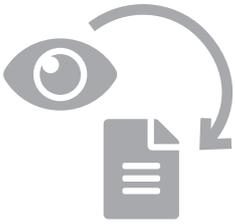


USU GROUP

# SUSTAINABILITY REPORT 2017



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# FOREWORD

Sustainable action and corporate social responsibility have gained increasing importance in business practice over the past years. The demands and expectations that the various stakeholders groups place on companies are constantly growing. Sustainable behavior and social responsibility are not at all new for us at the USU Group, but are a lived element of our corporate tradition. It is an element that has already been practiced for many years as a matter of course.

Working responsibly for the company requires behaving with integrity and prudence in our own establishment. It is our conviction that a company can be economically successful over the long term only if it is aware of its ecological responsibility and promotes social action. For us, sustainability means creating a balance between economic success, environmental responsibility, and social action.

Although our company has developed into a global, listed corporation, the structures, the sense of togetherness, and the corporate culture of a family-run business have remained.

We present our activities in the field of sustainability in this report. It provides our staff, customers, partners, suppliers, as well as institutions and all sectors of society with an overview of our approach and business philosophy.



Bernhard Oberschmidt  
Chief Executive Officer of USU Software AG



USU World 2017, KOSMOS, Berlin

# GENERAL INFORMATION

This declaration of conformity regarding sustainable development sets out to present in accordance with the German Sustainability Code for the 2017 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.

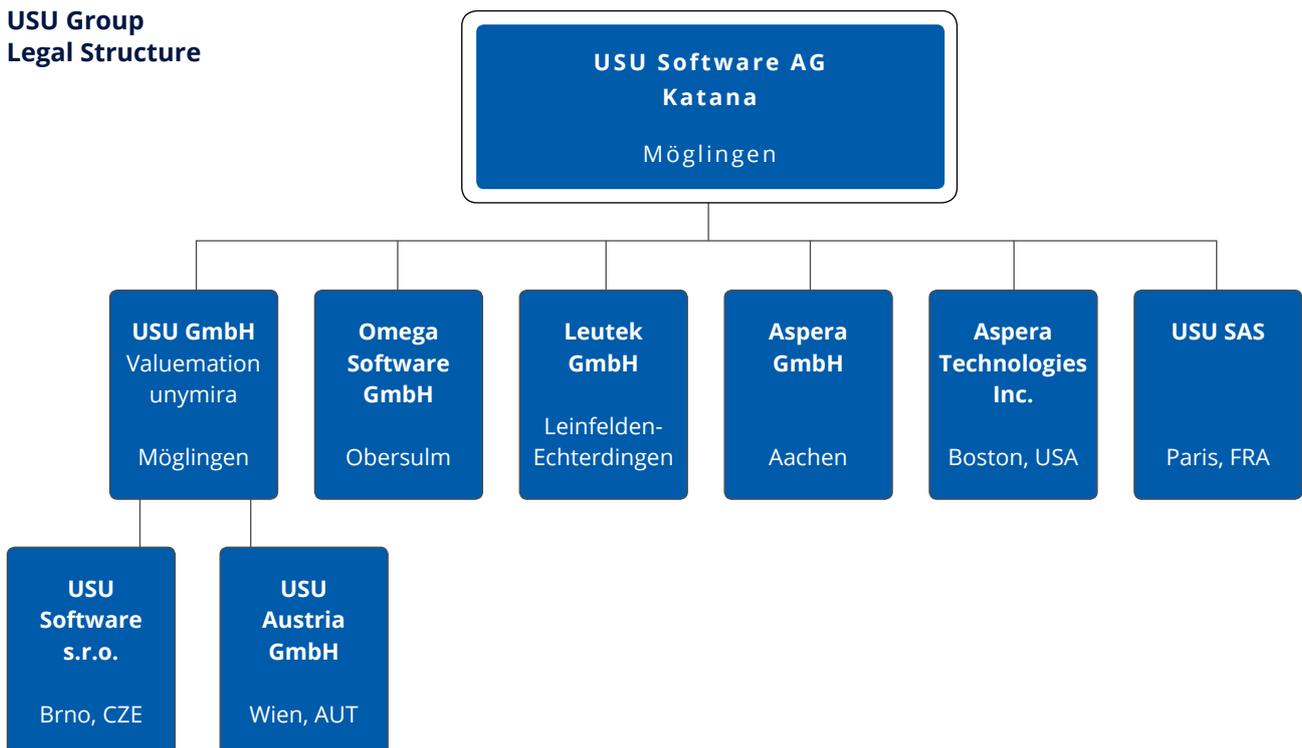
### USU Software AG at a glance

The USU Group is the largest European provider of IT and knowledge management software. Market leading companies from all sectors of the international economy use USU applications to create transparency, enhance agility, save costs and reduce their risks. In addition to USU AG, 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.

