GK SOFTWARE

CSR report 2017

Simply Retail.

Contents

Corporate Social Responsibility Report from GK Software

Comments on the reporting standard

This report for the year 2017 is the first CSR report from GK Software SE. It is geared towards the declaration of compliance by the German Sustainability Code (DNK) and therefore follows the twenty DNK criteria as well as the supplementary non-financial key performance indicators, which were selected from GRI and EFFAS.

General information on the Company

GK Software SE is a publicly listed technology firm with its headquarters in Schöneck in the Saxon Vogtland region. The company has rapidly developed into a leading global provider of comprehensive store solutions since it was founded almost 30 years ago. The most important conditions for this have been the high degree of continuity in management as well as motivated and very capable employees.

GK Software[1] is one of the most important providers in the international market for store solutions with more than 248,000 installations in over 50 different countries. The company's business model consists of licence sales, extensive modification and customising services, software maintenance and a wide variety of other services. The GK Academy also generates turnover by training partners and customers and by certifying hardware. The Company has global business operations and currently generates most of its turnover in Europe, followed by North and Central America as well as South Africa. The business model is designed for further expansion in all the developed retail markets around the globe. A sales partnership has existed with SAP since 2009; as part of this, many of the range of solutions provided by GK Software SE are sold by SAP in its own name; it is then responsible for these sales.

The GK Group has developed strong growth both organically and inorganically since its listing on the stock exchange in 2008. Solquest GmbH was taken over in 2009, AWEK GmbH in 2013, the retail division of DBS Inc. in the USA in 2015 and the majority of the shares in prudsys AG in 2017, for example. Alongside several branches in Germany, the following fully owned subsidiaries are part of the Group: EUROSOFTWARE s.r.o. in the Czech Republic, StoreWeaver GmbH in Switzerland, TOV Eurosoftware-UA in Ukraine, GK Software (Pty) Ltd. in South Africa, GK Software USA Inc., OOO GK Software RUS, AWEK GmbH and AWEK microdata GmbH.

The Company's headquarters have been situated in Schöneck in the Saxon Vogtland region since it was founded. The Management Board, a great deal of the administration work and many other

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1 – The expression GK Software always refers to the corporate Group in the following text. "The Company" is also used as a synonym. When GK Software SE is used, this exclusively refers to the individual company.

important divisions are based at the company's largest business site there. The second-largest business site is the development base in Plzen, which has already existed for more than 20 years[1].

Note on the declaration of compliance
The masculine form has been exclusively used in texts to make it easier to read the material. What is written applies equally to all genders.

0.   Strategic analysis and measures

Disclosing how the opportunities and risks with regard to sustainable development are analysed for the major activities. Explaining the concrete measures in order to operate in accordance with the essential and recognised, domestic and international standards for the specific sector.

GK Software is a rapidly growing IT company operating in a forward-looking market that is subject to enormous changes. In this field, the Company views a corporate management system, which is geared to the long term, as an important foundation stone in order to maintain its leading position in the market in future too.

The corporate managers are fully aware that constant growth brings with it an increasing degree of responsibility in ecological and social terms. The whole issue of corporate responsibility is understood to involve three dimensions - economic, social and ecological responsibility - as potential for further increasing its operational performance.

In order to safeguard economic corporate success and the Company's expansion strategy, gaining and keeping personnel and extensive accompanying measures form a particularly important element in the CSR strategy within the "Active Balance" programme. Attempts are being made through a variety of measures in the regions, in which the Company is actively involved, to continue to strengthen the recognition and image of the Company as an attractive employer. This particularly applies to the company's headquarters in Schöneck and the most important development business site in Plzen. In addition to successfully attracting employees, the management team's attention is strongly focused on ensuring respectful and trusting dealings with each other and pleasant working and living conditions so that the highly qualified employees feel at home and can identify with the company. The deliberate process of creating a positive employer brand was therefore launched in 2015.

GK Software therefore believes that it has a strong social responsibility in the regions where it is active as a company. This particularly applies to the Vogtland/south-west Saxony region, which is located far from large cities and is strongly dependent on the involvement of local companies. The Company will continue to accept this responsibility in future too.

As a firm geared towards producing software, the Company consumes or uses natural resources to a lesser degree than firms that directly manufacture material goods or articles. Its focus is therefore on using as little energy and fuel as possible and handling waste in an eco-friendly manner or disposing of used electronic devices in an appropriate way. Even when constructing new buildings or redeveloping older ones, attention is paid to the need to comply with high ecological standards.

1   – We would refer you to GK Software's financial statement for the current figures on the number of employees.

GK Software SE acts according to the law at all times and believes that it is obliged to comply with national and international standards. The goals of the Company's CSR strategy are closely allied to the firm's overall targets.

