but especially motivated employees who practice this way of thinking day in, day out – true to the motto “Knowledge is the Market”.

Success is not possible without cooperation based on mutual trust. And trust has to be earned anew every day. The basic principle behind this is dealing openly, fairly and respectfully with each other – not just in-house, but also with customers, shareholders and business partners. To this end, the USU Group’s workforces have formulated basic values and objectives – in team meetings with colleagues and across all divisions and locations. Everything important has been summarized in core statements. They can be viewed on the website of the USU Group. These guidelines are valid as a general assessment and as goals, to which all employees repeatedly readjust.

Curiosity

- Re-examining and questioning the status quo on an ongoing basis
- Willing to learn to take the next step
- Being open for new ideas, topics, perspectives
- Taking interest in people
- Understanding feedback as an opportunity of moving forward

Community

- Boosting and maintaining the special USU spirit
- Acting and performing as a team (also across divisions)
- Providing support to each other, not opposition
- Promoting the diversity of different employees
- Discussing in a critical and always constructive basis

Joint responsibility

- Executing tasks independently and reliably
- Assuming responsibility on a pro-active basis, displaying initiative to advance new topics
- Passing on responsibility in a responsible fashion (empowerment) – with clear targets, offers of help, feedback
- Reaching decisions based on the situation, as far as possible on a team basis

Consistency

- Acting a role model
- Taking decisions and implementing them on a sustained and comprehensible basis
- Maintaining standards across the Group
- Avoiding exceptions to standards, showing repercussions if necessary
- Aligning action to long-term corporate strategy on a targeted basis

Sustainability

- Developing strategy and portfolio from a holistic, long-term perspective
- Aiming to create a balance between economic success, environmental responsibility, and social action
- Nurturing long-term good relationships to all stakeholders (customers, suppliers, partners, shareholders and employees)
- Reducing the ecological footprint (CO₂ emissions, energy)

Passion

- Loving what we do and fighting for implementing our vision
- Going the extra mile if needed
- Mobilizing all resources for project success and customer trust
- Showing initiative and actively bringing in ideas
- Involving oneself as co-entrepreneur, not as co-worker
**Employees**

Anyone who develops and distributes software works with people, for people. That is why non-monetary targets play a central role alongside traditional monetary targets in the activities of USU. Surveys are accordingly conducted at regular intervals to identify additional potential for improvement. The USU Group sometimes obtains support from independent, external service providers here. The successful integration of new colleagues – especially from the newly acquired USU companies – also reflects the sustainability of USU’s corporate culture. Further proof is provided by the result of the employer rating platform kununu. USU GmbH has been awarded the seal of quality as a “Top Company” and as an “Open Company” here, for example. From the positive work atmosphere with feel-good factors, through the diversity of the tasks, all the way up to the conduct of the senior managers – the USU workforce has shown that it is satisfied to very satisfied with its company in practically all of the assessment criteria. That is vouched for not least by the recommendation rate of 83%. USU thus belongs to the exclusive circle of the best employers, as not even one per cent of the over 900,000 companies that are reviewed on kununu have qualified for both seals of quality. The USU profile has been viewed approximately 115,000 times, which reflects the relevance of the portal for many interested parties and potential applicants.

The leading German job exchange Yourfirm for SME jobs chose USU GmbH among more than 8,000 employers as one of the top employers of 2018. Yourfirm.de has been awarding its “Top SME employer” seal since 2015. A “popularity index” is created for each employer on the basis of users’ access and reading patterns for 60,000 job ads per year. And USU is one of the top SME employers! In 2019 USU did not participate in the survey.

USU is also one of “Germany’s Best Employers 2018”. The award from the Great Place to Work® Institut Deutschland stands for a special commitment to creating a trusting and beneficial culture of cooperation within the Company. This award marks USU as one of the top 100 or top 15% best employers in Germany that took part in the competition. In 2019 USU did not participate in the survey.

Closely related to this, high-quality continuous professional development of the employees ensures that the necessary expertise will also be available in the future. That is why – in terms of sustainability – a central focus of the USU Group is placed on human resources.
Social commitment

As an SME software house, the USU Group views its social commitment, especially in the regional area, as an especially important aspect of sustainability. The Company is aware of its social responsibility and is keen to play its part in the development of the region. It is only in an intact environment that is also characterized by suitable living standards for employees and their families that the Company can also be successful in the long term. Even when choosing who they work for, employees are placing ever greater store on soft factors such as social commitment and sustainability. The shortage of specialists in the IT sector means that it is especially important to convey the DNA of the Company, consisting of an in-depth understanding of shared values and a very clear focus on staff, to the outside world. In addition to the direct contact we foster with our immediate surroundings, USU also makes a contribution to society in the form of donations and sponsorship as well as using material resources and expertise. This strengthens the Company's image among the public and in society and results in us not only being a good employer, but also being perceived as one, too.

Customer orientation and innovative strength

In order to be economically successful over the long term, it is important not only to take social and environmental sustainability aspects into account, but also to invest in a high level of customer satisfaction and innovative strength. Long-established relationships with customers and consequently their satisfaction influence the corporate success of the USU Group as a software house to a particular degree. In addition, it is necessary to ensure extensive innovative strength in order to meet the constantly growing demands of customers. Innovative strength is the key to securing the future in the light of the challenges of the digital transformation. Among other things, it defines the cooperation with customers and partners, leads to the development of new products and services, and to the implementation of new business models. At the same time, alongside internationalization and acquisitions, USU regards “innovations” as one of the three central growth pillars of the USU Group.

Environment

USU works in the IT sector. Because of the business model as a software house, the impacts on the environment can be classed as relatively small in comparison with other companies. What is more, the Management Board, the Company’s managers, and the workforce of the USU Group have worked in a resource-efficient and sustainable way for many years. The USU Group has been certified according to EN ISO 50001:2011 in the field of energy management since 2018 and has an energy audit in 2018 which is valid for four years.
TARGETS AND IMPLEMENTATION STATUS

USU’s sustainability objectives are also discussed in the course of the regular strategy meeting on the strengths and potential for improvement. Each of the areas of action involving sustainability – cost-effectiveness, environment, staff, and society – are considered in this process. The focus when setting targets in the area of sustainability lies in the human resources and energy management of the USU Group.

Human resources management

- Increase the Group workforce to 800 employees by December 31, 2021
  - Status: As of December 31, 2019, the Group workforce was increased by 2.7% against the previous year to 711 employees so that the implementation of this target is on track.
- Increase the number of apprentices from 10 to 15 by December 31, 2021 (Germany)
  - Status: Currently there are already 15 apprentices/students at the Cooperative State University in Germany alone, an increase of 50% against the previous year, already achieving the target.
- Increase the proportion of women in the total workforce from 27% to 30% by December 31, 2021 (Germany)
  - Status: As of December 31, 2019, the proportion of women in the total workforce in Germany was 28.9% and thus again up on the previous-year figure, and just under the target value. The proportion of women in the total workforce will be further expanded on a targeted basis to 2021.
- Increase the proportion of women in management positions from 10% to 15% by December 31, 2021 (Germany)
  - Status: As of December 31, 2019, the proportion of women in management positions was 11.7%, ahead of the previous-year figure but still below the target. The proportion of women in management positions will be further expanded on a targeted basis to 2021.
- Keep the sickness absence rate under 3% (Germany)
  - Status: With a sickness absence rate of 3.7% (Germany) and 3.4% (USU Group), the figure was higher than that of the previous year, and also of the 3% target threshold. Nevertheless, USU is continuing its endeavors to achieve a sickness absence rate of under 3%.
- Reduce the staff turnover rate to under 10% (Germany)
  - Status: In the 2019 reporting year, the staff turnover rate at USU was 9.4% in Germany, below the figure of the previous year and also moving below the target threshold of below 10%. And also across the whole of the Group, the staff turnover rate at 9.2% was on target.
- Increase the number of training and development days from 2 to 2.5 days per employee on average (Germany)
  - Status: In the 2019 fiscal year, the number of training and development days in the USU Group (Germany) averaged 2.7 days per employee, which was both above the previous-year figure and above the target. Across the Group the number of training and development days averaged 3.2 days.
The targets are communicated by the Management Board and their implementation and progress status are regularly reviewed.