In the area of IT management, USU supports companies with comprehensive ITIL®-compliant solutions for strategic and 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. Standard software and consulting services are used to automate service workflows and actively provide knowledge for all communications channels and points of customer contact in sales, marketing and customer service. Our range in this field is rounded off by system integration, individual applications and software for industrial big data.

### USU Group Legal Structure



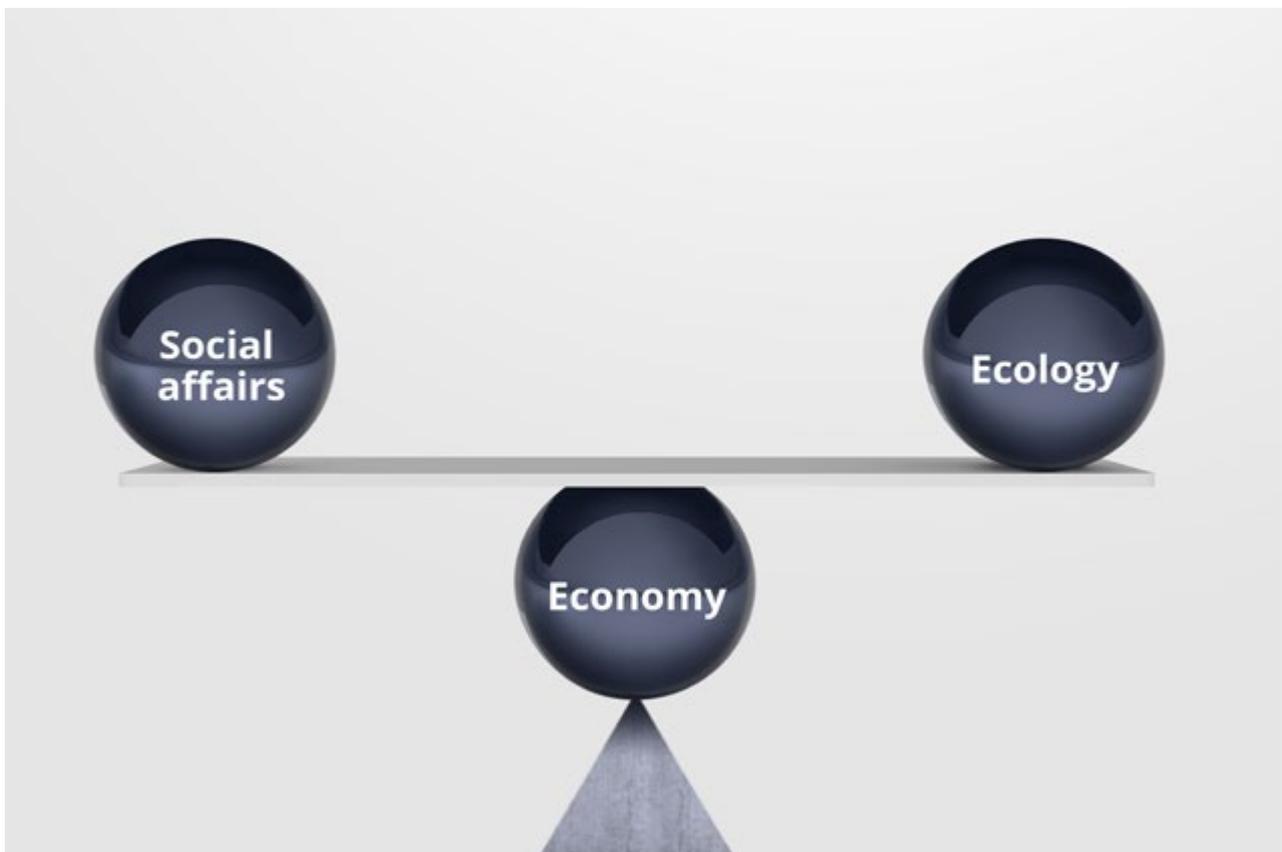
# STRATEGY

## 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.

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 and 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 of the other sub-areas 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 become more attractive to investors. The "Customers" and "Principles" principles also contribute to ensuring the USU Group's sustainable success. USU's actions are geared towards its customers, whom it offers individual software solutions. This individuality and proximity to the customer helps the Company to 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.

The USU Group is a software house whose core business involves internally developing and marketing software solutions and assisting its customers in an advisory capacity. Accordingly, its economic success 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 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 CO<sub>2</sub> efficiency class
- reducing electricity consumption e.g. by systematically switching to LED technology or virtualizing servers



The Management Board and the Company's managers intend this to create a transparent view of the Company for employees as well as customers and partners of USU Software AG.

The areas of action identified in preparing this report will help to increase awareness for key topics, record their status and document improvements. In the medium term, this will provide greater orientation 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 Labor 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, not as anything rigid. They are instead in something like perpetual motion, constantly moving, where all employees repeatedly readjust to them.

### 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 AG 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 90%. USU thus belongs to the exclusive circle of the best employers, as only one per cent of the over 640,000 companies that are reviewed on kununu have qualified for both seals of quality. The USU profile has been viewed almost 90,000 times, which reflects the relevance of the portal for many interested parties and potential applicants.