1.   Materiality

Disclosing which aspects of sustainability have a major influence on business activities and how this is taken into account and systematically addressed in the strategy.

The CSR strategy at GK Software is mainly grouped around four fields of activity, which are systematically managed.

The first field of activity is the area of market leadership. GK Software claims to be one of the world's leading providers of store solutions. This requires innovative capability, top technical skills and the appropriate development resources. The skills and expertise of employees are the most important factors in this field of activity.

The second field of activity therefore fittingly involves gaining and retaining employees. This is producing the greatest challenges as a result of the effects of demographic change. The Company is therefore using a mix of extensive recruiting measures, strengthening its own employer brand and making available many services for employees in the form of further training, recreational activities and even preventive health care and measures to make everyday life easier.

In the regional ties field of activity, GK Software believes that it needs to also become involved in activities outside its direct corporate field as a strong employer in the region. As a result, measures, which have a positive effect on the further corporate environment of GK Software, are outlined in this field of activity. They include the constant ongoing development of relations with universities and schools, support for the South-West Saxony Digital network or, for example, sponsoring sports teams and support for the skiing facilities in Schöneck.

One key topic in the entire CSR strategy is the permanent improvement of the company's energy efficiency. As a result, the environmental field of activity has the primary goal of reducing the Company's energy requirements. Increasing demand as a result of the company's permanent growth naturally has to be considered as a trend that is pulling in the opposite direction. One major area of focus in this field of activity is particularly improving the energy efficiency of the firm's own buildings. Then there is the reduction in CO_2 emissions; this includes the start made on integrating electric cars in the firm's fleet, including the company's own electric charging point, and leasing company vehicles that have as few harmful emissions as possible.

2.   Goals

*Disclosing which qualitative and/or quantitative and time-defined sustainability goals have been set and oper-
ationalised and how checks are made to determine to what degree they are being met.*

It is the goal of the CSR strategy to make further improvements through responsible and
independent actions by all the stakeholders involved in all the fields of action. The envi-
ronment-related goals like energy and water consumption, preventing waste or harmful
emissions, but also socially responsible actions affect all the company's business divi-
sions and business sites. In the end, it is all about preventing or reducing negative effects
caused by the company - whether economic, social or ecological - and strengthening
the firm's responsibility towards its employees, customers, partners or the further areas
affected by the Company. This enables GK Software to make its contribution towards
protecting resources and our climate.

Based on this responsibility, the Company has set itself the following goals:

Economic goals:
– Maintaining its market leadership through a leading range of solutions

– Permanently providing further training for employees in line with the requirements of the mar-
 ket

– Reducing the overall operating costs

Ecological goals:
– Using energy and fuels efficiently and economically

– Disposing of waste in an eco-friendly manner

– Efficient recycling management, particularly with regard to used technology

– Processes that save resources

– The further digitalisation of administration to provide comprehensive processes that are paper-
 free, as far as possible

Civic goals:
– Introducing an in-house image as a good corporate citizen at all the firm's business sites

– Particularly strengthening the business site in Schöneck and the surrounding region, which is
 economically underdeveloped

– Intensifying the long-term, partner-like dealings with customers and partners

– Satisfied and motivated employees by further extending the "Active Balance" programme

3.   Depth of the value-added chain

Providing information about how important aspects of sustainability are for value creation and to what degree sustainability criteria are being checked in the value-added chain.

Most of the value-added chain is performed by GK Software itself; however, economic, social and ecological aspects are taken into consideration along the complete value-added chain. The manner in which in-house solutions and services are prepared or provided is naturally one major area of focus at the company as a leading provider of store solutions around the globe. In the case of services that are also bought in - normally programming services - or for hardware that is purchased (for the Company or for customers) or when constructing or extending its own buildings or rented property, GK Software seeks to ensure that these are provided or built according to high standards in each case.

Suppliers and partners have had to agree to the Company's Code of Conduct in order to work with GK Software since 2018. This complies with the international rules opposed to child labour and exploitation as well as compliance with ecological and social standards. GK Software published mandatory anti-corruption guidelines for its own employees in 2018. This is enabling GK Software to actively affect sustainability in the value-added chain.

4.   Responsibility

Disclosing the responsibilities for sustainability in the company's management team.

It is the goal of the Company's CSR that it is not handled in a special department, but is be lived out in all the departments as a major pillar in the corporate philosophy. This means that a significant part of the responsibility lies with managers and with each employee at GK Software. The "CSR" project team is the contact partner for the topic of CSR within the company and it has assumed the responsibility for monitoring the company's CSR goals, as defined by the Management Board, under the leadership of the Director of Investor Relations in conjunction with preparing this report.