### Environmental impacts

- **Increase the proportion of electric vehicles from 1% to 10% by December 31, 2025**
  - **Status:** As of December 31, 2019, the proportion of electric vehicles had already reached 7% and a further increase is envisaged parallel to setting up an electricity charging station at the Company’s headquarters.

- **Reduce annual electricity consumption by 2%**.
  - **Status:** In comparison to the previous year, in 2018 annual electricity consumption was reduced by a further 4%. This was due not least to concentrating the Group IT and the sustained focus on virtual servers.

- **Set up an electricity charging station at the Company’s headquarters in Möglingen by December 31, 2021**
  - **Status:** Electricity charging stations are already being set up in the new USU Campus and are expected to be finalized in fall 2020.

### VALUE CHAIN

The value creation of the USU Group predominantly takes place in-house. Because of the service-oriented business model of the USU Group, the topic of a “sustainable value chain” is of less relevance in comparison with the manufacturing sector.

USU codes of conduct apply to internal processes in sales, marketing, human resources and purchasing as well as for the external contacts in customer service and with cooperation partners. Care is taken to ensure that the suppliers of the USU Group comply with human rights, express their opposition to forced and child labor, and prevent corruption.

The USU Group pays special attention to a regional focus when selecting its suppliers. This helps to ensure short journeys and to promote regional integration. For example, regional manufacturers are used where actions are guided by integrity and appropriate payment of their employees is guaranteed.

The suppliers of the USU Group with the largest delivery volumes are a telecommunications company, a mobile communications provider, and a large producer of office supplies as well as several automotive manufacturers. These companies have each established high standards for themselves when it comes to their social and environmental behavior, which means that there is no need to require them to comply with USU’s minimum social and environmental standards. When selecting other suppliers, attention is naturally paid to their environmental and social conduct, but they are not required to comply with minimum environmental and social standards on account of the low delivery volume and the low number of orders.

Attention is furthermore paid to the sustainability of the products purchased – especially as far as office supplies are concerned. Increasing centralization of the purchasing activities is intended to further encourage this.

In addition, social aspects such as protection of employees’ rights and consistent occupational safety are a requirement.

In addition to the permanent employees, a large number of freelancers work for the USU Group, and they can be called on in the project business when required. Neutrality is maintained when selecting these freelance staff, and only objective criteria are applied in the selection decision. Gender, religion and other diversification factors are not included in the decision-making process.
PROCESS MANAGEMENT

RESPONSIBILITY

The central responsibility for sustainability within the USU Group lies with the Chairman of the Management Board Bernhard Oberschmidt. He ensures that sustainability is always taken into consideration in business decisions, and he is in charge of all environmental and social issues.

The sustainability working group is responsible for the operational implementation of sustainability issues. This group comprises the Management Board adviser, the managing director for human resources and legal, the energy management officer and the facility manager.

RULES AND PROCESSES

The corporate strategy of the USU Group is specified in the form of targets, actions and projects as well as rules of conduct and process instructions.

Potential improvements, derived for example from employee and customer feedback and ideas, are integrated in the sustainability strategy with a view to a continuous improvement procedure.

Employee suggestions. Currently employee suggestions are passed on by e-mail to the relevant specialist unit. If cross-divisional issues are involved, the suggestion is evaluated by the responsible officer and, if the assessment is positive, put into practice. The company suggestion scheme is to be integrated through the intranet that has already been introduced throughout the Group and thus be used by all employees on a centralized basis.

An appropriate system was introduced in the area of energy management certified according to EN ISO 50001:2011 which was replaced on the basis of an audit in 2018. A specialist team carries out a regular assessment of energy efficiency, energy utilization and energy consumption and arranges for the activities to be reviewed during a regular external audit. In order to reduce fuel consumption at the Company and thus also CO₂ emissions, the guidelines on business travel stipulate using public transport as the preferred means of transport, for example. A Bahncard 100 rail card is optionally available to employees as an alternative to a company car. In order to encourage employees to drive an environmentally friendly car, they receive an additional bonus in the form of an annual payment when they choose a car from a good efficiency class. In addition to the switch to LED lighting, old PC desktops are gradually being replaced by new, power-saving laptops. Moreover, careful attention is paid to various seals of quality in purchasing decisions, for example in the selection of printer paper, and to energy efficiency during the installation of a new computer center.

In spring 2019, construction commenced on a new energy-efficient building at the USU headquarters in Möglingen. It is expected that the USU Campus will be ready to move into in September 2020 with a lot of space for flexible, agile work. On 1,300 square meters, working places flooded with light, training rooms and presentation and exhibitions space are being created. A photovoltaic system, bicycle stands with charging possibilities for e-bikes and a two-story underground garage with several charging stations for electric vehicles are part of the sustainable architecture design.

Equal opportunities and diversity are taken into account to a particular degree when recruiting new staff. That is why there is a code that contains binding regulations concerning how we recruit and treat staff. If the regulations are contravened, the Company has an obligation to take action against this, which can include consequences under labor law.

The USU Group is aware that only healthy, balanced and satisfied employees make an optimal contribution to the value creation and the success of the Company. The health management system is organized on three different pillars. The Human Resources department is responsible for general measures, the contacts with health insurance companies, the organization, the financing/taxation, the government subsidy, and for procuring offers from third parties, such as for gymnastics at the workplace or the promotion of memberships. Facility Management has the responsibility for occupational health measures, ergonomics at the workplace, and appropriate office equipment. Finally, the employees’ representatives are encouraged to record and put forward suggestions from the workforce as well as to develop their own proposals. Facility Management and the staff representatives have a functional reporting line to the Human Resource department, which takes decisions on planned measures in consultation with the Management Board and the employees’ representatives.

In investment processes, sustainability factors are also incorporated when reaching a decision. For example, when selecting locations the stage of development and the understanding of shared values of the relevant country plays a major role.

As the economic success of the USU Group depends to an especially high degree on the customers, various processes have been initiated that are intended to
ensure their satisfaction. It is not only the high quality of the products that plays an important role here. On the one hand, a variety of communication channels is available which allows the requirements and demands of the customers to be recognized and subsequently to be acted on and fulfilled. These channels range from customer surveys, through the annual specialist and customer congress USU World and regular user groups, up to the constant direct exchanges with the Company’s consultants. On the other hand, and in addition to the various options for communication and feedback mechanisms, the fulfillment of specific customer requirements is essential for ensuring their satisfaction. One of the elements that enable specific customer requirements to be fulfilled is that the desired product is developed jointly on a customer-specific basis. Moreover, the products are designed in such a way that customers have the option not only to use them, but also to continue developing them independently.

In order to strengthen USU’s innovative strengths, which are a decisive component for long-term and sustainable success, above-average investments have been made in research and development for many years, while the most varied of projects are implemented. As a result, the Company was identified and honored with an award as a TOP INNOVATOR by the Swiss investment research company ALPORA. In addition, for its R&D activities, USU received the “Innovative with Research” award from the Donors’ Association for the Promotion of Humanities and Sciences in Germany.