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 by 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, donations and sponsorship, USU also makes contribution to society in the form of 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.

### 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’s 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 2016.

## OBJECTIVES

— 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
- Increase the number of apprentices from 10 to 15 by December 31, 2012 (Germany)
- Increase the proportion of women in the total workforce from 27% to 30% by December 31, 2021 (Germany)
- Increase the proportion of women in management positions from 10% to 15% by December 31, 2021 (Germany)
- Keep the sickness absence rate under 3% (Germany)
- Reduce the staff turnover rate to under 10% (Germany)
- Increase the number of training and development days from 2 to 2.5 days per employee on average (Germany)
- Extend the recording of the key personnel indicators to the entire Group by December 31, 2018
- Extend the suggestion scheme to the entire Group by December 31, 2018

### Environmental impacts

- Reduce the proportion of diesel vehicles from 68% to 40% by December 31, 2025
- Increase the proportion of electric vehicles from 1% to 10% by December 31, 2025
- Reduce annual electricity consumption by 2%
- Set up an electricity charging station at the company's headquarters in Möglingen by December 31, 2021
- Increase the proportion of renewable energy from approximately 73% at the moment to 75% by December 31, 2018

The targets are communicated by the Management Board and their implementation and progress status are regularly reviewed.

## 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 issue 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. The 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, the corporate communications manager 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. For many years USU AG has operated an IT-supported company suggestion scheme that all employees have access to. Using the input screen, staff can submit proposals (title of the proposal, description, outline of the benefits), which are subsequently forwarded by the Management Board assistant to the office with the relevant specialist responsibility. If cross-divisional issues are involved, the proposal is evaluated by the responsible officer and, if the assessment is positive, put into practice. It is planned that employees in all USU companies will be able to use the company suggestion scheme in the future through the intranet that has already been introduced throughout the Group.

An appropriate system certified according to EN ISO 50001:2011 has been introduced in the area of energy management. 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 CO<sub>2</sub> 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 every employee 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.

Equal opportunities and diversity is 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.

Sustainability factors are also incorporated in the decision-making in investment processes. For example, the stage of development and the understanding of shared values of the relevant country plays a major role when selecting locations. Furthermore, the USU Group works exclusively in Europe and the US, as a secure political environment for business activities is guaranteed here.

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 allow the requirements and demands of the customers to be recognized and subsequently to be

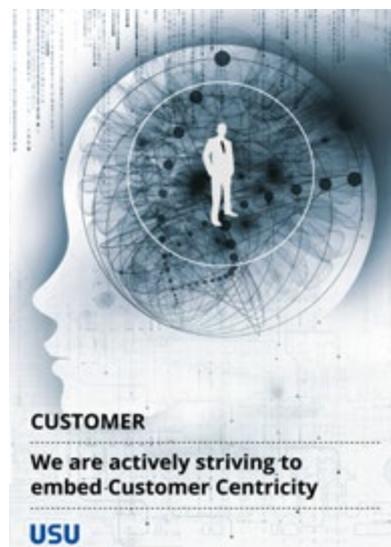
acted on and fulfilled. These channels range from customer surveys, through the annual specialist and customer congress USU-World, up to the constant direct exchanges with the company's consultants. On the other hand, and in addition to the various options for communication and feedback mechanisms, the 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 an individual 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, larger than 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 for 2017 by the Swiss investment research company ALPORA.

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 and, if necessary, supplemented, at regular intervals ever since. 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 that the emotional and social skills of the employees are at least just 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 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 reconcile 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 advocate."



## CONTROL

— 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.

Using the results as the basis, the Human Resources department elaborates measures to continue developing an employee-oriented corporate culture. You find below the most important staff-related performance indicators.