5.   Rules and processes

Disclosing how the sustainability strategy is being implemented through rules and processes in the operational business.

A comprehensive CSR strategy was first put into operation by developing different guidelines, starting in the 2017 financial year. For example, the Code of Conduct and the anti-corruption guidelines oblige the employees, partners and suppliers to maintain the standards, to which GK Software feels obliged too. The appropriate documents are available for each employee on the Intranet at any time or are handed out to outside stakeholders. Any infringement can have consequences for employees ranging from a warning to the ending of the working relationship - and the end of any cooperation arrangement for partners. This is designed to guarantee that GK Software's business activities take into account human rights, work standards and protecting the environment.

These rules are checked and modified, if necessary, after an evaluation phase.

6.   Control

Disclosing how and which key performance indicators on sustainability are being used in regular internal planning and checks. Stating how suitable processes safeguard the reliability, comparability and consistency of data for international checks and external communications.

The relevant key performance indicators result from the fields of activity that are viewed as essential for GK Software. The Management Board periodically checks selected key performance indicators and this forms the basis for measures and modifications of the goals.

The market leadership field of activity largely depends on the number of new installations, gaining new customers, expanding into new countries and customer satisfaction. The responsible members of the Group Management Board regularly check the relevant KPIs and report on them to the Management Board, which then assesses the figures.

As far as the gaining and retaining employees field of activity is concerned, the central measured variables are the degree of fluctuation in and the gaining of new qualified employees. One core goal here is to continue increasing the attractiveness of GK Software for specialists. The ongoing extension of the "Active Balance" employer brand particularly serves this purpose. As the proportion of male applicants in the IT field is significantly higher than that of women, the goal of the proportion of females in the company has to be subordinated to the aim of gaining employees, as long as the ratios have not changed markedly here. The developments of the last few years, however, show that the absolute proportion of women in the company has fortunately increased significantly and this is reflected in the distribution of management persons too.

The measured variables in the regional ties field of activity are the number of contacts with regional institutions, public authorities and education centres, participation in or organising events with a regional connection, the scale of regional sponsoring activities as well as the Company's position as a contact partner and supporter of key interests in the region. The Company is continuing to expect further positive input through its financial and personnel support for the South-West Saxony Digital Network Association from 2018 onwards.

In the environmental field of activity, the measured variables primarily concern electricity and fuel consumption and the company's carbon emissions resulting from these. However, the geographical location of the main business site, which can only be sensibly reached by car, and the constantly growing number of company employees., who are travelling permanently, need to be noted here. The inclusion of the first electric cars in GK Software's vehicle fleet and the firm's own electric charging point mean that checks have been taking place since 2017 to determine to what degree economically viable alternatives can be recognised here. It is assumed that more electric vehicles will be purchased in future too.

Key performance indicators 5-7

EFFAS S06-01 key performance indicator

Share of the suppliers and partners within the supply chain, which have been assessed in terms of compliance with the ESG criteria.

GK Software SE promotes an awareness of sustainability and compliance with ESG criteria in its suppliers and partners. In order to take this into account, a Code of Conduct has been drawn up and this demands that all partners comply with particular principles.

EFFAS S06-02 key performance indicator

Share of the suppliers and partners within the supply chain, which have been audited in terms of compliance with the ESG criteria.

So far, GK Software has not made use of the option of auditing its suppliers and partners in line with ESG criteria. GK Software and its partners promise to pursue a common policy through the introduction of the Code of Conduct. No audits are envisaged before the full implementation of the new set of rules.

7.   Incentive systems

Disclosing how the target agreements and remuneration for managers and employees are geared towards achieving sustainability goals and long-term value creation too. Disclosing to what degree achieving these goals is part of the evaluation of the top management level (Management Board/managing directors) by the control body (Supervisory Board/Advisory Board).

The salaries of the employees at GK Software are normally individually agreed, as is normal in this sector, on the basis of the function that they fulfil and their qualifications and their responsibility. There may be salary components dependent on performance for managers and employees and they are assessed on the basis of individual and higher-level goals. There is also a share option programme for managers, which is designed to help tie them to the company in the longer term as a result of a four-year vesting period. The members of the Management Board have a variable salary component too, which depends on targets, and they participate in the share option programme. No remuneration component depending on success or participation in the share option programme is granted to the members of the Supervisory Board so that they can fulfil their task as a supervisory body for the Company without any possible conflicts of interest, particularly in setting the variable salary components for the members of the Management Board. Special work is honoured according to the value added that it generates for the company. As a result, the remuneration system at GK Software is primarily geared towards achieving the CSR goal of market leadership. There is a special bonus programme for attracting new employees to support the goal of gaining and retaining members of staff and this is valid for all the employees at GK Software.