The core of the business activities and interaction with each other is formed by the corporate culture of USU together with its values and principles. The corporate culture as a central factor was already characterized by trust and style when the Company was founded in 1977. Although it was still a small company at the time, it drew up a written framework on the Company’s culture as early as 1988. The Company’s mission statement was then updated in 1993 together with staff in the course of a workshop over several days and has been reviewed at regular intervals ever since. It was recently completely updated in 2019 in the context of the “More U” project. It is based on the code of conduct established by international industrial enterprises. Although the mission statement is laid down in writing, the USU Group attaches great importance to continuing to keep the spirit of those words alive and awake through daily practice. This is demonstrated for example in the selection of new employees. Here, the maxim applies that the emotional and social skills of the employees are at least as important as their professional qualifications. Another pointer to a living corporate culture is the fact that the doors to the Management Board’s offices have stayed open to all staff for over 40 years – across all boundaries of hierarchy, department and discipline.

Udo Strehl, who founded USU and who is today the chair of the Supervisory Board, describes his understanding of the Company’s culture as follows: “For me, success is not just the financial profit that can be seen on the balance sheet at the end of the year. Surviving with an independent profile over the long term in a competitive market is the challenge. Only someone who can combine their day-to-day activities with their fundamental personal convictions is able to overcome this challenge. The same is as true for an individual as it is for a company. I believe a harmonious environment is the basis for cooperation practiced in a spirit of mutual trust. You have to earn and prove trust over and over again. Especially as a service provider in the fast-moving market of information technology. USU works with people, for people. So the Company is compelled to approach people with openness and honesty in order to win their trust. The aim is to make state-of-the-art technology and expertise comprehensible and to integrate it in application solutions that the customer needs and understands. You don’t earn trust through words, but through deeds. It is only by doing so that you can stand out in positive terms. That is what I stand for.”
In addition to the current key economic performance indicators, a variety of indicators related to sustainability are collected within the USU Group. In addition to the survey of customer satisfaction carried out using continual questionnaires, the R&D ratio used as the basis for measuring innovative strength, and total donations, specific performance indicators are measured and evaluated especially in the areas of human resources and the environment.

### Human resources
Key sustainability-related performance indicators are systematically collected from the Human Resources division and managed in-house. The most important staff-related performance indicators are:

- Occupational accidents and days lost
- Compensation policy
- Sick days
- Turnover rate
- Age distribution
- Improvement suggestions (Company suggestion scheme)
- Application on job portals
- Relationship Full and part time
- Headcount
- Diversity
- Satisfaction (Survey)
- Seniority

Using the results as the basis, the Human Resources department elaborates measures to continue developing an employee-oriented corporate culture.

### Environment
USU faces up to its environmental responsibility and actively strives to constantly improve energy efficiency. As part of the operational energy management system, energy consumption and costs and thus the impact on the environment are systematically recorded using various performance indicators.

The key environmental performance indicators relevant for the USU Group are:

- Energy consumption: Electricity
- Proportion of renewable energy
- Fuel consumption
- CO₂ emissions (electricity and fuel)
INCENTIVE SYSTEMS

All employees are aware that the number one corporate objective is sustainable, profitable growth. For USU, this means creating a balance between the economic, environmental, and social dimensions.

The target agreements and compensation for executives and employees are based primarily on commercial performance indicators and on the permanent value added, such as the increase in the efficiency of processes or the sustainable development of new services for customers. The long-term success of the USU Group as a software company depends to a large extent on good client relationships and client satisfaction. However, achieving sustainability targets, such as customer satisfaction, is not yet an explicit element of target agreements and remuneration. Compliance with and promotion of sustainable action is, however, a fundamental requirement for all employees and is regarded as a precondition for long-term value added.

All employees are encouraged to submit new ideas and proposals for improvements in the area of sustainability which are then examined to see if they are feasible.

Compensation policy

The compensation of the Supervisory Board as the Company’s highest governing body is published in the annual report and is thus transparent. The total compensation for the Supervisory Board comprises a fixed and a performance-related component. This is subject to an upper limit for total compensation of 200% of the fixed annual component.

Furthermore, the compensation model for all managers of the USU Group provides for a variable component. The individual target agreements also contain some qualitative targets here in the field of CSR areas of action, for example product quality or customer satisfaction.

In Germany, where around 70% of Group sales are generated, the ratio of the total annual compensation of the highest paid employee to the average level is around 3.9 (2018: 3.6) and thus demonstrates, despite the slight increase to the previous year, the narrow overall spread of salaries.

All locations outside Germany together generate the remaining 30% of Group sales and are not listed at this point on account of their lower business activities.
STAKEHOLDER ENGAGEMENT

The USU Group attaches great importance to the dialog with its stakeholders and is in constant contact with them. The aim here is to understand the increasing demands, requirements and expectations that the various stakeholders place with regard to the sustainable development of the Company, to act on suggestions, and to incorporate findings in the business and decision-making processes.

The identification of the stakeholder groups is carried out by means of a stakeholder analysis as part of the risk management. The USU Group sees existing and future employees, customers, shareholders, investors, suppliers and technology partners, municipalities, associations, the public, and competitors as its most important stakeholders.

The active dialog with these groups is conducted on a regular basis using the most varied of channels. For all groups, exchanges are defined in the form of different formats, which vary in depth and number as circumstances require.

Thanks to active public relations work, the USU Group thus offers stakeholders transparency concerning its own activities – from both economic and social perspectives on the issue of sustainability. For USU, the employees, the customers, the community in the region, including educational institutions, as well as the investors and shareholders are the stakeholder groups that have the greatest interest in and place the highest demands on the sustainable activity of the Company. That is why the contacts and exchanges with these four stakeholder groups are of particular importance for the sustainable development and conduct of USU.

Employees

Identifying the demands and requirements of the employees is of particular importance for the USU Group. The conscious awareness of these is necessary in order to be able to guarantee a tailored as well as sustainable personnel policy. That is why USU implements a variety of measures to encourage personal exchanges with and between the staff across disciplines and divisions. As a Group-wide intranet, the USU Inside platform offers the possibility of exchanging information, ideas and opinions. Published information and contributions can be commented on, questions on them can be asked, and ideas can be put forward. Wiki Confluence serves to document and communicate knowledge across the Group. In addition, employee surveys are conducted on a regular basis that offer among other things the opportunity to put forward suggestions, criticisms and requests for changes concerning various sustainability issues. All staff are invited to a two-day kick-off event at the start of the year, at which the management strategy and objectives and discussed and the employees’ questions are tackled. Alongside that, team-building programs are an important part of this event. What is more, once a year there are additional information events for all employees. Moreover, the two-day onboarding event “U Step Int!” is organized for all new employees, at which the strategy, organization and business units of the USU Group are presented, among other things. In addition, the volunteer employee representative committee of USU GmbH, which represents the staff vis-à-vis the Company's managers and Management Board, plays its part in creating good communication and involving the staff and especially their growing requirements. Furthermore, continual professional development through seminars and training programs form part of the day-to-day working life of USU employees. Many other events, including skiing trips, Christmas celebrations or summer parties as well as the principle of keeping office doors open round off the communication options.

Municipalities / schools / universities / community (regional)

The local region in particular stands at the heart of the community and social engagement of the Group. Here, USU supports a large number of benevolent, charitable and cultural institutions, organizations and projects. The constant exchanges with the various groups within society is of great importance for the USU Group. It is only through intensive communication that it becomes possible to actively appreciate the different requirements and aspirations.

The close cooperation with schools and universities, which includes training courses, lectures and the participation of students at the Annual General Meeting of USU, allows them to inform USU of their needs. Various types of support and sponsorship are discussed together on a regular basis.

In order to foster the exchanges with the municipality of Möglingen, which is home to the headquarters of the USU Group, meetings with the local mayor are held as circumstances require, at which possibilities for supporting the municipality and joint projects are discussed e.g. the Möglingen church community or the Möglingen youth fire brigade.