### 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 that are relevant for the USU Group are:

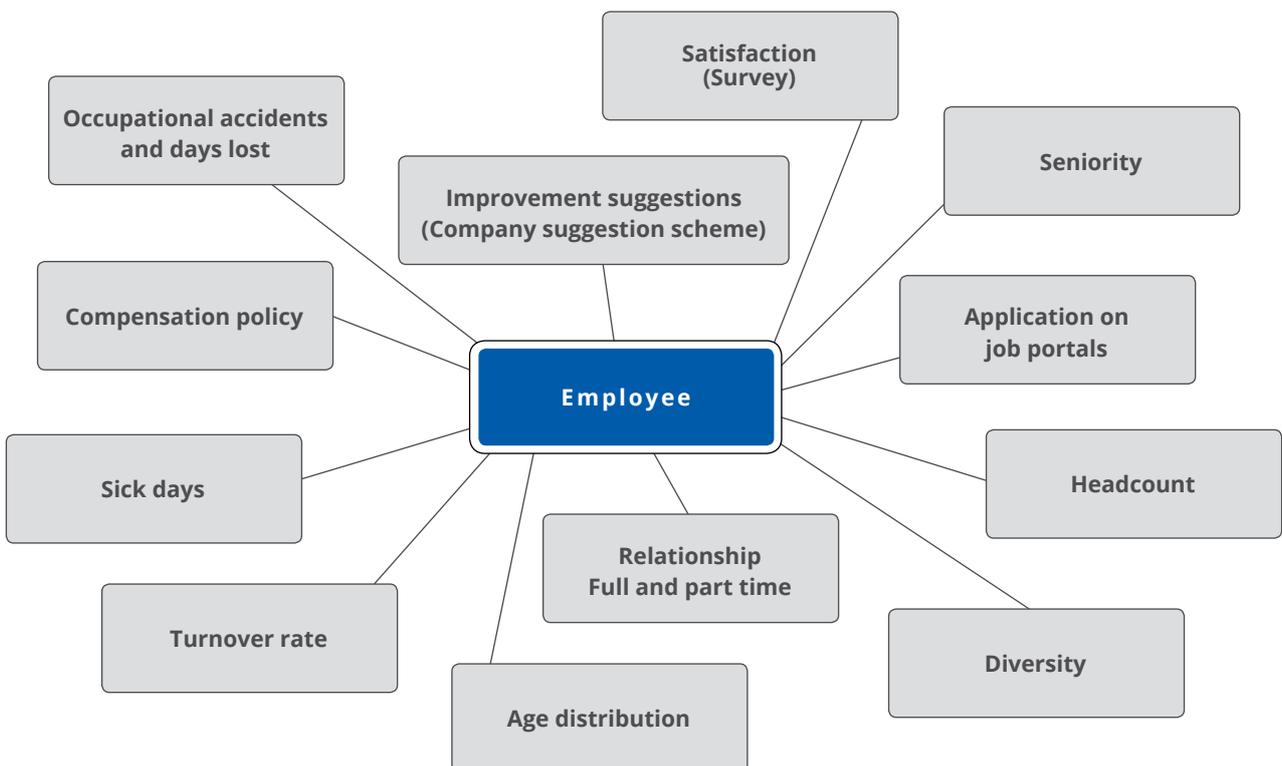
- Energy consumption: Electricity
- Proportion of renewable energy
- Fuel consumption
- CO<sub>2</sub> emissions (electricity and fuel)



## 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 house depends to a particular degree on good customer relations and the satisfaction of customers. However, the achievement of sustainability targets, such as customer satisfaction, have not previously formed an



explicit component of target agreements and compensation packages. 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.

Thanks to the IT-supported suggestion scheme, all employees have the opportunity to submit new ideas and proposals for improvements in the area of sustainability, which are then examined to see if they are feasible. Furthermore, every employee has the option of taking eight hours of paid leave a year to perform voluntary work on charity projects and for non-profit organizations.

**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

3.4 and thus demonstrates the narrow spread of salaries. All the locations outside Germany together generate the remaining 30% of Group sales and are not listed at this point on account of their less significant business activities.