8.   Involving groups of stakeholders

Disclosing how groups of stakeholders, which are relevant in terms of society and economics, are identified and integrated in the sustainability process. Disclosing whether and how any ongoing dialogue is maintained with them and the results of this are integrated in the sustainability process.

The formation of a team to process the CSR issues was the first step along a journey that led to this declaration of compliance. GK Software is therefore focusing on a process of dialogue with all the important stakeholders - i.e. employees, shareholders, owners and managers. As the partners are supposed to be involved in the sustainability strategy through the creation of a Code of Conduct, open communications will be essential here in future too. Suppliers and service providers, politicians, local authorities, organisations and associations as well as the general public are all viewed as outside stakeholders. In principle, GK Software communicates information about the latest developments and innovations via its press office, its website, the connected social media channels and the Intranet. Appropriate specialist publication mechanisms are used for processes that are relevant to the capital markets so that all the information is available for each person involved in the capital markets at the same time and in the same way.

9.   Innovation and product management

Disclosing how suitable processes are used to ensure that innovations in products and services improve sustainability in using own resources and for users. Stating for the major products and services whether and how their current and future effects are assessed in the value-added chain and in the product life cycles.

As a leading technology firm, GK Software consistently makes use of virtualisation, digitalisation and cloud technologies to provide slim and efficient solutions. One of the goals here is to keep the hardware footprint as low as possible, both within the company and also at customers' premises, and therefore save resources and energy. This goal was also part of the focus in developing the new OmniPOS solution. As a result of the new cloud4retail services, which have been added in 2018, retailers are now even able to forego a significant part of their own computer resources to safeguard their daily business, as the solution operates completely from a cloud.

When making new investments in technical equipment for the firm, strict consideration has been paid for years to ensure that the old hardware is replaced by more energy-efficient models that have power saving modes etc. Technology that is decommissioned can either be purchased by employees, is made available to social institutions or is disposed of professionally.

Key performance indicators 10

EFFAS E13-01 key performance indicator

Improving the energy efficiency of in-house products in comparison to the previous year.

No data is being collected on this matter at the moment, as the customer projects handled by GK Software SE always have individual features, even when using the same standard product, and use different kinds of hardware and therefore cannot be compared.

EFFAS V04-12 key performance indicator

Total investments (CapEx) in research for areas that are relevant to ESG (Environment Social Governance) in the business model, e.g. ecological design, eco-efficient production processes, reducing the effects on biodiversity, improving the health and safety conditions for employees and partners in the supply chain, developing the ESG opportunities for products, including an assessment in monetary units, e.g. as a percentage of the turnover.

No detailed data is being gathered on this at the moment, as most of the points are not relevant to the business model and services provided by GK Software SE.

However, the Company is investing in many measures to improve the health conditions for employees as part of the "Active Balance" programme, e.g. health days, massage appointments at various business sites, fitness trainers in Schöneck and Plzen, ski passes, sports clothing and registration fees for participating in competitions, the JobRad bike leasing scheme at all the German business sites and a great deal more. GK Software has made extensive investments during the last few years to construct its own fitness studio at the new Innovation Centre and expand the fitness studio at the business site in Plzen and for the ongoing extension of the GK Campus in Schöneck with many different types of activities and the firm's own nursery.

10.   Making use of natural resources

Disclosing to what degree natural resources are used for the business operations.

As an IT company, GK Software only requires natural resources for value creation to a comparatively low degree. Regardless of this, protecting the environment and resource efficiency are still important factors for the firm's daily business activities. Special attention is paid to electricity costs, building management and the organisation of business trips, as it is possible to make an impact here in a particularly effective manner.

The main focus is on energy consumption according to the Company's business model. Consideration was therefore given to using building technology that is as efficient as possible and energy-saving lighting when completing the final extension to the Innovation Centre in Schöneck in 2017. The same applies to the ongoing expansion of the GK Campus and the buildings associated with it. They will be equipped with LED lighting technology and modern, energy-efficient kitchen fittings too, just like the Innovation Centre. The hot water in the kitchen areas will be heated by the waste air from the ventilation system, for example. Triple glazing was used to provide improved heat protection when constructing the company's new nursery, while shade systems were installed at the Innovation Centre to provide improved cooling. A particularly energy-efficient ceiling heating sys-

tem has been installed in this building alongside the energy-saving underfloor heating and this means that a lower room temperature leads to the same degree of cosiness as with classic heating systems.