Of particular importance to the Company is the promotion of organizations, clubs, teams, sportspeople and artists from the region. The employees are encouraged to put forward suggestions for specific possibilities for supporting these groups. As a result of this opportunity, the requirements and the need of various interest groups from the region for support can be identified and also fulfilled where this is feasible.

Customers

The comprehensive fulfillment of customer needs and their special requirements is of particular importance for the long-term success of the USU Group as a software house. Various communication channels are available for exchanging information and for identifying demands.
The most intensive contact is between the customers and USU’s consultants, as it is here that direct and constant exchanges take place. Furthermore, long-established partnerships with existing customers promote optimal communication and the identification of growing demands. As a result of these close contacts, a joint and individual development of projects can be realized. The communication options are rounded off by regular customer surveys and the specialist and customer conference USU World, which is held every year.

**Investors / shareholders**

As providers of capital, investors and shareholders have an especially large interest in sustainable corporate management. This is why it is important to provide these stakeholder groups with sufficient information about business transactions as well as to identify their requirements. Investors and shareholders have the option of contacting the internal representative of the USU Group’s investors (“Investor Relations”) with their demands and requirements, and the representative will forward their concerns on to the Management Board. In addition, a regular exchange on topics of interest takes place in the course of the Annual General Meeting and the specialist and customer conference USU World, to which investors and shareholders are also invited, as well as in the context of various investor events in which USU Software AG participates. The investors and shareholders are actively kept informed of all key transactions and new developments through a variety of information channels, including the financial reports, press releases forwarded by e-mail, and the use of the USU Group’s homepage as an information platform.
INNOVATION AND PRODUCT MANAGEMENT

The products of the USU Group as a non-manufacturing company have only a minor impact on the environment during their entire development and life cycle. Also as a non-manufacturing company, however, the USU Group has only limited opportunities to significantly reduce the company's energy consumption through innovation or product management. Nevertheless, USU attaches great importance to using resources sparingly in its own establishment and to minimizing its ecological footprint as far as possible. Through the virtualization of servers, the increasing use of cloud solutions, and the switch from desktops to environmentally friendly and mobile laptops as well as LED monitors, the Company is continually encouraging less intensive use of resources.

Virtually all the software products of the USU Group are also available as what are known as Software-as-a-Service solutions. In this case, client companies use the USU software as a service, with infrastructure and operation provided by USU. This guarantees not only the highest data security, but also optimal utilization and energy efficiency of the server rooms. Group-wide centralization in one data center is being pursued in the medium term, where the selection of the data center service provider will also be made based on sustainability aspects (e.g. use of the waste heat from cloud servers to heat the building and of renewable energy to operate the servers). USU is aggressively proactive in informing its customers of these options.

It is a core objective of the Management Board to increase the energy efficiency of the USU Group in the long term and as part of a continual improvement process. In 2016, an energy management system was introduced for this in accordance with EN ISO 50001:2011 which was replaced on the basis of an energy audit in 2018. Key energy performance indicators have been determined in order to monitor the energy performance. These are documented and regularly reviewed. A team led by the energy management officer ensures that the energy efficiency, energy usage and energy consumption are regularly evaluated, energy-efficient products and services are employed, and all activities are reviewed in regular audits. Guidelines on energy management have been drawn up, documented, and communicated to the workforce. For example, by centralizing IT and with the sustained focus on virtual servers, total electricity consumption at the German locations (without Munich) was reduced by a further 4.2% from 2017 to 2018. From 2014 to 2018, on the basis of extensive energy saving measures, USU reduced total electricity consumption in Germany by an impressive 17%.

The percentage of financial assets that have undergone a positive or negative selection test based on environmental or social factors is not known. However, again in 2018 approximately 1% of sales was invested in ergonomic office equipment and in the changeover to energy-efficient hardware, air conditioning inverters and LED lighting. Furthermore, the consideration of environmental and social factors is firmly embedded in the M&A strategy of the USU Group. For example, only companies that are a cultural fit with the USU Group come into consideration for a purchase.
ENVIRONMENT

USAGE OF NATURAL RESOURCES

The USU Group follows the same high demand for efficiency in its environmental policy as it does in its operating business. Negative environmental impacts have to be avoided as far as possible, while consumables have to be used efficiently. As an IT company, the USU Group uses natural resources to a relatively low extent. Nevertheless, the management system includes the following performance indicators:

- Total electricity consumption in kWh
- Electricity consumption in kWh per MA
- Total energy costs in EUR (primarily electricity)
- Proportion of renewable energy (electricity) in per cent
- Fuel consumption and average CO₂ emissions per passenger car

As the USU Group is a non-manufacturing company, its water consumption is limited to the consumption usual in offices for restroom facilities and the consumption of beverages. Water dispensers are available for the staff at the USU locations in order to minimize the use of plastic bottles. The electricity consumption is also limited to the consumption that is normal in offices for lighting, heating and the use of electrical devices.

The illustrations above show both total electricity consumption of the USU Group Germany (excluding Munich) and consumption per employee in Germany. The values refer to 2017 and 2018. No data are available yet for 2019, as the offices are exclusively rented premises and the relevant statements of the ancillary costs were not available at the time this report was drawn up.
Consumption refers only to Germany excluding the Munich site, as an “all-in agreement” is applicable there, in which the consumption volumes are not explicitly recorded. It should be noted positively that total electricity consumption in Germany was reduced by 4.2%, while worldwide electricity consumption (without USA), for which data was collected for the first time in 2017 (cf. chart below), also declined by close to 4%. This was due not least to concentrating the Group IT and the sustained focus on virtual servers.

### Total electricity consumption of USU Group worldwide (without USA) in kWh

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>800,365</td>
<td>769,941</td>
</tr>
</tbody>
</table>

### Total electricity consumption from Employee of USU Group worldwide (without USA) in kWh

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,211</td>
<td>1,109</td>
</tr>
</tbody>
</table>

### Fuel consumption of USU Group in liters 2018

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>diesel</td>
<td>107,860</td>
</tr>
<tr>
<td>petrol</td>
<td>204,399</td>
</tr>
</tbody>
</table>

The chart presented shows the total fuel consumption of the USU Group (Germany) in liters, broken down into type of fuel. In order to maintain the uniformity of the report, these key environmental indicators and all other indicators, such as electricity consumption, also refer to 2018. The figures for liters correspond to 7.25 trillion joules (2017: 4.93 trillion) for the diesel fuel type and 3.4 trillion joules (2017: 1.64 billion) for the gas fuel type. The considerable increase in the car fleet in line with the expansion of the workforce was the reason for the considerable increase in total fuel consumption.

The USU Group’s consumption of paper is also relevant. Alongside the hardware infrastructure, USU almost exclusively uses office supplies to perform its services. The vast majority of those supplies is still paper – with the downward trend continuing, as the endeavor to move to a digital, paperless office is resulting in fewer hard copies of documents being printed out. Employees are instructed to be economical in their consumption of paper and use of printers. Fax machines are hardly ever used now. The paper currently used by the USU Group bears the EU Ecolabel and is PEFC-certified. PEFC certification shows that the paper has been obtained from sustainable, managed timber sources. The printers that are in use are predominantly multifunctional devices and can be found on the relevant office floors. Toner cartridges for the printers are sent for recycling. Sustainability is a key criterion – where possible – in the purchasing process for all office supplies.
Soil, land and biodiversity are not affected to a notable extent by the business activities of the USU Group. As the USU Group produces only software products and offers related consultancy services, no materials at all or only negligible quantities are used for direct production and packaging. The consumption of heating energy, cooling energy, and water as well as the volume of waste and the methods used to dispose of it cannot be detailed, as the offices in all locations are rented and the specified data are not evident from the available statements of ancillary costs. If it were possible, the collection of the data would be associated with a disproportionately high amount of work. The consumption volumes correspond to the normal consumption in office premises. Steam is not consumed by the USU Group. No electrical power, heating energy, cooling energy, and steam has been sold. The water supply has not been taken from any sources other than municipal and other water supply companies. No hazardous or special waste at all is created on account of the business operations. As a rough estimate, as in the previous year, in 2018 normal refuse accounted for 20% and paper for 80%. Paper waste will continue to be reduced in the coming years as a result of the increasing use of electronic documentation and, for example, paperless invoicing. The USU Group is striving to extensively avoid waste in its operations, for example by employing reusable systems for transport packaging.