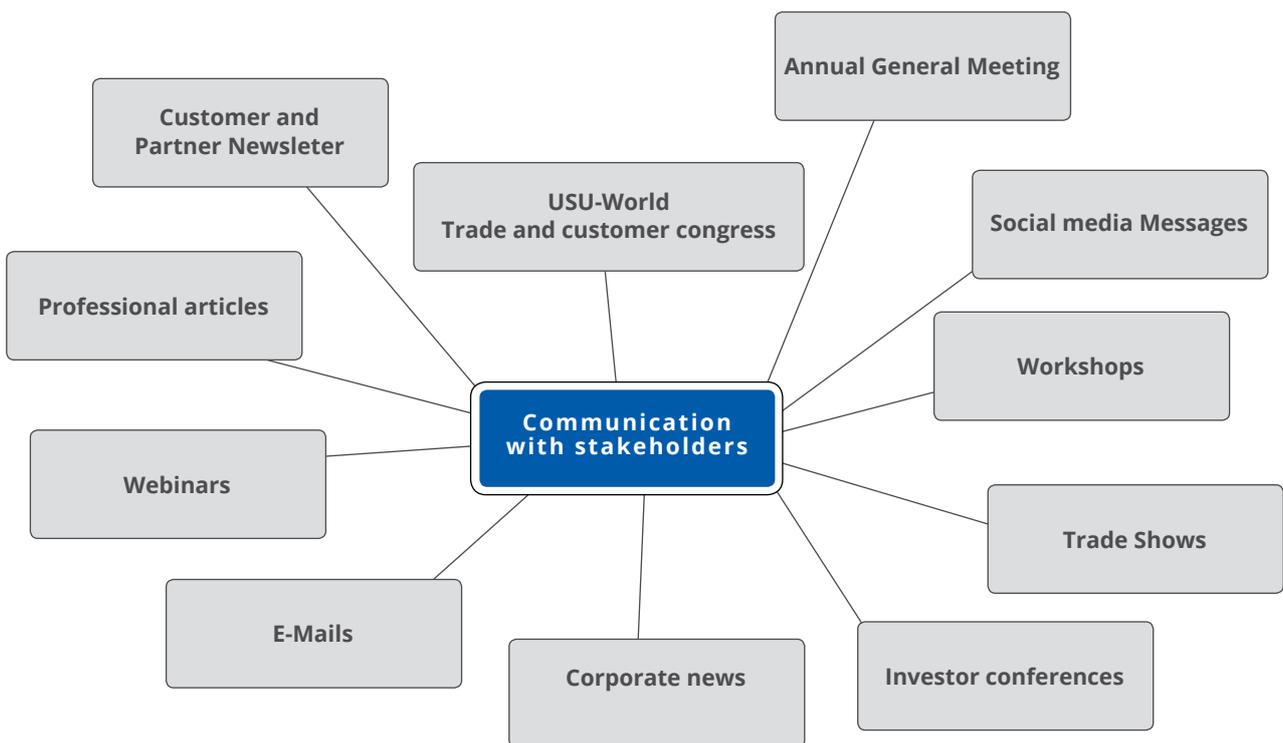
**STAKEHOLDER ENGAGEMENT**

— 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, supplier 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. In addition, a suggestion scheme which the staff can use to submit proposals of all kinds is integrated within the intranet. Furthermore, 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 are discussed and the employees' questions are tackled. Alongside that, team-building programs are an important part of this event. An open USU meet-up takes place for all staff every July, at which the current business performance and current issues are discussed and new employees are introduced. Moreover, the two-day onboarding event

“U Step In!” 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 AG, 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. Advice is regularly provided on various types of support and sponsorship.

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.



Stuttgart

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 among other things 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. For that reason, it is important on the one hand to provide these stakeholder groups with sufficient information about business transactions and, on the other, to identify their requirements. Investors and shareholders have the option of contacting the internal representative of the USU Group's investors 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. The investors and shareholders are kept informed of all key transactions and new developments through a variety of information channels, including regular newsletters, press releases forwarded by e-mail, and the use of the USU Group's homepage as an information platform.

A central point can be mentioned as an example of issues and concerns that have emerged as a result of the stakeholders: USU research and the further development of the software products are carried out based on the practical requirements of the customers. Important issues such as a solution for self-service are either evaluated using regular customer surveys or taken up, assessed and prioritized in projects and in discussions with research institutes and at trade fairs, etc. Based on the aims of a continual improvement process, customer and employee feedback and ideas are taken into

permanent consideration in the new and ongoing development of software products. For example, user friendliness and the ergonomic support of daily processes play a central role. Development is sometimes also carried out together with partners or customers.

Numerous issues and concerns are communicated by staff using the company suggestion scheme. For example, the products developed by USU have also been used internally since a proposal from an employee was implemented. Another employee suggestion related for example to a special subsidy for electric vehicles. This has been successfully implemented, and since 2017 employees have been encouraged by an additional bonus in the form of a staggered annual payment to choose their company car from a class with good CO<sub>2</sub> efficiency.



## 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 of 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. An energy management system in accordance with EN ISO 50001:2011 was introduced in 2016 for this. 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, it proved possible to reduce the energy consumption at the headquarters in Möglingen by 2.45% from 2015 to 2016, among other things by installing new energy-saving air conditioners.

The percentage of the financial assets that have undergone a positive or negative selection test based on environmental or social factors is not known. However, approximately 1% of the sales was invested in ergonomic office equipment and in the changeover to energy-efficient hardware, air conditioning inverters and LED lighting in 2017. 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.

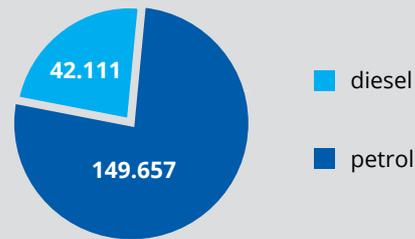
Negative environmental impacts have to be avoided as far as possible, while consumables have to be used efficiently. As an IT company, the USU Group uses natural resources to a relatively low extent. Nevertheless, the management system includes the following performance indicators:



- 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 CO<sub>2</sub> 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.

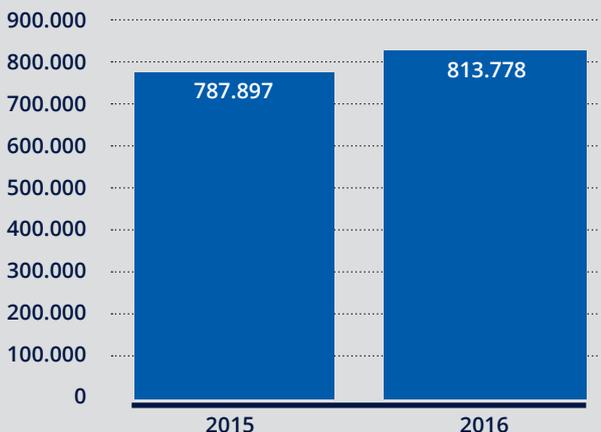
Fuel consumption of USU Group in liters 2016