When purchasing new IT technology or replacing existing equipment, attention is paid to buying devices that are as energy-efficient as possible. The same also applies to replacing server technology; the issue of energy savings is particularly relevant here. Servers are also virtualised, if this is possible and makes sense, in order to keep the server landscape as small as possible and make best use of the existing technology. As a result, the total consumption of primary energy to cover the power needs for all the business sites except those in the USA and South Africa in 2017 was about 1,218,564 kwh/a[1]. It is not possible to compare this figure with the previous year, as both the number of buildings, the offices that are rented and the number of workplaces used all increased.

A well-conceived waste disposal system makes a significant contribution to relieving the environment. Waste is strictly separated at the business sites and the disposal process is placed in the hands of professional, local authority service companies. The discarding of toner and old batteries is centrally organised to ensure safe disposal.

11.   Resource management

Disclosing which quality and quantity goals have been set for resource efficiency, using renewable energy sources, increasing the productivity of raw materials and reducing the use of eco-system services and how these targets have been met or are to be met in future.

Optimising resource efficiency is in the interests of GK Software SE. The reduction of greenhouse gas emissions and the diesel fuel used to generate emergency power plays an important role here. The consumption of diesel fuel to generate emergency power, which is necessary to bridge the gap caused by any power cuts at the business site in Schöneck, amounted to 1,000 l in 2017. Reductions of almost one third were possible here in comparison with the previous year thanks to the improved stability levels in power supplies.

The largest amount of consumption is triggered by the need for fuel for company cars. One reason for this is the non-central location of the main business site in Schöneck; it is only possible to travel there by car from regions that are farther away. In addition, local appointments at customers' premises all over the German-speaking world and business trips, particularly to the development site in Plzen in the Czech Republic, are necessary. There is a policy to govern the allocation of company vehicles in line with employees' functions and work. There are also pool vehicles at all the business sites and they can be used to meet business needs. Efforts are being made to prevent trips to internal and external appointments as far as possible and use phone and video conferences in their place. Video conference systems are therefore available at all the business sites and the internal messaging system supports video conferences on each notebook or workplace computer. It has already been possible to significantly reduce the output of climate-damaging emissions as a result. In addition to the company car programme, employees in Germany can lease bicycles cheaply via the "JobRad" project through the Company and this not only saves fuel, but also boosts the employees' physical activity and health.

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1 – The rental agreements in the USA and South Africa do not permit any transparent view of the energy costs, as is normal locally, as there is just a total rental figure, which includes all the costs.

11-12 EFFAS key performance indicators

EFFAS E04-01 key performance indicator

Total weight of waste.

The total weight of the waste is not currently being logged.

EFFAS E05-01 key performance indicator

Share of the total amount of waste that is recycled.

The share of waste that is being recycled is not currently being logged. The total amount of waste that accrues is, however, separated as a matter of principle (paper, plastics/metals, organic waste, non-recyclable waste) and is picked up by local disposal companies. This also applies to kitchen waste at the business site in Schöneck, which is disposed of separately. Old machines can be purchased by employees or they are sometimes donated to social welfare institutions or schools. The remaining electronic waste is disposed of professionally.

The free drinks at the business sites in Germany are ordered in reusable bottles so that no waste is generated through this.

EFFAS E01-01 key performance indicator

Total energy consumption.

The total energy consumption in 2017 was 2,159,475 kwh/a.

Total energy consumption at GK Software SE in 2017

T.01

Final energy proportion	Energy sources	Needs	Primary energy factor	Primary energy consumption	CO2 emissions factor	Equivalent CO2 emissions
		kWhEnd/a		kWh/a	kg/kWhEnd	kg/a
Power needs	Electricity	1,218,564	2.8	3,411,979	0.606	738,450
Heating needs	Natural gas	340,074	1.1	374,081	0.247	83,998
	Oil	1,000	1.1	1,100	0.319	319
	Long-distance heating	20,880	1.3	27,144	0.247	5,157
	Wood	—	1.2	—	0.023	—
Fuel needs	Diesel/petrol	578,957	1.1	636,853	0.319	184,687
Totals		**2,159,475**		**4,451,157**		**1,012,612**

12. Emissions relevant to climate

GK Software emitted 1,013 t of CO_2 in 2017. A summary of measures on a formulated climate goal and reducing the CO_2 footprint at GK Software is being prepared. Among other things, these measures include switching to an energy-saving lighting system, sensitising employees and making greater use of local retailers for the food used in the kitchen. The inclusion of electric cars in the firm's fleet of pool vehicles and establishing its own electric charging points are making a contribution to this end. One first charging point for two vehicles will be followed by two more in the Campus area in 2018. They are also available for employees.

As several new business sites were moved into or extended during the course of 2017 and there are no comparative figures for the previous years, it is not possible to prepare a target for reducing the consumption of resources at the moment.