The USU Group has set itself the following target in order to reduce its ecological footprint:

- Reduction of the electricity consumption by 2% p.a. (USU Group Germany)

The energy efficiency measures planned as part of the energy management concern the following areas:

- Lighting
- Information technology (IT)
- Building and vehicle fleet

The offices of the USU Group are located exclusively in rented premises, which means that no energy efficiency measures can be implemented by the Company itself. That is why a key aspect involves raising the awareness of staff and regularly communicating with them by providing training courses and information. For example, the onboarding event includes pointing out the implementation of energy management to all new employees and discussions of basic patterns of behavior (e.g. avoiding stand-by consumption in the case of PCs and monitors, switching off lights, and conserving heat). Selected aspects of the energy management are additionally discussed at the semi-annual management meeting in order to guarantee consistent implementation within the USU Group. Furthermore, there is an energy management section on USU’s intranet, which is being successively expanded.

From 2017 to 2018, total electricity consumption of the USU Group Germany (without Munich), and also the worldwide USU Group (without USA) was reduced by 4%. This was driven by factors which covered successive centralization of Group IT and the related centralization of the IT hardware including the selection of more energy-efficient IT hardware components (including servers/air conditioning devices/laptops) and the increasing virtualization of the servers. This positive trend is set to continue in the future. Reducing the electricity consumption of the USU Group Germany by 2% p.a. has been announced as a goal. Between 2014 and 2018, the USU Group has already reduced its electricity consumption in Germany by a total of 17% or 6% per year.

It is intended to achieve this by continuing to expand the measures mentioned above, such as the switch to LED lighting. In addition, the virtualization of the servers will continue to be built on. This will mean less hardware and thus also less cooling energy will be needed. What is more, it is planned to increase the use of cloud solutions. The electricity that the USU Group will save as a result will be consumed by the respective cloud service provider, but they will be able to use the electricity that is utilized more efficiently thanks to innovative cooling technology methods.

Furthermore, it is planned to reduce the fuel consumption. Realistic potential savings for this are to be calculated in the next few years. An annual budget of up to EUR 50,000 is available for efficiency enhancements.
CLIMATE-RELEVANT EMISSIONS

The USU Group views the protection of the climate and the reduction of greenhouse gases as one of the greatest challenges of our times and is therefore trying to keep its ecological footprint as small as possible. The energy management system focuses here on CO₂ emissions caused by the vehicle fleet and the consumption of electricity. Other performance indicators are not currently collected for the reasons mentioned above, but will gradually be extended in the future.

The chart above shows the CO₂ emissions of the USU Group in Germany for 2017 and 2018. This shows that the CO₂ emissions increased due to the higher number of employees, although actual energy consumption was reduced. Thus the increase in CO₂ emissions from electricity is due merely to a higher conversion figure from kW/h into t/CO₂. The figures below related to the German locations of the USU Group:

- Fuel CO₂ in t: 790
- Electricity CO₂ in t: 303
- Total CO₂ in t: 1,093

The increase in fuel consumption and the related rise in CO₂ emissions can be attributed to the fact the vehicle fleet was expanded from 143 to 172 vehicles. In addition, the company cars are also available to the staff for private use, where the fuel consumption on private journeys is billed through the Company. As a result, only a part of the CO₂ emissions generated by the fleet has to be attributed to the business operations of the USU Group. Nevertheless, USU has set itself the goal of reducing the CO₂ emissions caused by the fleet. The introduction in 2017 of an additional bonus in the form of a staggered annual payment has encouraged employees to choose a car from a good CO₂ efficiency class. It is furthermore planned to significantly expand the incentive system for fuel and CO₂-efficient models. By doing so, it is intended...
to increase the share of electric vehicles to approximately 10% in the medium term. Furthermore, it is planned to procure electric fleet vehicles for short journeys. Charging stations for electric vehicles are planned in the new USU Campus building which is to be occupied in September 2020. USU also offers employees attractive leasing conditions for e-bikes. Furthermore, the business travel policy provides for internal meetings in particular to be conducted via digital communications and for business trips to be carried out primarily using public transport. Traveling by air to project deployments is extensively avoided.

In addition to saving electricity, USU is also endeavoring to expand the share of electricity from renewable energy sources. The presentation below indicates the proportion of electricity from renewable energy sources (if available) as well as the respective electricity consumption for the individual companies and locations. As contracts generally run for many years, it was not possible to convert contracts with a low share of renewable energies in 2018 and 2019. As a result of the enormous electricity saving at the locations which obtain all their electricity from renewable energy sources, the share of regenerative energies declined in 2018 to 67.1% (in relation to the German locations). The Company does not yet have the data for 2019.

The reduction in CO₂ emissions achieved as a direct result of measures such as the reduction of electricity produced by the replacement of the lighting and the air conditioners has not been measured, as the extent to which it was possible to reduce the electricity consumption on the basis of which measures cannot be precisely verified.

<table>
<thead>
<tr>
<th>Company / location</th>
<th>Proportion of electricity from renewable energy</th>
<th>Electricity consumption in kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspera Köln</td>
<td>100 %</td>
<td>7.826</td>
</tr>
<tr>
<td>Aspera Aachen</td>
<td>100 %</td>
<td>152.130</td>
</tr>
<tr>
<td>Aspera Marburg</td>
<td>100 %</td>
<td>16.854</td>
</tr>
<tr>
<td>LeuTek</td>
<td>100 %</td>
<td>73.637</td>
</tr>
<tr>
<td>Omega Software</td>
<td>52.90 %</td>
<td>20.372</td>
</tr>
<tr>
<td>USU Bonn</td>
<td>37.80 %*</td>
<td>67.000</td>
</tr>
<tr>
<td>USU Berlin I</td>
<td>100 %</td>
<td>42.641</td>
</tr>
<tr>
<td>USU Berlin II</td>
<td>44.40 %</td>
<td>34.742</td>
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<tr>
<td>USU Möglingen</td>
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<tr>
<td>Bahnhofstr.</td>
<td>45.30 %</td>
<td>47.767</td>
</tr>
<tr>
<td>USU Möglingen</td>
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</tr>
<tr>
<td>Spitalhof</td>
<td>45.30 %</td>
<td>16.854</td>
</tr>
<tr>
<td>USU Karlsruhe</td>
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</tr>
<tr>
<td>USU München</td>
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<tr>
<td>Prostejov</td>
<td>n/a</td>
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</tr>
</tbody>
</table>
EMPLOYMENT RIGHTS

The business locations of USU Software AG guarantee the protection of employment rights within the framework of the German legislation here. And the Company is also committed to the core labor standards of the International Labour Organization (ILO) and to the UN Global Compact program for the foreign sites, which are located exclusively in Europe and the US.

Staff involvement is an integral part of the corporate culture of the USU Group. The Company’s management attaches great importance to the opinion of each individual and creates the conditions for their views to reach the top management. The door to the members of the Management Board and to the human resources management is literally open in principle to all staff without having to schedule a meeting. The management advocates constructive criticism and gives its opinion on it. The staff are to be encouraged to put forward criticism constructively and openly. This is also consistent with the guiding principle of continuous improvement. Employees can also contact the management anonymously and indirectly through their staff representatives, which will then discuss their concerns with the management.