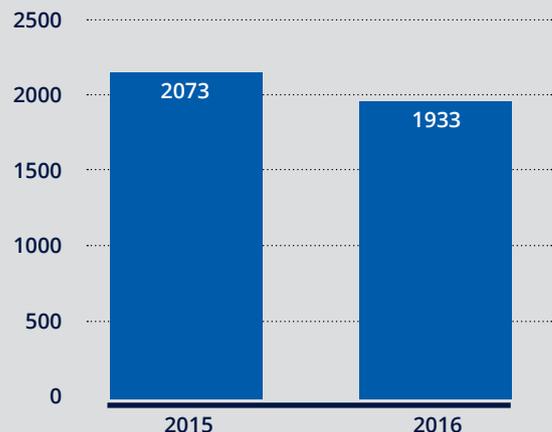
The illustrations below show both the total electricity consumption of the USU Group Germany (excluding Munich) and the consumption per employee. The values refer to 2015 and 2016. No data are available yet for 2017, as the offices are exclusively rented premises and the relevant statements of the ancillary costs were not available at the time this report was drawn up. Furthermore, the 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. A Group-wide extension of the energy management system is planned for the next few years, which will also include the recording of electricity consumption at all locations of the USU Group. It can be seen that the total electricity consumption rose slightly. Conversely, however, the consumption per employee fell from 2015 (380 employees) to 2016 (421 employees).

The graphic presented shows the total fuel consumption of the USU Group 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 2016. The figures for liters correspond to 5.31 trillion joules for the diesel fuel type and 1.33 trillion joules for the gas fuel type.

Total electricity consumption of USU Group Germany (without Munich) in kWh



Total electricity consumption from Employee of USU Group Germany in kWh



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 expense. 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. At a rough estimate, normal refuse accounted for 20% and paper for 80% of the waste in 2016. Paper waste will continue to be gradually reduced in the coming years as a result of the increasing use of electronic documentation or, 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.

## RESOURCE MANAGEMENT

— USU Group is looking to minimize the negative environmental impacts of its business activities as far as possible and to constantly increase its resource efficiency.

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

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

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 gradually developed and expanded.

The company's headquarters in the municipality of Möglingen is also located in rented premises, but the particular feature here is that the building is owned by company founder Udo Strehl. This means that there is an option here additionally to carry out energy efficiency measures. Several measures have already been implemented in the past that have demonstrably reduced the consumption of resources. From 2015 to 2016, the total electricity consumption at the headquarters in Möglingen was reduced by 2.45% through the installation of more modern, energy-saving air conditioners. In addition, the base temperature in the data center was raised, which means that less cooling capacity is required. The last three years have seen a gradual switch from halogen lamps and bulbs to LED lighting. 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. The USU Group already reduced its electricity consumption in Germany by 2.15% between 2014 and 2016.

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 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 CO<sub>2</sub> 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 below chart shows the CO<sub>2</sub> emissions of the USU Group Germany for 2015 and 2016, and it can be seen that the CO<sub>2</sub> emissions from fuel consumption rose, while by contrast those from electricity consumption fell. In sum, the CO<sub>2</sub> emissions increased slightly as a result.

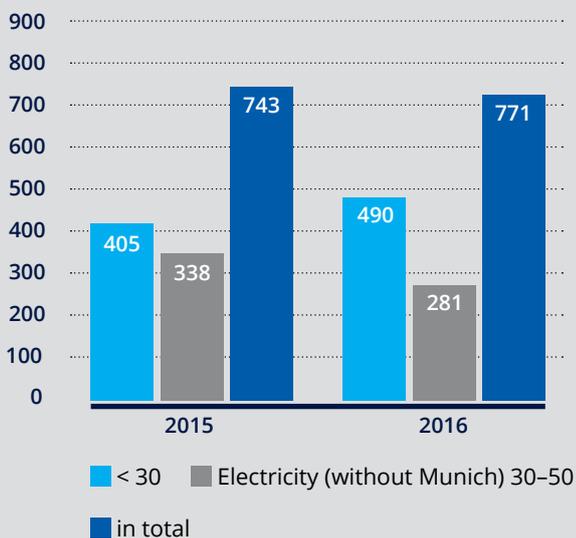
The increase in fuel consumption and the related rise in CO<sub>2</sub> emissions can be attributed to the fact the vehicle fleet was expanded from 105 to 115 vehicles. In addition, the company cars are also available to the staff for private use, where the fuel consumption on private journeys is billed through the company. As a result, only

a part of the CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> efficiency class. It is furthermore planned to significantly expand the incentive system for fuel and CO<sub>2</sub>-efficient models. By doing so, it is intended to reduce the share of diesel to less than 40% and 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. Consideration is also being given, in cooperation with the municipality of Möglingen, to building a charging station on site. 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.