Key performance indicators

EFFAS E02-01 key performance indicator

Total GHG emissions (scope 1, 2, 3).

GK Software emitted 1,013 t of CO_2 during the calculation period. Data collection for scope 2 and 3 is still being prepared.

13. Employee rights

Reporting on compliance with nationally and internationally recognised standards for employee rights and how the involvement of employees in the company's sustainability management is being boosted.

The members of staff in the GK Software Group are employed in the Federal Republic of Germany, the Czech Republic, the Swiss Confederation, Ukraine, South Africa and in the USA. With the exception of the USA, all the countries, in which Group employees work, have signed up to all the UN agreements covering human rights standards and the ILO core labour standards and have adopted them in local laws. That is to say, the standards related to freedom of association and the right to collective wage agreement negotiations, the elimination of forced labour, the abolition of child labour and the prohibition of discrimination in employment and careers are followed. The USA has only signed up to the conventions covering the elimination of forced labour and the abolition of child labour. GK Software naturally complies with all the valid laws and provisions in all the countries where it employs members of staff.

An SE works council has been established for the first time to coincide with the transformation into a Societas Europaea (SE); this was initiated by the Management Board. There were previously no employee representatives at GK Software. The Company also offers its employees holiday, parental leave or undisturbed leisure time, which go beyond the statutory stipulations, and various work

models that are adapted to the employees' life circumstances. For example, most of the employees are able to make use of flexi-time work (apart from shifts in the service department). It is also possible for some to work part-time or at a home office in line with the contractual arrangements. There is an employees' restaurant at the headquarters in Schöneck, where trained chefs working with a team prepare two main dishes every day and offer a permanently varied salad and dessert buffet. Water, tea and coffee are also available free of charge for the employees at all the business sites.

In the eyes of GK Software, it is important to create a safe and healthy working environment for each employee. The "Active Balance" programme was established for this purpose in 2015 and has been constantly expanded. In addition to making everyday life easier, like bakery or cleaning services, many leisure and sports opportunities, healthy preventive measures are also organised as part of this. The employees also have access to many internal further training opportunities through the GK Academy.

14.   Equal opportunities

Disclosing how domestic and international processes are being implemented and what goals have been established to promote equal opportunities and diversity, health and safety at work and health protection, the integration of migrants and people with disabilities, appropriate payment as well as the combination of family and career.

One fundamental element in the corporate culture at GK Software involves partner-like dealings with each other on the basis of mutual respect and trust. This involves equal opportunities and the encouragement of all employees, regardless of their age, gender, religion or philosophy, sexual orientation or ethnic affiliation. The employees at GK Software came from more than 40 different nations in 2017. Global international growth and corporate communications in English make it easier to familiarise people with the work; free language courses promote integration.

Management positions, vacancies on the Management Board and Supervisory Board are exclusively filled in line with the personal suitability and skills of the candidates. There is no mandatory age limit for these positions, as older employees in particular can represent an enrichment through their wealth of experience. As the Management Board only has two members and the Supervisory Board three, determining a quota for women does not make sense.

Permanently improving the compatibility of family and career is an important issue for GK Software. In addition to flexible working hours for parents, subsidies are available to place employees' children in child care facilities near the firm. There is an individual welcome package for the birth of each child. The opening of the firm's own nursery on the GK Campus at the headquarters represents another huge improvement for parents among the employees.

The employees provide the greatest potential for GK Software and their well-being is therefore of central importance for the firm's business procedures. The "Active Balance" programme also includes a free vaccination service, a discounted chemist's service and eye doctor examinations, which are made available to all the employees by the company physician. Extensive prevention measures, like massages and back training sessions at the various corporate business sites, are also available in conjunction with outside service partners.

The "MammutClub" was founded at GK Software to honour employees with many years of service. Employees receive a substantial financial bonus and their own car parking space at the business site in Schöneck, if they are employed there, when they are welcomed into the club.

15. Qualifications

Disclosing which goals have been set and which measures have been adopted in order to promote the employability of all members of staff, i.e. their ability to participate in the working world and employment market place, and to introduce change in the light of demographic developments.

Qualified and motivated employees are the most important asset at GK Software. However, the process of demographic change represents a challenge that can only be managed with a special strategy. GK Software has set itself the goal of not only recruiting and keeping specialists at the relevant business sites, but also contributing to the training of future specialists through expanding its cooperation with schools and universities.