There are a number of feedback mechanisms for all employees to bring up issues related to sustainability, for example on the intranet or through the employee survey that is conducted on a regular basis. Information from the Management Board, the Company’s managers and the various departments is regularly published on the intranet. Employees have the opportunity here to express their opinion and take part using a comment function. Employee workshops on product development, on product design and on the improvement of the internal processes are organized on a regular basis, in which the employees play an active part. Employees are involved at an early stage in office relocations or renovation measures and asked for their suggestions and wishes so that these can be taken into consideration where possible in planning and implementation. Staff can also contact the Internal Service and the IT department directly when it comes to changes to their personal workstation (office equipment, furniture, IT equipment). The regular employee surveys that are carried out on various subjects, such as the management, job satisfaction and workplace culture as well as individual issues such as sustainability, allow the overall mood in the Company to be systematically recorded. The evaluation of the employee survey is forwarded to the Company’s managers and staff and provides an opportunity to tackle emerging problems, suggestions and shortcomings. With a Group-wide employee survey USU regularly participates in the competition to be named Germany’s best employer run by the Great Place To Work Institute. The latest survey produced a Trust Index, which includes questions on credibility, respect, fairness, pride and team spirit, of 77% for the Company set against a market average of 60%. An active feedback culture is generally practiced in the Company. The members of the Management Board and the heads of the business divisions regularly hold meetings with all staff in their division and actively ask for feedback from them.

The employees of the USU Group do not receive any direct share in the profit. However, they share indirectly in the Company’s success through the variable component of the salary, which is linked among other things to the company’s profit.
EQUAL OPPORTUNITIES

A fair and respectful corporate culture is very important to the Management Board and the managers of the USU Group. This includes respect for and appreciation of each individual, and it includes treating each other politely and fairly whatever the situation. The latest employee indicators that are presented below under this criterion and criterion 16, Qualifications, refer to USU Group Germany and for the first time – with a few exceptions – for the entire Group.

Equal opportunities, diversity, integration

For the USU Group, equal opportunities means the possibility that each applicant or employee is given the same opportunities during their recruitment and further development in the USU Group irrespective of their gender, sexual identity, race, ethnic origin, religion or belief, age or disability.

USU understands the term diversity to mean the positive contribution made by the social diversity of the staff to the enrichment and change of the corporate culture, especially when attracting new employees and also in the international environment.

For us, the vision derived from this definition means: We want to develop the diversity of the workforce and believe that this enriches our corporate culture. As part of the Group’s internationalization strategy, we are looking to employ and enhance the career opportunities of staff who can contribute special skills in terms of languages and (professional) experience in other cultural circles and who are also happy to be deployed on international projects. Furthermore, the recruitment and in-house development of women is supported in order to create a balanced workforce structure among employees and managers.

For this reason, USU has set itself the goal of increasing the proportion of female employees in the specialist departments, especially in the areas of consultancy and development and in the middle management. In addition, an increase in the number of staff with international experience and multilingual skills is pursued, especially for projects abroad.

In order to achieve these goals and to promote the integration of staff in teams, USU relies on the cooperation of various employee groups. For example, attention is paid to ensuring mixed teams are created during professional development programs such as “U Step Up!” on social and specialist skills as well as during projects and development work. Furthermore, the USU Group organizes workshops to enhance cooperation. In addition, the Company’s managers and the members of the staff representation committee receive training concerning the Allgemeines Gleichbehandlungsgesetz (German General Act on Equal Treatment).

In 2019, women accounted for 28.9% of the total workforce in Germany (Group: 27.7%) and occupied 11.7% of management positions (Group: 9.7%), an improvement in comparison to the previous year. On the other hand, in 2019 the Management Board comprised three men, while the Supervisory Board was made up of two men and one woman, corresponding to a share of woman in the Supervisory Board of 33.3%. In order to boost the proportion of women in the workforce and especially in management positions, women with the same qualifications are given preference during recruitment and promotions.

The premises (access, restroom facilities, workstations, etc.) of the USU Group’s locations are barrier-free and wheelchair-accessible. In addition, the possibility exists of adapting the company cars for employees with physical impairments. These general conditions enabled the USU Group to employ 17 severely disabled people in Germany (and in the Group) in 2019.

The recruitment of foreign IT employees forms part of the efforts to secure the foundation of specialist staff. An initiative of USU and other companies as well as the Chamber of Commerce and Industry in the Stuttgart region produced a campaign film that highlighted the problems faced by migrants when they enter a foreign society and that thus created a new perspective on the issue of integration. The Chamber of Commerce and Industry in the Stuttgart region has since used this film to campaign for the integration of skilled workers from abroad in Germany. The employment of foreign workers is generally encouraged at USU, for example by enabling them to acquire a Blue Card, the work permit for highly skilled non-EU citizens. However, the number of employees who come from minority groups is not recorded.

It is not only the professional qualifications that count, but also emotional intelligence when it comes to selecting employees. No one is discriminated against on account of their gender, age, religion, appearance or ethnic origin. A code is in place that contains binding regulations for the employment and treatment of employees (equal opportunities, no discrimination on account of age, ethnic origin, sexual orientation, religion or belief). The USU Group is proud that again it did not have to report any case of discrimination in 2019.
Fair and appropriate compensation

Fair compensation is paid in due consideration of the activity exercised and the qualifications required, the educational level, the level of expertise, the responsibility assumed (functional and/or personnel) and the length of service, and is set at standard levels in the industry.

Once a certain annual salary is reached, all employees receive a target salary that includes a variable component. This variable component is paid out in full if 100% of the targets are met and is accordingly higher if the target achievement rate is more than 100%, while a maximum of double the variable component is paid out from a target achievement rate of 160% and above. The dependency of the amount of the variable salary on the achievement of targets is agreed between the management and the employees’ representation committee. The target salary, the variable component, and any increases are calculated within the framework of the existing levels of activity (junior, consultant, senior, chief, executive). This guarantees that the compensation paid is fair within the meaning of comparable target and performance-based compensation.

The targets are discussed and defined jointly by the personnel officer and the employee each year. The personnel officers conduct a salary review with each employee once a year.

Part of the compensation at USU also includes an annual budget for a company car or a Bahncard 100 rail card or an alternative financial settlement if a company car is not used. All employees (except at junior level and employees in the administration who have been employed for fewer than five years) receive the benefit described depending on the level of their position. A corresponding table is posted transparently and can be viewed by all employees on the intranet.

Health protection, reconciliation of family and work life, occupational safety

The USU Group complies with all standards of occupational safety. Ergonomic computer workstations are guaranteed for the staff. Regular inspections on-site inspections take place for this purpose. In addition, a company doctor is regularly on site, and they review the design and ergonomics of the employees’ workstations. Documented accident prevention regulations are in force for all areas, e.g. relating to the use of cars and to the office workplace. The Group officer for this issue is the Facility Manager.

The health of the staff is given the highest priority. Only healthy, balanced and satisfied employees can make an optimal contribution to the value creation and the success of the Company. The employees are the most valuable asset of a company, the value added of which is based essentially on their expertise and consulting performance. This also includes enabling the employees to create and maintain a balance between the professional and private interests.

That is why a key aspect of the USU Group’s health management is promoting the reconciliation between family and work life. In order to guarantee an appropriate work-life balance for the employees as well as to enable individual and flexible work, staff can schedule the times they work flexibly and on their own initiative – no core working hours are set. What is more, the most varied of time models and part-time offers are available. For example, staff have the possibility of gradually reducing their work hours as well as the option of being able to take more days of vacation in return for a reduction in the compensation they receive. Furthermore, staff can take individual days of the week off by compressing their work hours. And of course staff also have the option to work from home thanks to the home office regulation.