As can be seen in the below chart, the CO<sub>2</sub> emissions resulting from electricity consumption have fallen by around 17%. This corresponds to a reduction of CO<sub>2</sub> emissions per employee of roughly 25%. It is intended to maintain this positive trend in the future through the measures explained above. The subsidiaries LeuTek and Aspera are already using renewable energy for 100% of their electricity at their two locations – which accounts for around half of the total electricity consumption of the USU Group Germany.

The presentation below indicates the proportion of electricity from renewable energy sources as well as the respective electricity consumption for the individual

**CO<sub>2</sub> emissions of the USU Group Germany (tons)**



Company/ location	Proportion of electricity from renewable energy	Electricity consumption in kWh
Aspera Köln	ca. 30,8 %	15.325
Aspera Aachen	100 %	207.809
Aspera Marburg	100 %	14.490
BIG Social Media	ca. 45,3 %	35.639
LeuTek	100 %	84.607
Omega Software	ca. 50 %	21.761
USU Bonn	ca. 46,9 %	100.000
USU Möglingen Bahnhofstr.	ca. 45,4 %	48.226
USU Möglingen Spitalhof	ca. 45,4 %	169.921
USU Karlsruhe	ca. 55,1 %	16.000

companies and locations. It can be concluded that around 73% of the electricity used by the USU Group in Germany in 2016 was generated from renewable sources.

The reduction in CO<sub>2</sub> emissions that has been 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 by which measures cannot be precisely verified.



## SOCIETY

### 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 Labor 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. A suggestion database is also available to the employees on the intranet. Any proposals that are posted are visible to everyone, and their processing can therefore be tracked transparently. Workshops with employees 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 the suggestions and wishes so that these can be taken into consideration where possible in the planning and implementation. Staff can also contact 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, allows the overall mood in the company to be systematically recorded.

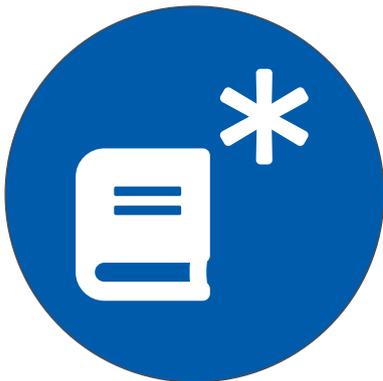
The evaluation of the employee survey is forwarded to the company's managers and staff and provides an opportunity to tackle emerging problems, suggestions and shortcomings. In 2017, for example, a Group-wide employee survey was conducted as part of the competition to be named Germany's best employer run by the Great Place To Work Institute. The 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 USU Group has a voluntary employees' representation committee instead of a works council, and no agreements

with trade unions have been entered into in this respect. Personnel and social issue, restructuring plans,

general regulations as well as the development of the business are regularly discussed at USU AG with a four-member committee elected by the staff (voluntary employees' representation) and appropriate measures are also agreed in this process. This voluntary employees' representation committee helps to enhance communication between the corporate management and employees and involves the employees in the decision-making processes. To this end, monthly discussions are held, at which at least one member of the Management Board, one head of division and, at the request of the employee representatives, other members of the company's management take part on the side of the management. The term of office of the employees on the committee is two years.

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. But it also means having respect for the environment, for resources and for current and future generations in all their diversity. The employee indicators that are presented below under this criterion and criterion 16, Qualifications, refer to the USU Group Germany and do not include the foreign locations. The existing database for personnel data is available only in German at the moment. As a result of the Group's decentralized organization, the locations are structured to work autonomously and independently of the parent company. However, it is planned to extend the existing database to all locations in the coming year in order to be able to map the figures for

all the Group's locations in the second sustainability report in 2018.

### — 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 2017, women accounted for 27% of the total workforce in Germany and occupied 10% of management positions. The Supervisory Board, meanwhile, is comprised solely of men. 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 previously

mentioned employee survey on Germany's best employers conducted throughout the Group in 2017 produced a trust index, which includes questions on credibility, respect, fairness, pride and team spirit, of 79% among female staff (male staff: 77%).

In order to encourage the employment of people with disabilities, for many years now the USU Group has offered activities as part of rehab training for young people with physical or mental impairments within the framework of the training cooperation project with [Karlshöhe](#) Ludwigsburg, an institution providing various social assistance services. 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 15 severely disabled people in Germany in 2017.

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. 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 it did not have to report any case of discrimination in 2017.



**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. The company does not wait until an employee raises the issue themselves. This is fair in this respect, as the timing and amount of salary increases are not dependent on whether the employee has the courage to broach the issue themselves.

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. This includes height-adjustable desks in addition to chairs with flexible adjustment options. 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 work from home thanks to the home office regulation. An annual family day is additionally intended to give family members the chance to get to know the employee's working environment.