Cooperation agreements signed or close informal links to Zwickau University of Applied Sciences, Chemnitz University of Technology, Freiberg University of Mining and Technology, Hof University of Applied Sciences, Mittweida University of Applied Sciences, Glauchau University of Cooperative Education, the Saxon State Academy in Plauen and the University of West Bohemia in Plzen are all particularly important. Students particularly come from these educational centres to complete work experience at GK Software or work as students or write their final dissertation at the company. In addition, the company offers many other opportunities for young people to launch their careers or gain access to the "Active Balance" programme during their training - ranging from work experience for school pupils to training to become an IT specialist or even the opportunities for sandwich courses in business IT or international management.

In addition to providing a pleasant working environment, the creation of future prospects is particularly what GK Software views as an important means of retaining employees at the firm. By pooling the organisation of specialist and personal further training opportunities at the GK Academy, the firm is able to focus on constantly developing and retaining employees.

These training courses, which also include language seminars, can be arranged by each individual employee using an online tool in consultation with their manager to match their preferences and needs. By making available many courses as webinars on the company's Intranet, the facilities are made available to employees in alternative work models too.

Key performance indicators 14 - 16

EFFAS S03-01 key performance indicator

Age structure and distribution (number of full-time equivalents according to age groups)

The 983 employees in the GK Group were divided into the following age groups in December 2017.

Age structure on 31 December

T.02	Age	Number of employees	Proportion %
	Aged under 21	13	1.3
	Aged 21 - 30	248	25.2
	Aged 31 - 40	384	39.1
	Aged 41 - 50	213	21.7
	Aged 51 - 60	107	10.9
	Aged 61 - 70	18	1.8

EFFAS S10-01 key performance indicator

Number of female full-time equivalents in the total number of employees.

Of the 983 employees, 210 of them were women in December 2017.

The proportion of women in the total number of employees was therefore 21.36 %.

EFFAS S10-02 key performance indicator

The number of full-time equivalent women in management positions in comparison with the total number of full-time equivalents in management positions.

14 women and 65 men fulfil management functions with responsibility for personnel above the team leader level within the complete Group.

That represents a proportion of women of about 18%. The proportion of women in management positions therefore approximately reflects the proportion of men and women in the Group.

EFFAS S02-02 key performance indicator

Average expenditure for further training per full-time equivalent per annum.

Approx. EUR 270.00 was spent on each full-time equivalent in Germany for outside training courses during the 2017 financial year, excluding travel expenses. The following items are not directly allocated to the expenditure for further training: employees participating in conventions, conferences and congresses; coaching sessions as part of the internal mentoring programme; time and materials for individual studies (books, magazines, fee-based online portals); working hours and logistical support for EU projects, which also serve the further training needs of the employees involved.

The training sessions, seminars and webinars completed for internal employees by the GK Academy are an additional asset item. In all, 134 training sessions were completed just with internal participants in 2017 alone, for example, and another 146 where outside participants from partners or customers were involved. The number of internal participants on these courses totalled 1,258. This gives rise to a further cost item of approx. EUR 333.00, excluding travel expenses, by using a reduced internal cost rate and assuming that the training course did not always last a full day.

The average expenditure therefore totalled approx. EUR 600 per employee, without the aforementioned items that were not attributable.

16. Human rights

Disclosing which measures are being adopted for the supply chain to ensure that human rights are respected and forced labour and child labour and any form of exploitation are prevented.

GK Software, as a firm based in Germany, is obliged to comply with the guiding principles of the Organisation for Economic Cooperation and Development (OECD) for multinational corporations. Compliance with human rights and taking responsibility to prevent child and forced labour extend to the complete supply chain, which is why GK Software selects its partners with care. During any business activities within the European Union and with countries associated with the Union, it is generally assumed that the human rights standards are also followed by the partners. In order to be able to guarantee this internationally too, a Code of Conduct for partners and suppliers has been drawn up and it demands that fundamental minimum standards are complied with, in addition to the latest national and international laws.

So far, no infringements of human rights, cases of child or forced labour or exploitation have come to light in partners and suppliers.

Key performance indicators 17

EFFAS S07-02 II key performance indicator

Percentages for all the facilities that are certified according to SA 8000.

Neither GK Software SE nor its subsidiaries are certified according to SA 8000. Certification is not currently being planned either.

17.   Community

Disclosing how contributions are being made to the community in the regions where major business activities are taking place.

GK Software is working with many partners around the world. Despite this, and perhaps because of it, it views itself as a good corporate citizen and is also involved in various charitable projects on a regional basis. Support for children and young people and promoting sporting activities have been defined as major areas of focus here.

As part of this, there is strong degree of cooperation with the local skiing club and its facilities at the main business site in Schöneck and this finds expression in the form of financial subsidies and voluntary involvement by employees from GK Software. Sponsoring agreements exist beyond this with the biathlete, Megan Tanday, and the ski cross athlete, Andy Schauer.