In order to promote the health of staff and to make them aware of its importance, voluntary events on gymnastics and ergonomics at the workplace are organized on a regular basis, while other presentations are held, for example on stress management, in order to prevent burn-out conditions. Furthermore, the Company’s management is encouraged to address topics such as burn-out and work-life balance in an annual meeting. USU additionally offers a company medical service with regular consultations, vaccinations, medical check-ups, etc. Moreover, there are offers for back workouts in the Company’s offices, and free massage balls are distributed. Health offers and memberships, for example at a fitness studio, are also promoted. Furthermore, there are running groups offering regular meet-ups, while weekly meet-ups for badminton and volleyball are organized, where the costs of the court are paid for by the Company. Staff additionally have the opportunity to attend first aid seminars and to take part in road safety training courses free of charge. Alongside nutrition weeks such as “Healthy Eating” organized in cooperation with the Allgemeine Ortskrankenkasse (AOK – Health Insurance Fund) and presentations on a healthy diet, fruit is also provided to staff free of charge.

The work performed by the USU Group in the field of health management is attested by the comparatively low sickness rate of 3.7% in Germany and 3.4% worldwide. Even though it is higher than the previous year, it is well below the average of all companies. According to the German Federal Statistical Office, this figure was 4.3% in 2018, with no corresponding data being available for 2019. However, Statista the statistics portal, provides a figure of 4.34% for persons covered by state health insurance. It is also pleasing that again in 2019 there was neither an industrial accident, a case of occupational illness nor a work-related death at USU.
QUALIFICATIONS

The corporate success of the USU Group is based on the knowledge and skills of the employees, their professionalism, their character, and their creativity. USU sees itself as a learning organization, in which each employee reveals their knowledge and newly acquired skills transparently for the Company and their colleagues. Continuous professional development programs and training courses characterize the world of work and careers at the USU Group. These are carried out on the basis of individual specialist requirements irrespective of age, gender and career stage. For this reason, over 25 hours per USU employee, regardless of gender or position, were spent on training and development in 2019.

It is important for the USU Group to align training and professional development measures closely with the strategy in order to have the right skills profiles available at the right time and to motivate the staff to take part in the development of the Company. In order to counter the effects of demographic change, the technical and social skills of older employees are boosted in particular. Mixed teams are designed to help here so that the abilities of the various employee groups complement each other perfectly. The age structure of the workforce of the USU Group Germany for 2019 can be broken down as follows:

- < 30: 92
- 30–50: 354
- > 50 years: 115

This results in an average age with the USU Group Germany of 40 (2018: 40), exactly at the level of the previous year. Across the Group, as in the previous year, the average age was 40. A breakdown of the age structure by employee category is not available. The Supervisory Board of the USU Group consists of one female and two male members, each of whom is older than 50.

USU's in-house personnel development and training program “U Step up!” has formed an important building block of the Company's philosophy for many years. The individual modules are tailored to the different employee groups and their body of experience – from career entrants (Young Professionals) and experienced professionals (Senior Professionals) to executives. The program represents a broad spectrum of specialist and methodological training courses as well as workshops on social skills. Focal points include supporting and managing projects, designing change processes, and communicating with customers and colleagues.

To be able to take individual requirements into consideration based on the specific training opportunities of the employees, staff are surveyed in the course of the annual performance reviews and the necessary demand is determined. A tailored training program is accordingly produced for each individual, which is defined each year and can be adjusted in line with any change in circumstances. Among other things, individual offers are provided for the staff, including training and certification in international project management standards or individual and project-related offers on the subject of IT skill development and certification.

USU strengthens the management skills of its current and future managers using the “Executive training” course module. This is a regular two-day seminar for managers, including the Management Board and the Company founder that includes a block on team building.

The USU Group offers both a range of apprenticeships for different career profiles and the possibility to complete integrated courses of study. Apprentices additionally have the opportunity to attend external seminars. Furthermore, the USU Group encourages employees to prepare dissertations and doctoral theses. In 2019, the USU Group Germany employed 15 apprentices and students at the Cooperative State University as well as 17 interns and students on work placements.

In addition to professional development and training measures, a distinct focus is placed on health management so that employees of the USU Group can apply their services to the best possible effect over the long term. The focus here is an appropriate work-life balance and offers that serve to raise awareness, build team spirit, and promote the health of the staff. These measures are described in more detail under criterion 15, Equal opportunities.

The table below gives an overview of all personnel indicators of the USU Group Germany (and if available, the USU Group without USA) collected in 2019 as well as reference values for 2018.
### Overview of the key personnel indicators of the USU Group Germany
(In parentheses: USU Group)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees Group-wide</td>
<td>711</td>
<td>694</td>
</tr>
<tr>
<td>Number of employees in Germany</td>
<td>561</td>
<td>544</td>
</tr>
<tr>
<td>Number of apprentices / Cooperation State University students</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Number of students on work placements / interns</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Number of temporary workers</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Number of severely disabled employees</td>
<td>17 (17)</td>
<td>16 (16)</td>
</tr>
<tr>
<td>Proportion of women in the total workforce</td>
<td>28.9% (27.7%)</td>
<td>27.3% (26.3%)</td>
</tr>
<tr>
<td>Proportion of women in management positions</td>
<td>11.7% (9.7%)</td>
<td>10% (8.5%)</td>
</tr>
<tr>
<td>Proportion of women on the Supervisory Board</td>
<td>33.3%</td>
<td>0%</td>
</tr>
<tr>
<td>Proportion of employees with a university degree</td>
<td>69.3%</td>
<td>70%</td>
</tr>
<tr>
<td>Average age</td>
<td>40 (40)</td>
<td>40 (40)</td>
</tr>
<tr>
<td>Number of employees working part-time</td>
<td>16.7% (14.5%)</td>
<td>14.8%</td>
</tr>
<tr>
<td>Sickness rate</td>
<td>3.7% (3.4%)</td>
<td>3.6%</td>
</tr>
<tr>
<td>Turnover rate</td>
<td>9.4% (9.2%)</td>
<td>9.9% (9.4%)</td>
</tr>
<tr>
<td>Professional development and training days / employee</td>
<td>2.7 (3.2)</td>
<td>2.5 (2.8)</td>
</tr>
</tbody>
</table>

### HUMAN RIGHTS

The USU Group is committed to the respect for human rights and recognizes its social responsibility. As the USU Group maintains locations exclusively within Europe and the US, where high standards apply by law, the observance of human rights is protected in the full extent at all business locations.

As purchasing consists for the most part in buying office supplies and equipment, special measures relating to the supply chain of the USU Group are a relatively secondary priority. Nevertheless, as a small and medium-sized enterprise, the USU Group maintains intensive, personal contacts with suppliers and banks on the basis of cooperation practiced in a spirit of mutual trust. In procurement, USU focuses on the principle of “local sourcing” and where possible prefers to work with suppliers in Germany and Europe. Furthermore, USU ensures compliance with its procurement criteria. Every partner has to document their commercial responsibility at the beginning of the business relationship by signing a code of conduct. This is based primarily on the ILO core labor standards. The US Group can confirm that it is not aware of any negative impact from its supply chain on human rights that may have been caused by the activities performed by the Company.
CORPORATE CITIZENSHIP

A core element of the corporate culture of the USU Group is the awareness of its social responsibility. Great importance is ascribed to social responsibility within the USU Group. USU is aware that its success depends on a good environment and is therefore committed beyond its core business to social, cultural and environmental concerns in the local area. The regional area is thus the focus of the community and social engagement of the USU Group.