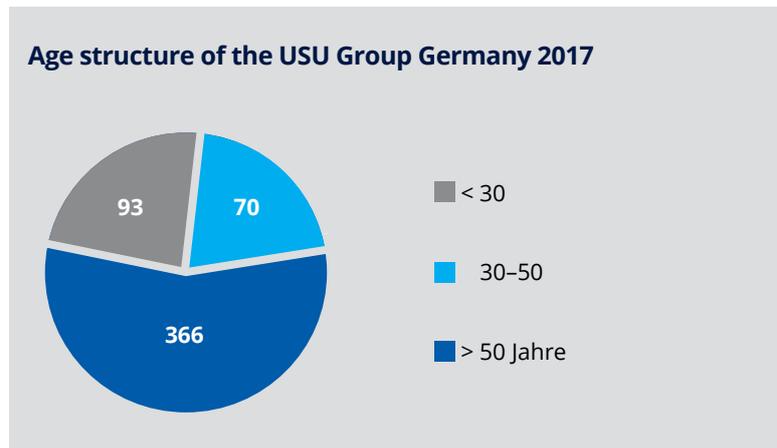
In order to promote the health of staff and to make them aware of its importance, kick-off events on gymnastics and ergonomics at the workplace are organized on a regular basis, while other presentations are held, for example on stress management, in order to prevent burn-out conditions. Furthermore, 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 in principle. 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 to by the low sickness rate of 2.5%. It is also pleasing that there was neither an industrial accident, a case of occupational illness or a work-related death in 2017.

## 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, around 16 hours per employee, regardless of gender or position, are spent every year, thus also in 2017, on training and development.

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 on the other hand, while great importance is attached to reinforcing the education and training of young people on the other. 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 2017 can be broken down as follows:



This results in an average age with the USU Group Germany of 41. A breakdown of the age structure by employee category is not available. The Supervisory Board of the USU Group consists of three 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, for example.

USU strengthens the management skills of the 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 2017, the USU Group Germany employed ten apprentices and students at the Cooperative State University as well as 35 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 collected in 2017 as well as reference values for 2016.

**Overview of the key personnel indicators of the USU Group Germany**

	2017	2016
Number of employees Group-wide	668	544
Number of employees in Germany	525	439
Number of apprentices / Cooperative State University students	10	6
Number of students on work placements / interns	35	22
Number of temporary workers	14	13
Number of severely disabled employees	15	13
Proportion of women in the total workforce	27	24
Proportion of women in management positions	10	8
Proportion of women on the Supervisory Board	0	0
Proportion of employees with a university degree	70	70
Average age	41	41
Number of employees working part-time	16	14
Sickness rate	2,5	2,8
Turnover rate	10	12
Professional development and training days / employee	2	2

**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 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 supplies 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. sourcing“ und bevorzugen soweit möglich Lieferanten innerhalb Deutschlands und Europas. Darüber hinaus

## 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:

“Birdies for Help” is a unique golf tournament that is held regularly over the course of several days. All donations and profits go in their full amount to selected children’s and youth projects in the district, such as the [Jugendhilfe](#)

[aktiv](#) foundation in Möglingen, the [Karlshöhe](#) child and youth welfare organization in Ludwigsburg, 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. Over EUR 70,000 have been collected in donations so far, all of which has been distributed to almost 20 different projects.

An important subject 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. On the occasion of the company’s 40th anniversary, USU donated 40 iPads valued at EUR 20,000 in total to the Hanfbach school, which is a neighbor to the company’s headquarters in Möglingen. This technical support is intended to boost digital and networked learning, which is so important, and the sensible use of information technology. 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,

<b>Economic value generated</b>	
Proceeds	84.419.905
<b>= Sum of economic value generated</b>	<b>84.419.905</b>
<b>- Economic value distributed</b>	
<b>Wages and other benefits</b>	<b>49.632.223</b>
<b>+ payments to providers of capital</b>	<b>4.240.020</b>
<b>+ payments to the government</b>	<b>489.084</b>
Germany	481.640
Austria	3.023
USA	4.421
<b>+ investments in the community</b>	<b>42.019</b>
<b>- Sum of economic value distributed</b>	<b>54.403.346</b>
<b>= Retained economic value</b>	<b>30.016.559</b>

the partnership is characterized by broad cooperation in the fields of research, development and innovation.

Art and culture in the region is also supported, such as the Ludwigsburg Festival. 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.

Furthermore, the 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 the employees' proposals. USU then adds the same amount, matching the donation made by the staff in total each year.

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, 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 2017, the USU Group provided support in the shape of EUR 14,000 for the organization Practical Action, which uses sustainable technologies to combat poverty in developing countries. This gives remote communities the opportunity to get connected to the world through information and communication technology, which in turn enables them to follow the national curriculum on the Internet, for example.

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 2017 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 the national, regional or market level, as this would have required a disproportionately high expense on account of a lack of presentation options within the accounting software.



## POLITICAL INFLUENCE

— USU Software AG does not generally engage in lobbying activities and does not exert any political influence. Up to 2017, 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 Deutschlands 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 since the end of 2017. 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 2017 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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