The Tannenmühle children's home in Markneukirchen also receives regular support from GK Software. In addition to donations that are normally linked to specific goals, a VW bus has been given to the home to increase the children's mobility.

In order to promote an interest in IT, GK Software has declared itself a partner in the "Hackspace" Initiative and it makes available company premises for ardent IT hobbyists once a week for them to complete design projects or enable people who are not employees to learn programming languages too.

The "IT holiday camp" has been launched too for young IT enthusiasts; it takes place on several days during the winter holidays and has a different area of focus every year.

Another very popular, regional facility is the newly constructed Innovation Centre in Schöneck. An outdoor climbing wall, which is 15 metres high, has been built here and sports enthusiasts can cope with approx. 20 routes ranging from difficulty levels 3 - 7 (UIAA).

18.   Political influence

Disclosing the essential submissions for legislative procedures, all the entries on lobby lists, all the major payments of member fees, all the contributions to governments as well as all the donations to parties and politicians.

The software sector is viewed as being in a state of constant change. On this basis, it is a matter of course for GK Software to not only promise to do business in a sustainable and forward-looking manner, but also make a contribution to ensure that an informed economic policy can successfully support digitalisation. GK Software is therefore involved in various associations, like the Saxon Industry Association, which has set itself the goal of networking small and medium-sized enterprises with each other and with international corporations. Its membership in the Saxon Industry Association, BITKOM and the Industrial Data Space help to network GK Software within the sector so that it is able to act sustainably with a view to the future. Participation at IT summits organised by the German government and helping to work on relevant papers also form part of this. GK Software also participates in consultations, which affects its sphere of influence, at the German Finance

Ministry, when invited - particularly regarding the issue of implementing the planned Checkout Security Order.

No donations have been made to governments or gifts to political parties and politicians inside or outside Germany.

Key performance indicators

EFFAS G01-01 key performance indicator

Payments to political parties as a percentage of total turnover

GK Software SE does not make any donations to influence government policy. However, it does sometimes act as an event sponsor at regional political occasions. The primary aim of this is to familiarise people with the Company as a regional employer and service provider and network within the region to an even better degree.

19. Behaviour within the law and in line with directives

Disclosing which measures, standards, systems and process exist to prevent illicit behaviour and particularly corruption and how they are checked. Stating how corruption and other infringements of the law are being prevented, uncovered and sanctioned in the company.

In line with the OECD guiding principles, GK Software promises to not offer, promise, grant or demand any direct or indirect bribes or any other unfair benefits in order to win or retain an order or any other unfair advantages.

In this regard, anti-corruption guidelines, which not only provide extensive provisions and measures on prevention, but also instructions for action, have been prepared, in case any instance occurs where doubts are expressed about the legality of particular actions or a violation of the rules and laws takes place. A compliance officer has also been appointed and becomes actively involved in any instances that occur or where there are doubts about whether the rules and laws have been followed.

The compliance officer has set up a whistle-blower system on the website and other contact opportunities in order to organisationally cover the issue of whistle-blowing. This ensures that any information can be processed quickly and by drawing on the help of legal experts, if necessary.

There are no cases of corruption at GK Software, according to the current state of information.

Key performance indicators 20

EFFAS V01-01 key performance indicator

> *Expenditure and penalties after legal cases and procedures on account of anti-competitive practices or infringements of cartel and monopoly principles.*

No expenditure and penalties were incurred for legal cases and procedures on account of anti-competitive practices or infringements of cartel and monopoly issues during the financial year.

EFFAS V02-01 key performance indicator

> *Percentage of turnover in regions with a Transparency International Corruption Index rating below 60.*

The lion's share of turnover generated by the GK Software Group is achieved in countries that have a Transparency International Corruption Index rating of more than 60. The licence turnover is normally generated via SAP in countries with a lower index rating so that GK Software does not have any direct customer relations there for the time being. Direct customer relations in these kinds of countries may only occur after the licence agreement has been signed. However, these projects are often handled through partners so that GK Software   does not have any direct customer relations with the retailers, but simply with the partner. No precise measurement of the relevant turnover has been made so far, but it lies in a range of less than 5 percent of the Company's entire turnover.

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Imprint

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Notes

Note to the statement
This CSR report is the English translation of the original German version. In case of deviations between these two the German version prevails. This report in both languages can be downloaded at https://investor.gk-software.com.

Note regarding the rounding of figures
Due to the commercial rounding of figures and percentages small deviations may occur.

Disclaimer
This report can include statements concerning the future, which are subject to risks and uncertainties. They are estimations of the Board of Management of GK Software SE and reflect their current views with regard to future events. The Company assumes no obligation to update such expressions or forecasts.