The USU Group supports a large number of benevolent, charitable and cultural institutions, organizations and projects, such as the Jugendhilfe aktiv foundation in Möglingen, the Silberdistel organization in Ludwigsburg for young victims of sexual abuse and the foundation of the Furtbachschule in Möglingen to raise funds for therapeutic horseback riding for children with ADHD. With donations in kind USU also provided assistance to two Syrian refugees supported by the Ludwigsburg Social and Welfare Center and Flüchtlingshilfe Dorfen e.V. With the participation of USU in the Möglingen “Wish Tree” campaign, five socially disadvantaged children received presents at Christmas. In 2019, another donation went to Kinder- und Jugendzirkus Maroni e.V. (a children and youth circus).

An important topic is also the educational partnership with schools and universities in the region – partnerships of this kind are currently in place with the Friedrich-List-Gymnasium grammar school in Asperg as well as with the universities in Stuttgart and Furtwangen. Employees conduct training courses and workshops there – based on their individual expertise – and provide training or give lectures, for example on preparing job applications and PowerPoint Presentations. In addition, schools are equipped with computer hardware. Student internships are also offered. The benefits that the grammar school in the neighboring municipality of Asperg enjoys from its partnership with USU include exchanges in the areas of economics and marketing as well as regular training for job applicants. In addition to the educational partnerships with schools, USU maintains intensive cooperation with universities. Students are offered the opportunity to complete their integrated studies or their degree dissertation or doctoral thesis at USU. What is more, the partnership is characterized by broad cooperation in the fields of research, development and innovation.

Furthermore, the Company has provided its own premises for exhibitions by local artists over the past 25 years or so.

Last but not least, USU is also concerned with sports aid. This involves direct financial support for sports clubs, individual teams and athletes, such as the hurdler Felix Franz from Bietigheim, who came fifth at the European Championships in 2014, as well as donations to the German Sports Aid Foundation. In particular, youth teams involving children of the Company’s employees are provided with special support, for example in the form of sports equipment, uniforms, or buses for trips to tournaments. Currently USU is also the jersey sponsor for the German Para-Boccia team and the Markgröningen-based IT specialist, Bastian Keller.
Furthermore, employees of individual companies have the option of voluntarily donating the cents behind the decimal point of their monthly payroll statement to a charitable purpose (suggestions from staff are welcome here), which the voluntary employees’ representation committee selects on the basis of employee proposals. USU then adds the same amount, matching the donation made by the staff in total each year. In 2019, this resulted in amount of almost EUR 3,000 which was donated to the Ludwigsburg Children’s Hospice and the Stuttgart Children’s Hospice.

In addition to the numerous projects and projects within the region, the USU Group is also aware of its responsibility as an international company to people in need of help in particular in developing countries. That is why regular donations are made to aid organizations, such as SOS Children’s Villages, the burundikids e.V. children’s relief organization, Kinder unserer Welt (Children of our World), and Youth a New Foundation. Here, too, our employees are encouraged to put forward their own suggestions and ideas. In this way, USU also supported the Cradle of Love Baby Home project in Tanzania. This is a children’s home providing exclusively for babies and small children. The amount donated paid for basic food, milk powder, nappies, doctor visits and medicine for several months as well as furniture.

To highlight the social interest of USU, the table below shows the economic value generated and the economic value distributed (EVG&D) as well as the resulting economic value retained for the USU Group for the 2019 fiscal year. This illustrates what monetary proportion the Company puts back into the community and reinvests in its surroundings. The data refers to the whole Group and is not broken down at national, regional or market level, as this would have required a disproportionately high amount of work on account of a lack of presentation options within the accounting software.

### Economic value generated

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Proceeds</td>
<td>91,356,803,01</td>
</tr>
<tr>
<td>= Sum of economic value generated</td>
<td>91,356,803,01</td>
</tr>
</tbody>
</table>

### Economic value distributed

<table>
<thead>
<tr>
<th></th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Operating costs</td>
<td>31,990,599,12</td>
</tr>
<tr>
<td>+ Wages and other benefits</td>
<td>53,799,618,68</td>
</tr>
<tr>
<td>+ Payments to providers of capital</td>
<td>4,218,158,36</td>
</tr>
<tr>
<td>+ Payments to the government</td>
<td>2,748,742,00</td>
</tr>
<tr>
<td>Germany</td>
<td>2,657,987,00</td>
</tr>
<tr>
<td>Austria</td>
<td>3,805,00</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>71,680,00</td>
</tr>
<tr>
<td>USA</td>
<td>15,270,00</td>
</tr>
<tr>
<td>+ Investments in the community</td>
<td>38,386,48</td>
</tr>
<tr>
<td>= Sum of economic value distributed</td>
<td>92,795,504,63</td>
</tr>
<tr>
<td>= Retained economic value</td>
<td>-1,438,701,62</td>
</tr>
</tbody>
</table>
POLITICAL INFLUENCE

USU Software AG does not generally engage in lobbying activities and does not exert any political influence. Up to 2019, no donations or lobbying mandates at all were offered to governments, political parties or politicians. Irrespective of this, the Management Board of the USU Group takes part in the activities of the local chambers of commerce and industry as well as the sector’s trade associations and gets involved in events within this framework. USU Software AG is a member of the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. (Bitkom – German Association for Information Technology, Telecommunications and New Media), itSMF Deutschland e.V. (IT Service Management Forum), the Call Center Verband Deutschland e.V. association, and the Bundesverband mittelständische Wirtschaft, Unternehmerverband Deutschland e.V. (BVMW – German Association for Small and Medium-sized Businesses), and pays the membership fees for these. Cash and non-cash donations are made exclusively for charitable purposes and are listed under criterion 18, Corporate citizenship.

CONDUCT THAT COMPLIES WITH THE LAW AND POLICY

As a stock corporation, USU Software AG bears a special responsibility for managing the Company in accordance with clear ethical principles and for setting an example in terms of conducting itself with integrity and in compliance with the law. This starts with the Company’s mission statement and covers everything from compliance policies and a code of conduct to work instructions and descriptions for the workflows of operating processes.

The USU Group is not active in any critical markets. The foreign subsidiaries are located exclusively in European countries and the US. The Corruption Perception Index of Transparency International, which measures the awareness of corruption, confirms that there is a low risk of corruption in Europe and the US. On account of the low risk on the markets, an anti-corruption guideline has not been drawn up within the USU Group. Naturally enough, however, the employees and managers of the Company are made aware of this subject. They are furthermore subject to the obligation to undergo online training courses with modules on the relevant areas in which they work. Training and awareness raising is also provided to all sales staff in the form of face-to-face compliance training programs. Furthermore, all locations of the USU Group are audited for corruption risks on an annual basis and countermeasures are initiated if called for. Contracts are reviewed by the Human Resources & Legal managing director to ensure there are no risks of corruption. In addition, a check is conducted of potential sales partners. As a preventive measure, every employee is required to comply with the dual control principle, in which all contracts and agreements are checked by at least one other person. There is additionally a policy that regulates the value limits for gifts to and from business partners. Claims for expenses and all payment transactions are checked by the Finance division and the relevant specialist department. If circumstances are thought to be suspicious, employees and other stakeholders have the possibility of contacting the compliance officer of the USU Group directly or an external ombudsman anonymously through the whistleblower system that has been integrated on the homepage. Moreover, the partners of the USU Group are required to comply with a code of conduct that it has defined.

Operational responsibility for the issues related to compliance lies with the Human Resources & Legal Managing Director. No cases of corruption have been identified for the 2019 year under review, and no administrative fines or non-monetary sanctions have been imposed on the USU Group on account of any failure to comply with laws and regulations.
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